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Stellingen

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Obstacles to Linking Emissions Trading Systems in the EU and China

A Comparative Law & Economics Perspective

1. Linking the China Emissions Trading System (ETS) to the EU ETS could bring considerable economic, environmental and political gains. However, challenges discussed in the literature and those encountered in the linking practices suggest that linking is a rather cumbersome process. This is especially true when it comes to the two largest ETSs in the world with notable differences and varied policy priorities (Chapter 2).
2. One crucial premise for linking is that the ETSs to be linked address essentially the same problem(s). Therefore, the same ‘functionality’ (objective) of the ETSs must be phrased purely in the light of the problem(s) and stripped of various legal, political or economic systems (Chapter 1).
3. The legal framework of the ETSs must be examined to identify abatement incentive structures of covered entities, especially on those ETS elements that are essential to the key functionality (objective) of the ETSs and thus must be harmonized (Chapter 3 & 4).
4. The absolute cap in the EU and ‘intensity-based cap’ in China fare differently in case of unexpected economic ups or downs. Their different dynamic properties may jeopardize the primary objective of its linked partner and thus impede the theoretical link (Chapter 5).
5. *Double counting of electricity emissions* in the China ETS serves to safeguard environmental effectiveness and further reduces competitive distortions in a joint EU-China market, if and only if the emissions covered and reduced are measured to the same extent (Chapter 6).
6. *Electricity carbon leakage* in China arises from the current electricity and carbon regulatory framework and endangers mitigation efforts (Chapter 6).
7. *Indirect double regulation* (ETS & tax) on the coal-fired generation in the EU and China will facilitate abatement in the coal-fired power sector and discourage abatement in the linked ETS (Chapter 8).
8. ‘Electricity carbon leakage’ and ‘double carbon regulation’ must be included in any future EU-China linking negotiations (Chapter 6 & 8).
9. Concerns over the ETS enforcement in China are unlikely to significantly impede linking (Chapter 7).