



PROPOSAL FOR A CEPS TASK FORCE ON

BENCHMARKING FOR THE EU ETS AND BEYOND

Chair: **Anna Törner**, Head of Section, Ministry of Enterprise,
Energy and Communications, Sweden

Rapporteurs: **Christian Egenhofer**, Senior Research Fellow, CEPS
Noriko Fujiwara, Research Fellow, CEPS
Anton Georgiev, Research Fellow, CEPS

First meeting: 23 June 2009 (from 10h-16h30)

Second meeting: 8 July 2009 (from 10h-16h30)

Dates for third and fourth meeting will be set at the first meeting

Meeting venue:
Centre for European Policy Studies (CEPS)
Place du Congrès 1, 1000 Brussels

1. Introduction

The revised EU Emissions Trading Scheme¹ foresees auctioning of allowances as the default option. However, Article 10a of the Directive allows for transitional free allocation, based on Community-wide ex-ante benchmarks (if feasible) based on a number of objectives, essentially related to providing incentives for GHG reductions and the use of energy efficient techniques. Starting point is the “average performance of 10% most efficient installations” in a sector or sub-sector in the Community in the years 2007-2008.

This article also calls for consultation of relevant stakeholders.

Installations in sectors or sub-sectors which are deemed to be exposed to a significant risk of carbon leakage are due to receive as of 2013 up to 2020 allowances free of charge at 100%. ‘Non-exposed sectors’ are due to receive 80% for free while this portion is meant to decrease to 30% in 2020, with a view to reaching no free allocation in 2027. Article 10b of the new Directive requires an assessment (“analytical report”) by the European Commission on those sectors potentially exposed to carbon leakage and possibly adjust free allocation or take other measures.

Article 10c finally sets the strict conditions under which free allocation remains possible for the power sector.

The European Commission has launched a process to cope with both benchmarking and definition of exposed sectors. Among other, the European Commission has contracted a consultant² to assist in this process. Numerous stakeholder meetings and bilateral consultations are planned to ensure transparent and effective consultation.

Within this context, the Brussels-based Centre for European Policy Studies (CEPS) proposes to launch a new Task Force on “Benchmarking for the EU ETS and beyond”.

2. Why a CEPS Task Force?

Overall objective of the Task Force is to increase the understanding and clarity on a number of issues, especially definitions and implications of benchmarking, benefit from ongoing work within the Commission and elsewhere to inform the debate outside of the EU, examine some key controversial issues such as indirects, principles, comparability of sector contributions but also long-term impacts on technology development and more generally, decarbonisation.

Thereby CEPS creates a multi-stakeholder processes where the European Commission (e.g. DG Environment, DG Enterprise, DG TREN, etc.), member states, business and industry, Members of the European Parliament, NGOs and independent experts meet in a non-negotiation mood to discuss and analyse difficult and delicate issues related to benchmarking in a more informal and analytical setting than for example the Climate Change Committee and thereby create more transparency. At the end of the Task Force CEPS will publish an authoritative analysis based on the task force work and additional research, complete with policy recommendations. There is no intention to duplicate the work done by the European Commission or the Climate Change Committee but a number of stakeholders from business and industry (including those representing small and medium-sized enterprises) and environmental NGOs (e.g. WWF or CAN Europe) as well as member states have shown strong interest in this Task Force.

This would mean that the Task Force would pursue the following principal objectives:

- Take stock of ongoing initiatives and discussions (mainly in the first meeting);
- Produce a briefing paper on key concepts.
- Submit some of the emerging issues (e.g. the principles) to scrutiny;
- Create a broad network of interested stakeholders;

¹ Consolidates versions see:
<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2008-0610+0+DOC+XML+V0//EN&language=EN#BKMD-12>

² Ecofys, in cooperation with Fraunhofer Institute for Systems and Innovation Research, and Öko-Institute

- Work out a set of concrete recommendations to be presented to local, national, EU and international policy-makers and negotiators.

