



# **CLL “second level” assessments**

## **Framework for qualitative assessments**

**Stakeholder meeting on the preliminary  
Carbon Leakage List for the EU  
Emissions Trading System for Phase 4  
(2021-30)**

***16 May 2018***

**DG CLIMA.B2**

## Overview

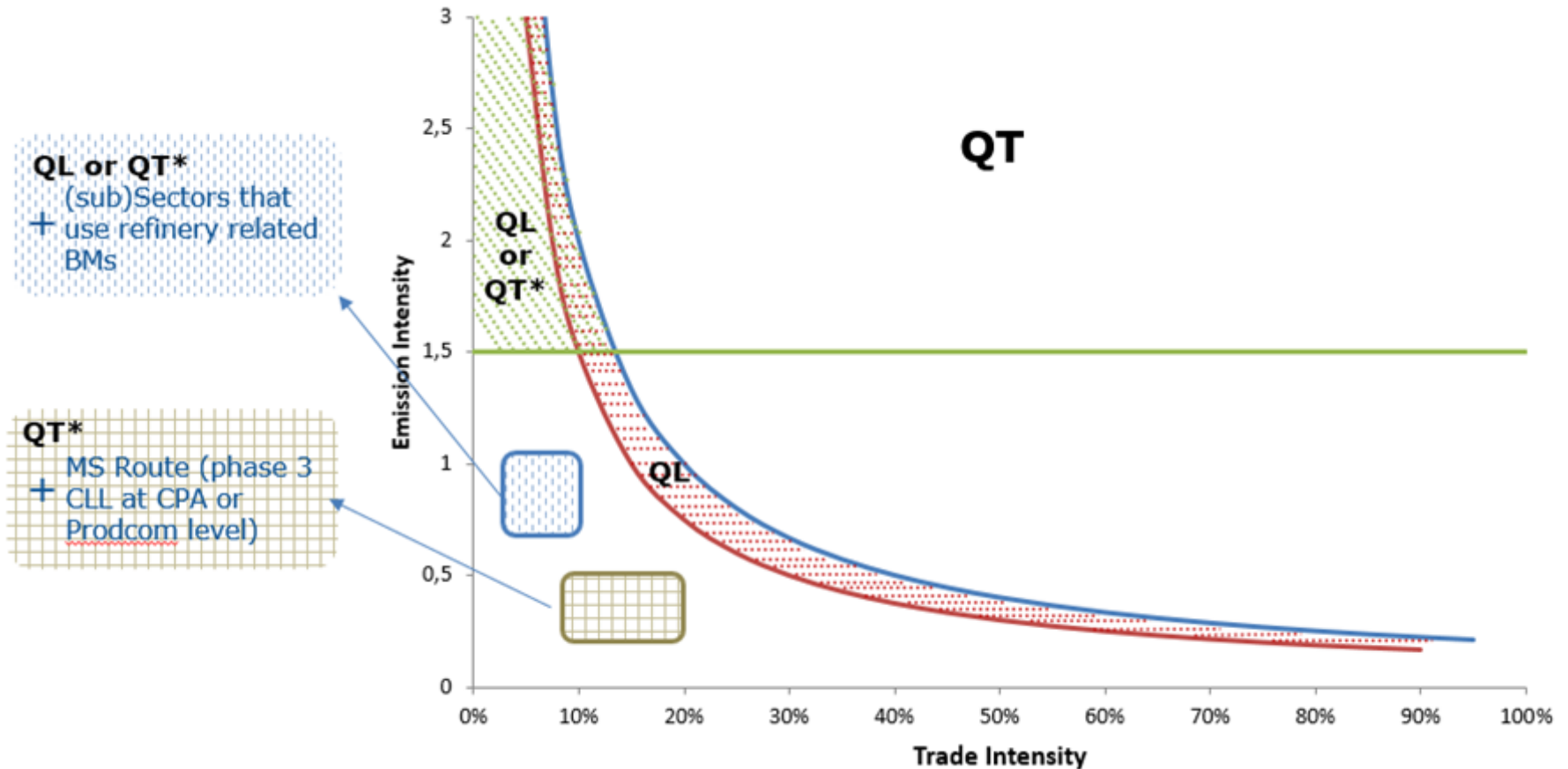
*The Framework document provides an overview of the focus and framework for the Qualitative Assessment.*

*It provides guidance and instructions on what sectors need to do when applying for a Qualitative Assessment and on the evidence they need to provide to support their application.*




