



Improving ETS by excluding small installations and reducing the costs

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The background of the slide is a composite image. On the left, there is a faded, light-colored image of a wind turbine. Overlaid on this background are several chemical formulas: 'CO2' in the top left, 'DECS' repeated three times in a row across the top, and 'CH4' repeated three times in a row across the middle. On the right side of the slide, there is a vertical strip showing a close-up of a wind turbine's nacelle and tower against a dark blue sky.

Small installations are small emitters!

installations which do not emit much CO2

Contents

- Observations NAP-I and NAP-II
- Situation of small installations
- Desirable changes NAP-III
- Solutions NAP-III
- Conclusions

Observations NAP-I

Scope

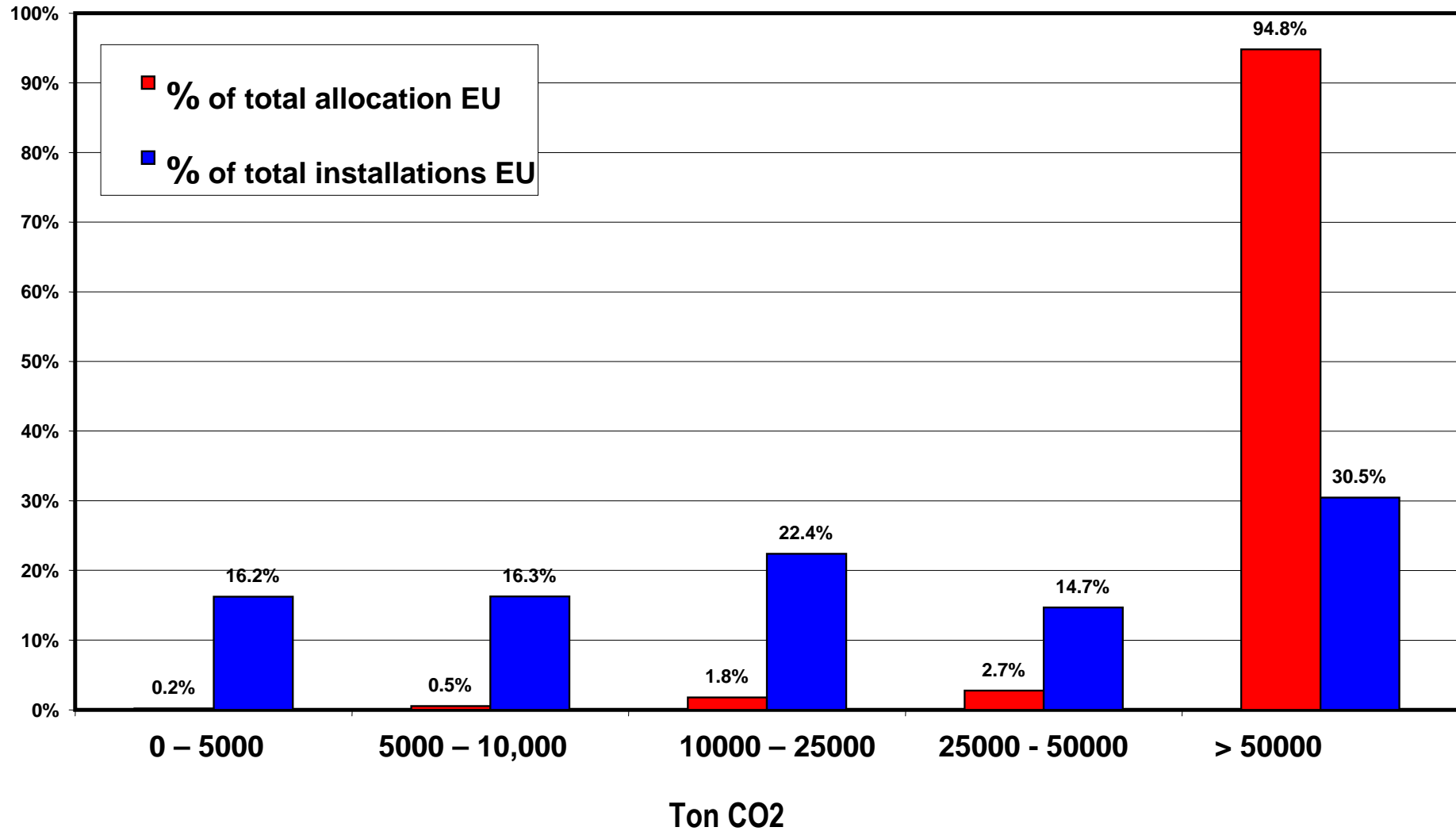
- Definition combustion
 - Medium to broad
- Many small installations
 - Opt out small installations
 - Opt in small installations
- Unexpected installations
- High costs

