

# News Release

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## **GLOBAL EMISSIONS COMPLIANCE LANGUAGE NEEDED TO BUILD TRUST IN EMISSIONS TRADING**

'Building Trust in Emissions Reporting', a new report by PricewaterhouseCoopers, highlights the key characteristics of the world's main emission trading schemes, presents a new vision for compliance in emissions trading and calls for global action to develop this.

Emissions trading is increasingly seen as a central part of the response to climate change. But market mechanisms such as this depend on trust and confidence. Any widespread or systemic failure, as a result of deficient monitoring and reporting, flawed compliance processes or fraud, could undermine confidence in markets and regulation and jeopardise the crucial policy goals that they are designed to address.

Hans Schoolderman, Director of Verification Service, PricewaterhouseCoopers Climate Change Services, said:

“Reliable emissions reporting depends on the quality of the compliance frameworks. The world needs to trust that emissions reductions are real.”

Key to this trust are the three central criteria of transparency, accountability and integrity. The report looks at how the patchwork of trading schemes that are emerging around the globe compare against these criteria. Despite good intentions across the board, the general picture is one of new and immature markets, inconsistent and complex compliance frameworks and risk.

The report makes the case for urgent and coordinated action to develop a framework of generally accepted principles and practice that will underpin trust and efficiency in these new markets - in effect, a new Global Emissions Compliance Language.

Emissions trading systems are based on emission rights or other marketable units that are linked to emissions. In an increasingly carbon constrained world, they represent an important value driver for both management and investors. Corporations covered by the schemes are required to report on their emissions and, in many cases, the verification of their emissions reporting is comparable to an audit of financial statements.

Hans Schoolderman, Director of Verification Service, PricewaterhouseCoopers Climate Change Services, added:

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“We need a Global Emissions Compliance Language to be able to build trust in emissions reporting in the most cost-effective way. This should include new global institutions, standards, terminology and enabling technologies. Such a language should be modelled after the world's financial institutions and their arrangements, integrating current good practices, but with more clarity and consistency. Where possible, emissions reporting should be integrated with other reporting requirements and processes to avoid duplication of effort for companies and administrators.”

A first step would be the establishment of a global forum of emissions trading regulators, supported by technical forums on issues such as monitoring and reporting, verification, accreditation, accounting and registries.

Richard Gledhill, Global Leader of Climate Change Services, PricewaterhouseCoopers, said:

“The time to act is now. The history of climate change negotiations shows how difficult it is to get agreement on issues of policy in this area. But it is more about practice than policy. A first step has got to be to build a consensus - about the need for a common language and the huge potential benefits of it - with a new framing of the existing bodies. But it will require leadership and vision. The European Commission has an important role to play here, because the EU scheme is so important to global markets. But so too does the UN, and industry bodies such as the International Emissions Trading Association.”

The report highlights key characteristics of six leading emissions trading schemes toward resolving global warming, the two other Kyoto mechanisms, Joint Implementation and Clean Development Mechanism, and five main emissions trading schemes toward resolving smog and/or acid rain. The schemes covered include the European Union's Emission Trading Scheme (EU ETS), Japan's Voluntary Emission Trading Scheme (JVETS) and USA based schemes such as the Regional Greenhouse Gas Initiative (RGGI), The California Climate Action Registry (CCAR), and the Regional Clean Air Incentives Market (RECLAIM).

**ENDS**

### **Notes to Editor:**

1. To download a copy of ‘Building Trust in Emissions Reporting’ visit [www.pwc.com/TOBEADDED?](http://www.pwc.com/TOBEADDED?)
2. PricewaterhouseCoopers ([www.pwc.com](http://www.pwc.com)) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 140,000 people in 149 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.
3. PricewaterhouseCoopers has a network of more than 150 carbon markets specialists across Europe, the Americas and Asia Pacific.

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