



KEY ELEMENTS OF EU ETS

Nives Nared

TAIEX workshop, Sarajevo , Sept 8, 2016

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

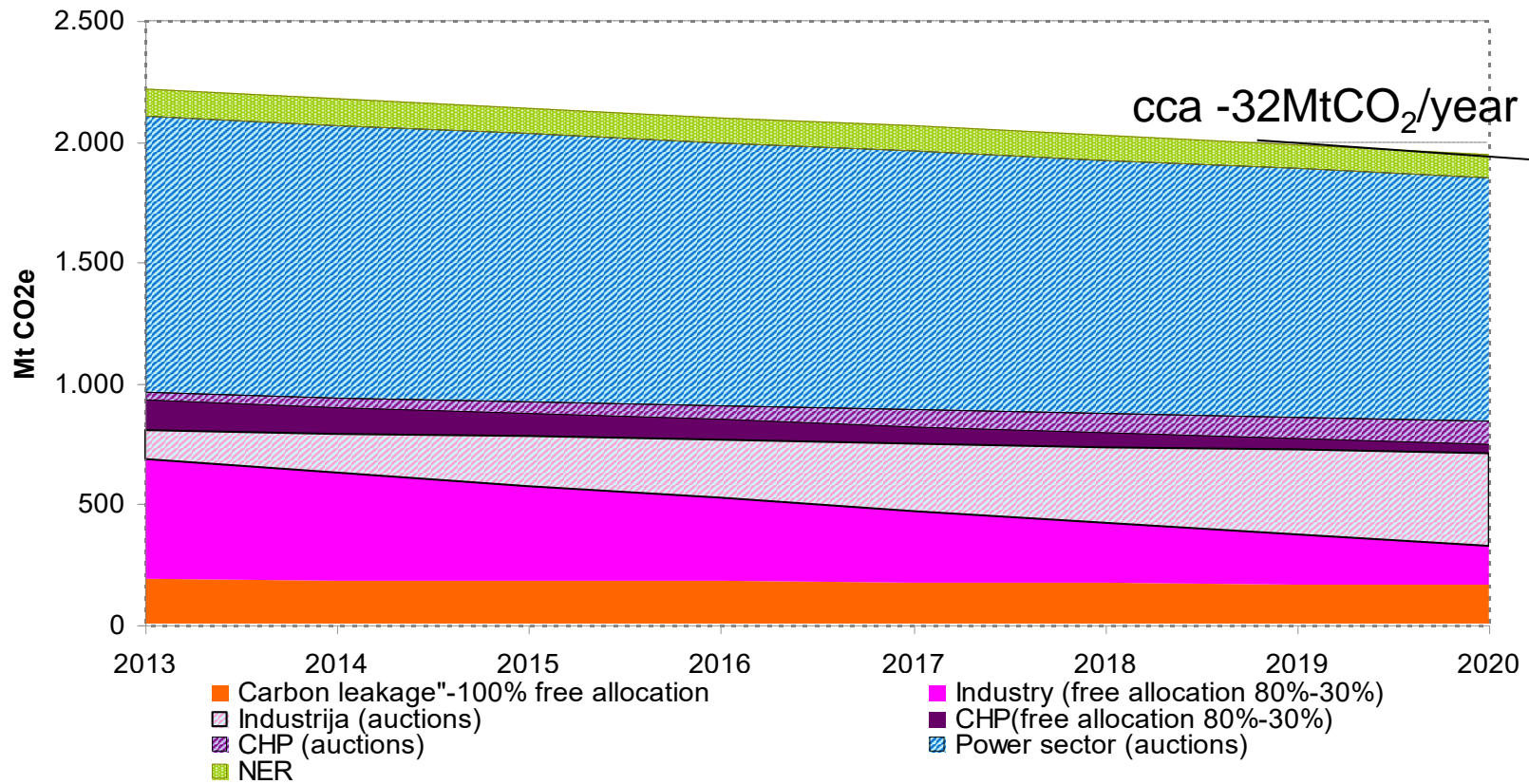
- **Mandatory system to monitor, report & verify** annual GHG emissions and submit equivalent number of EU allowances
- **Worlds' first systematic emission trading scheme**
- **Key instrument in EU Climate policy to combat climate change**