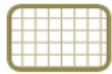
### *Revised EU ETS Directive*

- [\*Directive \(EU\) 2018/410 14 March 18\*](#)
- *Carbon Leakage List assessment*
- *Article 10(b), paragraphs 1 to 4-5*

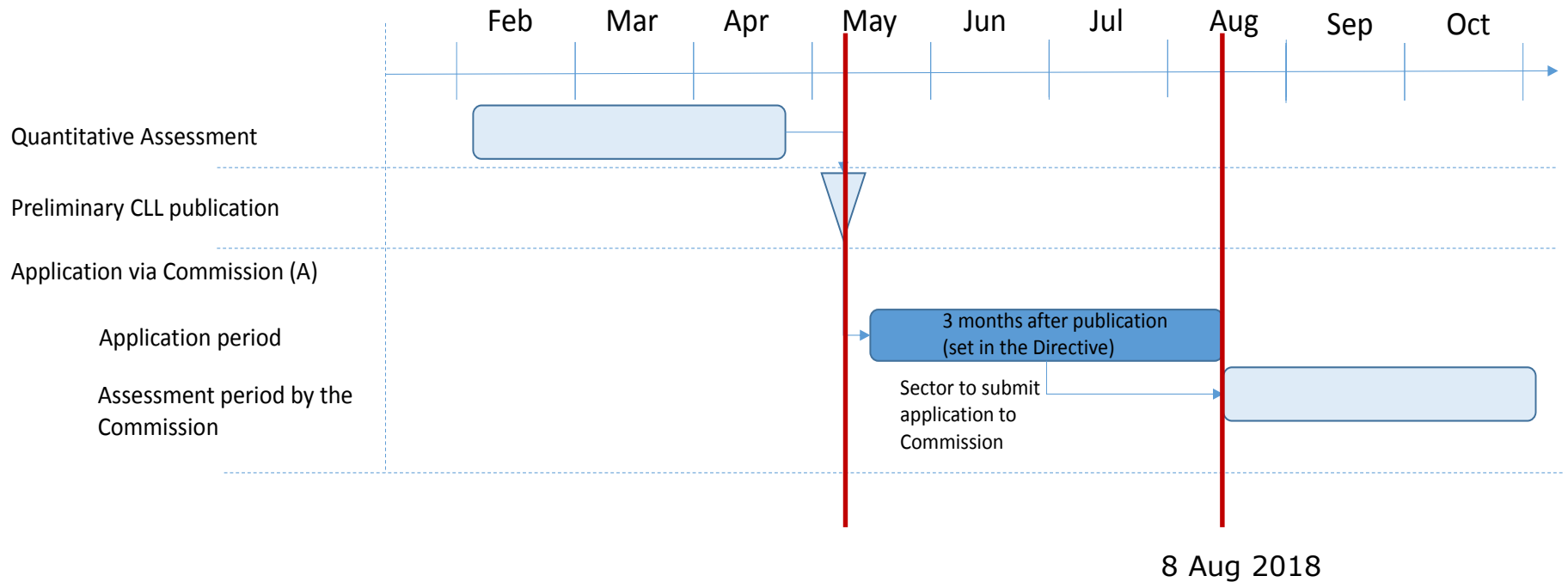
# Carbon Leakage List eligibility criteria



## “Second level” assessment eligibility criteria (as set in the revised EU ETS Directive)

Criteria		Article	Assessment process	Sector application route	Application deadline	Figure 3 reference
A	carbon leakage indicator between 0.15 and 0.2	Art 10b (2)	Qualitative assessment (QL)	to Commission	At the latest by: 8 August 2018	
B	emission intensity exceeds 1,5	Art 10b (3)	Qualitative assessment (QL) OR Quantitative at Disaggregated level (QT*)	to Commission	At the latest by: 8 August 2018	
C	free allocation is calculated on the basis of the refineries benchmarks	Art 10b (3)	Qualitative assessment (QL) OR Quantitative at Disaggregated level (QT*)	to Commission	At the latest by: 8 August 2018	
D	listed in the EU ETS phase 3 CLL at a 6-digit or 8-digit level	Art 10b (3)	Quantitative at Disaggregated level (QT* via MS)	to one Member State before final decision by Commission (“MS route”)	By 30 June 2018 to the Commission	

# Process - timeline



## Application requirements – general

- **One application per eligible sector, based on the analytical framework**
  - **Who:** Eligible sector under criteria A, B and C
  - **To whom:** to the Commission
  - **By when:** by 8 August 2018
- **Whatever form the applicant takes**
  - Industry association(s), multiple companies or combination,**there must be a single point of contact**
- **The applicant must ensure the completeness and representativeness of the application; and that it has been verified**