3. Main themes

While the Task Force will focus on EU ETS-related benchmarking issues, the topic reaches beyond the EU boundaries, at least in two respects. The first is that there is considerable expertise outside the EU, notably in international organisations such as the International Energy Agency (IEA) and or the UN Industrial Development organisation (UNIDO), the emerging work on sectoral approaches (e.g. with the APP or national policies such as Mexico) or the Keidanren Voluntary Action Plan. The second is that carbon reduction policies by other countries than the EU will in one way or the other have to deal with benchmarks and benchmarking. Irrespective of which policy tool countries will apply (e.g. emissions trading, taxes, regulation or even voluntary approaches), there is a need for some sort of benchmarks, for example to establish targets, evaluate their implementation, ensure compliance and deal with equity issues. The extremely rich experience that the EU and many of its member states has gained and are going to acquire in the next year or so, will be able to kick-start other countries' policies. This in return, should help the EU to faster move to its 30% reduction target.

While ultimately it is up to the members of the Task Force themselves, CEPS would like to propose the following work plan (for details, please see the proposed agendas in APPENDIX 3 of this document):

1. Definitions and their practical and policy implications; this part of the work will go through the differences of data collection and sector boundary issues, target setting and the like. This debate is of crucial importance beyond the EU ETS as any carbon reduction policy will have to identify performance standards. This part is planned to be ready before the summer in the form, of a briefing note, based on

on-going work within the Commission process.³

2. Application of benchmarks in the EU; CEPS proposes to deal with the EU ETS-specific issues of benchmarking. Planned focus could be e.g.
 - a) Principle for setting benchmarks (in parallel to the Commission/Ecofys process, which will be completed by December 2009 or possibly later). A key question will be how to deal with the separation of direct versus indirect costs.⁴
 - b) How is "average performance of 10% most efficient installations" selected and especially how can they be used to accelerate de-carbonisation, innovation to ensure long-term competitiveness of the EU economy? How can benchmarks foster R&D and innovation?
 - c) How to use benchmarks to establish comparable effort between sectors? This topic will become crucial for the post-Copenhagen discussions or on linking of emissions trading schemes,
 - d) How to keep numbers of benchmarks low, e.g. the possibility of a positive list for benchmarks and best-practice of benchmarks
 - e) Other topics are possible and will almost certainly emerge – see also next item.
3. Comparison of EU approaches with benchmarking exercises outside the EU ETS and how this experience can be made mutually available. This part could deal with benchmarking in areas other than the

³ In order to ensure maximum compatibility with the on-going EU process, it is important that this work is done within the same NACE categorisation of products (European Industry Classification System). This will avoid duplication.

⁴ As the 29 April 2009 workshop showed, the European Commission has most direct cost data (if available). There is however a lack of benchmarks for electricity consumption (i.e. indirect cost impacts).

EU ETS and examine whether there are lessons to be learnt from, e.g.

- EU experiences (e.g. the Dutch and Flemish Benchmarking covenants)
 - Industry-driven benchmarking ,
 - Global sectoral approaches (perhaps using the example of cement)
 - “US Congressional” approaches,
 - Australian experiences
 - CO2 taxes and benchmarking (e.g. the example of Sweden),
 - sectoral crediting,
 - Experiences from the Asia Pacific Partnership (APP),
 - The Keindanren Voluntary Action Plan,
 - Other
4. The final focus could be on a number of specific applications of benchmarking, i.e. those where benchmarking certainly play a role, e.g.
- Carbon leakage
 - Target setting and auctioning,
 - CDM
 - Link to the global sectoral approach discussion within the UNFCCC negotiations.

The proposed work programme is broad and very ambitious. The CEPS Task Force may decide to concentrate on a number of key issues.

4. Format

The Task Force constitutes a unique forum of representatives from the European Commission (DG Environment, DG Enterprise as well as other DGs), officials from member states, representatives from business and industry, environmental, NGOs, International Organisations, trade union representatives or energy to facilitate an in-depth discussion and provide background research.

It will be chaired by **Anna Törner**, Head of section in the Swedish Ministry of Enterprise, Energy and Communications. Rapporteurs will

be Christian Egenhofer, Senior Research Fellow, Noriko Fujiwara, Head of Climate Change and Anton Georgiev, Research Fellow, all from CEPS. The new CEPS Task Force will meet **four to five times between June 2009 and early 2010**. Dates for the **first two meetings** are **23 June** and **8 July**. Two to three more meetings are planned for the second half of 2009 before the final report is being published.

