

# **COMPLIANCE CYCLE**

## **MONITORING & REPORTING PRINCIPLES**

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**Istanbul, November 18-19 2014,**  
ECRAN workshop

# WHY ET ?

- **Cost effective** contribution to - 20% EU GHG reduction by 2020
- **creating a price** for carbon offers the most cost-effective way to achieve the deep reductions in global greenhouse gas emissions that are needed to prevent climate change from reaching dangerous levels
- Portfolio of business choices for polluters
- **Triggering investments to low carbon economy**
- **Enhancing environmental effectiveness**
- Any person can hold and trade with EU allowances



# WHAT IS EU ETS

- **Mandatory system to monitor, report & verify** annual emissions and submit equivalent number of allowances
- **Worlds' first systematic emission trading scheme**
- Important instrument to combat climate change

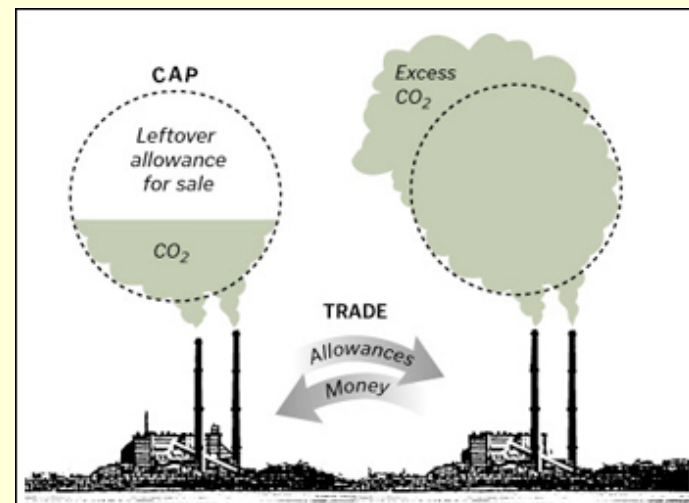
# WHAT IS ET?

- **Cap & trade system** ('cap' on the total number of allowances creates the scarcity needed for trading)
- **Participation is obligatory for businesses in sectors covered**
- **No cap per installation**
- **Strong compliance framework:** obligatory monitoring, reporting, surrendering
- So far EU wide,  
but to be linked with (poss. CH)



# CAP & TRADE

- Cap = total number of EUA determined
- $\text{Cap} < \text{actual emissions} = \text{scarcity}$
- Cap does not mean that installations cannot emit more; but buy if needed, to cover actual emissions
- cap is reduced over time, so to stimulate emission reduction



# EU ETS KEY ELEMENTS

- **SECTOR & GAS COVERAGE**
- **GHG PERMITS**
- **ALOCATION OF EU ALLOWANCES**
- **COMPLIANCE CYCLE/PENALTIES**
- **Linking up with other ET schemes**

# SECTORS COVERED

- **Energy activities**
  - Combustion installations with a rated thermal input exceeding 20 MW
- **Mineral oil refineries**
- **Production and processing of:**
  - ferrous metals
  - cement clinker
  - glass including glass
  - Ceramic products
  - Pulp & board
- **Aviation (2012)**



# SECTORS & GASES COVERED from 2013

- **CO<sub>2</sub>** emissions from **petrochemicals** production, **ammonia** and other **chemicals** including process emissions
- **CO<sub>2</sub> and PFC** emissions from the production of **aluminium**
- **N<sub>2</sub>O** emissions from the production of **nitric, adipic and glyoxal and glyoxylic acid** production
- **Carbon capture and storage**
  - Not exactly emissions, but widening the scope



