

EU Approves Eight National Emissions Trading Plans

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By Jeff Mason

BRUSSELS (Reuters) - The European Commission moved forward with a landmark emissions trading system on Wednesday by approving eight national plans that allocate how much carbon dioxide (CO₂) industrial plants are allowed to emit.

The European Union's executive approved the plans of Belgium, Estonia, Latvia, Luxembourg, Portugal and Slovakia, while giving conditional approval to French and Finnish plans.

The scheme, set to begin in January, is a key part of the 25-nation bloc's efforts to meet commitments under the Kyoto protocol, an international agreement aimed at slowing global warming.

"Today's decision is another key step toward the start of the European emission trading scheme in less than 80 days," Environment Commissioner Margot Wallstrom said in a statement.

"I am pleased that a number of member states have amended their plans to fulfil the criteria and will be ready to start trading in January."

Under the system, companies will buy and sell certificates that essentially give them the right to pollute.

EU member states must determine or allocate how much CO₂ companies may emit, and those plans must be approved by the Commission.

CO₂, like some other gasses, accumulates in the atmosphere and traps heat, warming the globe. This is commonly known as the greenhouse effect.

A total of 16 plans have now been assessed. In July the EU executive approved five national schemes but rejected parts of plans presented by Austria, Germany and Britain.

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Of the 25 nations in the bloc, only Greece has failed to turn in its plan.

The European Union, considered by many to be a leader in the fight against climate change, supports emissions trading because it gives an economic incentive to reduce pollution.

Companies that pollute less than they are allowed can sell their allocations on the market. Firms that need more permits to pollute must buy them.

The Commission approves plans that fulfil several criteria, chief among them is whether the plan contributes to each country's Kyoto targets. If the Commission judges a plan to be too lenient by allocating more allowances than necessary, that is also a ground for rejection.

In its decision on Wednesday, the Commission said France must lower the number of allowances it allocated by 4.5 million for the trading period covered, which will run from 2005-2007.

It must also add 750 installations -- energy-producing factories -- to its plan.

The EU scheme involves some 12,000 installations across the union, including power stations, steel-makers and other energy-intensive industries.

France and Finland have until November 30 to meet the Commission's demands.

Trading in forward contract carbon allowances is already taking place ahead of the market's official launch in January. Trading has increased since Russia indicated it would ratify the Kyoto Protocol, which is necessary for it to go into force.

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