An indicative schedules is provided in APPENDIX 1

At the end of the Task Force, CEPS will **publish** and circulate among EU and member state policy circles policy recommendations together with a **CEPS Task Force Report**, which will also be formally published in the CEPS Task Force Report publication series.⁵ This report will be based on discussions in the meetings supplemented by research carried out by the rapporteurs. The Draft Task Force Report will be circulated before the final meeting to be discussed and approved by the Task Force.

The Terms of Reference (ToR) of above is somewhat larger and more ambitious than the one for a “normal” CEPS Task Force. The ToR is “scalable” (i.e. broken down in modules) so that it can be enlarged or reduced depending on funding. Our preference is to go forward with the more ambitious ToR, i.e. including the international dimension but we are open to discussions.

5. Outreach & link to other related activities

CEPS will try establish links the European Parliament (e.g. Erika Mann, who has launched an initiative on benchmarking although with a more global perspective), the IEA, the European Trade Union Institute (ETUC), Ecofys, which is leading the DG Environment work on benchmarking and Hubert Van den Bergh, formerly head of the Flemish benchmarking office and whom we want to involve in the project as expert.

⁵ For further information, please visit www.ceps.eu or contact Christian Egenhofer at Christian.egenhofer@ceps.eu .

Although the Task Force and the resulting report are designed not only to impact the EU ETS discussions but also as a possible reference document for the global climate change negotiations as well as national discussions such as in the US. Therefore outreach activities could be held both within the EU (e.g. the EP and some member states) and at COP15 as well as e.g. in the US (with a suitable partners such as Resources for the Future).

6. Conditions for participation

The CEPS Task Force is primarily designed for CEPS Corporate Members but participation is open to non-members as well, albeit at a higher fee.

The fee covers participation in all workshops, documentation, lunches and three copies of all reports produced. Upon request by participants, CEPS will mail additional copies of the final CEPS Task Force Report to persons identified by participants.

Participation fees:

€1.000 for CEPS Corporate Members⁶

€7.000 for non-members

Special arrangements for local government associations can be made.

For further information, see APPENDICES 1 to 3 and for registration, APPENDIX 4 at the end of this prospectus.

⁶ Regarding information on CEPS Corporate Membership, please contact Staffan Jerneck, Deputy Director and Director for Corporate Relations (staffan.jerneck@ceps.eu) at +32 2 229 3910 or +32 475 903 924.

APPENDIX 1: THE CEPS TASK FORCE: ORGANISATION AND GOVERNANCE IN DETAIL

Meetings:

- Two CEPS Task Force meetings will be held before the summer 2009. The first meeting will be held on 23 June from 10h-16h30. The second meeting is planned for 8 July 2009.
- Two to three more meetings are planned for the second half of 2009 before the final report is being published. All meetings will be held at the offices of the Centre for European Policy Studies (CEPS).
- Ahead of final meeting, CEPS will circulate the Draft Task Force Report including draft recommendations. The Task Force will discuss, amend and approve the final report. This report will be based on discussions in the meetings supplemented by research carried out by the rapporteurs.
- The final Task Force report, complete with recommendations will be presented on different occasions including for example in the European Parliament or in member states. The Report will also be **published**⁷ and **circulated** among EU, member state and international policy makers

Key staff

The task force will be chaired by **Anna Törner**, Swedish Ministry of Enterprise, Energy and Communications.

Rapporteurs of the Task Force will be **Christian Egenhofer**, Head of the energy and climate programme, supported **Noriko Fujiwara**, Head of Climate Change and Research Fellow, CEPS and **Anton Georgiev**, Research Fellow.

Hubert Van den Bergh, formerly head of the Flemish benchmarking office and Advisor to the Task Force (tbc).

Outreach activities will be led by **Monica Alessi**, Research Fellow & Programme Manager and in charge of outreach for climate change and energy at CEPS.

