

Abstract

Evaluation of the Flemish purchase of emission rights

In order to reach the Kyoto target, the Flemish authorities are entitled to carry out emission reductions through projects abroad. The Flemish government has not developed a clear strategy for using these flexible mechanisms. As three departments in Flanders take an active part in the acquisition of emission rights, it resulted in a fragmented and not very efficient implementation of the policy. In its regulations and policy papers, Flanders has not sufficiently defined its own specific selection criteria for assessing the various projects. Since 2005, the Flemish government has opted mainly for the multilateral climate funds. The lack of strategy and the government's wait-and-see attitude explain why the reduction potential is still largely untapped.

Introduction

Under the Protocol of Kyoto, Flanders is required to reduce its greenhouse gas emissions by 5,2 % during the period 2008-2012. In addition to internal reduction measures, such as in transport and buildings, the Flemish authorities can use flexible mechanisms. These mechanisms offer the opportunity to acquire emission rights through emission-reducing projects abroad. Apart from the project-based mechanisms, there is also an emission trading scheme, which makes it possible to purchase any surplus rights generated by other parties to the Kyoto Protocol.

Framework

The Flemish government has to outline its climate policy in an environment that is subject to uncertainties: both the evolution of greenhouse gas emissions and the post-Kyoto framework are not known, and the price fluctuations in the carbon market are unpredictable. An adequate framework is therefore required to ensure effective use of the flexible mechanisms. However, the climate papers do not give a clear picture of the policy that is being carried out or planned. No policy scenarios taking into account the different risks have been drawn up. The regulatory framework also contains a number of incomplete strategic elements. Flanders does not have its own specific, sufficiently defined criteria pertaining to sustainable development and additionality, which could be used for assessing the emission-reducing projects. The notion of supplementarity is also vague, so that the supplementary nature of the flexible mechanisms cannot be verified. The recommended annual budget is not provided for in the financial framework. Transparency is lacking as regards both the financing of the emission rights that are to be purchased and the funding channels. Finally, as far as the organisational structure is concerned, the implementation of the policy is split up between the Department Environment, Nature and Energy (*Leefmilieu, Natuur en Energie* – LNE), the Department Economy, Science and Inno-

vation (*Economie, Wetenschap en Innovatie – EWI*) and the Flemish investment company PMV (*ParticipatieMaatschappij Vlaanderen*).

Use of the flexible mechanisms

The Flemish authorities can purchase emission rights through various channels. Since 2005, they have opted too unilaterally for a participation in multilateral carbon funds. The disadvantages of this channel, namely the risk of undersupply and the limited impact on the selection of projects, are not sufficiently compensated by the use of other channels.

Regarding the emission trading scheme, the Flemish authorities were to make a comparison with the national measures, but this condition cannot be fulfilled because a comprehensive calculation of costs is lacking. In the framework of its purchasing policy, the Flemish Region has largely followed the rules it has to comply with.

Between 2006 and the spring of 2011, the Flemish Region acquired emission rights (through the PMV company or otherwise) with an expected return of 2,5 to 3,1 million tons of CO²-equivalent, whereas the emission reduction gap amounts to 18,9 million tons of CO²-equivalent. This means that 84 to 87 % of this gap still has to be bridged. Because of the price fluctuations in the carbon market and the importance of a sound and prudent budget management, it is recommended to spread additional purchases over a period of time.

Reporting and evaluation

The Flemish authorities have published an interim report on the use of the flexible mechanisms, but it is incomplete. Current indicators are not suitable for an appropriate policy evaluation.

Minister's response

In her reply, the Minister for the Environment dwelt on a certain number of points developed in the Court of Audit's report; however, other points have received little or no attention. The Minister is sceptical about the usefulness of Flemish specific quality criteria in the field of sustainable development and additionality. The Court of Audit considers for its part that additional criteria are useful for continuity in time and are likely to promote and coordination between actors through all purchasing channels. The Minister's intention to henceforth exclude some project categories is a step in that direction. For the moment, the Minister does not think it would be appropriate for the Flemish Region to take over the rights purchased by the PMV company and she is examining other alternatives, which further complicates estimating the resources the Flemish Region will actually have to commit to achieve the Kyoto target.

The audit report on “The use of the flexible mechanisms in the framework of the Flemish climate policy” has been sent to the Flemish Parliament. The full version can be found on the Court's website (www.ccrek.be).

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