**European Parliament**
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*Committee on the Environment, Public Health and Food Safety*

**2017/0193(NLE)**

13.11.2017

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# DRAFT RECOMMENDATION

on the proposal for a Council decision on the conclusion, on behalf of the European Union, of an Agreement between the European Union and the Swiss Confederation on the Linking of their Greenhouse Gas Emissions Trading Systems
(COM(2017)0427 – C8-0000/2017 – 2017/0193(NLE))

Committee on the Environment, Public Health and Food Safety

Rapporteur: Christofer Fjellner

***Symbols for procedures***

| | |
|---|---|
| * | Consultation procedure |
| *** | Consent procedure |
| ***I | Ordinary legislative procedure (first reading) |
| ***II | Ordinary legislative procedure (second reading) |
| ***III | Ordinary legislative procedure (third reading) |

(The type of procedure depends on the legal basis proposed by the draft act.)

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council decision on the conclusion, on behalf of the European Union, of an Agreement between the European Union and the Swiss Confederation on the Linking of their Greenhouse Gas Emissions Trading Systems (COM(2017)0427 – C8-0000/2017 – 2017/0193(NLE))**

**(Consent)**

*The European Parliament*,

– having regard to the proposal for a Council decision (COM(2017)0427),

– having regard to the draft Agreement between the European Union and the Swiss Confederation on the Linking of their Greenhouse Gas Emissions Trading Systems,

– having regard to the request for consent submitted by the Council in accordance with Article 192(1) and Article 218(6), second subparagraph, point (a) of the Treaty on the Functioning of the European Union (C8-0000/2017),

– having regard to Rule 99(1) and (4), and Rule 108(7) of its Rules of Procedure,

– having regard to the recommendation of the Committee on the Environment, Public Health and Food Safety (A8-0000/2017),

1. Gives its consent to conclusion of the agreement;

2. Instructs its President to forward its position to the Council, the Commission and the governments and parliaments of the Member States and of the Swiss Confederation.

## EXPLANATORY STATEMENT

The EU Emissions Trading System (EU ETS) is the cornerstone of Europe's ambitious climate policy. It has been in place since 2005 and is the world's largest cap and trade system. It covers industrial manufacturers, electricity producers and air traffic and is the most important tool that EU has to its disposal to reduce greenhouse gas emissions in line with the 2014 European Council objective of cutting at least 40 percent greenhouse gas emissions to 2030 compared with 1990 levels.

Sectors covered by the EU ETS have to reduce their emissions by 43 percent compared to 2005, while non ETS-sectors have to reduce their emissions by 30 percent. The market mechanism in the EU ETS allows for flexibility and emission reductions in an cost-effective and efficient way, while safeguarding the international competitiveness of the EU energy intensive industries with fixed long term rules.

Now the EU ETS will be linked with the Swiss Emissions Trading System (Swiss ETS). The linking of two emissions trading systems enables participants in one system to use units from the linked system for compliance. Thereby the market is expanded and the availability of reduction opportunities increased, which in turn enhances the effectiveness of the emissions trading and reduces cost.

The EU contributes with only ten percent of global greenhouse gas emissions and, thus, cannot on its own halt global warming. In order to curb global warming, we need a climate policy that others will follow. To achieve this, our climate policy has to be cost effective and support jobs, growth and technological development. To cooperate with counties all over the globe and link other emissions trading systems to the EU ETS is of uttermost important and is one of the most effective way to combat climate change. Therefore, the linking of the EU ETS with the Swiss ETS is a first and important step to get other emitters to take their share of the responsibility and meet the long term EU policy goal of linking more emissions trading systems to EU, and effectively meet our climate objectives.

The Swiss ETS meets the requirements that are set up for linking with the EU ETS, in accordance with article 25 of the Directive establishing the EU ETS. The Swiss ETS is compatible with and has a similar design as the EU ETS. The same gases and industry sectors are covered and the same thresholds for inclusion applies. The Swiss ETS also puts a cap on greenhouse gas emissions and is since 2013 mandatory for large, energy intensive industries.

Furthermore is the annual decrease in the quantity of allowances in the Swiss ETS in line with annual decrease in the EU ETS. At the same time the allocation methodologies for the two systems are compatible. The standard method is auctioning and benchmarks are used when industries receive transitional free allocation. The current period for trading covers the same years, 2013 -2020, and penalties in the systems are similar if failing to surrender sufficient allowances.

The only major difference is that the Swiss ETS does not cover aviation activities, yet. Switzerland is however preparing an inclusion in its ETS of aviation that reflects the EU ETS rules. This is a crucial part of the linking agreement together with the inclusion of provisions that ensure compatibility between the two systems until 2030, even after the systems have undergone the current reviews 2021.

Climate change is a cross-border issue, which is best dealt with at EU and global level. To influence and get other actors around the world to follow suit EU must lead by example and combine reduced greenhouse gas emissions with preserved competitiveness. The proposed linking of the EU ETS with Swiss ETS EU will ensure that. The linking will lead to a reduction in greenhouse gas emissions, while safeguarding the international competitiveness of the EU energy intensive industries in the gradual transition to a low-carbon economy and maintaining incentives for long-term investment in low-carbon technologies.