## Application requirements – key points

*Application must provide:*

- **NACE 4-digit code and the activities it covers**
- **List of the installations in the sector that are covered by the EU ETS**
- **Evidence and reasoning on the status of each of the three Qualitative criteria of the sector**
- **Arguments supporting the Qualitative criteria combined assessment and carbon leakage conclusion**
- **Complete documentation on data sources, calculations and methodologies etc**
- **Data to cover the years: 2014, 2015, 2016**

## Application requirements - verification

- **The data in the application have to be assessed by a competent and independent verifier**
- **Verification on:** data used, assumptions applied, calculations of indicators and the link between indicators and conclusions.
- **Verification report produced**
- **Only submissions including a positive opinion from the verifier can be considered by the Commission**
- **Independence of verifier should be confirmed**
- **Competence of verifier should be demonstrated**



## Application requirements – key parts

- **The completed data/workings and evidence**
  - For 2014, 2015, 2016
- **The verification report of the auditor/verifier**
- **Evidence on competence**
- **Additional data/documentation...**
  - ...where the default data has not been applied
- **An accompanying cover letter**

## Quality criteria for application – I/II

- **Representativeness of the data**
  - should cover the whole of the 4-digit NACE sector being assessed, and only that sector; or at least 85% (by turnover)
  - should cover the European Economic Area, which covers the same 31 countries participating in the EU ETS; or at least enough countries to account for 85% of sector turnover in the EU ETS area and trade (exports+imports) with non-EU ETS countries.
  - should cover all installations that are covered by the EU ETS, and their direct emissions; or least enough installations to account for 85% of direct emissions from the sector
- **If the minimum thresholds described above cannot be met, the robustness of the conclusions from the Qualitative Assessment will be undermined**

## Quality criteria for application – II/II

- **Robustness of the data**
  - reliable and trustworthy sources, preferably official sources
- **Consistency of the data**
  - measure the concept/indicator they purport to measure, be consistent with both standard economic definitions and methods
- **Time period**
  - should be for the years 2014, 2015 and 2016
- **Traceability of calculations**
  - a clear description of the method must be provided. The method must be transparent, easy to follow and replicate, and the data used must be readily accessible

## Data sources

- **To the extent possible, applications should use official statistics**
  - official sources (e.g. Eurostat) score highly in terms of the standard of data quality and credibility among stakeholders
- **Alternative sources include industry associations, commercial databases or firms**
  - but care must be taken to ensure the robustness and completeness data from these sources
- **Annex 2 provides a detailed list of default indicators and data sources that can be used to provide estimates for the assessment criteria under each pillar**

## Process – general items

### *Assessment by the Commission:*

- **check eligibility, completeness of the files, verification requirements and data sources used**
- **review correlations and trade-offs between the three criteria**
- **assess the qualitative criteria evidence and draw a conclusion on the extent to which the applied data and methodology is duly:**
  - *Substantiated*
  - *Complete*
  - *Independently verified*
- **decide on the sector CLL status**

# Analytical framework



European Commission

### Application for Qualitative Assessment

#### Abatement potential

Is there scope to reduce emission levels or electricity consumption

What is the current level of emissions/electricity consumption intensity in the sector?

What emissions/electricity consumption intensity is possible using the best available technologies?

What impact would adoption of best technologies have on

emissions/electricity consumption? profit margins?

*Scope reduce emissions/ electricity consumption?*

#### Market characteristics

Is there scope to pass higher carbon costs onto to customers?

How do trends in output prices compare to input/production costs, including carbon costs

What do industry and market characteristics imply about the ability of producers to pass on cost increases?

*Scope to pass on higher carbon costs ?*

#### Profit margins

Do profit margins provide an incentive to invest or locate inside the EEA?

Are profit margins high enough and stable enough to incentivise long-term investment?

If relocation is attractive, are transport costs low enough and how easy/costly is it to transport the product in question

What insights do recent trends in investment and trade provide on recent decisions on where to locate?

*Incentive to invest or locate in EEA?*

ASSESSMENT OF EACH PILLAR

COMBINED ASSESSMENT ACROSS PILLARS

Carbon Leakage risk assessment

# Documentation

***Framework guidance document for Qualitative Assessments can be found here:***

[https://ec.europa.eu/clima/sites/clima/files/ets/allowances/leakage/docs/framework\\_for\\_qualitative\\_assessments.pdf](https://ec.europa.eu/clima/sites/clima/files/ets/allowances/leakage/docs/framework_for_qualitative_assessments.pdf)





**Thank you for your attention**