

EUROPE'S KYOTO BASELINE GAME:

The higher the 1990 EU baseline the lower their violation in 2008-2012 from increased GHG emissions; as such, over time Europe's baseline crept ever higher as reality sunk in

Europe's new report,¹ found at http://reports.eea.europa.eu/technical_report_2006_10/en/EC_GHG_Inventory_report_2006.pdf (12/19/2006; 462 pages), tells the following tale:

* Europe's target of total emissions for the covered five-year period of 2008-12 is 19,682,555,325 metric tons (MT), which represents 92% of five times its 1990 emissions (Kyoto requires the five-year average not to exceed, in this case, 8% < the 1990 baseline)

* This equates to an average of 3,936,511,065 MT emitted per year 2008-12

* That figure inherently presumes a 1990 baseline of 4,278,816,375 MT²

TA DA! It looks like the 1990 baseline went up yet one more time! In the six months since its most recent report the EU's emissions *from 15 years ago* went up again, by 13,116,375 metric tons. This is on top of the 2005 up-tick of 15,200,000 MT for a total variance from the earlier 4,224,300,000 baseline figure of nearly *55 million metric tons*, or 1.3 % of the original total (with a Kyoto promise of -8%). Coincident with this, the market for ETS credits is collapsing again, chasing its own all-time lows downward.

* The original EU promise was to emit .92 of the baseline or 3,886,356,000 MT annually

* Under the *re-revised* baseline Europe promises to emit no more than 3,936,511,065 MT

* This represents not merely the EU finding itself forgiveness for 50,155,065 MT or 1.2% of its originally asserted 1990 baseline, but *also a self-bestowed 1.3% bump in Europe's emission-allowance over what they otherwise (originally) were permitted on average in each of Kyoto's 5 years.*

This deviation *in toto*, with the stroke of a pen ratcheting up the 1990 figure, represents an effective erasure of approximately 15% of Europe's Kyoto-*reduction* promise,³ thereby further and appreciably reducing by one-sixth a European burden that was already manufactured to be relatively low compared to, *e.g.*, the U.S.'s 7%-below 1990 with their insistence on the collectivization of emissions and uniquely favorable (to Europe) 1990 baseline to ride two political decisions unrelated to and preceding Kyoto (UK dash-to-gas and German reunification shuttering inefficient East German capacity).⁴

¹ The report is quite long and detailed so, as with the EU's 1990 emissions for a decade, this is preliminary.

² FWIW, page 12 of the report offers an even higher tallied baseline of 4,280.4 MMT, a difference of yet another 20 million metric tons to be addressed later.

³ Specifically, under the EU's original promise, the difference between its baseline and permitted emissions was 337,944,000, and is now 342,305,310; their forgiven emissions or bump of 50,155,065 MT represents approximately 15% of either figure.

⁴ Recall that the EU's most recent (and then-highest) claim to a 1990 baseline came on June 22 2006, found at <http://www.eea.europa.eu/pressroom/newsreleases/GHG2006-en>.

This report also comes after hectoring by Roger Helmer MEP over the curiosity of this creeping-baseline spectacle. Having requested an *explanation* of *why* this is happening, Mr. Helmer was instead provided an *excuse* as to *how* it is happening: the Commission stated that per Kyoto the EU can do whatever it wants on this front until 1/1/07 and as such the baseline(s) was "preliminary". No doubt: in 6/06 the EU reported a 1990 figure of 4,265.7 MMT emitted; previous baselines ranged from 4,224.3 MMT and the 2005 report attested to 4,252.5 MMT, so by June 2006 the EU dug up yet another 15.2 MMT under the sofa cushions.

So, since stumbling upon the genius of accounting gimmicks over actual emission reductions or additional “credit” purchases, Europe has larded *on* to its 1990 baseline 54,516,375 MT (roughly equivalent to the 1990 output of Ireland), shaving 4,361,310 metric tons *off* of its “reduction” (purchase) obligation; that is the amount that Europe no longer must reduce or, in this case, pay other countries for, each of Kyoto’s five years.

What does this mean? At current, *collapsed* prices on the ETS for 2007 contracts this still equals about \$33 million **per year** – *or over \$100 million at the price for December 2008 contracts* – in credits that need not be purchased. Europe may find some minor dignity in knowing that the ETS’s collapse has lessened the bottom-line egregiousness of their creative accounting by at the very least about \$100 million dollars per year.⁵ This is not quite the same as being the sort of actor whose record encourages other countries to team up with you in such a venture. This is particularly the case for countries – like the U.S. and unlike the EU – whose judiciary must enforce treaty obligations, an important consideration with Kyoto’s Parties having elected to make it otherwise non-binding.

Other implications would prove critical, were Europe not so obviously seeking to implement Kyoto in whatever fashion allows them to claim compliance, and further reduce its costs by whatever means necessary. As previously noted, although the variance between the (now at least 6) collective EU-15 baselines is “just” 1.3%, this amount still appears likely to be the difference in whether the EU could even attempt to claim compliance with its 8%-below 1990 promise.⁶

As such, this variance would determine if the EU-15 is permitted to purchase credits under a post-2012 regime, even under the weakest possible reading of Kyoto’s “supplementarity” requirement (also adopted in several EU Directives). That precludes trading among Parties whose non-reduction “reduction” activities (*i.e.*, use of “mechanisms”) are not “supplemental” to actual domestic reductions. With no domestic reductions from 1990 credibly projected, “supplementarity” poses a problem.⁷

This is a useful data point to educate those urging the US to join Europe in this scheme.

⁵ This is particularly true compared to when CO2 credit prices were at their highest; yet *the past few days’ collapse alone* has lowered the “take” from this accounting ploy by \$10 million.

⁶ It appears that the EU – having been put on notice that this practice was being watched – managed to keep member state cherry-picking of the most favorable numbers somewhat in check. Were this not to have occurred, as previously noted, the EU was on course to selectively invoke individual 1990 numbers that so increased their baseline from its originally cited figure that Europe would be the equivalent of up to one-quarter toward their promised “reduction” of 8% below 1990 compared to the original reduction promise.

After further comparison of the 12/16 report with historical reports I hope to provide a country-by-country chronology of deviations in historical reported baseline emissions. Note for now that since 2005 the largest increases (in absolute tons and at first blush it appears on a percentage basis as well) are found in UK (18.5 MMT [2.5%]), IT (9.2 MMT [1.8%]), and DE (15.8 MMT [1.3%]); since earlier in 2006, the only appreciable deviation is from the UK, which added yet another 11.6 MMT or 1.5% to its June 2006 assertion of 1990 emissions.

⁷ On its face, “supplementarity” would seemingly preclude Europe from trading post-2012 under any likely scenario given that EU credit purchases far outweigh, and are therefore in no meaning “supplemental to”, emission reductions. Again, however, it is obvious from its Directives and negotiating demands at COPs and MOPs that Europe is dedicated to the most lenient applications of Kyoto, whatever that may require.