# GHG PERMIT

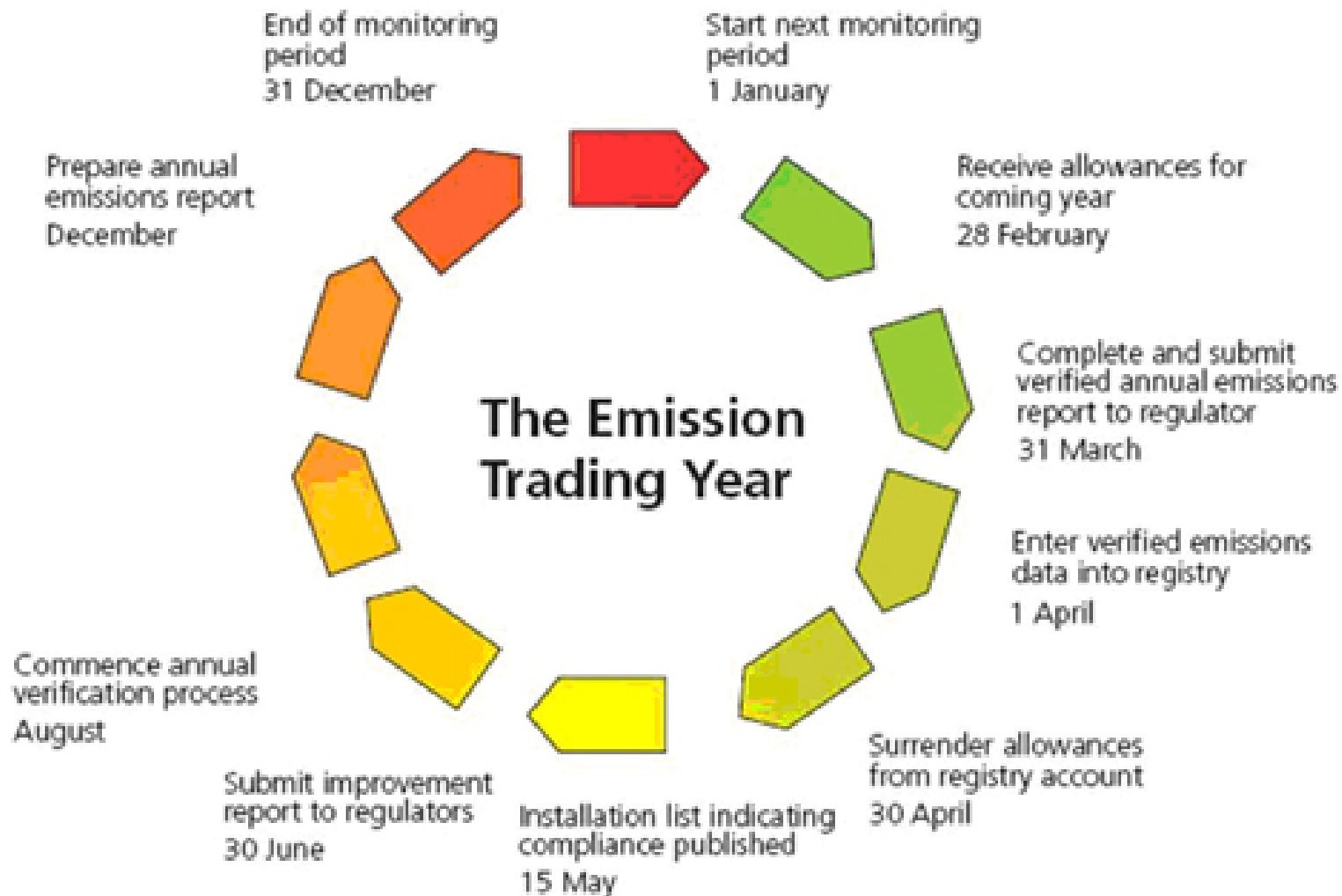
- **Site specific**
- **Non transferable**
- **Sets obligations to operator/airline**
  - To monitor & report GHG emissions by **31. march each year**
  - To surrender EUAs equal to verified emissions by **30. april each year**
- **Aircraft operators not obliged to hold GHG permit, only MRV and surrender obligation**

# COMPLIANCE CYCLE

- **Before start of the trading period**
  - **Allocation of EUA**
  - **Monitoring plan approval**
  - **GHG permit obtained**
- **Emission monitoring**
- **Verified Monitoring report submitted**
  - Accredited verifier contracted by operator
  - Principle: indipendente, competent
  - Checks if reported emissions are in compliance with monitoring plan
- **Surrender EUA:** through registry, approved by verifier
- **Inspection** and enforcement



# COMPLIANCE CYCLE



# Industry obligations

- Prepare monitoring plan in order to get GHG permit approved
- Monitor, prepare annual report with verified data on emissions
- Surrender EU allowances
- Inform CA of any changes to the installation that would influence GHG emissions UPFRONT

