



# **Use of offsets: consideration of allowing offsets in an ETS Some views from the EU**

**Some comments by Liva Andersone, European Commission**

# Use of offsets: rationale

*Offsets is a tool to reduce compliance costs*

→ **gives capped sources access to abatement options outside the cap**

*"Pure" offsets don't lead to additional global emission reductions*

→ **"outsourcing" of required reductions by capped sources, provided they are based on robust baselines and are additional**

## Use of offsets: rationale (continued)

*Offsets are at the same time rather transaction cost intensive ...*

**→ only a second-best option to use the carbon market**

*Offsets play a facilitating role to adopt carbon market legislation*

**→ Prominent role in design debates**

*Domestic vs international offsets*

*Offsets can create obstacle to acceptance of regulatory measures later on*

# Use of offsets: quantity

*Quantity limits to ensure emission reductions also take place in covered sectors*

*Quantity limits in EU ETS:*

- **Use of international credits should not exceed 50% of reduction below 2005**
- **Different limits for new entrants and incumbents**
- **Increased use of credits (CDM/JI/other) by up to 50% of the additional reduction effort in case of new international agreement (-30% target)**

## Use of offsets: quality

*Projects should bring real emission reductions, benefit SD and have no significant adverse social and environmental impacts*

*From the start: no nuclear, nor afforestation/ reforestation credit*

*Ban on HFC23 and adipic N<sub>2</sub>O motivated by project-type specific economic and environmental concerns together with strategic considerations*

*In future, transition from "pure offsets" to "credits" with ambitious baselines needed*