

Slide 1

Workshop on the Free Allocation Rules
General Overview and Allocation Rules in Detail



Environmental Protection Agency
An Ghníomhaireacht um Chaomhnú Comhshaoil

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27 February 2019

Main steps and timeline – Phase 4, 1st period	
19 December 2018	Free Allocation Rules (FAR) adopted
30 May 2019	Deadline for submission of applications for free allocation by operators
30 June 2019	Date separating “incumbents” from “new entrants”
30 September 2019	Deadline for submission of National Implementation Measures (NIMs) by MS
1 January 2021	Start of Phase 4
28 February 2021	Issuance of first Phase 4 free allowances



The EPA logo is located at the bottom left of the slide. It consists of the lowercase letters 'epa' in a bold, sans-serif font. Below the letters, the text 'Environmental Protection Agency' is written in a smaller font, followed by the German text 'Umweltministerium am Deutschen Bundestag' in an even smaller font.

Process, roles and responsibilities as set out in Free Allocation Rules.

- Operators apply for free allocation (30/05/19) by providing
 - Baseline data report (NIMs and BM update)
 - Monitoring Methodology Plan
 - Verification report (Verifier accredited to scope 98 AVR Regulation 2018/2067 19.12.2018)
- CA submit NIMs (30/09/2019) without allocation
- Commission scrutinises the list and data submitted
- Commission calculates updated BM values
- CA calculate preliminary allocation based on new BM values
- CA submit NIMs list with preliminary allocations
- Commission calculates Cross-Sectoral Correction Factor (*if applicable*)
- CA calculate final allocation using CSCF and LRF when applicable
- CA submit final NIMs list with final allocations

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AVR Regulation: Commission Implementing Regulation (EU) 2018/2067 of 19 December 2018 on the verification of data and on the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council.
Free Allocation Rules adapted 19 December 2018 the 2 months scrutiny period by the European Parliament and Council is just finished. We expect publication of the final Legal text this week.

Tools to be used

- Baseline data report template (*submission of data from operator for the NIMs and for the BM update*)
- Monitoring Methodology Plan template
- Verification report template (To be completed by the Verifier)
- All templates will be made available on the EPA website when finalised by the Commission.



The EPA logo is located in the bottom left corner of the slide. It features a stylized green leaf icon to the left of the lowercase letters 'epa' in a bold, sans-serif font. Below 'epa', the text 'Environmental Protection Agency' is written in a smaller font, followed by the German text 'An Umweltbundesamt an Österreichs Bundesregierung' in an even smaller font.

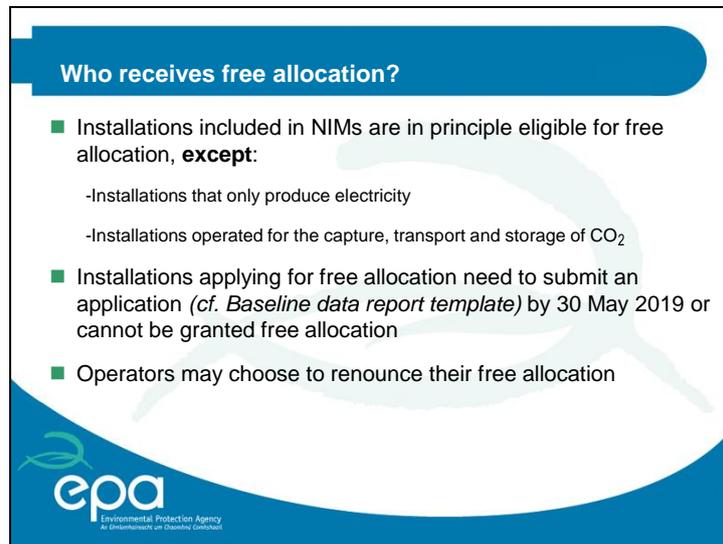
Installations in NIMs 2019

- Installations which **must be included in NIMs**
 - All incumbent installations, i.e. installations that are part of sectors included in EU ETS Phase 4 (*cf. GD on interpretation of Annex I of the Directive*)
 - Received a GHG permit latest on 30 June 2019
- Electricity generators*
- Installations not applying for free allocation*
- Small emitters (*Art. 27/27a*) (*even if later they may be opted out*)
- (Sub-)installations starting after 1 January 2018**
- Installations **not to be included in NIMs**
 - New entrants (*i.e. starting after 30 June 2019*)


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**No obligation to fill in template for installations not applying for free allocation*

***These installations are listed with no allocation as it will be calculated at a later stage*



Who receives free allocation?

- Installations included in NIMs are in principle eligible for free allocation, **except**:
 - Installations that only produce electricity
 - Installations operated for the capture, transport and storage of CO₂
- Installations applying for free allocation need to submit an application (*cf. Baseline data report template*) by 30 May 2019 or cannot be granted free allocation
- Operators may choose to renounce their free allocation

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From the fourth phase onwards, operators may choose to renounce their free allocation (e.g. if they consider efforts for monitoring, reporting and verification of relevant data related to free allocation exceeding the benefit of receiving free allocation or just for Corporate Social Responsibility purposes). Installations which do not provide the data requested by Article 11(1) of the Directive before 30 May 2019 cannot be granted free allocation

Available Commission Guidance Documents

- Guidance on the interpretation of Annex I of the Directive
- GD1: General Guidance to allocation methodology
- GD2: Allocation methodology at installation level
- GD3: Data collection
- GD4: Verification
- GD5: Monitoring and Reporting
- GD6: Cross-boundary heat flows
- *GD7: New entrants and closures (to be drafted)*
- GD8: Waste gases
- GD9: Sector specific guidance
- *GD10: Mergers and splits (to be drafted)*

https://ec.europa.eu/clima/policies/ets/allowances_en

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GD1,2,3,4,5,6,8 and 9 are final and available on the Commission website (Documentation tab scroll down to Phase IV). Other documents will be finalised in the coming weeks and available on the Commission website.

