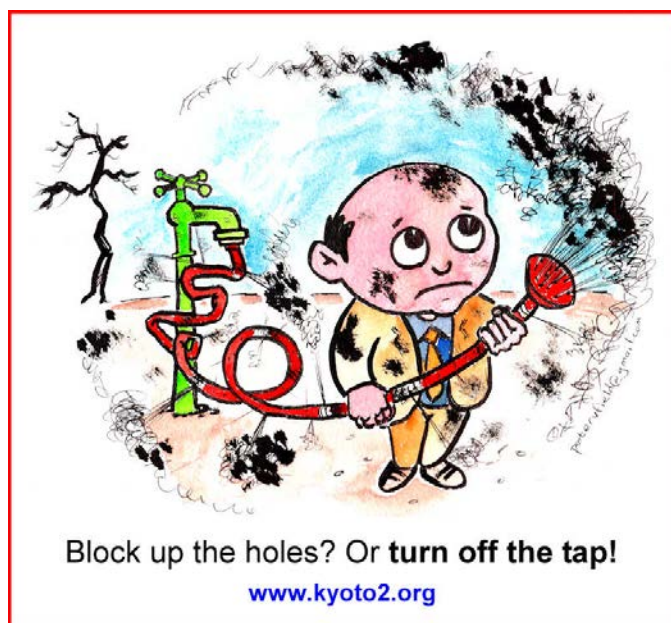


ADVANTAGES OF UPSTREAM CONTROLS ON INDUSTRIAL GREENHOUSE GASES

Summary

The EU Emissions Trading System may be radically improved by controlling emissions ‘upstream,’ at or near to their origins, instead of ‘downstream’ at the level of emissions-producing businesses, as is done now. Thus, for example, permits would be required to extract coal, oil or gas from the ground within the EU or to import them into the EU.

The proposals are described briefly in *Turn off greenhouse gases at source* and more fully in ‘Upstream’ reform of the EU Emissions Trading System which may be downloaded via links from www.k2support.org.



The main advantages are:

- In one step, the reform would achieve control over 100% of fossil carbon used in the EU, instead of less than 50% with the system as it is now.
- It is *very* much simpler and more effective to control fossil carbon at or near its origins than further downstream.
- With caps on emissions determined in the light of climate science, and without free allocations of permits, a reformed system is likely to raise the price of emissions much closer to their proper level.
- ‘Border levelling’ measures:
 - Ensure that businesses within the EU would not be put at a commercial disadvantage compared with businesses in regions or countries with less strict controls over emissions.
 - Provide a solution to the problem of ‘import emissions’ arising from fossil carbon that is embodied in traded products.
 - Fit more simply into an upstream system than into the EU ETS as it is now.
- Without emissions allowances for businesses, there would be no need within the EU ETS for the Kyoto ‘Clean Development Mechanism’ or ‘Joint Implementation’—thus simplifying administration and avoiding associated problems such as ‘additionality’, perverse incentives, spurious accounting, and fraud.
- The proposed reforms would pave the way for a global system of upstream controls, with several advantages summarised overleaf.

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A global system of upstream controls

For the world as a whole, there is an even stronger case for upstream controls on industrial greenhouse gases. Evidence and arguments are presented quite fully in the book *Kyoto2* by Oliver Tickell¹ and more briefly in the report *After Copenhagen: a radical rethink*.²

In summary, the main advantages are:

- Compared with the billions of emissions-producing people in the world or millions of emissions-producing businesses, there is only a tiny number of places that coal, oil or gas are extracted from the ground. This can mean a dramatic simplification of the system for controlling emissions.
- It is *very* much easier to ensure compliance by the operators of coal mines, oil wells or gas wells than to put whole countries in the dock if they fail to meet their targets.
- There is no need for complex negotiations about national targets for each country.
- It is much easier to ensure that caps on emissions conform to science and not political expediency.
- With upstream controls, there is no need for ‘carbon offsets’, the ‘Clean Development Mechanism’ or the like, so all the associated problems are avoided.
- There is no problem of ‘import emissions’ arising from fossil carbon that is ‘embedded’ in traded products.
- Industries in countries with tough controls do not face unfair competition from industries in countries with weak controls.
- There is no risk of ‘leakage’ of industries between countries.
- There is no need for special arrangements for international aviation or shipping.
- There is no need for ‘dual-level carbon trading’ or ‘sectoral trading and sectoral crediting’.
- There is no need for special provision to deal with loose targets from the past or with the problem of ‘hot air’.
- These kinds of simplifications can reduce or eliminate problems arising from complexity itself:
 - Causing negotiations to become bogged down in a multiplicity of options;
 - Providing opportunities for narrow interests to skew things in their favour;
 - Multiplying the costs of administration;
 - Multiplying the opportunities for fraud.
- Upstream controls can help shift the focus of negotiations from the ‘burdens’ of cutting emissions to the benefits and opportunities of new green economies.

¹ *Kyoto2: How to Manage the Global Greenhouse*, Oliver Tickell, Zed Books, 2008, ISBN 978-1-84813-025-8.

² A PDF copy of *After Copenhagen: a radical rethink* may be downloaded via a link from www.k2support.org.