



'Industry preparation for an ETS' World Bank PMR Technical Workshop

Bill Thompson - BP Group Policy Team
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Overview: Industry preparation for an ETS



1. Who will have to comply?
2. Where are your emissions?
3. How do you measure your emissions?
4. Production data
5. Data verification
6. New Entrants
7. BP's internal organisation for EU ETS
8. BP's trading of emissions
9. Relevance of industry associations



1. Who will have to comply?

- Is scheme compliance to be based on plant operator or owner?
 - Who has operational control in a Joint Venture (JV), holding company or partnership? This vital from a legal compliance point of view - it can be different from majority shareholding.
 - If ownership based compliance, what is the role of minority ownership, JVs or majority?
- How will owners and operators of a plant agree allocation of ETS compliance costs, and new investments?

Note: EU ETS regulatory compliance is always at installation manager level

2. Where are your emissions?



- In advance of the scheme rules, understand your own CO2 emissions:
 - What are the boundaries of each plant?
 - Several plants on one site? Several sites?
 - Extent of shared facilities, different owners on a large complex site
 - Sources of CO2:
 - Combustion emissions, process emissions
 - Don't forget minor sources
 - Direct emissions vs. indirect emissions (e.g. imported electricity or components) – do you have emission choices?

Ask how can I reduce emissions?
Are all my emissions necessary?

3. How do you measure your emissions?



Usually emissions determined via measuring fuel use, then using CO₂ emission factors and oxidation / conversion factor

- How are fuels metered or weighed?
- Who owns the measuring devices?
- Is measurement location consistent with emissions source?
- How accurate are the measuring devices?
- How to address overall system measurement uncertainty

Use of CEMS devices (continuous emission monitoring systems), possible, but issues of cost and accuracy.

4. Production data



Plant production data is needed if a relative emission reduction scheme (rate of CO₂ per unit of production) is to be used

But also needed for absolute emission reduction schemes
e.g. In EU ETS benchmarking allocation, new entrant commissioning,

- How to track multiple products in a plant? Particularly where some products can have multiple uses or can be made by different processes.
- Sensitivities on publication of production data?

5. Data verification



- In EU ETS, verification of emissions reporting is considered vital.
 - CO2 emissions have a cost.
 - Free allowances have a financial value
- Independent licenced verifiers or Government Auditors to check emissions reporting?
 - Systematic inspection or spot audit?
- In EU ETS, there is a double check
 - Independent verifiers are ‘accredited’ by the Government. They check and verify the plant emission reports.
 - National environment authorities check the verified plant reports and confirm quantity of allowances to be surrendered by the installation.

6. New Entrants & Closures



- How do they get included in the ETS?
- Their treatment will affect current & planned investment plans
- How will installation expansion (or closure) be considered if free allocation?
 - When does a new entrant become an emitter in the scheme?
 - Does this affect the timing of new plant commissioning?
 - New emission sources – to be included or not?
 - Improving process flows – making the same plant work harder – how can such improvements benefit?

7. BP's internal organisation for ETS



- Formation of an internal EU ETS taskforce
 - Membership drawn from installation operators & planners, emissions traders, compliance specialists, lawyers, accountants & tax experts.
- Aims:
 - Understand for BP, the EU ETS regulations across the EU
 - Assist implementation at local level, & share learning
 - Understand the development of the market with traders

8. BP's trading of emissions



BP has many installations in the EU ETS...but one face-to-market for trading

- Key aim: minimise the cost of compliance for BP sites by pooling exposures and having a single face-to-market for trading.
 - Assists procurement of EU compliance offsets
 - Specialist traders, lawyers, tax & compliance specialists in one place
 - Better security of registries and trading transactions
- No trading by individual installations

9. Relevance of industry associations



- BP is a founder member of the UK Emissions Trading Group (UK ETG)
 - Cross industry group of companies, trade associations, traders, Consultants (verifiers, lawyers, accountants) + Government Department policy and regulatory staff
 - Non lobbying organisation
- Key benefits
 - Concentrates Industry & Government emission trading expertise in one body
 - Assists EU ETS compliance by
 - Collective understanding & common interpretation of scheme rules and processes
 - Quicker and simpler communication between Government & Industry
 - Early warnings of problems in implementation (e.g. registry availability)
 - UK compliance record on EU ETS is very good

BP is also a Member of IETA, and other EU Industry Trade Associations

Finally...



Thank you for your attention!

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Bill Thompson

Director, Energy and Climate Policy, Most of World

BP Group Policy Team, London

e-mail: bill.thompson@bp.com