Type of data to be collected

- Two types of data to be collected:
 - Data used to determine historic activity levels at sub-installation level to calculate each (sub-)installation's **allocation**
 - Data used for the update of the **benchmark values**.
- Data is collected for 2014-2018.
- Specific provisions on monitoring and report of verified data included in the FAR and special provisions on Verification included in AVR Regulation 2018/2067.



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What is a sub-installation?

Changes in Phase 4 compared to phase 3 are indicated with the following symbol throughout this presentation: ★

- A **sub-installation** is **part of an installation** for which a **specific allocation methodology** can be applied
- **Split into sub-installations is a theoretical split, often NOT linked to physical parts of the installation**
- There can be **no overlap** between emissions of sub-installations
- Emissions of all sub-installations should add up to **100% of eligible emissions** of the installation

What is a sub-installation?

A sub-installation can be:

1. A **benchmark product**
2. The net **heat output** consumed in the production of a non-benchmarked product, mechanical energy, heating, cooling, excluding electricity production
3. Net heat output exported to a **district heating** installation ★
4. The **fuels** combusted for the production of a non-benchmarked product (direct heating or cooling or production of mechanical energy, excluding electricity production)
5. **Process** emissions emitted outside of a benchmarked product.
See Art 2(10) of the FAR for complete definition.



The slide features a blue header with the title 'What is a sub-installation?'. Below the header, there is a list of five items defining a sub-installation. The EPA logo is located at the bottom left of the slide content area.

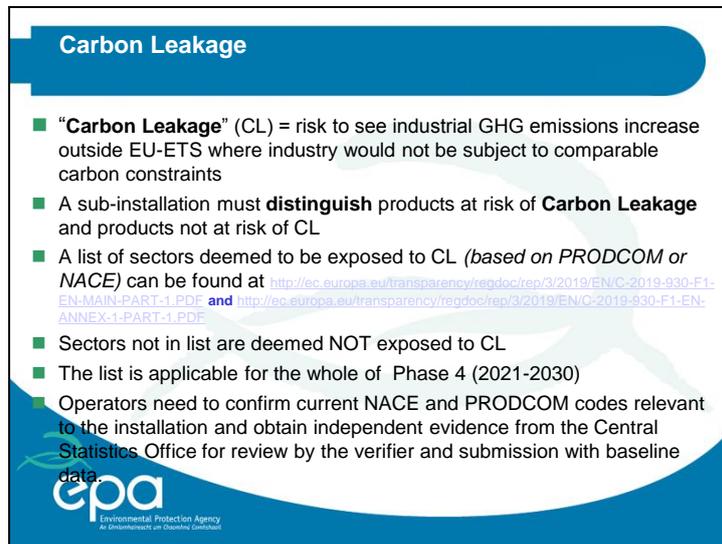
‘heat benchmark sub-installation’ means inputs, outputs and corresponding emissions not covered by a product benchmark sub-installation relating to the production other than produced from electricity, the import from an installation covered by the EU ETS, or both, of measurable heat which is:

- (a) consumed within the installation's boundaries for the production of products, for the production of mechanical energy other than used for the production of electricity, for heating or cooling with the exception of the consumption for the production of electricity, or
 - (b) exported to an installation or other entity not covered by the EU ETS other than district heating with the exception of the export for the production of electricity;
- (4) ‘district heating’ means the distribution of measurable heat for the purpose of heating or cooling of space or of production of domestic hot water, through a network, to buildings or sites not covered by EU ETS with the exception of measurable heat used for the production of products and related activities or the production of electricity;
- (5) ‘district heating sub-installation’ means inputs, outputs and corresponding emissions not covered by a product benchmark sub-installation relating to the production, the import from an installation covered by the EU ETS, or both, of measurable heat which is exported for the purposes of district heating;
- (6) ‘fuel benchmark sub-installation’ means inputs, outputs and corresponding emissions

‘process emissions sub-installation’ means greenhouse gas emissions listed in Annex I to Directive 2003/87/EC other than carbon dioxide, which occur outside the system boundaries of a product benchmark listed in Annex I to this Regulation, or carbon dioxide emissions, which occur outside the system boundaries of a product benchmark listed in Annex I to this Regulation, as a direct and immediate result of any of the following processes and emissions stemming from the combustion of waste gases for the purpose of the production of

measurable heat, non-measurable heat or electricity, provided that emissions that would have occurred from the combustion of an amount of natural gas, equivalent to the technically usable energy content of the combusted incompletely oxidised carbon, are subtracted:

- (a) the chemical, electrolytic or pyrometallurgical reduction of metal compounds in ores, concentrates and secondary materials for a primary purpose other than the generation of heat;
- (b) the removal of impurities from metals and metal compounds for a primary purpose other than the generation of heat;
- (c) the decomposition of carbonates, excluding those for flue gas scrubbing for a primary purpose other than the generation of heat;
- (d) chemical syntheses of products and intermediate products where the carbon bearing material participates in the reaction, for a primary purpose other than the generation of heat;
- (e) the use of carbon containing additives or raw materials for a primary purpose other than the generation of heat;
- (f) the chemical or electrolytic reduction of metalloid oxides or non-metal oxides such as silicon oxides and phosphates for a primary purpose other than the generation of heat;



