

# PROJECT DEVELOPER FORUM

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**To** President Barroso  
**From** [gareth.phillips@pd-forum.net](mailto:gareth.phillips@pd-forum.net)  
**Date** 22<sup>nd</sup> October 2012  
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**Subject** The Failure of the EU Emission Trading Scheme to trigger technology change

Dear President Barroso,

We are writing to you to bring to your attention the perilous state of the European Union's Emission Trading Scheme and its contribution to efforts to reduce global emissions of greenhouse gases.

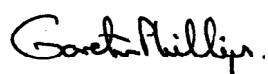
The European Commission is currently preparing the Carbon Market Review and it is expected that this review will provide further options to address the over-supply of allowances. Members of the Project Developer Forum (see Annex 1) are concerned that:

- a) The review will not provide sufficiently clear guidance but rather will offer more options which will contribute to more debate. The time of action is already long past; every day greenhouse gas emissions continue and every day, decisions are made which will lock-in emissions in the future. Industry and the global environment desperately need clear and decisive guidance now, not more options and further debate.
- b) The backloading proposals will not go far enough to address the over-supply. It is widely reported that the excess allowances will take well into the 2020s to work themselves out of the system<sup>1</sup>. Until then, the price of emission permits will be too low and industry will not react. Consequently the EU will struggle to meet its 2050 target in a cost effective manner and we will not have acted sufficiently firmly enough to avoid a 2°C average increase in global temperatures.

In our opinion, the College of Commissioners are not sufficiently committed to tackling the issue of climate change and we are requesting that you take direct steps to emphasize the importance of this issue to them, such that Commissioner Hedegaard's proposals start to make significant headway.

The concept of market based mechanisms to control and reduce greenhouse gas emissions is at a tipping point. On the one hand, very significant progress is being made in China, Australia, South Korea and California and the prospect of linkage to create a substantial market is close; on the other hand, the EU ETS, the world's leading example of an emission trading scheme, is suffering from structural failures with so many allowances in the system that prices are too low to trigger any meaningful action. In addition, the Kyoto Protocol's Clean Development Mechanism, the only viable route for developing country participation in the market, is being abandoned by the EU. The EU and the European Commission needs to continue to lead what they have started and this cannot be achieved whilst policy makers at the highest levels believe that climate change is not a priority issue.

Yours sincerely



Gareth Phillips,  
Chairman, Project Developer Association

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<sup>1</sup> Losing the Lead? Europe's Flagging Carbon Market  
[http://www.sandbag.org.uk/site\\_media/pdfs/reports/Losing\\_the\\_lead\\_modified\\_3.8.2012.pdf](http://www.sandbag.org.uk/site_media/pdfs/reports/Losing_the_lead_modified_3.8.2012.pdf)

## Annex 1 – Who is the Project Developer Forum

The Project Developer Forum (PD Forum) is a collective voice to represent the interests of companies developing greenhouse gas (GHG) emission reduction projects in international markets under the Clean Development Mechanism (CDM), Joint Implementation (JI) and other carbon emission reduction schemes and programs. Our activities are detailed in full at [www.pd-forum.net](http://www.pd-forum.net)

The PD Forum currently has 50 members and affiliates and our members account for 22% of all registered CDM projects and 15% of all CERs issued to date (approx 150 million CERs). More importantly, we represent the sector of industry that has invested significant financial and intellectual capacity in the development of the CDM and JI and we represent a significant part of the future of project based GHG mitigation in developing countries. Without the involvement of companies such as those represented by the PD Forum, the future of the CDM, new market mechanisms, project based mitigation activities and the inclusion of many Non-Annex 1 countries in the carbon market will be jeopardized.