

EPAGMA's contribution to the Commission consultation on the review of the ETS Directive 96/61

EPAGMA welcomes the opportunity to comment on the public consultation on the review of the ETS Directive 96/61.

EPAGMA, the European Peat and Growing Media Association, aims to contribute to the socio-economic development of regions and communities where peat is sourced and used. EPAGMA is committed to high environmental practices in peat extraction, to the sustainable use of peat as a local energy source and to promoting the unique properties of peat as a substrate in horticultural plant production. EPAGMA represents the peat and growing media industry at a European level and acts as the interface of peat and growing media companies with regards to the EU institutions (European Commission, European Parliament and Council), and where appropriate, national governments and other stakeholders.

EPAGMA Secretariat

EPAGMA has appointed the Brussels office of Burson-Marsteller, a leading public affairs consultancy, to advise the Association in European public affairs and lobbying.

Burson-Marsteller also acts as the Secretariat of the Association, which is located in Brussels. All enquiries regarding the Association can be addressed to the Secretariat.

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⇒ **The energy peat industry**

In several EU countries, particularly in the Nordic and Baltic regions as well as in Ireland, peat provides an important source of heat and power. Indeed, as many as 2 million people in these regions depend on the energy generated from peat. The overall share of peat of primary consumption in these countries is 3% with as much as 5-7% in Finland and in Ireland.

Peat is the third most important indigenous fuel of Estonia after oil shale and wood. About 2% of the primary energy supply is covered by peat. Peat is mainly used for heating; only a small part is used in CHP (combined heat and power plant) plants where also electricity is produced. (WEC 2004, Soosaar, 2005).

In Finland, peat is widely used throughout the country and is therefore an important part of the country's decentralised energy management. In half of the twenty Finnish provinces, peat is the most important fuel in the local fuel market. 22% of all fuel used by Combined Heat and Power (CHP) plants in Finland is peat.

In Ireland, peat is one of the scarce domestic energy sources and therefore it is included in the fuel mix. It accounts for about 6% of the total energy requirements, and it represents 8% of electricity generation. (Paapanen and Leinonen, 2005) In 2005 peat accounted for 5% of the primary energy consumption in Ireland and almost 8.5% of the electricity was generated by peat firing (McDonnell, 2005).

In Sweden, peat accounts for approximately 0.7% of total primary energy consumption, but of the CHP-plants and district heating peat has the share of 20% of primary energy respectively. (Paappanen et al. 2006) District heating accounted for 73% of total peat energy consumption, electricity for 25% and industrial users for the remaining 2%. (Parikka, 2005).

⇒ **Commitment of the industry to sustainability**

EPAGMA strongly welcomes the work of the Commission on climate change and its initiatives aimed at ensuring the sustainable growth of the European industry.

The total area of peatlands in Europe is estimated to be 514,882 Km². The total production area for fuel peat in the EU amounts to 1,750 Km² which represent 0,34% of the total area. On a global scale more peat is indeed accumulated than is actually extracted. Indeed, the peat growth of the mires is 40-70 million tonnes per year while peat extraction amounts to 10-15 million tonnes per year, globally.¹

As expressed in its Charter for the Sustainable Management and Use of peat, endorsed by all EPAGMA members, EPAGMA is committed to the sustainable future of peat by:

⇒ *only extracting peat from non-pristine peatlands which are already man-modified. Such peat would otherwise oxidise naturally to CO₂ but through the extraction and use the peat industry ensures an intermediate benefit, that would otherwise be lost, in the form of energy or growing media.*

- ⇒ *committing to a life-cycle approach and to careful restoration of peatlands after extraction by creating carbon sinks out of land that was previously leaking CO₂,*
- ⇒ *contributing to the socio-economic development of the often remote and scarcely populated peat regions by providing jobs as well as meeting part of the local energy demand through local energy supply.*

The use of peat as a source of energy brings considerable advantages in terms of security and diversity of supply and efficiency by:

- ⇒ *replacing imported coal, gas and oil, thus ensuring security of supply and minimising dependence on imported fuels.*
- ⇒ *securing energy supply, because peat can be stockpiled, thereby covering short interruptions of energy supply.*
- ⇒ *bringing lower transportation costs, thereby reducing the impact on the environment, as peat is a local energy source.*
- ⇒ *making the combustion process of wood cleaner and more efficient through co-firing with peat.*
- ⇒ *balancing out any fluctuations in the availability and procurement of wood fuels.*

