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REPORT

on the proposal for a Council decision concerning the conclusion, on behalf of the European Community, of the Kyoto Protocol to the United Nations Framework Convention on Climate Change and the joint fulfilment of commitments thereunder
(COM(2001) 579 – C5-0019/2002 – 2001/0248(CNS))

Committee on the Environment, Public Health and Consumer Policy

Rapporteur: Jorge Moreira da Silva

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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PROCEDURAL PAGE

By letter of 11 January 2002 the Council consulted Parliament, pursuant to Article 300(3), first subparagraph of the EC Treaty, on the proposal for a Council decision concerning the conclusion, on behalf of the European Community, of the Kyoto Protocol to the United Nations Framework Convention on Climate Change and the joint fulfilment of commitments thereunder (COM(2001) 579 – 2001/0248(CNS)).

At the sitting of 17 January 2002 the President of Parliament announced that he had referred the proposal to the Committee on the Environment, Public Health and Consumer Policy as the committee responsible and to the Committee on Industry, External Trade, Research and Energy and the Committee on Regional Policy, Transport and Tourism for their opinions (C5-0019/2002).

The Committee on the Environment, Public Health and Consumer Policy appointed Jorge Moreira da Silva rapporteur at its meeting of 5 November 2001.

It considered the proposal for a Council decision and the draft report at its meetings of 19 December 2001 and 23 January 2002.

At the last meeting it adopted the draft legislative resolution unanimously.

The following were present for the vote: Caroline F. Jackson, chairman; Alexander de Roo and Anneli Hulthén, vice-chairmen; Jorge Moreira da Silva, rapporteur; Per-Arne Arvidsson, Hans Blokland, David Robert Bowe, John Bowis, Philip Bushill-Matthews (for Martin Callanan), Dorette Corbey, Chris Davies, Jillian Evans (for Patricia McKenna), Anne Ferreira, Karl-Heinz Florenz, Laura González Álvarez, Robert Goodwill, Christa Klač, Eija-Riitta Anneli Korhola, Peter Liese, Minerva Melpomeni Malliori, Erik Meijer (for Jonas Sjöstedt), Rosemarie Müller, Riitta Myller, Giuseppe Nisticò, Marit Paulsen, Dagmar Roth-Behrendt, Guido Sacconi, Karin Scheele, Renate Sommer (for Giacomo Santini), María Sornosa Martínez, Catherine Stihler, Antonios Trakatellis, Kathleen Van Brempt, Phillip Whitehead.

The Committee on Industry, External Trade, Research and Energy decided on 8 January 2002 and the Committee on Regional Policy, Transport and Tourism on 19 December 2001 not to give an opinion.

The report was tabled on 24 January 2002.

DRAFT LEGISLATIVE RESOLUTION

European Parliament legislative resolution on the proposal for a Council decision concerning the conclusion, on behalf of the European Community, of the Kyoto Protocol to the United Nations Framework Convention on Climate Change and the joint fulfilment of commitments thereunder (COM(2001) 579 – C5-0019/2002 – 2001/0248(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the proposal for a Council decision (COM(2001) 579¹),
 - having regard to Articles 175(1)² and 300(2), first subparagraph, first sentence, of the EC Treaty,
 - having been consulted by the Council pursuant to Article 300(3), first subparagraph, of the EC Treaty (C5-0019/2002),
 - having regard to Rules 67 and 97(7) of its Rules of Procedure,
 - having regard to the report of the Committee on the Environment, Public Health and Consumer Policy (A5-0025/2002),
1. Approves the proposal for a Council decision concerning the conclusion, on behalf of the European Community, of the Kyoto Protocol to the United Nations Framework Convention on Climate Change and the joint fulfilment of commitments thereunder;
 2. Insists that the burden sharing agreement agreed in June 1998 be fully observed;
 3. Insists that for the second commitment period, the Commission will base its proposals for a stronger reduction target and the burden sharing between the Member States on Article 175(1) of the Treaty;
 4. Instructs its President to forward its position to the Council and Commission, the governments and parliaments of the Member States and the parties of the Kyoto Protocol.

¹ Not yet published in OJ.

² Original legal base Article 174(4) combined with Article 300 was changed to Article 175(1) combined with Article 300 by the Commission on 12 December 2001 following the opinion 2/00 given by the Court of Justice on 6 December 2001.

EXPLANATORY STATEMENT

1. Summary

Parliament is called on to state its position via the consultation procedure on the Council decision concerning the conclusion of the Kyoto Protocol. The Council decision involves the following: adoption of the Kyoto Protocol; implementation of the Protocol by the European Community and its Member States, on the basis of the undertakings set out in the Burden Sharing Agreement of 1998; and the translation of the relative undertakings defined for each Member State into absolute levels of greenhouse gas emissions, expressed in tonnes of CO₂ equivalent and determined using reliable scientific methods.

