Abstract

A market-based instrument such as greenhouse gas (GHG) emissions trading represents an innovative regulatory tool for decreasing GHGs concentration in the atmosphere. In comparison with traditional command-and-control instruments, carbon trading motivates participants to reduce marginal abatement costs in a cost-effective manner according to their individual potential. After a few decades, the 1997 Kyoto Protocol to the UN Framework Convention on Climate Change (UNFCCC) finally entered into force (February 16, 2005), therefore so-called flexible mechanisms (Joint Implementation, Clean Development Mechanism and International Emissions Trading) are already available to Annex B countries (UNFCCC Annex I countries) to meet their binding Kyoto targets. Under Article 17 of the Kyoto Protocol, a global cap-and-trade system for emissions trading allowed Annex B countries to trade emissions rights between each other for compliance purposes; all of the so-called Kyoto Units (Assigned Amount Units equal to Annex B countries' aggregate anthropogenic carbon dioxide equivalent emissions of GHGs in 1990, Emissions Reduction Units earned under JI and Certified Emissions Reductions earned under the CDM) are suitable, tradable commodities if they were acquired in accordance with the relevant rules of the Kyoto Protocol (and Marrakesh Accords guidelines, modalities and rules).

At the EU level, a complex scheme for emissions trading has been elaborated with respect to the Kyoto Protocol. Recently, European Union's emissions trading scheme (EU ETS) is the largest worldwide cap-and-trade system for carbon trading. In this context the European Union might be considered as a global leader in promoting of GHG emissions trading. On the other hand, EU ETS, primarily based on Directive 2003/87/EC (entered into force on October 25, 2003), gives considerable leeway to the member states to develop all necessary details of implementation in accordance with framework text of the EU ETS Directive. Moreover, the amount of GHG reduction across the European Union differs among member states due to the so-called "bubble concept" introduced by the Kyoto Protocol (for EU-15) and respective Kyoto targets for member states with "economies in transition". While the second phase of EU emissions trading is underway (until 2012), the Commission has already started the process of revising the EU ETS Directive to identify the areas where the effectiveness of the current EU carbon trading system can be improved. A new proposal to amend Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading system of the Community is one part of further legislative measures

outlined by the Commission in January 2008 to meet the Community's GHG reduction commitments at the international level. Special attention is therefore paid to changes arising from the Commission's proposal, especially with respect to areas where the harmonisation process will be developed in the future (e.g. extension of the scope of EU ETS Directive or common rules for auctioning, participation of new entrants and the harmonisation of allocation methodologies).

In the context of EU ETS, while carbon trading system of Czech Republic is operating under the same framework rules arising out from EU ETS Directive and further Community's legislation in this field, Czech national program differs in some details with respect to certain implementation measures. Generally, an "umbrella" document, the National Program to Abate the Climate Change Impacts in the Czech Republic lays down national priority targets and a list of instruments to meet binding commitment set by the Kyoto Protocol for the Czech Republic. Act. No. 695/2004 Coll., concerning the conditions for trading in greenhouse gas emission allowances, as amended, as well as Decree No. 696/2004 Coll. stipulating the procedure for determining, reporting and verifying greenhouse gas emissions, have transposed the above-mentioned EU ETS Directive and have together built a solid base for further legislative measures. Pursuant to the EU ETS Directive, each member state shall develop a national allocation plan stating the total quantity of allowances that it intends to allocate for the relevant trading period and how it proposes to allocate them among the installations covered. The modified Czech national allocation plan for the second trading period was approved by the Czech government on May 31, 2007 according to changes proposed by the Commission.

From a long-term perspective, the European Union is prepared to work with other developed countries to reach a future global climate change agreement for post-2012 action. Participation of developing countries with emerging economies, as well as the attitude of the USA towards binding reduction commitments set by such international agreement, raises some important issues that need to be resolved. European Commission emphasises a shift towards an energy-efficient, low-carbon European economy according to the possibilities of each member states. In this context, the Czech Republic will have to achieve real demonstrable progress especially with respect to its unexploited potential to increase energy efficiency and savings.