Observations NAP-II

Scope

- Definition combustion: harmonized?
 - More or less
- Small installations: harmonized?
 - Different aggregation rules
 - Different production rules
- Opt in
- Costs?

Installations by class EU-25 NAP-I



Installations by class NAP-I (EU-25)

Class in CO2	% of total installations	% of total allocated allowances
0 - 5.000 ton	16 %	0.2 %
0 - 10.000 ton	32,5 %	0.7 %
0 - 25.000 ton	55 %	2.4 %
> 50.000 ton	31 %	94.8 %

Source: Ecofys 2004

CO₂

WIFO report

Austrian institute of Economic research

Conclusions based on emissions 2005
of 9.900 installations in ETS

- 75% of all installations → 5% of emissions
- 1.8% of all installations → 50% of emissions
- 1000 biggest installations → 85% of emissions
- Allocation discrepancies

WIFO report

Installation size and allocation discrepancies

- Standard deviation of the allocation discrepancies:
 - Small installations → 461%
 - Biggest installations → 29%
- Discrepancy small installations is enormous
 - some get by far to many allowances allocated, others not enough
- Allocation to small installations is apparently difficult

Small installations costs

- Costs simple small installation are high > € 10,000
 - Monitoring, verification, fees, operator resources
 - Not included costs to keep oneself informed
- Costs government
 - Allocation, supervision, enforcement etc.

NAP-III: desirable changes

Scope

- Coverage same in all MS
- Small installations not included

Cut down **costs**

- All installations: large and small

CO₂

NAP-III: Why exclude small installations?

- Costs are too high in relation to potential environmental benefits (> €5000)
- Makes ETS too complex
 - Harmonization difficult: many different parties and makes sector approach complex
 - Allocation difficult: more benchmarks needed
 - Many small unexpected new entrants
 - Linking with other systems more difficult

NAP-III: Small installations out of ETS (1)

Option 1: scope only assigned sectors

- No combustion definition
- Not assigned (hospitals, military installations etc. excluded)
- Assigned → threshold

Option 2: scope clear definition combustion

- Small combustion not part of ETS → threshold 30 MWth?
- Assigned → threshold

Combination of option 1 and 2

NAP-III: Small installations out of ETS (2)

Threshold based on capacity and/or emissions.

- Capacity
 - Clear, verifiable etc. but
 - Volume of emissions can change
- Emissions (for instance 25.000 ton CO₂)
 - Direct link with emissions
 - Difficult to verify, can change yearly
- Combination: capacity threshold based on 25.000 ton CO₂

NAP-III: Small installations out of ETS (3)

Preconditions

- Opt in possible
- Other regulation for installations not part of ETS?
- Connection with IPPC

NAP-III: Cut down costs (1)

1. Installations have more experience
2. Changes in MRG 2008 first step
 - > More simplification possible?
3. Skip the CO₂ permit; approved monitoring plan is enough

NAP-III: Cut down costs (2)

4. Harmonization

- Same rules implementation, enforcement etc.

5. Automation → use IT can enhance the efficiency and cost-effectiveness of ets

- Monitoring
- Reporting
- Verification
- Inspection
- Enforcement

Project CAP ET-SWAP: lessons towards 3rd period

NAP-III: Cut down costs (3) conclusion

Aim at the same rules for allocation,
implementation, enforcement etc.

Keywords are:

1. Simplification
2. Standardization
3. Harmonisation
4. Uniformization
5. Automation

Conclusions

Step 1: same scope in all MS

Step 2: exclude small installations

Step 3: lower costs

Discussion

1. Small installations

- Exclude yes/no
- How?
- Opt in?

2. Costs

- How to reduce?