Carbon Leakage

- “**Carbon Leakage**” (CL) = risk to see industrial GHG emissions increase outside EU-ETS where industry would not be subject to comparable carbon constraints
- A sub-installation must **distinguish** products at risk of **Carbon Leakage** and products not at risk of CL
- A list of sectors deemed to be exposed to CL (*based on PRODCOM or NACE*) can be found at <http://ec.europa.eu/transparency/regdoc/rep/3/2019/EN/C-2019-930-F1-EN-MAIN-PART-1.PDF> and <http://ec.europa.eu/transparency/regdoc/rep/3/2019/EN/C-2019-930-F1-EN-ANNEX-1-PART-1.PDF>
- Sectors not in list are deemed NOT exposed to CL
- The list is applicable for the whole of Phase 4 (2021-2030)
- Operators need to confirm current NACE and PRODCOM codes relevant to the installation and obtain independent evidence from the Central Statistics Office for review by the verifier and submission with baseline data.

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CL List was adapted on the 15 February and is currently undergoing 2 months scrutiny in the European Parliament and Council.

NACE Rev. 2

https://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST_CLS_DLD&StrNom=NACE_REV2&StrLanguageCode=EN&StrLayoutCode=HIERARCHIC ,
PRODCOM 2010

https://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST_CLS_DLD&StrNom=PRD_2010&StrLanguageCode=EN&StrLayoutCode=HIERARCHIC)

Carbon Leakage

- COMMISSION DELEGATED DECISION (EU) .../... of 15.2.2019 supplementing Directive 2003/87/EC of the European Parliament and of the Council concerning the determination of sectors and subsectors deemed at risk of carbon leakage for the period 2021 to 2030 and Annex to the Decision.
- Take note of the changes to the Carbon Leakage list for Phase 4 compared to products on the current list for Phase 3.
- Examples of NACE codes no longer subject to Carbon Leakage include the following:
 - 0620 Extraction of Natural Gas
 - 1020 Processing of fish oil
 - 1086 Homogenised food preparations and dietetic food
 - 1101 Distilling
 - 2120 Manufacture of Pharmaceutical Preparations
 - 2611 Manufacture of electronic components



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How many sub-installations in an installation ?

- An installation can be split into a **maximum of $n+7$** sub-installations, where:
 - n** is the number of **product benchmark** sub-installations
 - The other sub-installations, based on so-called “fall-back” approaches, may include up to:
 - Two heat** benchmark sub-installations: one CL, one non-CL;
 - One district heating** sub-installation;★
 - Two fuel** benchmark sub-installations: one CL, one non-CL;
 - Two process emissions** sub-installations: one CL, one non-CL.

How do I split my installation into sub-installations ?

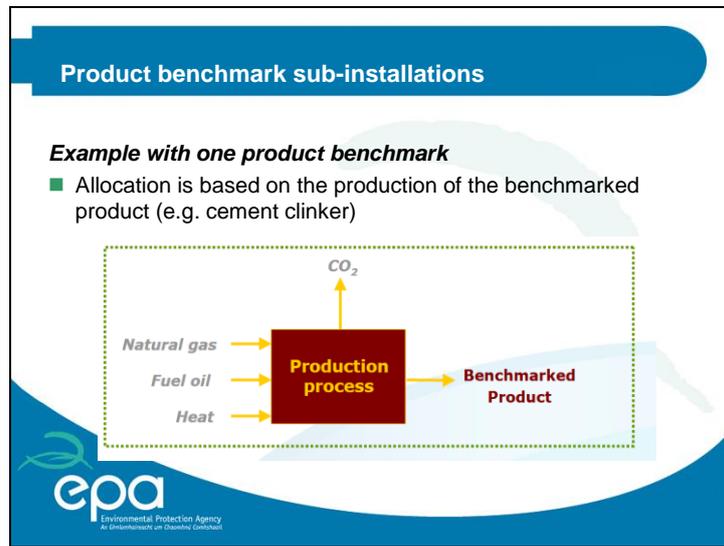
- 1. Product benchmark**
–If one or more product benchmarks (out of the existing 52) are applicable
- 2. Heat benchmark**
–If measurable heat is consumed outside the boundaries of a product benchmark
–And/or if measurable heat is exported to non-ETS
- 3. District heating** ★
–If measurable heat is exported to a district heating installation
- 4. Fuel benchmark**
If fuel is combusted for the production of a non-benchmarked product other than electricity
- 5. Process emissions**
–If process emissions are emitted outside the boundaries of a product benchmark

To be applied in this order

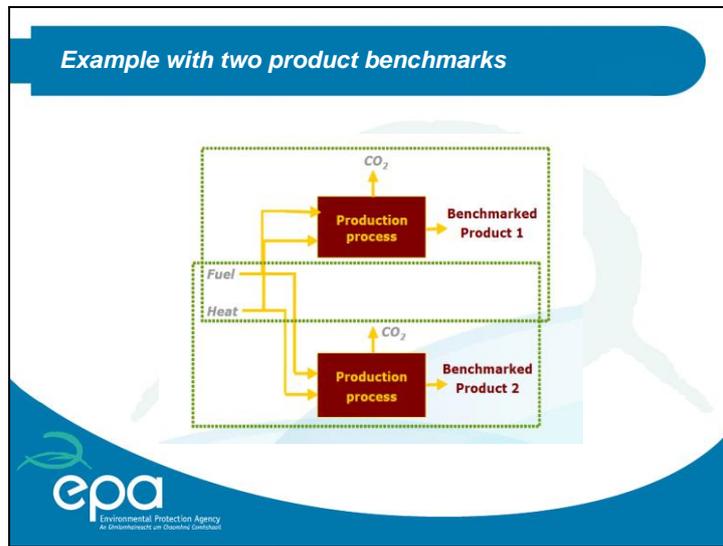


The slide features a blue header with the title 'How do I split my installation into sub-installations ?'. Below the header is a list of five benchmark types, each with a brief description. A large red arrow on the right side points downwards, indicating the sequence of application. The EPA logo is located at the bottom left of the slide.

