

Emissions Trading

Development & Evolution of ETS

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Presentation to EPA Workshop

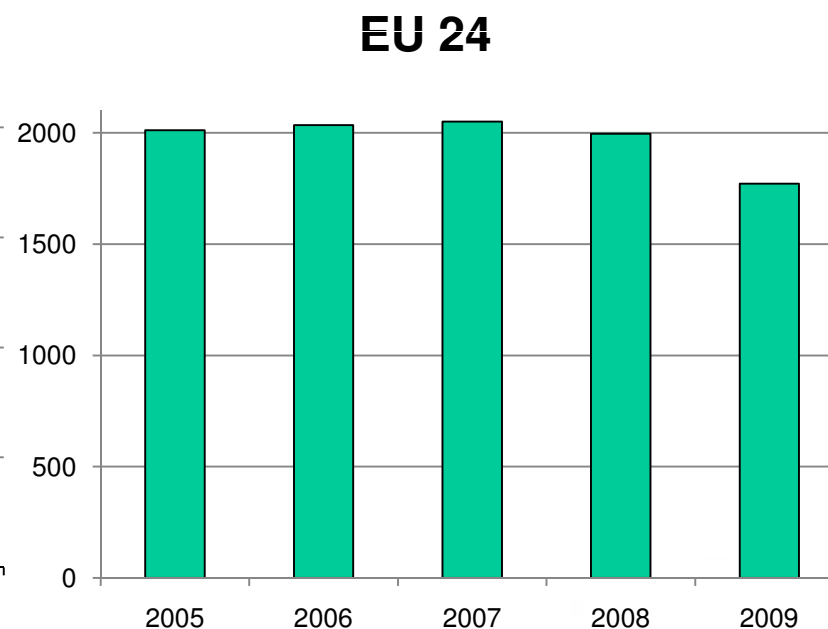
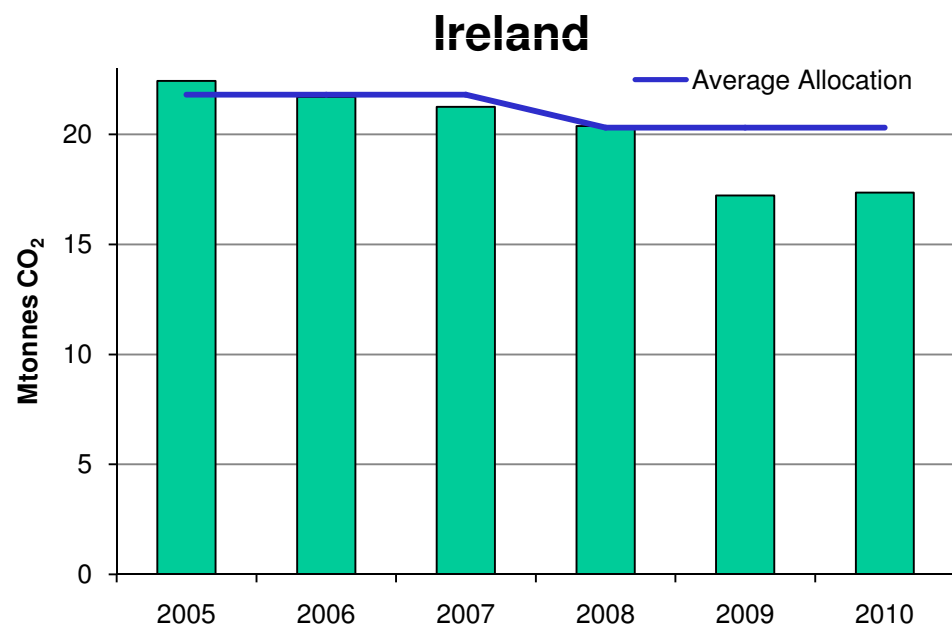
April 6, 2011

Origins of EU ETS

- The EU Emissions Trading Scheme was the first multi-national emissions trading scheme in the world.
- Phase one (the pilot period) started on 1 January 2005 and ran until 31 December 2007.
- Phase 2 is the first Kyoto period (2008-2012).
- Standard “Cap and Trade” scheme (though it is the largest one in the world). Currently only covers CO₂ emissions (all) plus N₂O emissions (some).
- Participants must surrender allowances to match their emissions
- Excess allowances can be sold to other EU Registry account holders.
- Any extra allowances needed must be bought from other accounts.
- Penalties were set at €40/t for the Pilot Phase and are now €100/t for Phase 2 (plus a roll-over penalty in the following year).