The Consultation

EPAGMA welcomes the opportunity to comment on two particular issues raised by the Commission in the course of the review of the ETS Directive: **the review of the scope of the Directive** and **the need for more predictability for the industries involved in the system**. The main points raised by EPAGMA are:

⇒ **Scope of the Directive**

The expansion of ETS to other sectors

The Commission asks whether the ETS should be extended to other sectors or gasses; EPAGMA believes that the ETS system, which has been defined as being “by far the most significant accomplishment” to date in world climate policy, should create a level playing field so that the burden of the industry is equally shared across all sectors.

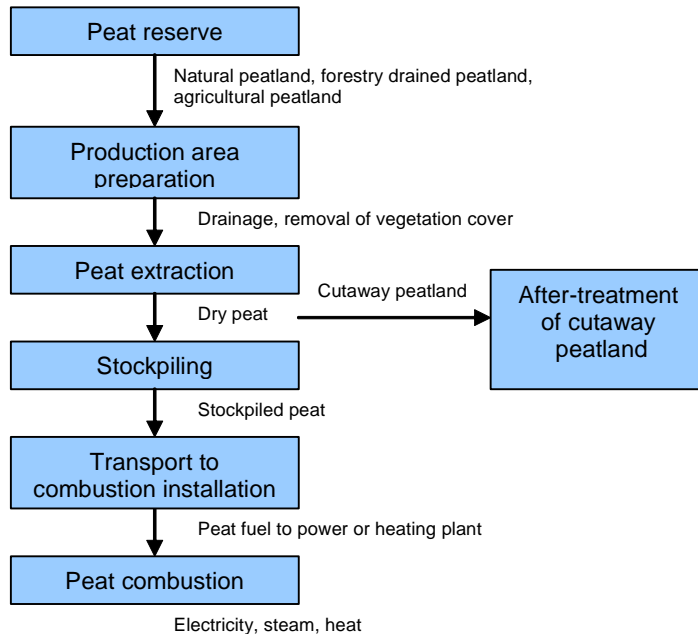
⇒ **Further harmonization and increased predictability**

The Commission asks stakeholders if in the future the allocations of allowances should be carried out at the national level (through the NAPs as the tool through which member states propose allowances for a certain period) or if a single EU-wide cap should be set up post 2012.

EPAGMA believes that industrial sectors, the way they work as well as the way they pollute and impact climate change, vary considerably at EU level. These differences need to be taken into account by the legislator in the allocation of emission rights. EPAGMA strongly believes that the national level is best placed to understand the specificities of the various industrial sectors in the allocation of emission rights. The peat industry can in certain cases and according to certain specificities be carbon neutral and this should be recognised within the ETS.

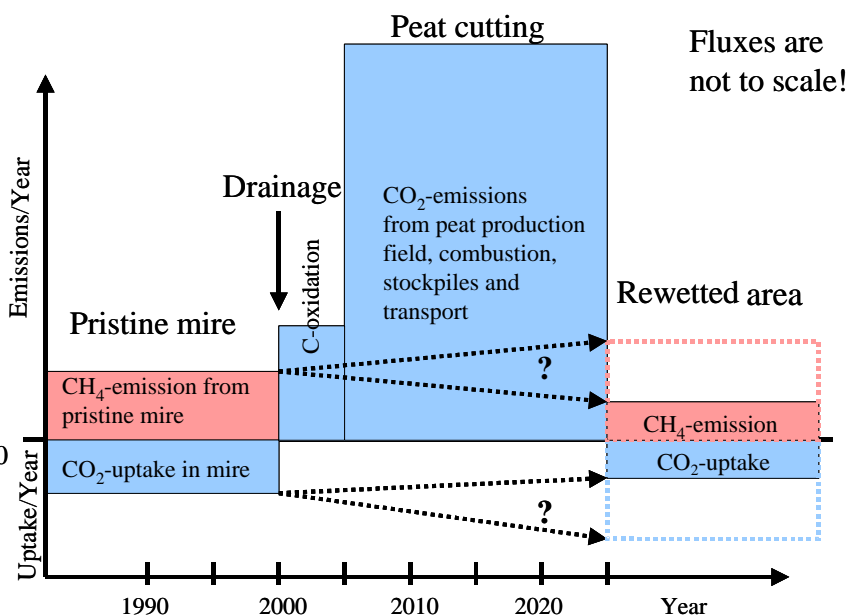
At the international level, for example, the peat industry has erroneously been put on the same level as the coal industry. However, all stages of peat production and use are very different from those of the coal industry.

