

# UK market instruments

## *Country update*

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**10th Annual Workshop on GHG Emission Trading**

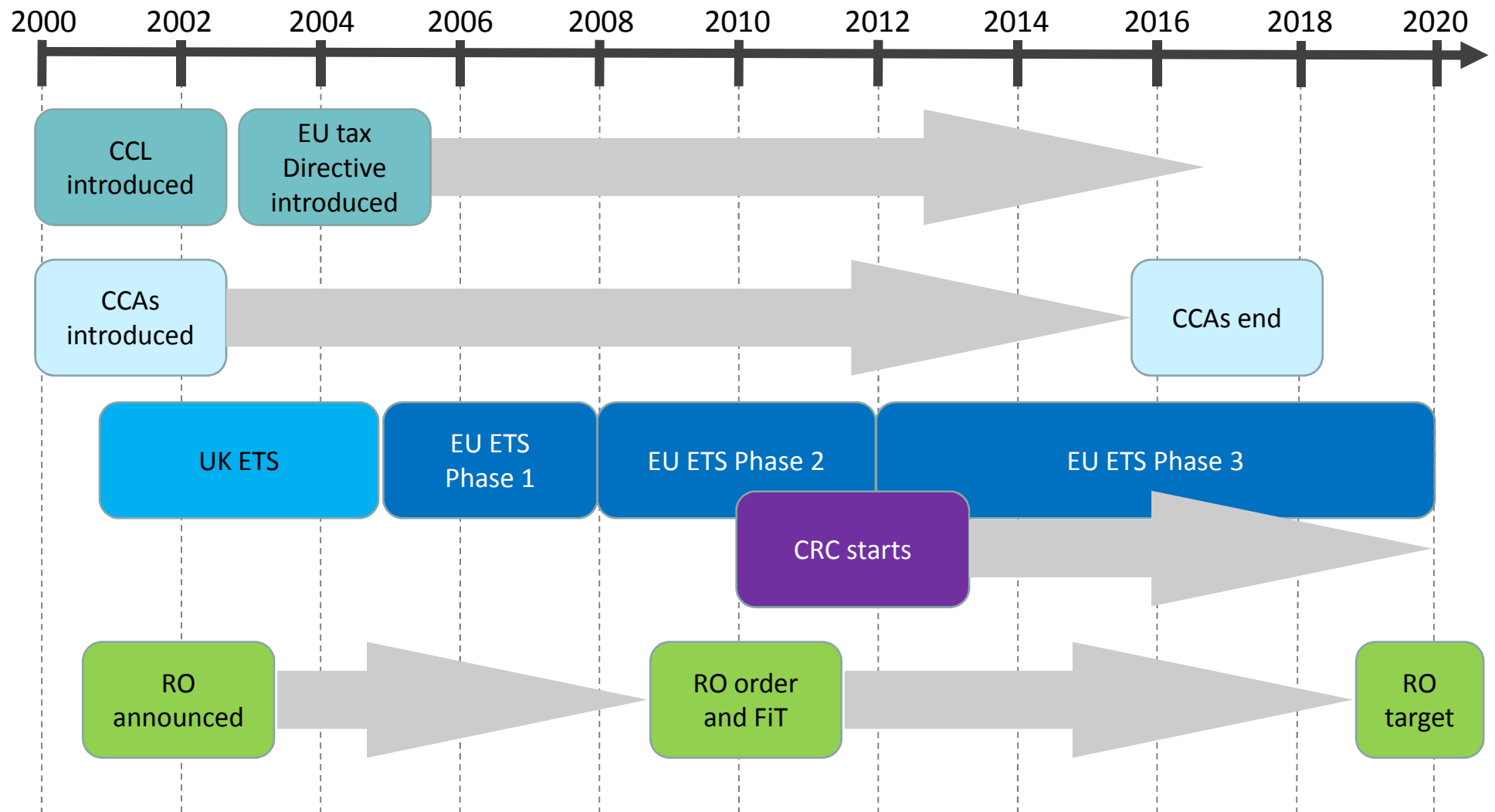
**20 September 2010**

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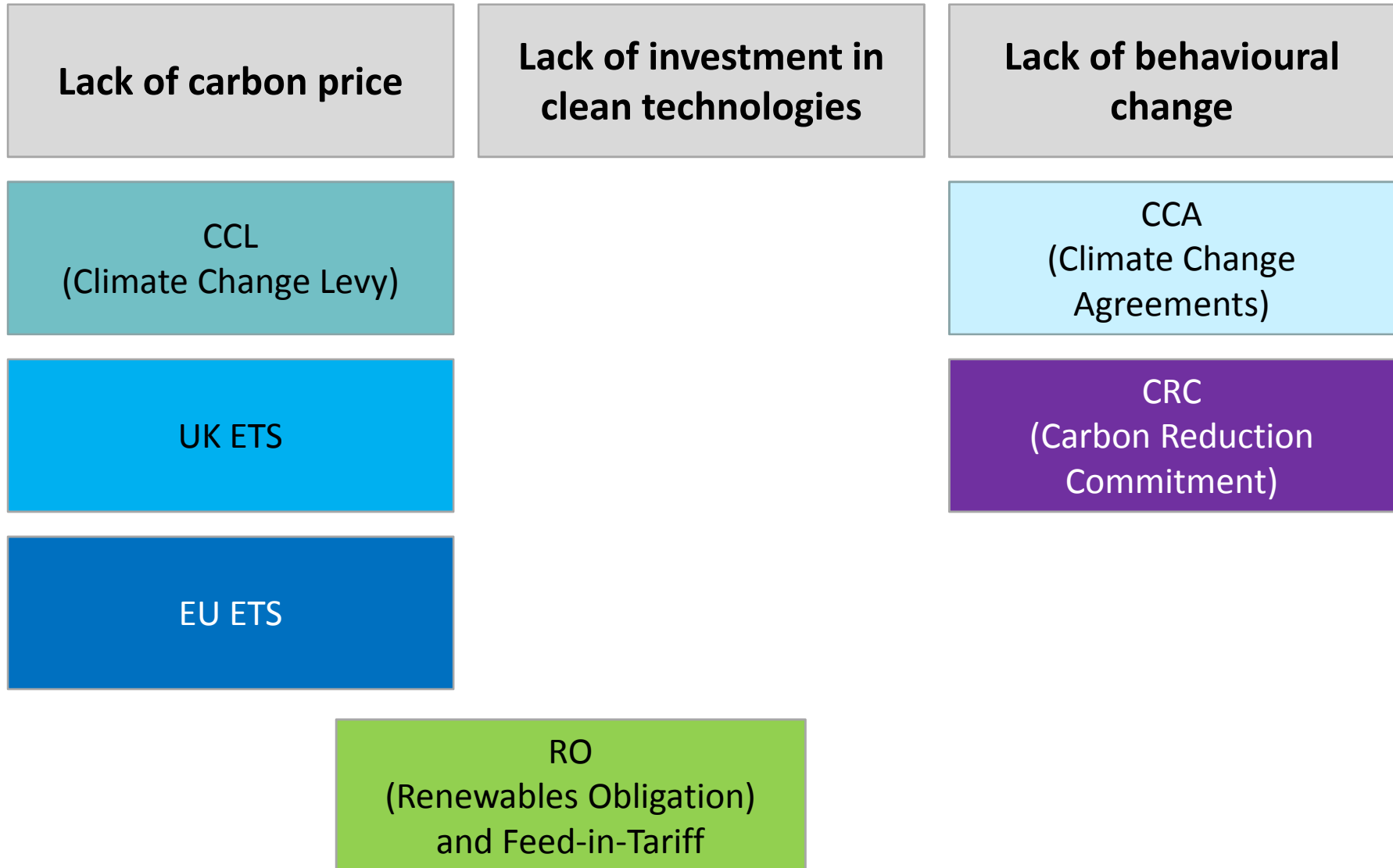
**1. UK market-based policies – lessons learned**

**2. Priorities going forward**

# The UK climate change policy framework has evolved over the past 10 years



# UK policies have been designed to address three main market failures



# Over a past 10 years, we have learned a number of lessons

- 1** Have a clear view on what the scheme should achieve and ensure that the right emissions/firms are targeted
- 2** Make sure you have accurate data for compliance purposes, with MRV the key so success
- 3** Once you have the data, setting the ambition of the scheme is crucial. It may take time to get it right
- 4** Engage actively and constructively with industry so that your scheme will work well in practice
- 5** Setting up schemes can be resource intensive, governance can be outsourced
- 6** Prior to an international agreement, your policy may have an impact on industry competitiveness
- 7** When designing schemes, its good to 'future proof' them
- 8** Finally, build in some flexibility in the scheme to make improvements over time

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## **1. UK market-based policies – lessons learned**

## **2. Priorities going forward**

## UK priorities domestically and in the EU

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- Become the ‘Greenest Government ever’, as announced by UK Prime Minister David Cameron
- Increase emissions reduction ambition – EU move to 30%
  - The current carbon price is not sufficiently strong to deliver the investment required to move the EU to a low carbon economy.
  - This would deliver greater innovation, government revenues, green jobs, air quality benefits and carbon market finance.
  - The market needs increased certainty, and a lower ETS cap would deliver this.
  - The risks to competitiveness are limited to a small number of energy intensive sectors. In the UK, we are working closely with those sectors exposed to increased costs on how best to minimise the impacts and maximise the benefits from a low carbon transition.

*Targets need to be tightened if we want to deliver a low carbon economy*

## UK priorities internationally

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- Demonstrate progress at UNFCCC Cancun meeting, building on the progress made in Copenhagen
- Reform the CDM and creation of new large scale ‘sectoral’ mechanisms to support enhance mitigation action
- Reach an international agreement on alternative options for HFC-23
- Promote bottom-up action to expand ETSs and test sectoral mechanisms, building capacity to encourage domestic mitigation in developing countries



**THANK YOU!**

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