How has the ETS Performed?

	Verified Emissions - Mtonnes CO ₂					
	2005	2006	2007	2008	2009	2010
EU 24	2012	2034	2050	1996	1772	(+ 3.5%?)
Ireland	22.43	21.7	21.25	20.38	17.22	17.36



Installations Covered in EU

- Approximately 12,000 installations including steel factories, power plants, oil refineries, paper mills, and glass and cement installations.
- It is estimated that these account for almost half of the EU's CO₂ emissions and 40% of total GHG emissions.
- In Ireland around 100 installations emit just over 40% of Ireland's CO₂ emissions and around 28% of our total GHG.
- Recent amendments will extend scope to aviation in 2012 and from 2013 to include other sectors, such as aluminium producers, the chemicals industry, and other Greenhouse gases, such as NO₂.

EU Climate Change Package

- Proposed by the Commission on 23 January 2008
- Adopted by EU Parliament on 17 December 2008
- Seeks to deliver on the EU's legally binding targets, as agreed by EU leaders in March 2007, to reduce greenhouse gases by at least 20% on 1990 levels by 2020, and at the same time to increase to 20% the share of renewables in energy consumption, together with a 10% biofuel target.
- The emissions reduction to be increased to 30% by 2020 when a new global climate change agreement is reached **and** other developed countries commit to comparable reductions.

6 Key Policy Measures

- Revision of the EU Emissions Trading Directive (EU ETS);
- A Decision on the sharing of efforts to meet the Community's independent greenhouse gas reduction commitment in sectors not covered by the EU emissions trading system (such as transport, buildings, services, smaller industrial installations, agriculture and waste);
- A Directive promoting renewable energy, to help achieve both of the above emissions targets (including possible trading between MS of any over-achievement of the renewables' target);
- A Directive to provide a legal framework on carbon capture and storage;
- Regulation of CO₂ emissions from cars;
- A fuel quality Directive.

Emission Allowance Trading System: Main Changes

- Single EU-wide cap on the number of emission allowances instead of 27 national caps. The annual cap will decrease linearly, which will continue beyond the end of the third trading period (2013-2020).
- Harmonised rules governing free allocation will be introduced. Special provisions for sectors exposed to “Carbon Leakage”.
- A much larger share of allowances will be auctioned instead of allocated free of charge.
 - Part (10%) of auction allowances will be redistributed from the Member States with high per capita income to those with low per capita income to strengthen financial capacity to invest in climate friendly technologies.
 - A further 2% to be distributed amongst Member States whose GHG emissions in 2005 were at least 20% below their base year emissions.
- A number of new industries (e.g. aluminium and ammonia producers) will be included in the ETS; so will two further gases (nitrous oxide and perfluorocarbons).
- Member States allowed to exclude small installations (below 35MW rated thermal input and reported emissions <25,000 tCO₂eq in each of the three years 2010 – 2012) from the scope of the system, provided they are subject to equivalent emission reduction measures.

Annual ETS Cap

- From 2013, the total number of allowances will decrease annually in a linear manner.
- The starting point of this line is the average total quantity of allowances (phase 2 cap) to be issued by Member States for the 2008-12 period (adjusted to reflect the broadened scope of the system from 2013).
- The linear factor by which the annual amount will decrease is 1.74%, in relation to the phase 2 cap, starting in 2010.
- It will result in an ETS cap in 2020 of a maximum of 1720 million allowances (subject to scope) and implies an annual average phase 3 cap (2013 to 2020) of some 1846 million allowances and a reduction of 11 % compared to the phase 2 cap.
- The linear reduction factor of 1.74 % will continue to apply beyond 2020 and will determine the cap for the fourth trading period (2021 to 2028) and beyond.

New Entrants Reserve

- Provision for NER is 5% of total cap
- But 300m allowances from the 2013-2020 NER are “reserved” for CCS & innovative renewable technologies
- NER is not to be replenished
- On average about 50-60m EUA/a will be available for New Entrants across the entire EU 27.



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