

Greenhouse gas emission allowance trading scheme of the Community

2008/0013(COD) - 07/10/2008

The Committee on the Environment, Public Health and Food Safety adopted the report drafted by Avril **DOYLE** (EPP-ED, IE) and made amendments to the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading system of the Community.

The main amendments – made in 1st reading of the codecision procedure – are as follows:

Free allowances to the installations: according to MEPs, the amount of allowances allocated free of charge in 2013 shall be 85% (and not 80% as proposed by the Commission). Thereafter the free allocation shall decrease each year by equal amounts resulting in no free allocation in 2020. From 2014, free allocation to aviation operators shall decrease by equal amounts resulting in no free allocation in 2020.

Sectoral benchmarking: free allocations to installations shall be made at a level no higher than is indicated by the appropriate sectoral benchmark, so as to reward the most efficient operators. These sectoral benchmarks shall be based on the best greenhouse gas and energy efficient techniques, including the technical potential to reduce emissions, and technologies available on the market, including substitutes, generally applicable alternative production processes, use of biomass, cogeneration and greenhouse gas capture and storage.

Integration of maritime transport in the EU Emission Trading Scheme (EU ETS):Members consider that all sectors of the economy should contribute to achieving these emission reductions, including international aviation and maritime transport). International maritime transport emissions should be incorporated into the EU Emissions Trading System (EU ETS) by 2015 or should otherwise be included in any decision on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020.

Quantity of emission allowances issued to the Community:according to the MEPs, the amount of allowances to be issued by Member States under their national allocation plan for 2008-2012 should be finalised before 2010, so this date can be brought forward.

The Commission shall review the linear factor no later than 2020 (as opposed to 2015). As regards installations which are only included in the Community scheme from 2013 onwards, Member States shall ensure that the operators of such installations submit to the relevant competent authority duly substantiated and independently verified emissions data in order for them to be taken into account for the quantity of allowances to be issued. The Commission must publish the data submitted by Member States relating to installations which have been opted in during Phase II, or included from 2013. In respect of installations which are excluded from the Community scheme or due to closure, the total quantity of allowances to be issued from 1 January 2013 shall be adjusted downwards by the total average verified emissions of those installations in 2005 to 2007 minus 21% of those emissions.

Capture and geological storage of carbon dioxide: MEPs consider that up to a maximum of 500 million allowances in the new entrants reserve shall be awarded to large-scale commercial demonstration projects that are undertaking the capture and geological storage of carbon dioxide in the territory of the EU or in developing countries and countries with economies in transition outside the EU that ratify the future international agreement.

The allowances shall be awarded to projects that provide for the development, at best value costs and in geographically balanced locations across the EU, of a wide range of carbon capture and storage technologies making use of various geological storage sites.

Auction of allowances: in order to ensure an orderly functioning of the carbon and electricity markets, the auctioning of allowances for the period from 2013 onwards should start by 2011 at the latest and be based on clear and objective principles defined well in advance. By 31 December 2010 the Commission shall determine and publish the anticipated Community-wide amount of allowances to be auctioned for the period 2013 to 2020.

Minimum percentage of 50% of revenue: at least 50% of the revenues generated from the auctioning of allowances shall be used in a dedicated international fund as follows:

- a) one quarter for measures to contribute to funds to avoid deforestation and increase afforestation and reforestation in developing countries that have ratified the future international agreement, taking into account: the rights and needs of indigenous peoples; the preservation of biodiversity; and the sustainable use of forest resources;
- b) one quarter to reduce emissions in developing countries that have ratified the future international agreement, and to transfer technology to those countries, e.g. through the Global Energy Efficiency and Renewable Energy Fund;
- c) one half to facilitate adaptation to the adverse effects of climate change in developing countries that have ratified the future international agreement on climate change.

Revenues not used, including all revenues from the auctioning, shall be used to address climate change issues, inter alia:

- to reduce greenhouse gas emissions, to adapt to the impacts of climate change and to fund research and development for reducing emissions and adaptation, including participation in initiatives within the framework of the European Strategic Energy Technology Plan and the European Technology Platforms;
- to develop renewable energies to meet the commitment of the Community to using 20% renewable energies by 2020;
- to meet the commitment of the Community to increase energy efficiency by 20% by 2020;
- for the environmentally safe capture and geological storage of greenhouse gases, from coal power stations and a range of industrial sectors and subsectors;
- to finance research and development in energy efficiency and clean technologies;
- for additional measures to avoid deforestation, to promote sustainable afforestation and forest management in Europe and produce and mobilise sustainable biomass in the Community;
- to address energy poverty, for example through financial measures to promote increased energy efficiency and insulation;

- to encourage a shift to low emission forms of transport, including modal shift, and to offset the increased cost of power for electric traction in the rail sector;
- to cover administrative expenses of the management of the Community scheme; and
- for installations for research, innovation and investments in low-carbon technologies, including, inter alia, renewable energy, the capture and geological storage of greenhouse gases and more energy efficient production processes.

MEPs consider that free allocation shall be given to electricity generators in respect of the production of heat that is for sale to third parties, including **district heating** networks, through **high efficiency cogeneration** in respect of the production of heating or cooling.

Exclusion of small installations: the committee proposes that Member States may, at the request of the operator, exclude from the Community scheme installations which have a rated thermal input **below 35MW** (against 25MW), reported emissions to the competent authority of **less than 25 000 tonnes of carbon dioxide** (as opposed to 10 000 tonnes) equivalent, excluding emissions from biomass, in each of the preceding 3 years. Hospitals may also be excluded if they undertake equivalent measures.

Disclosure of information and professional secrecy: Member States and the Commission shall ensure that all decisions and reports relating to the quantity and allocation of allowances and to the monitoring, reporting and verification of emissions shall immediately be disclosed in a manner ensuring fast access to such information on a non-discriminatory basis.

Bordering countries: the Commission shall, in the framework of the European Neighbourhood Policy and the enlargement process, aim to conclude agreements with the countries concerned to include them in the Community scheme or to provide for the mutual recognition of allowances.