EU ETS development



- **October 2003 – Directive 2003/87/EC adopted**
- **Start: January 2005 (learning phase)**
- **2nd phase: 2008 – 2012** (revision of Directive)
- **3rd phase: 2013 – 2020**
- **4th phase: 2021 – 2028** (negotiations ongoing)

EU-ETS (2013-2020)



KEY ELEMENTS

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

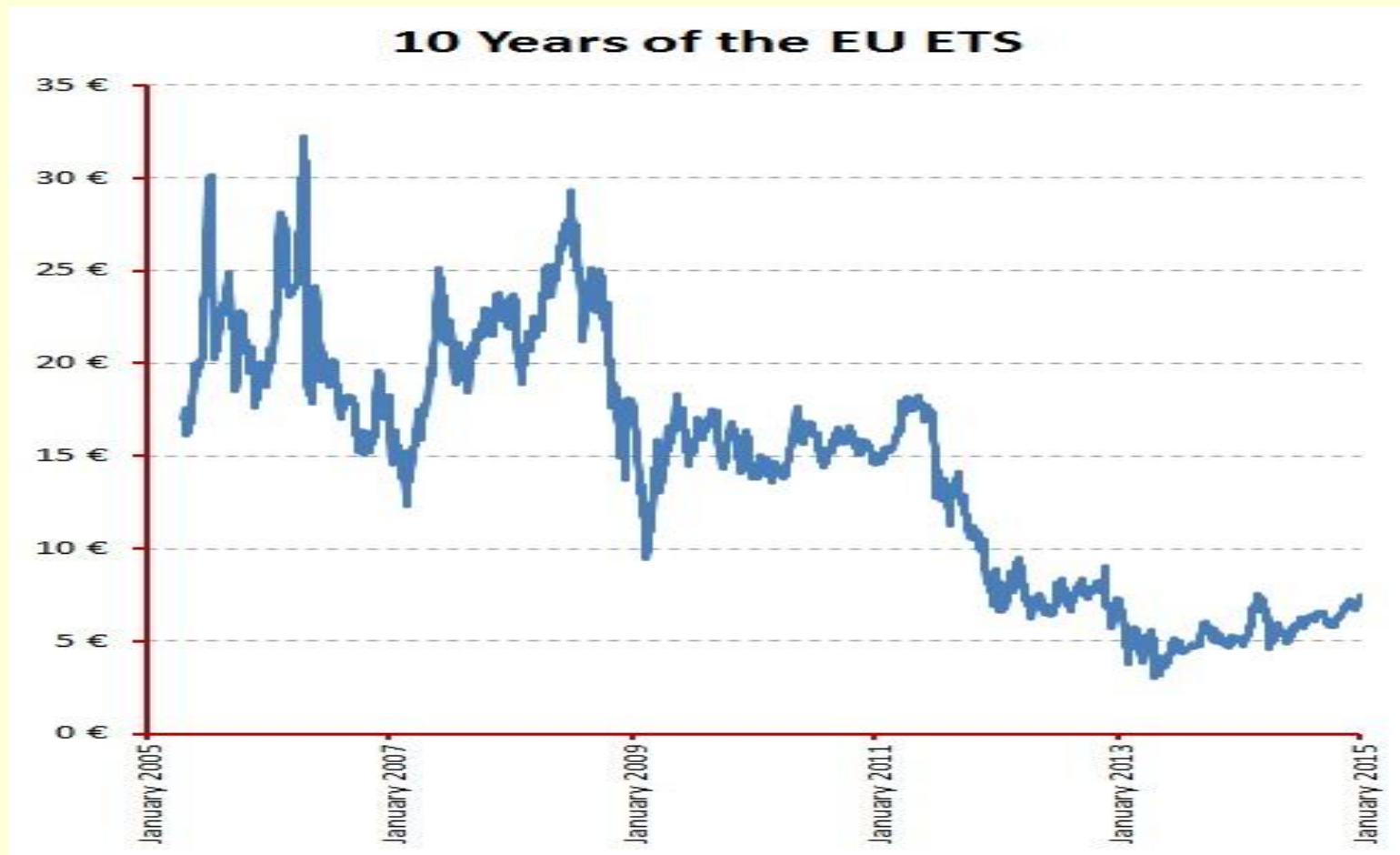
GHG PERMIT

- **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**

EU ALLOWANCE

- **= right to emit a tonne of CO₂ equivalent**
- **issued by MS (competent authority)**
- **dematerialised asset (RegReg)**
- **tradeable across EU**
- **held in electronic form in the registry system**