This is a fundamental slide. Pay attention to the hierarchy!

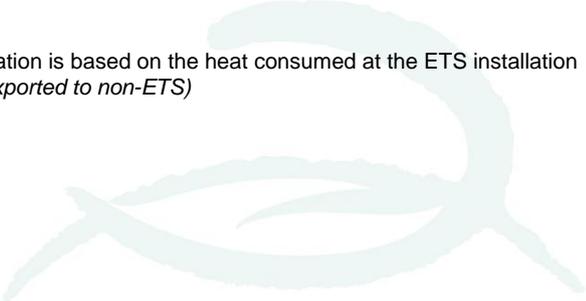


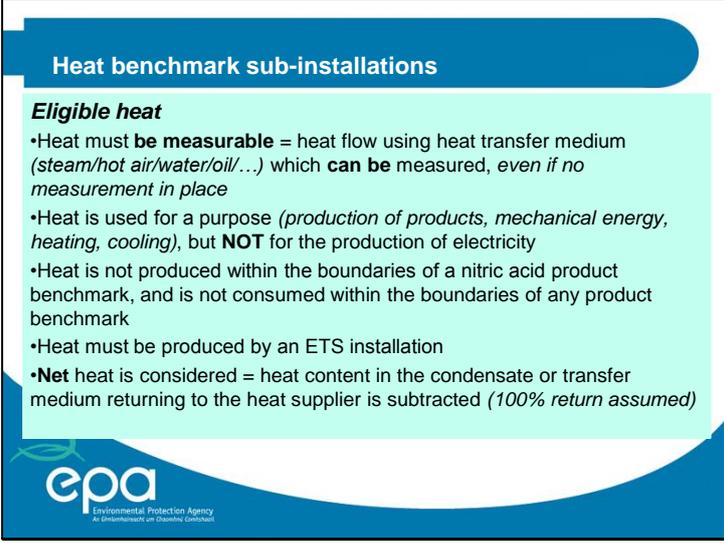
Please see Guidance Document 2 on determining allocation at installation level for further detail on sub-installations.



Heat benchmark sub-installations

- Allocation is based on the heat consumed at the ETS installation
(or exported to non-ETS)





Heat benchmark sub-installations

Eligible heat

- Heat must be **measurable** = heat flow using heat transfer medium (*steam/hot air/water/oil/...*) which **can be** measured, *even if no measurement in place*
- Heat is used for a purpose (*production of products, mechanical energy, heating, cooling*), but **NOT** for the production of electricity
- Heat is not produced within the boundaries of a nitric acid product benchmark, and is not consumed within the boundaries of any product benchmark
- Heat must be produced by an ETS installation
- Net** heat is considered = heat content in the condensate or transfer medium returning to the heat supplier is subtracted (*100% return assumed*)

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For District Heating Sub-installation. This is not discussed in detail as it does not apply to any installations.

Net heat is **exported to district heating**

Definition of **District Heating**

- Distribution of measurable heat through a network:
 - For the purpose of **heating or cooling of space** or production of **domestic hot water**, but NOT for the production of products or electricity
 - To **buildings or sites not covered by the EU ETS**

Cross-boundary heat flows

If A is a...	And B is a...	Then...
ETS installation	ETS installation	B gets allocated for the heat imported from ETS and consumed
ETS installation	non-ETS installation	A gets allocated for the heat exported to non-ETS
non-ETS installation	ETS installation	The heat is non eligible for free allocation, as it is produced by non-ETS

Heat distributor networks

A heat distribution network is **by default considered non-ETS**

If CHP has no information of what happens behind the network, there will be only one non-CL heat sub-inst for the CHP; otherwise:

-If CHP can provide **evidence on CL status of end-users and respective heat flows**, this will be considered (CHP will have CL heat sub-inst for heat exported to end users producing CL Products).

An ETS installation consuming heat from a heat distribution network does not receive free allocation as the network is non-ETS.

Fuel benchmark sub-installation

Eligible fuel

- Fuel is not consumed within the boundaries of a product benchmark sub-installation
- Fuel is not consumed within the boundaries of a heat benchmark sub-installation
- Fuel is not consumed for the production of electricity
- Fuel is not flared, except in the case of safety flaring
- Fuel is combusted for one of the following reasons:
 - Direct heating or cooling (*heat cannot be measured*)
 - Mechanical energy (*not used to produce electricity*)
 - Production of products

Allocation is based on the fuel consumed.

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See section 3.4 of Guidance Document 2 on determining the allocation at installation level.

Note: Fuel combusted directly for the purpose of waste treatment (without recovery of measurable heat) cannot be considered eligible as a fuel benchmark sub-installation as it does not relate to any of the three production activities listed above (direct heating/cooling, production of products, production of mechanical energy).

