The European Emissions Trading Scheme

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The European Union is often lauded as the leading global player, in its stated aims to reduce greenhouse gas (GHG) emissions by ever increasing amounts, but are these aims reflected in reality.

In 1997, the **Kyoto Protocol** committed developed countries to reduce CO2 emissions by **an average of 5% compared to those in 1990**. The Kyoto deal was not ratified until 2005, after Russia was bribed to sign up by giving them World Trade Organisation concessions, (WTO). The horse-trading was shown in this BBC report[1] from 2004.

PUTIN U-TURN COULD RESCUE KYOTO

"Russian President Vladimir Putin has surprised the world by promising to move quickly on ratification of the Kyoto climate change treaty. Mr Putin made the concession after the EU backed Russia's bid to join the WTO. The EU had made its support dependent on Russia ratifying Kyoto. Since the US rejected the treaty, Russia's backing has been vital to bring it into force."

Kyoto was originally signed in 1997 and needed the support of countries responsible for 55% of global emissions for it to come into force. Without the US, Russia was the only country large enough to push the totals over the threshold. With naked self-interest rather than any environmental belief, Putin "persuaded" the legislature to ratify Kyoto in November 2004[2].

> "The political reasons were chiefly the European Union's inexorable pressure on Russia to accede to the Kyoto Protocol in return for EU support for Russia's admission into the WTO. But President Putin pushed through the decision for economic reasons as well."
>
> "At an earlier Conference of Parties (Marrakech, 2002) negotiating the Protocol, Russia, realising its crucial value, demanded and obtained huge concessions as a condition for agreeing to sign on".

Provisions were being negotiated that allowed for "emission trading", that is, countries emitting below their targets were able to "sell" the "carbon credits" thus "earned" to countries emitting above their permitted levels.

This is still the basis for the UN Clean Development Mechanism, (CDM), but the difference is that developing countries don't have reduction targets or a baseline. In many cases, projects that were already under way, including massive coal fired power plants, have been funded in this way, with money from the West, as for example in India.[3]

As with the rest of the Eastern Bloc, Russia was in severe economic down-turn and negotiated a deal which took into account it's almost 30% decline in emissions from the 1990 baseline. When the Russian economy started to recover, it had a large deposit of emission credits in the bank, which it could sell to make windfall profits. It was generally estimated that these emission credits could be worth as much as $10 billion over the next 10 years. In effect, therefore, the industrialised nations paid Russia to join the club.

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In February 2005, the Kyoto Protocol came into force and in that same year, the European Commission created its own trading mechanism for emissions allowances, known as the Emissions Trading Scheme, (ETS).

HAS THE ETS SCHEME WORKED?

Regardless of the highly questionable need to control CO_2, the acid test is, has it done what it was supposed to do, which was to meet the Kyoto requirements? Annex I (industrialised) countries agreed to reduce their **collective** greenhouse gas emissions by **5.2% from the 1990 level.**

However, this base line of 1990 allowed signatories to claim for reductions in CO_2 output unconnected to any treaty. Post re-unification, the new Germany closed down a lot of heavily polluting East German industry. In England, the government decimated the coal industry in a rush for gas and in France and Japan, 1990 saw the start of slow economic growth.

EU statistics[4] show that the former Soviet bloc countries, now EU members, have beaten their Kyoto targets by between 16% and 48%, a major success story. Or is it? In 1990, as with Russia, the eastern bloc countries were heavily industrialised, and producing massive pollution under communism. After the collapse of the Soviet Union in 1991, these industries also collapsed and so gave an enormous carbon windfall to the new independent nations.

In the rest of Europe, **most countries have failed to meet their Kyoto targets** by amounts ranging from 41% for Luxembourg down to 3% for the Netherlands. Spain and Denmark, with massive wind infrastructure, exceeded their targets by 33% and 21% respectively.

Denmark is often held up as a paragon of renewable energy and it states that 20% of power generation is from wind. However, that bald statement hides the fact that the Grid often has to dump excess power from the unpredictable wind plants onto neighbouring countries for no reward, often leading to a situation where it may be that sometimes as little as 3% of power **consumed** comes from wind. They then purchase top-up power from hydro and nuclear plants in Norway and Sweden, (in spite of being anti-nuclear). Danish electricity costs are amongst the highest in the world as a result of subsidies for "renewable energy".