⁷ In the “Task Force Report” series: http://shop.ceps.eu/BooksList.php?category_id=1

APPENDIX 2. WHY A CEPS TASK FORCE AND HOW DOES IT WORK?

The CEPS Task Force will constitute a unique forum of representatives from the European Commission, Members of the European Parliament, officials from member states, business and industry, NGOs, trade union representatives and other stakeholders to discuss highly topical issues in a multi-stakeholder setting. The objective of a task force is i) to create a process where issues can be analysed in open but structured discussion and ii) to publish an authoritative analysis leading to policy recommendations. CEPS will produce an (operational) synthesis report for each meeting. At the end of the Task Force, CEPS will publish and circulate among EU and member state policy circles policy recommendations together with a background report, which will be also formally published in the CEPS Task Force Report publication Series. The Report will be based on discussion in the meetings supplemented by research carried out by the rapporteurs.

Potential members of the Task Force are representatives from the European Commission (DG Environment, DG Enterprise, DG Transport and Energy), MEPs, representatives from member states, other EU institutions, business and industry (several), non-EU countries, environmental NGOs, trade unions, academia and other key stakeholders.

CEPS has a track record of having run over 50 task forces. See: http://shop.ceps.eu/BooksList.php?category_id=1

APPENDIX 3. AGENDA FIRST MEETING

First meeting of the CEPS Task Force on

Benchmarking for the EU ETS and Beyond

23 June 2009

- Introduction to the Task Force: objectives and timeline
- The EU process
- Definitions and implications of benchmarks
- Agreement of terms of reference

Tentative Agenda

Big Conference Room, Ground floor,
CEPS, Place du Congrès 1, 1000 Brussels; tel.: +32 2 229 3911; www.ceps.eu, see online map

- 09:30-10:00 Registration and welcome
- 10:00-10:10 **Introduction by the Chair of Task Force**
Anna Törner, Ministry for Enterprise, Energy and telecommunications, Sweden
- 10:10-10:40 **Introduction to the Task force (objectives, agenda, operation)**
Christian Egenhofer, Head of the Energy Programme, CEPS
- Discussion*
- 10:40-11:30 **Session 1. The EU process on benchmarking: status and key issues for the next months**
Yvonne Slingenberg, Head of unit, DG Environment, European Commission and/or **Didier Herbert**, head of unit, DG Enterprise, European Commission
- Discussion*
- 11:30-13:00 **Session II. Experiences from past and/or ongoing benchmarking exercises**
Hubert Van den Bergh, formerly head of the Flemish benchmarking office
Representative from **IEA**
Representative from **UNIDO**
Comments by:
- Industry
- Member states
- NGOs,
- Other stakeholders
- Discussion*
- 13:00-14:00 **Light lunch at CEPS**
- 14:00-15:30 **Session II. Experiences from past and/or ongoing benchmarking exercises (cont'd)**
- Followed by Open discussion*
- 16:30-16:30 **Wrap-up of meeting and agreement on the terms of reference for further work**
- 16:30 (at latest) End of meeting

Tentative agenda (second meeting):

- **Presentation and discussion of Background Briefing on definitions and implications of benchmarks**
- **Application of benchmarks within the EU ETS**
- **Open issues to be addressed by the Task Force**

APPENDIX 4: Registration Form



Benchmarking for the EU ETS and Beyond

I wish to participate in the CEPS Task Force

Name:.....

Title:.....

Company:.....

Address:.....

.....

Postcode:.....Country:.....

VAT

N°.....

Email:.....

As a corporate member of CEPS my company pays 1000 Euro (+ 21% VAT)

My company is not a corporate member of CEPS and pays 7000 Euro (+ 21% VAT)

My company is interested in becoming a corporate member of CEPS⁸.

Please return to:

Isabelle TENAERTS
CEPS
Fax: 32.2.219.41.51
isabelle.tenaerts@ceps.eu

⁸ Regarding information on CEPS Corporate Membership, please contact Staffan Jerneck, Deputy Director and Director for Corporate Relations (staffan.jerneck@ceps.eu) at +32 2 229 3910 or +32 475 903 924.