



EU ETS allocation for industry sectors

PMR Technical Workshop on

Baseline setting:

27 May 2012

Cologne, Germany

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Context

*In EU Emissions Trading System a benchmark is **not** an emission limit, standard or target*

- it is simply the threshold for what amount of allowances an installation gets for free**
- fixed maximum amount of free allowances for industry**

52 benchmarks cover 75% industrial emissions in EU ETS

Starting point for benchmark values: average performance of 10% most efficient installations in (sub)sector

Benchmark setting: main principle

Not possible with hundreds of benchmarks!

*Main principle: **one product – one benchmark***

→ no modification based on which fuel is used, which technology is used, which inputs are used

Incentive to improve performance

Maximum amount of emissions covered by a feasible number of product benchmarks

Criteria to select which product benchmarks:

→ emissions, number of installations and homogeneity of products

Data collection

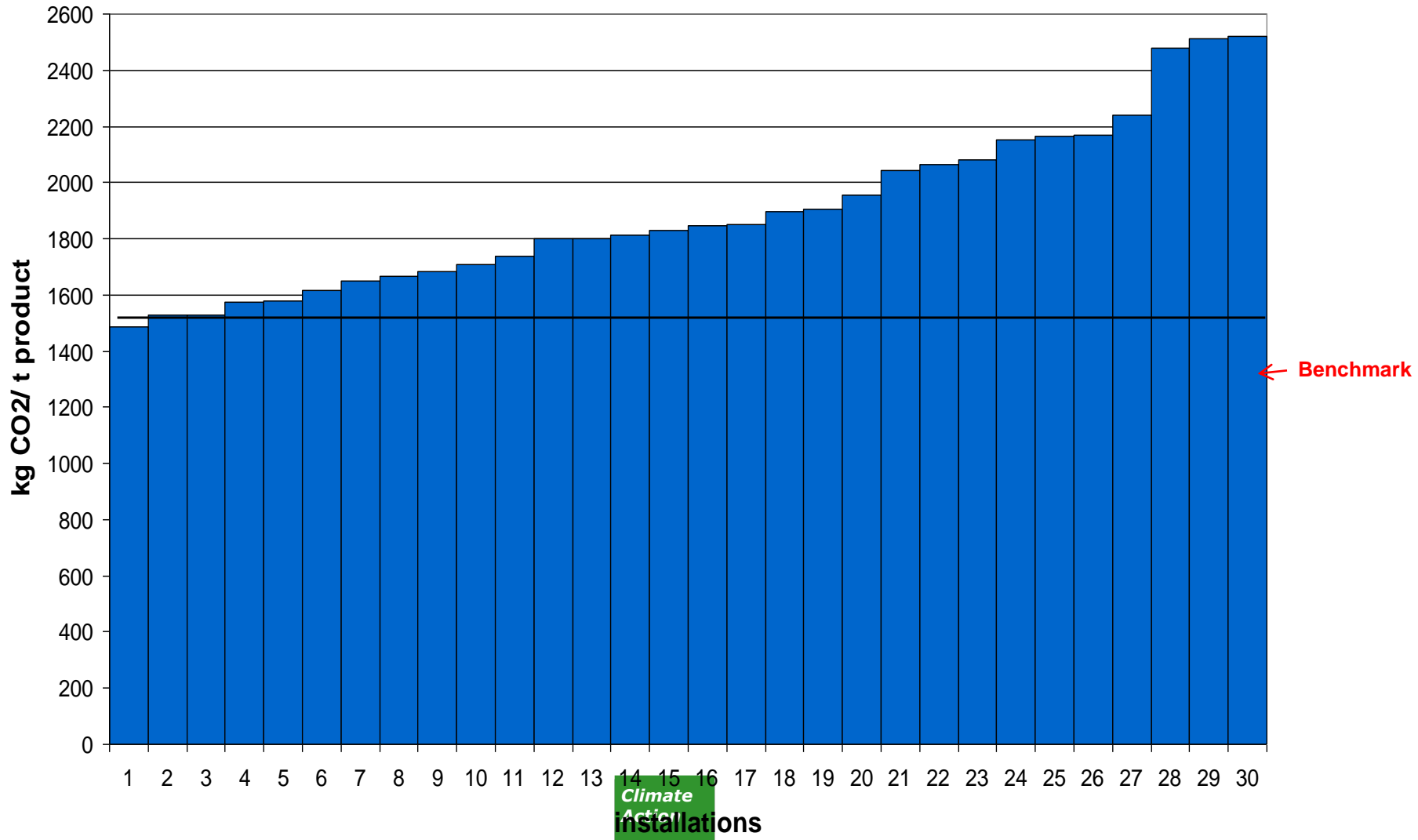
Data based on 2007/2008 emission intensity per installation

Data collection carried out by European industry associations under guidance by the Commission

The collected data verified by third-parties

Further plausibility checks were carried out to ensure its solidity

Top 10% in practice: example of benchmark curve



Example: calculation per installation

For product X benchmark is 1.5 ton CO₂ per ton product

*For an installation free allocation per year will be 1.5 * median historical production 2005-2009*

That value will be multiplied by 0.8 if not a carbon leakage exposed sector

Allocation will thus in principle be known for every year until 2020

No update of benchmark foreseen in 2013-2020

Consultation process

Unprecedented amount of consultation:

- **industry (including all relevant EU-level sector associations directly affected by the ETS), NGOs, Member States' representatives, European Parliament representatives and academics**

In 2009-2010 several large stakeholder meetings

- **presentations given, lists of participants, and conclusions of the workshops have been published on the Commission's website**

Constant bilateral dialogue with stakeholders:

- **more than 100 bilateral meetings with stakeholders**

Lessons learned

Some sectors concerned about "outliers" (best installations lowers the benchmark for all)

- However, it is normal that a few installations are the very best. The aim of the directive is that the best installations sets the benchmark.
- The only strong argument to remove installations from the benchmark curve is if the "best" do not produce an identical product (e.g. a simpler product with less emissions or only part of the process).
- To avoid this risk, allocation divided into traded intermediates (e.g. steel: coke, sinter, hot metal)

Comprehensive stakeholder consultation is important

Independent verification of data collected is essential

Determining general benchmark level (i.e. top 10% most efficient installation) in advance



Thank you !

<http://ec.europa.eu/clima/policies/ets/benchmarking/>