This is Denmark's take[5] on energy security:

> "Two thirds of the fuel consumed fired in large "central" power plants is **coal**. But the utilisation of coal energy on Danish power plants is substantially higher than the average of both the world and the EU. This technological stage is reflected in the tripling of the energy technology exports over the past ten years. Yet the **coal is a stable energy resource**. The world's coal reserves will last for 130 years whereas natural gas will last for 60 years and oil for 40 years. Less than 20 % of the coal reserves are situated in the Middle East and Russia, countries who – according to experience – politically use their dominance on the energy market for political objectives. Two thirds of oil and gas reserves are found in these regions."

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It seems that the Danes have no apparent worries about the dangers of CO_2 emissions from coal plants. The US has the world's largest reserves at 238 billion tonnes, followed by Russia and China.

Coal Proved Reserves by End of 2008 in Million Tonnes

Total: Anthracite, bituminous, Sub-bituminous and lignite

Source: collected and Compiled by Europe's Energy Portal

Ranking	Country	Amount
1	US	238308
2	Russian Federation	157010
3	China	114500
4	Australia	76200
5	India	58600

ARE EMISSIONS RISING OR FALLING?

Any claims that Europe is leading the way in CO_2 emissions reduction are false, as are the claims that the costs of compliance are manageable and achievable. Whilst there are differing estimates of the cost of emissions trading, the overall impact is one of high cost for consumers, with the largest burden falling on the poor. The current extreme financial situation in the Eurozone is exacerbated by these foolish and unnecessary costs.

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The UK Climate Committee[6] has just confirmed that emissions in the UK are not falling.

> Lord Turner, chair of the committee, said the recession has created the illusion that the UK is tackling climate change, but substantial declines in emissions are almost entirely the result of lower economic activity in the last year.
>
> While greenhouse gases fell by 8.6% last year, only a fraction of that was the result of measures to tackle climate change such as renewable energy or making homes more energy efficient.

Earlier in the year, the lie of falling emissions was nailed by a committee of MP's[7], the Environmental Audit Committee (EAC).

> The Government's official emissions figures for 2005–2007, which incorporate the net purchase of EU ETS credits, are… somewhat misleading in suggesting that UK emissions were reduced. Simply making a purchase of EU ETS credits does not necessarily mean that the UK is funding real and equivalent emissions reductions elsewhere.

THE COSTS OF THE EMISSIONS TRADING SCHEME – ETS

This commentary is from the UK Tax Payers Alliance:

> "The main effect of the Scheme is to increase the cost of energy for households, businesses and other organisations. This increases household bills, but **also increases business running costs and the cost of running public services such as hospitals.**
>
> The burden on consumers since the scheme was introduced on 1 January 2005 has been significant: We estimate that **the ETS cost British consumers nearly £3 billion, ($4.5 billion), in 2008**, equivalent to around £117 per family, by increasing the cost of energy.
>
> ***Our mean estimate is that the scheme has cost consumers €93 billion (£67 billion, $100 billion). That is despite the emissions price having collapsed several times for prolonged periods.***
>
> From its introduction in **2005 to** the end of **2008**, we estimate that the scheme has cost consumers across Europe between €46 billion (£33 billion, $50 billion) and €116 billion (£83 billion, $125 billion). Our mean estimate is that the scheme has **cost consumers €93 billion** (£67 billion, $100 billion). That is despite the emissions price having collapsed several times for prolonged periods.

As the ETS pushes up electricity prices, it imposes the **greatest burden on the poor and elderly**, who spend the highest proportion of their income on electricity. And, on manufacturing industries where energy costs are a substantial portion of their total production costs. Energy firms make substantial windfall profits, even in competitive energy markets. Even when permits are auctioned, the scheme is still a highly regressive tax."

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Other commentaries[8] concur although the cost estimates use different parameters:

Daily Mail 22nd June 2009

Energy bills will soar to more than £5,000 a year, ($7500) within the next decade, experts warned last night. Prices are expected to rise by 42 per cent annually, forcing thousands of families into fuel poverty. Analysts at uSwitch.com said that the average annual bills have **doubled from five years ago**.

