



Markets for Ecosystem Services – An EU perspective

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EU environmental policy instruments

- Voluntary agreements (eg car industry)
- Command & control: setting standards (e.g. stocking densities on grassland)
- Getting markets right
 - Establishing an institutional framework for new markets
 - Direct monetary incentives or disincentives
 - Cap and trade

Getting markets right (1)

Institutional framework

- Legal/regulatory framework create the obligation/possibility to integrate ecosystem issues: e.g. EU Electricity Directive, Water Framework Directive, State Aid legislation
- ‘full information’: e.g. awareness raising, EIA/SEA, energy audits, Farm Advisory System, labeling (household appliances, organic food)
- Know-how/Management: R&D expenditure, training

Getting markets right (2)

Direct monetary incentives and disincentives

- ‘Green’ taxes: energy taxation, carbon taxes
- Subsidies: e.g. new CAP (decoupling, cross-compliance, carbon credit for energy crops), NATURA 2000 Directive, LIFE Environment (demonstration projects)
- Removal of ‘counterproductive’ subsidies/state aid: e.g. coal, CAP

Getting markets right (3)

Cap and trade

- EU Emissions Trading Scheme and Linking Proposal
- F-gases proposal
- Renewable energy standards
- Green certificates
- White certificates

EU Emissions Trading Scheme

- Setting up the world's largest cap-and-trade scheme (covering 45% of CO₂ emissions)
- Two periods : 2005-2007 and 2008-2012
- Initially CO₂ only
- Allowances free of charge, with option for partial auctioning
- Harmonised and consistent coverage of five major downstream sectors with thresholds
- some opt-out (2005-2007) and opt-in

Linking Proposal

- Project based mechanisms as of 2008 (fully Kyoto-compatible)
- Review when credits from project activities reach 6% of total quantity of allowances
- Excluded projects: nuclear & LULUCF
- avoiding double counting: no ERUs for installations covered by the Directive
- Baseline takes into account environmental acquis in EU and accession countries
- provisions for control of MS which projects “come in”

More Info

http://www.europa.eu.int/comm/environment/climat/home_en.htm