Process emissions sub-installation

- **Definition of process emissions**
- “Type a”: **non-CO₂** greenhouse gas emissions (e.g. N₂O) from *Schedule 1 activities*.
- “Type b”: CO₂ emissions from any of the activities (a) to (f) listed in Art.2(10) of FAR
- “Type c”: emissions from the combustion of **waste gases** for the production of measurable heat, non-measurable heat or electricity – only emissions higher than those resulting from combustion of natural gas are considered

Allocation is based on the emitted process emissions

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Article 2.10 (a)-(f)

- (a) the chemical, electrolytic or pyrometallurgical reduction of metal compounds in ores, concentrates and secondary materials for a primary purpose other than the generation of heat;
- (b) the removal of impurities from metals and metal compounds for a primary purpose other than the generation of heat;
- (c) **the decomposition of carbonates**, excluding those for flue gas scrubbing for a primary purpose other than the generation of heat; (e.g. decomposition of carbonates excluding scrubbing and not part of a product benchmark.)
- (d) chemical syntheses of products and intermediate products where the carbon bearing material participates in the reaction, for a primary purpose other than the generation of heat;
- (e) **the use of carbon containing additives or raw materials** for a primary purpose other than the generation of heat; (eg use of carbon containing additives to produce a non benchmarked product e.g. chimney pots)
- (f) the chemical or electrolytic reduction of metalloid oxides or non-metal oxides such as silicon oxides and phosphates for a primary purpose other than the generation of heat;

Definition of waste gases

- Contain incompletely oxidised carbon
- Are in a gaseous state under standard conditions
- Occur as a result of one of the activities (a) to (f) listed in Art.2(10) of FAR

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Further detailed information on waste gases is contained in GD 8.

Calculation of allocation

Preliminary allocation at sub-installation level

$$Fi(k) = BMi \times HALi \times CLEFi(k)$$

Fi(k) = Annual preliminary allocation for sub-installation *i* in year *k*
(allowances/year)

BMi = Applicable benchmark value for sub-installation *i*
(allowances/unit of activity)

HALi = Historical Activity Level of sub-installation *i* (unit of
activity/year)

CLEFi(k) = Applicable Carbon Leakage Exposure Factor for sub-
installation *i* in year *k* (unitless)

Benchmarks (BM)

- 52 product BM, based on production of products (*average of 10% most GHG efficient installations*)
- 1 heat BM, based on amount of measurable heat consumed or exported to non-ETS (*applies to heat benchmark sub-installations and to district heating sub-installations*)★
- 1 fuel BM, based on amount of fuel consumed
- 1 process emissions approach, allocation based on 97% of historical emissions

Historical Activity Level
 $F_i(k) = BM_i \times HAL_i \times CLEF_i(k)$

- *HAL = Arithmetic Mean of the Baseline period (Annual Activity Levels)* ★
- Two baseline periods in Phase 4: 2014-2018 and 2019-2023 ★
- All calendar years in which installation was operating at least 1 day are taken into account
- Mean \equiv Average



The EPA logo is located at the bottom left of the slide. It features the letters 'epa' in a stylized, lowercase font, with a green leaf-like graphic above the 'e'. Below the logo, the text 'Environmental Protection Agency' and 'An Environmental Health and Safety Commission' is written in a smaller font.

Historical Activity Level – example 3 Sub-installations at the installation

Sub-Inst	2014	2015	2016	2017	2018
A	800	0	400	500	0
B	0	600	0	300	400
C		200	400	0	400

- Assumptions: sub-installation B was operating before 2014; sub-installation C started operating in 2015
- $HALA = \text{average}(800, 0, 400, 500, 0) = 340$
- $HALB = \text{average}(0, 600, 0, 300, 400) = 260$
- $HALC = \text{average}(200, 400, 0, 400) = 250$



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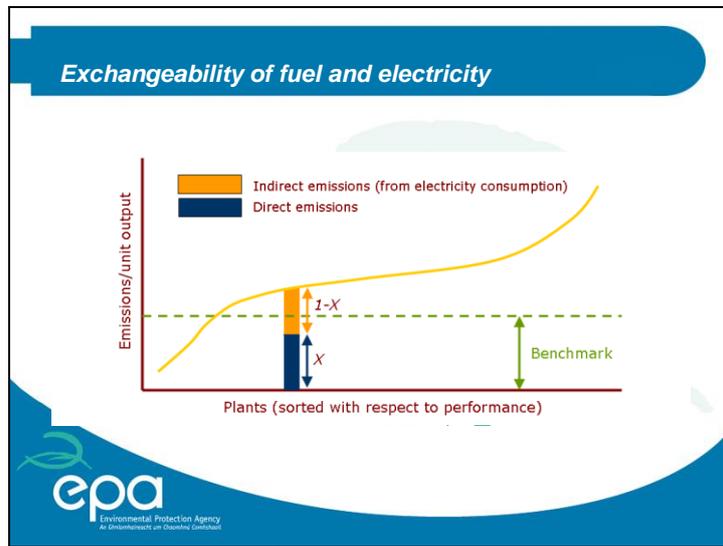
HAL

« *De-minimis* » rule

- If AL heat-CL \geq 95% of the total heat BM sub-inst AL, then the operator may choose to have only one heat BM sub-installation, deemed exposed to CL (respectively only one heat BM sub-inst deemed non-CL if AL heat-non-CL \geq 95%)
- The same rule applies to the fuel BM sub-installations and to the process emissions sub-installations
- District Heating has also been included in this rule: if AL heat \geq 95% of the total heat AL for either of the three heat benchmark sub-installations (CL, non-CL, DH) then the operator may attribute the remaining 5% to this sub-installation