EUA prices fluctuations



1st period: 2005 - 2007

- **Learning by doing**
- **Main objective:**
start to monitor and verify emissions data
- **MS decided that EUA were valid only for 2005-2007**



2nd period: 2008 - 2012

- **Linked to KP obligation**
- **Verified emission data 2005 - 2007 available**
- **NATIONAL ALLOCATION PLANS**
- **No harmonisation (allocation methodology, definitions)**
- **Emissions from aviation included (from 2012)**
- **CO₂ emissions factored into Investment decisions**

3rd period: 2013 - 2020

- **Auctioning as a rule**
- **100% for electricity producers**
- **Transition period for industry:**
 - **20% 2013, 70% 2020, 100% 2027**
- **Harmonised allocation rules of free EUA**
- **Harmonised rules on reporting & verification**
- **Possibility to exclude installations emitting less than 25.000 t CO₂**

ALLOCATION FROM 2013

- 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 (**26 MS + ISL**):
 - EEX, Leipzig
- National auction platform
 - **DE** = EEX, Leipzig
 - **UK** = ICE, London
- Yearly Auction calendar



WHY AND HOW ETS fits into big **CLIMATE CHANGE** picture

- Time is running out to prevent climate change impacts – everybody on board
 - Decarbonising economy
- Avoid locking-in fossil investments
- ETS implementation helps restructuring economies
- **Business opportunities**
- **Cost efficiency, reduce costs, new jobs opportunities**



WHY should industry get involved in ETS

- **Environmental reasons**
- **Economic reasons**
- **Social reasons**



HOW should industry get involved in ETS

- ✓ **Prepare monitoring plan** in order to get GHG permit approved
- ✓ **Obtain GHG permit**
- ✓ **Monitor, prepare monitoring report** with verified data on emissions
- ✓ **Choose a verifier – sign a contract**
- ✓ **Obtain EU allowances** (buy, get for free)
- ✓ **Surrender EU allowances**
- ✓ Inform CA of any changes to the installation that would influence GHG emissions

PREPARE monitoring plan – WHY?

- ✓ **to persuade CA that you are capable of monitoring ghg emissions**
- ✓ to guarantee transparency
- ✓ to guarantee comparability



PREPARE monitoring plan - HOW?

- ✓ **Use MP template,**
- ✓ **Follow Guidance (translated)**
- ✓ **All process emissions and combustion emissions from all emission sources**

PREPARE monitoring REPORT – WHY?

- ✓ **to fullfill obligation from GHG permit**
- ✓ **to know your emission sources, streams,
emissions = cost cutting opportunities**

PREPARE monitoring report – HOW?

- ✓ **Use MR template,**
- ✓ **Follow Guidance (translated)**
- ✓ **All process emissions and combustion emissions from all emission sources**



OBTAIN EUA – HOW?