By 2020 they are expected to quadruple as Britain increasingly relies on outdated infrastructure and "green" energy policies.

Open Europe[9] 09 October 2008
EU climate package to cost UK £9bn pa -
One million extra people in fuel poverty by 2020: "At a time of rising energy bills and worries over the economy, the EU's climate change package is the last thing that hard-pressed consumers need.

Of course it isn't just household heating costs and higher costs for industry that are major problems caused by the rush to reduce emissions of CO_2, the cost of transportation is also escalating and a gallon of regular unleaded gasoline in the UK is currently the equivalent of almost $8 and set to rise again with increasing VAT. This has a huge knock-on cost for everything else.

The juggernaut rolls on regardless of the cold hard facts and current EU targets are for a 20% reduction in GHGs, from 1990 levels, to be achieved by 2020. There was even a push for 30% but economic reality is starting to bite. These latest ETS proposals were described recently as 'like an extra tax on UK energy[10] production', by a Scottish economist

Proposals for the latest phase of the European emissions trading scheme (ETS) would mean costs similar to **an extra tax on UK oil and gas production**. This emerged in a

new study by Professor Alex Kemp and Linda Stephen of Aberdeen University, published today.

The report said there would also be an increase in operating costs, and the net increase in costs overall would be very substantial. **The study added that UK output would be replaced by production from other countries.**

The EU says that a **20%** reduction from 1990 levels **would cost $58 billion per year to 2020**, reported here by Richard Black[11] of the BBC.

The new UK government supports a **30% reduction,** which would cost **$97 billion per year to 2020**. They even say they will aim for **80% by 2050**, by which time of course they will not have to explain to a future generation how they destroyed their country and its economy for a theory.

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This is fantasy land. If the major economies of the EU haven't been successful in reaching a 5% cut so far, in spite of major subsidies for renewables, how are they going to manage 30% or even 20% in the next ten years? Just attempting to reach these pie-in- the-sky figures will destroy already fragile economies. It is all pain for no gain, as India and China continue to replace our emissions and industries with their own, with our blessing.

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GREEN JOBS

It is often claimed that green jobs will be created by promoting renewable energy, but these are **manufactured** jobs, dependent on subsidy. They are not jobs to produce goods that people want to buy, **they are jobs aimed at replacing existing energy systems with more expensive, less efficient and less reliable systems, in order to then produce the same goods**

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as before, but more expensively than before. For this, China and India are very grateful, as they expand their fossil fuel energy production in pursuit of industrial growth, without the dead hand of emissions targets to hold them back.

The current encouraging noises from the UK government on oil exploration and nuclear power are welcome but they are still wedded to the vastly expensive EU-wide system of "feed-in" tariffs whereby consumers who produce electricity from renewable energy can be paid for supplying it to the grid.

The latest twist introduced by the last UK government and taken on board by this one, is that consumers will also be paid for any electricity that they have produced **for their own use**. This means that the "feel good" brigade, who can afford to pay for toy windmills on their chimneys and poorly performing solar roof panels, will be receiving subsidy for their indulgences from the less well off, via their electricity bills.

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The other aspect of this so-called "micro-generation" is the need for "Smart Meters" to balance supply to the grid. However, that's another story and you can read it here: The Smart Grid Trojan Horse[12].

"Those whom the Gods wish to destroy, they first make mad."

LINKS

1. http://news.bbc.co.uk/1/hi/world/europe/3734205.stm.
2. http://www.politicalaffairs.net/article/articleview/368/1/62.
3. http://scienceandpublicpolicy.org/originals/no_fossil_fool.html.
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5. http://www.danishenergyassociation.com/Statistics.aspx.
6. http://www.guardian.co.uk/environment/2010/jun/30/climate-change-carbon-emissions-targets.
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11. http://www.bbc.co.uk/blogs/thereporters/richardblack/2010/05/europe_debates_climate_ambitio.html.
12. http://sppiblog.org/news/the-smart-grid-trojan-horse.

Cover photo from the European Commission, as posted on euobserver.com.