# MONITORING

- EU ETS backbone
- ensuring quality and consistency,
- very important for compliance
- Common EU rules as of 2013
  - M & R Regulation
  - A & V Regulation
  - EC Guidelines for M & R, A & V

## **ELECTRONIC TEMPLATES** for:

- Monitoring Plan
- Annual Monitoring Report
- Verification Report
- Improvement

# MONITORING PRINCIPLES

- **COMPLETENESS**

- *Monitoring shall be **complete** and **cover all process** and **combustion emissions** from **all emission source streams** from activities as listed in Annex I*

- **CONSISTENCY**

- *Monitoring should be **comparable** over time, use same monitoring methodology and data sets as approved by CA*

- **TRANSPARENCY**

- *Obtain, record, complete and document monitoring data, incl. assumptions, references, activity data, emission and oxydation factor in TRANSPARENT MANER*

- **ACCURACY**

- *Operators shall identify and reduce any possible source of innaccurancies*

# Monitoring plan

- part of permitting procedure
- upfront assurance on how monitoring will be implemented
- sets out manner of monitoring

# Monitoring plan - contents

- About the operator
- Description of installation activities
- Emission details: emission sources stream
- Monitoring approach: calculation
- Management
- Changes in operation



# CATEGORISATION OF INSTALLATION (monitoring)

- For the purpose of monitoring and tier determination
- Average annual emissions (excl. CO<sub>2</sub> from biomass and before subtraction of transferred CO<sub>2</sub>)
- **Category A:  $\leq 50.000$  t**
- **Category B:  $> 50.000$  t,  $\leq 500.000$  t**
- **Category C:  $> 500.000$  t**

# CATEGORISATION OF SOURCE STREAMS (monitoring)

- For the purpose of monitoring and tier determination
- Source streams selected by operator
- **Minor source: < 5.000 t CO<sub>2</sub> per year**  
10% up to a total max contribution to 100.000 t of fossil CO<sub>2</sub>
- **De minimis source: < 1.000 t, CO<sub>2</sub> per year**  
10% up to a total max contribution to 100.000 t of fossil CO<sub>2</sub>
- **Major: others**

# CA OBLIGATIONS

- Issue GHG permit, approve monitoring plan
- Enable framework for verification of reported data on emissions,
- Inspection,
- Enforcement of reported data,
- Registry - national administrator

# LINKING WITH OTHER ET SCHEMES

- **Global carbon market** is crucial to ensure cost effective emission reductions
- **Already linked to Norway, Iceland, Lichtenstein**
- Opened to link with other mandatory cap & trade systems that would not undermine its environmental integrity
- EU vision to expand carbon market to OECD countries by 2015 and then to include big emerging economies from around 2020
- **but 1 t CO<sub>2</sub> = 1 t CO<sub>2</sub>**

# EU ETS development

- Directive adopted october 2003
- Start: january 2005 (learnig phase)
- 2 nd phase: 2008 – 2012
- 3 rd phase: 2013 - 2020

# HOW DO COMPANIES GET EUA?

- Before start of the trading period
- **EUA can be obtained:**
  - Free allocation / auctioning
  - carried over from previous period,
  - trading or
  - emission reductions
- **EUA for free known for whole trading period**
- **Based on harmonised allocation rules (CIMs)**

# AUCTIONING

- Common auction platform (25 MS + PL, + ISL): EEX, Leipzig
- National auction platform
  - DE = EEX, Leipzig
  - UK = ICE. London
- Auction calender
- Same Auction monitor monitors auction processes/ still to be appointed

# REGISTRY

- **Assure adequate accounting**
- Electronic database on ownership/transaction
- **Tracking compliance**
  - at the level of installation/ aircraft operator (verification, surrendering, retiring)
  - at MS level to comply with KP
- Enable confirmation of verified emission data
- EUA and Kyoto units: CER, ERU, RMU



# LESSONS LEARNED

- **ETS is complex, prepare on time**
- industry to be involved asap
- Non legal guidance is essential for implementation,
  - Workshops, guidance notes, templates, helpdesk
- **Share experiences and learn from other MS**



**İlginiz için teşekkür ederiz**