*Exchangeability of fuel and electricity
Determining Product benchmark and allocation*

- In equivalent product benchmark processes where either fuel or electricity can be used to produce heat or mechanical energy **indirect emissions** are taken into account in the benchmark value, but corrected for in the allocation
- $F_i(k) = (E_{mdir} + E_{mNHI} / E_{mdir} + E_{mNHI} + E_{melec}) \times B_{Mi} \times H_{ALi} \times C_{LEi}$
- E_{mdir} = direct emissions within boundaries of the product BM sub-installation
- E_{mNHI} = net measurable heat import from other ETS installations and non-ETS entities
- E_{melec} = indirect emissions from electricity consumption within boundaries of the product BM sub-installation



HAL
Rules for « special » sectors FAR Annexes II and III

- Specific rules apply for some sectors for **calculation of HAL**. These include:
 - Refinery and Aromatics: CWT* approach to take into account the complexities and specificities of each installation
 - Lime and Dolime: correction for the calcium oxide and magnesium oxide content
 - Steam cracking: correction to include high value chemicals in supplemental feed
 - Ethylene glycols: conversion factor relative to ethylene oxide
 - -Hydrogen and Syngas: hydrogen purity factor to ensure consistency with CWT approaches

See Guidance Document 9 on sector specific guidance for details
*CO₂ weighted tonne



The slide features a blue header with the text 'HAL Rules for « special » sectors FAR Annexes II and III'. Below the header is a list of specific rules for the calculation of HAL, each preceded by a blue square bullet point. The list includes: Refinery and Aromatics (CWT* approach), Lime and Dolime (correction for calcium and magnesium oxide), Steam cracking (correction for high value chemicals), Ethylene glycols (conversion factor), and -Hydrogen and Syngas (hydrogen purity factor). A reference to Guidance Document 9 and a note about CO₂ weighted tonne are also present. The slide concludes with the EPA logo and the text 'Environmental Protection Agency' and 'An Umweltbundesamt am Österreichischen Bundesrat'.

HAL (Sub-)installations not operating during whole baseline

- **Case 1:** Sub-installation operated < 2 calendar years in baseline
 - First start of normal operation > 01/01/2017
 - HAL = **AL of first calendar year of operation** after start of normal operation of sub-installation ★
- **Case 2:** Sub-installation operated < 1 calendar year in baseline
 - First start of normal operation >01/01/2018
 - HAL = AL of first calendar year of operation after start of normal operation of sub-installation **determined once first AL report is submitted** ★



The slide features the EPA logo at the bottom left, which includes the letters 'epa' in a stylized font and the text 'Environmental Protection Agency' and 'An tAonreasacht an tSiombhaí Comhábha' below it.

Activity Level Changes Regulation under 12 week public consultation until 22 February. This regulation will set out when the first AL change report is submitted.

Definition of start of normal operation

Start of normal operation is the "first day of operation", ★

i.e. first day the activity level is higher than 0

Carbon Leakage Exposure Factor
 $F_i(k) = B M_i \times H A L_i \times C L E F_i(k)$

- CLEF is based on CL status (CL or non-CL)
- A specific CLEF applies for district heating (DH) sub-installations

CLEF value	2021-2026	2027	2028	2029	2030
CL sub-inst	1	1	1	1	1
Non-CL sub-inst	0.3	0.225	0.15	0.075	0
DH sub-inst	0.3	0.3	0.3	0.3	0.3



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Calculation of allocation
Preliminary allocation at installation level

Preliminary allocation at installation level

■

$$F_{inst}(k) = \sum_i (F_i(k))$$

$F_{inst}(k)$ = Preliminary total allocation for the installation in year k (allowances/year)

$F_i(k)$ = Preliminary allocation for sub-installation i in year k (allowances/unit of activity)

Calculation of allocation
Final allocation at installation level

- In years when the calculated free allocation exceeds the total available amount, a **Cross-Sectoral Correction Factor** is applied to all incumbent installations.
 $F_{\text{final installation}}(K) = F_{\text{installation}}(k) \times \text{CSCF}(K)$
- In years **when no CSCF is needed**, free allocation to “electricity generators” will be reduced by the Linear Reduction Factor
 $F_{\text{final installation}}(K) = F_{\text{installation}}(k) \times \text{LRF}(K)$

F final installation (K) = Final total allocation for the installation in year k (allowances/year)
F inst(k) = Preliminary total allocation for the installation in year k (allowances/year)
CSCF(k) = Cross-Sectoral Correction Factor in year k (unitless), if necessary
LRF(k) = Linear Reduction Factor in year k (2.2%/year, with 2021 as reference)



See Guidance Document 1 for more detail.

Starting in 2021, the total cap on emission allowances will decrease annually by 2.2%, the Linear Reduction Factor (LRF). This will lead to 43% reduction of emissions in 2030 compared to 2005 (see Art.9 of the revised Directive). Fewer free allowances will be available than in Phase 3 because of the annual higher reduction factor and because of a fixed share of total allowances to be auctioned (57% of total). The lower amount of available free allowances will be used in a more focused approach to avoid carbon leakage, including a phase out of free allocation after 2026 from 30% to 0 at the end of Phase 4 (2030) for less exposed sectors. In order to minimise the risk of triggering a factor established pursuant to Article 10a(5) of Directive 2003/87/EC (called Cross-Sectoral Correction Factor (CSCF) , a buffer has been set up, so up to 3% of the allowances that are allocated for auctioning will be used to increase the maximum amount available before the CSCF applies.