Your rapporteur recommends approval of the Council decision.

2. Background

The process of achieving a legal instrument to combat climate change acceptable to a large part of the international community started more than ten years ago in Rio de Janeiro. At the Rio Earth Summit in 1992, countries around the world accepted the challenge to combat climate change by adopting the United Nations Framework Convention on Climate Change (UNFCCC). The aim of the Parties to this Convention is to stabilise 'greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system'.

The Parties to the Convention soon realised that, in order to meet this objective, the commitment in the Convention to stabilise greenhouse gas emissions at the 1990 levels by the year 2000 had to be strengthened for the industrialised countries. During the first meeting of the Parties of the Convention (COP 1) in Berlin in 1995, an agreement to this effect was concluded and negotiations to prepare and draw up a legal instrument which would include these new commitments began.

In Kyoto in 1997 (COP 3) the Parties of the Convention were able to adopt the legal instrument, called the Kyoto Protocol to the United Nations Framework Convention on Climate Change. Six greenhouse gases are covered by the Kyoto Protocol, and it sets emissions targets to be met in the commitment period 2008-2012 for industrialised countries. In order to give the countries flexibility in how to meet the targets, the Kyoto Protocol introduces three mechanisms; Emissions Trading, Joint Implementation (to allow industrialised countries to invest in emissions-saving projects in other industrialised countries), and Clean Development Mechanism (to allow industrialised countries to invest in emissions-saving projects in developing countries).

The Protocol was open for signature from 16 March 1998 to 15 March 1999 at the United Nations Headquarters in New York, and by 15 March 1999 it had received 84 signatures.

The European Union has committed itself to achieving an 8% reduction of emissions by 2008-2012 compared to the 1990 levels, and in June 1998 a Burden Sharing Agreement was

reached whereby each Member State is allocated a percentage of emissions reductions that it should implement in order to meet this 8% reduction target.

As many controversial points had not been resolved in the Kyoto Protocol, the Parties to the Convention decided to adopt a plan of action during their fourth session (COP 4) in Buenos Aires in 1998. The purpose of the Buenos Aires Plan of Action was to help the Parties to agree on how key elements of the Protocol should be implemented.

At the resumed sixth session (COP 6a), held in Bonn in 2001, after meetings in the Hague earlier the same year (COP 6) and in Bonn in 1999 (COP 5), the Parties could finally agree on how these key elements should be implemented. The agreement reached in Bonn was finalised in Marrakesh (COP 7) in 2001, where it was turned into a legal text.

For the Protocol to come into force, it now has to be ratified by over 55 countries accounting for over 55% of all CO₂ emissions.

It is hoped that the Protocol will have come into force by the time of the 'Rio+10' Conference which is scheduled for September 2002 in Johannesburg.

3. Ten years of negotiations: the balance-sheet

a) Ten years have been lost in negotiations and talks. Over those ten lost years, between the Rio Conference which saw the launch of the idea of a planet-wide policy for action against the greenhouse effect, and the Marrakesh Conference which finalised the text of the Kyoto Protocol, the problem has become worse.

b) The fact that the US, which is responsible for more than 25% of all emissions, failed to participate in the Kyoto Protocol represents a serious limit on its inclusiveness.

c) The Protocol is less ambitious than originally projected. The EU had to pay the price of its desire to ensure an agreement at all costs by making a number of concessions, culminating in acceptance of the excessive inclusion of carbon sinks (concerning which there is not as yet sufficient scientific certainty).

Despite the above, however:

d) Even if only a small step has been taken, the alternative would have been far worse. Had it not been for the political agreement reached in Bonn and transposed into legal form in Marrakesh, the Kyoto Protocol would have been killed off, and, instead of beginning to act, we would have had to lose another ten years in negotiations for a fresh protocol.

e) Climate change is not only an extremely grave environmental problem but an issue which had been increasingly acquiring a symbolic profile in the protest movement against the destructive effects of globalisation. It may therefore be affirmed that this agreement on the Kyoto Protocol was of major importance in terms of the regulation of globalisation and international governance.

f) The EU has given proof of its leadership capacities. Without the Union's determination, it

would not have been possible to fragment the 'umbrella group', thus ensuring that other countries did not follow the example of the US and rescuing the Kyoto Protocol from an otherwise almost certain death.

g) We are now living in the 'carbon economy': our economy will in future have to internalise the cost of the externalities associated with global warming (destruction of coastline, submergence of islands, reduction in food stocks, 150 m displaced people, spread of rare diseases, loss of biodiversity). The price of a tonne of carbon will be quoted on the markets, and CO₂ emissions will represent a cost to be reflected in the general weighting of the prices of all products and activities. The winners will be those able to produce the same things using cleaner technologies.

