

Benchmarking for the EU ETS – status of work

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This presentation reflects the views of the consultants and not the position of the European Commission

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STILL WORK IN PROGRESS

REPORT CURRENTLY UNDER REVIEW BY EC

Criteria for determining which sectors and products to benchmark

- First focus on the feasibility of product benchmarks for the products that are specified in Annex I of the revised ETS Directive
- Alternative approach as default for activity "combustion of fuels"
- Consideration of additional product benchmarks after assessment of combustion of fuel group (sugar, beer, upstream oil and gas industry ?)

Criteria for determining which sectors and products to benchmark

Following criteria are used to determine the feasibility of benchmarking

- Similar products can be grouped if the benchmarks for separate products in the group differs 20 % from the other products
- Share of a product group in the sector. At least 80 % should be covered by a product benchmarks. If not, benchmarking for the sector not feasible
- Share of a product group in the total EU ETS.
- A product group should be produced by at least a number of installations

Substitutability between electricity and fuel use

Some products can be produced via routes with different shares of electricity and fuel use. This can result in benchmarks for direct emissions that are not representative and have little to do with overall GHG performance

Possible solutions:

- Only required for cases where this really is an issue (e.g. mineral wool)
- Primary energy benchmark (including indirect emissions), allocation only to direct emission share up to maximum the benchmark
- Alternative: exclude electricity intensive processes from benchmark approach and treat them with alternative approach

Cross-boundary heat flows

1. Benchmark based on the product consuming the heat
2. Sometimes this heat is produced by another EU ETS installation

Proposed solution: basic allocation to consumer based on benchmarks and/ or other approaches corrected for heat flow coming from other installation. Allocation to the producer based on heat benchmark. Leakage factor and benchmarks determined by consumers

Resulting negative allocation solved by shifting allowances from producer to consumer

Fall-back approaches when product benchmarks are not feasible

1. For sectors where no product benchmarks are developed
2. For products for which no product benchmark is developed within “benchmarking sectors”

Proposed indicative solution:

- Benchmark for the heat product of the combustion installation (steam, hot water)
- Benchmark for fuel input in other combustion processes
- Grandfathering for small non fossil fuel related emissions

Fall-back approaches when product benchmarks are not feasible

Activity	Product based benchmarks	Heat or fuel mix benchmark	Grandfathering
Combustion of fuels	Possible	Default option (combustion emissions)	Default option (non fossil fuel related process emissions)
Other activities	Default option	Fall back (combustion emissions)	Fall back (non fossil fuel related process emissions)

- Degree to which GHG reduction possibilities are included in the approach differs between approaches
- Question remains if and how this should be reflected (correction factors etc.)

	Fuel mix choice	Combustion process efficiency	Heat end-use efficiency
1 Product benchmark	Included	Included	Included
2 Heat production benchmark	Included	Included	Not included
3 Fuel mix benchmark	Included	Not included	Not included
4 Grandfathering	Not included	Not included	Not included

Sectors for which product benchmarks are currently foreseen ^(1/2)

Refineries (1 approach)

Iron and steel (6 products, >90% of emissions)

Aluminium (4 products, >80% of emissions)

Other NF metals (fall-back approach proposed)

Cement (1 product)

Lime (2 products, > 90% of emissions)

Sectors for which product benchmarks are currently foreseen ^(2/2)

Glass (3 products, but ...)

Ceramics (<10 products)

Mineral wool (1 product)

Gypsum (4 products)

Chemicals (14 products, >80% of emissions)

Pulp and paper (<10 products, but ...)

Summary

- In the current ETS: ~800 Mt CO₂ available for free allocation
- ~50 product benchmark cover at least 600 Mt CO₂

Next steps

- Discussion with EC in September 2009
- Publication in October 2009
- Verification, refinement, politics ...
- MS Pilots (are the data there), followed by detailed guidance documents
- Exact process to be outlined by EC

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