The need for, and if applicable the value of, a cross-sectoral correction factor will be assessed by the Commission after receiving all NIMs, on the basis of the preliminary free allocation, using the updated benchmark values and applying the relevant carbon leakage factor. If applied, the cross-sectoral correction factor would be identical for all incumbent installations. The CSCF does not apply to new entrants. The need for, and value of, the factor could differ for different years in the fourth trading period.

The Linear reduction factor values for each year

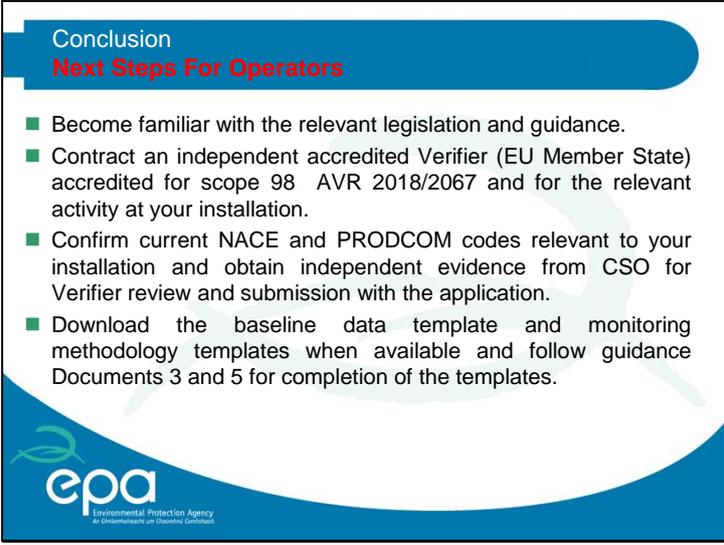
Year	Linear Reduction Factor	
	Electricity Generator	New Entrants
2021	0.8562	1.000
2022	0.8342	0.9780
2023	0.8122	0.9560
2024	0.7902	0.9340
2025	0.7682	0.9120
2026	0.7462	1.000
2027	0.7242	0.9780
2028	0.7022	0.9560
2029	0.6802	0.9340
2030	0.6582	0.9120

Allocation Changes and New Entrants

- Detailed rules relating to Allocation Level Changes under **★** discussion. Public consultation until 22 February. Implementing Act to be developed.
- General principles:
 - Adjustment of allocation based on two-year rolling average
 - Threshold = 15% of HAL, upwards or downwards
- **New entrants**
 - Installations that receive GHG permit after 30/06/2019 (*resp. 2024*)
 - Same approach for allocation as incumbents (*BMxHALxapplicable factors*)
 - First 2 years of operation, allocation based on actual AL
 - The HAL is the activity level of the first calendar year after the start of normal operation.

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Guidance Document 7 is being developed for New Entrants and Closures.

A rectangular box with a blue header and footer. The header contains the text 'Conclusion' and 'Next Steps For Operators'. The main body contains a bulleted list of four items. The footer contains the EPA logo and the text 'Environmental Protection Agency' and 'An Environmental and Quality Commission'.

Conclusion
Next Steps For Operators

- Become familiar with the relevant legislation and guidance.
- Contract an independent accredited Verifier (EU Member State) accredited for scope 98 AVR 2018/2067 and for the relevant activity at your installation.
- Confirm current NACE and PRODCOM codes relevant to your installation and obtain independent evidence from CSO for Verifier review and submission with the application.
- Download the baseline data template and monitoring methodology templates when available and follow guidance Documents 3 and 5 for completion of the templates.

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AVR 2018/2067 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.334.01.0094.01.ENG&toc=OJ:L:2018:334:TOC
Guidance Document 3 –Data collection Guidance.
Guidance Document 5- Guidance on Monitoring and Reporting for the Free Allocation Rules.

Next Steps for Operators (2)

- Organise internal team meetings with technical experts to identify best available data sources applying the hierarchy of acceptable monitoring methods.
 - Seek clarification from the EPA as required.
 - Complete the baseline data report (2014-2018 data) and monitoring methodology plan (historic methods and methods applied from 2019 onwards) in compliance with the FAR Regulation and guidance notes.
 - Submit the application for free allocation by 30 May 2019 accompanied by:
 - Baseline data report verified as satisfactory
 - Monitoring methodology plan (MMP)
- Verification report on the baseline data report and on the MMP.

Next Steps for Verifiers accredited to Scope 98 of AVR 2018/2067

- Comply with the (AVR) Implementing Regulation 2018/2067 for the purposes of verifying the operators baseline data report or new entrant report.
- Be familiar with the following documents for a full understanding of verification tasks and requirements:
 - EU ETS Directive
 - Commission Delegated Regulation 19/12/018 on the FAR
 - Other relevant legislation such as the Benchmark update implementing Act, updated carbon leakage list, Activity Level Change Implementing Act.
 - EA 6/03
 - Commission templates for MMP, NIMS baseline data, new entrant reports, verification reports.



The slide features the EPA logo in the bottom left corner, which includes the letters 'epa' in a stylized font and the text 'Environmental Protection Agency' and 'An tUachtaránacht an tEorpáil' below it.