4. Burden sharing in the EU

The breakdown of the quota allotted to the EU under the Kyoto Protocol (an 8% cut in greenhouse gas emissions over the period 2008-2012 with 1990 levels as the reference point) between the fifteen Member States was decided in 1998 by means of the Burden Sharing Agreement. There are no reasons to justify any alteration in this agreement fixing the emissions commitments for the Fifteen. The deadline for the translation of these relative agreements into absolute emission levels expressed in tonnes of CO₂ equivalent is the end of 2007.

To prevent any uncertainties undermining the credibility of the Kyoto Protocol it is essential that the emission levels for the reference year of 1990 for each Member State are determined using sound scientific methods, such as those defined by the UN framework convention and by the Kyoto Protocol.

5. The present state of affairs

Swift consultation of the European Environment Agency's data on developments in the EU regarding emissions clarifies the matter of compliance with the Kyoto goals: greenhouse gas emissions were reduced by 4% between 1990 and 1999, and the Kyoto commitment (-8%) is therefore half-fulfilled. The full picture, however, still gives cause for concern. It is clear from the national data that this positive result is due almost entirely to the reductions achieved in the UK (14%) and Germany (19%). Most of the other Member States still have much ground to make up. Furthermore, even the reductions obtained in the UK and Germany are more the result of externalities (in the British case, the changeover from coal to natural gas at the electric power stations and, in the German case, industrial conversion in the former GDR) than of any strategy specifically centred on the greenhouse effect.

In the context of this quite disturbing picture, particular emphasis should be placed on the transport sector. The European Environment Agency states that emissions could rise by 50% over the next ten years: such a development would threaten our chances of complying with the Kyoto Protocol.

6. The EU in the carbon economy

a) Common and coordinated policies on climate change

The EI has been working on the project of devising a set of Community instruments for the reduction of greenhouse gas emissions. This upstream approach will permit economies of scale, thus paving the way for swifter and less costly reductions at national level, and will also make it possible to get round national reluctance to act by means of a Community orientation.

The Community approach is based on two major instruments. The first is the implementation of a European system for trading in CO₂ emissions rights, to be put in place in 2005. The second is the European Climate Change Programme (ECCP), under which over 40 potential means of emissions reduction have already been identified in all sectors of the economy, and which will give rise to a set of ten directives and legislative initiatives, to be submitted over the next ten years.

The EP has set out, in its resolutions on the communication 'Towards a European Climate Change Programme (ECCP)' and on the green paper on the creation of a greenhouse gas emissions trading system within the European Union, two preconditions for the implementation of the above instruments, which your rapporteur considers need to be stressed once again. These are: 1) notwithstanding the multifaceted potential of market mechanisms (such as emissions trading), the priority for the EU's actions to reduce greenhouse gas emissions should still lie in the field of policies and measures, at both national and Community level; 2) policies for emissions reduction must be based on horizontal coverage of all sectors of the economy.

b) The role of the Member States

It would not be desirable, in the context of compliance with the Kyoto Protocol, for the Member States to adopt a strategy confined to the implementation at national level of those reduction measures which entail low costs in both economic and political terms. This would amount to trying to resolve the problem by reducing industrial and energy-sector emissions while failing to tackle transport and buildings (i.e. the civil construction industry). Such an option would constitute an environmental deceit and would not be economically rational. If the Member States were to avoid implementing a policy for certain sectors (including transport, despite the 50% rise in emissions within the EU predicted for the next decade), they would be failing to exploit opportunities for technological change and would also run up a much higher reduction bill for the future.

Economic and environmental logic call for a strategy requiring change in all sectors of the economy. The Kyoto process will continue long after 2012, and the emissions reductions needed will bite much deeper than the present 5.2% target. If the Member States wish to counter climate change and ensure their competitiveness in the emerging economy - in which the winners will be those who produce at the lowest emissions levels - they will have to reorientate their economic policies and internalise the environmental costs of the greenhouse effect in all economic sectors.

This means not only the introduction of measures that might be considered consensual, but also the promotion of renewable energies and natural gas, a commitment to organic farming and energy efficiency in industry and buildings, measures to promote maritime and rail goods and passenger transport, expansion of the public transport network, and research into new forms of fuel and power. Inevitably, some of the necessary measures will be visibly unpopular in nature. These will have to include the abolition of subsidies for fossil fuel, an energy tax,

and a tax on CO₂ emissions in the transport sector.