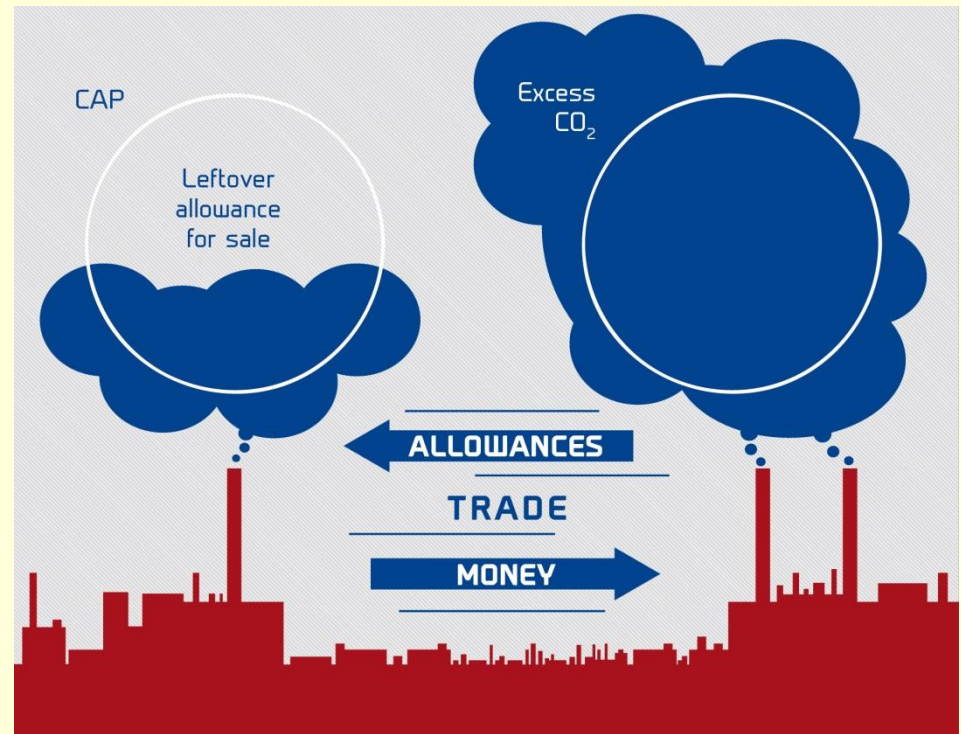
- ✓ **Free allocation - WHERE? HOW?**
- ✓ **Buy on auctions – WHERE? HOW?**
- ✓ **Through purchasing on the market - WHERE? HOW?**

OBTAIN EUA – WHY?

- ✓ **to fulfill surrendering obligation from GHG permit**
- ✓ **to lower your costs of technical improvements by selling EUA**

SURRENDER EUA – WHY?

✓ to prove compliance



SURRENDER EUA – HOW?

- ✓ in registry software



WHAT IF ?

- ✓ **Do not obtain GHG permit on time**
- ✓ **Production is reduced over time**
- ✓ **Do not prepare MR on time/at all**
- ✓ **Verifier finds out inconsistency**
- ✓ **Do not surrender EUA on time/adequately/at all**
- ✓ **Verifier approves MR; ministry in validation process finds out that actual emissions are > than reported**
- ✓ **Do not inform CA upfront of any changes to the installation/ change of MP**

4th period: 2021 - 2028

2030 Climate & Energy Framework agreed in april 2014

- ✓ **to deliver to EU target** as part of its contribution to the Paris Agreement
- ✓ **binding domestic reduction of at least 40% by 2030 compared to 1990**
- ✓ **corresponding emission reduction target for the EU ETS of 43% compared to 2005**
- ✓ **= 556 mio t CO₂ yearly = UK annual emissions**

Negotiations ongoing

4th period: 2021 - 2028

Amending Directive to enhance cost-effective emission reductions and low carbon investments

- ✓ **EU cap will decline at an annual rate of 2.2% from 2021 onwards, compared to 1.74% currently**
- ✓ **Funding low-carbon innovation and energy sector modernisation**
- ✓ **help the industry and the power sectors meet the innovation and investment challenges of the transition to a low-carbon economy**
- ✓ **Innovation Fund – extending for the demonstration of innovative technologies to breakthrough innovation in industry**
- ✓ **Modernisation Fund – facilitating investments in modernising the power sector and wider energy systems and boosting energy efficiency in 10 lower-income Member States**
- ✓ **Free allowances continue to be available to modernise the energy sector in 10 lower-income Member States.**

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

LESSONS LEARNED

- Non legal guidance is essential for EU ETS implementation
 - Workshops, guidance notes, templates, helpdesk, study visits
- **Share experiences and learn from other MS**



Pitanja dobrodošla
nives.nared@gov.si