MMP: Monitoring methodology plan

Next Steps for Verifiers accredited to Scope 98 of AVR 2018/2067

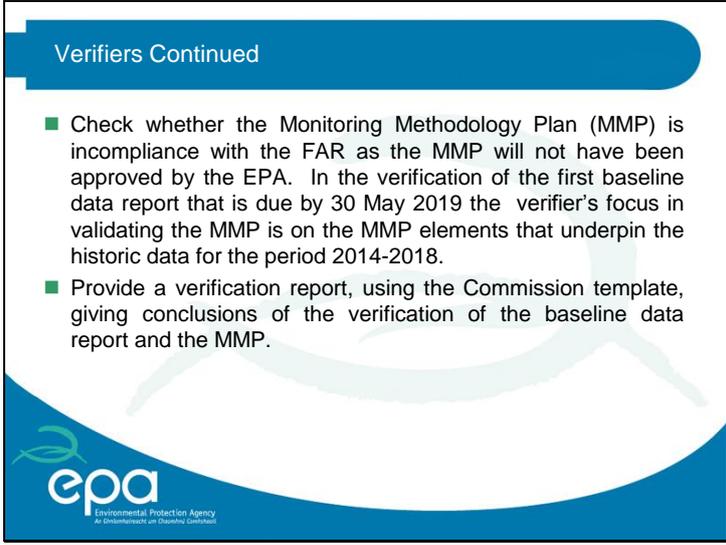
- Be familiar with Commission Guidance documents (GD).
 - GD 4 Verification, GD1, allocation methodology, GD2 split into sub-installations, GD3 on completion of the reporting templates, GD5 monitoring and reporting rules, GD transfer of heat between installations, GD 7 New Entrants, GD 9 product benchmarks, AVR Guidance Documents.
- Conduct a site visit to assess the boundaries of the installation and its sub-installations, completeness of source streams, emission sources and technical connections, conclude with reasonable assurance that the Operators report is free from material misstatements.

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An aspect to consider when verifying allocation data for the fuel benchmark and process emissions sub-installations – and some elements of the heat benchmark sub- installation – is that the data related to the baseline period will in some cases have already been verified during annual emission verification. Where the sub-installation covers the whole or a substantial part of the installation, i.e. offshore installations, and all data has been verified by the same verifier during annual emission verification, it may not be necessary to carry out further site visits if this is justified by the verifier’s risk analysis and all relevant documentation can be accessed at a centralised location. This does not constitute a waiver of site visit. A visit was carried out during annual emission verification and a further visit to the centralised location where all documentation and data can be accessed is still required in those cases. The verifier has to pay particular attention as to whether:

- the scope(s) of verification of the historic emissions data for annual reporting in the past covers the same scope(s) as for verification of the baseline data reports;
- the free allocation data to be verified, the methodologies and installation boundaries, as well as data flow activities, control activities and procedures were assessed during annual emission verification.

If these scopes are not covered and not all relevant data has been verified before, additional visits will be necessary.



The slide features a blue header with the text 'Verifiers Continued'. Below the header, there are two green square bullet points. The first bullet point discusses checking for compliance with the FAR regarding the MMP approval by the EPA and the verifier's focus on historic data for 2014-2018. The second bullet point discusses providing a verification report using the Commission template. At the bottom left, the EPA logo is displayed with the text 'Environmental Protection Agency' and 'An Umweltbundesamt am Österreichischen Bundesministerium für Klimaschutz, Umwelt, Energie, Mobilität, Innovation und Technologie'.

Verifiers Continued

- Check whether the Monitoring Methodology Plan (MMP) is in compliance with the FAR as the MMP will not have been approved by the EPA. In the verification of the first baseline data report that is due by 30 May 2019 the verifier's focus in validating the MMP is on the MMP elements that underpin the historic data for the period 2014-2018.
- Provide a verification report, using the Commission template, giving conclusions of the verification of the baseline data report and the MMP.

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For historic data that will be used for baseline period 2014-2018, the operator will be using data that is already in their records. In principle, the operator should be using the same data sources as are listed in the installation's annual emissions MP – these are considered the highest accuracy data for quantification of fuels and materials and for determining the properties of fuels and materials.

For example, if the operator currently does not have measurement instruments and calculates a proxy for determining net amounts of measurable heat in accordance with method 3 in section 7.2 of the Annex to the FAR, it should be stated in the MMP that this is currently the highest level of accuracy that can be achieved by the operator. Unless there is clear evidence to the contrary, the verifier can accept this methodology for baseline data determination for the first cycle. Depending on the situation and data set, the operator should provide evidence that no other (more accurate) data sources exist, or other appropriate reasoning, such as a more accurate data source's amount of data gaps, etc.

Sources of Information

- FAR Regulation
- https://eur-lex.europa.eu/resource.html?uri=cellar:86d7e8c2-03a3-11e9-adde-01aa75ed71a1.0008.02/DOC_1&format=PDF
- https://eur-lex.europa.eu/resource.html?uri=cellar:86d7e8c2-03a3-11e9-adde-01aa75ed71a1.0008.02/DOC_2&format=PDF
- Commission Website
- https://ec.europa.eu/clima/policies/ets/revision_en
- Commission Guidance Documents (Under Documentation Phase IV section)
https://ec.europa.eu/clima/policies/ets/allowances_en



The EPA logo is located in the bottom left corner of the slide. It features a stylized green leaf icon to the left of the lowercase letters 'epa' in a bold, sans-serif font. Below 'epa', the text 'Environmental Protection Agency' is written in a smaller font, followed by the German text 'An Umweltbundesamt am Deutschen Bundestag' in an even smaller font.