In order to properly analyze the environmental impact of peat use, it has to be looked at from a life-cycle perspective, where all the stages of peat production and use are included.



(An example of life cycle of peat fuel production and utilisation (edited from Mälkki & Frilander 1997)).

The figure below schematically shows the different emissions and uptake of greenhouse gases during the different stages of peat production and use. Note that the fluxes are not to scale and that nitrous oxide emissions are not included. The size (and sign) of the fluxes will be different depending on type of peat reserve utilised and choice of after-treatment.



(Kristina Holmgren, Johanna Kirkinen, Ilkka Savolainen, 2007, unpublished)

Peatlands can be both sources and sinks of greenhouse gases. Peatlands that are used for peat fuel production are either natural (pristine) peatlands or drained peatlands previously used for forestry, agriculture or some other purpose. In natural conditions peatlands accumulate carbon derived from atmospheric CO₂.

Forestry-drained peatlands are common especially in Finland and Sweden, where large peatland areas have been drained in order to improve forest productivity. Forestry-drained peatlands leak high levels of carbon dioxide into the atmosphere due to the lowered water table, which changes the conditions of the upper layers from anaerobic to aerobic. This will lead to raised decomposition rates in the aerobic layers, resulting in emissions of CO₂ to the atmosphere.

Agricultural peatlands are previous natural peatlands that have been drained and are used for agricultural purposes and are common in many European countries. The emissions of greenhouse gases from agricultural peatlands differ in magnitude due to cultivation methods and crops.

The annual harvested peat in the world equals to about 15 million tonnes of carbon. The present sequestration rate of carbon in all mires of the globe is estimated at 40 – 70 million tonnes annually, thus exceeding the annual use of peat by 3-6 times. Ditched mires naturally emit CO₂. In Sweden 15% of releases of green house gasses come from those mires.

Peat extraction

Man-modified peatlands release greenhouse gases into the atmosphere. When peat is extracted from this affected land, the release of greenhouse gases is stopped and at the same time fuel peat is produced and used to replace oil and coal. These types of peatlands, which have been major sources of CO₂ emissions, can actually become carbon sinks when they are converted to forest after peat extraction.

Peat Combustion

Combustion is the largest source of greenhouse gas emissions in the peat fuel life cycle (up to 90% of climate impact of total peat fuel life cycle). Peat combustion results in CO₂ emissions.

The combustion of peat can present several advantages in terms of energy efficiency. Co-firing (burning peat and wood together), for example, delivers several benefits as wood and peat support each other in energy use; the combustion process is cleaner and more efficient when peat and wood are co-fired; peat can also be used for balancing fluctuations in the availability and procurement of wood fuels.

After-treatment of peatlands

The most common options for after-treatment of peatlands are afforestation and paludification (restoration). Other options are cultivation, lake formation etc. Common to all these methods is that they create carbon sinks from areas that were previously emitting greenhouse gases.

After-treatment and use of land should also be taken into account in the ETS review and in the allocation of emission rights. This is in line with the conclusions of the European Council on 22 June 2007 on climate protection, whereby the European Council invites the Commission to consider, as part of the EU ETS review, a possible extension of the scope of the scheme to land use, land-use change and forestry.

⇒ **Other comments**

The review which the Commission is undertaking should ensure that the new system in place is flexible and creates incentives for research into new technologies which can reduce emissions.

In this respect, the review of the ETS system should take a more all encompassing approach than in the past and ensure that in the allocation of emission rights to companies, other scientific as well as political factors are taken into account rather than the mere calculation of the emission factor of a company.

These factors should be the investment of a given industrial sector into clean technologies, the contribution of this sector to security of supply, and the importance of continuing to have a wide energy mix in Europe.

In the case of peat, for example, the industry is heavily investing in research on new technologies aimed at making the burning of peat cleaner such as co-firing.

Furthermore, peat has both a short-term and long-term significance in securing energy supply at local level because although peat production is weather dependent, peat can be stored to reserve stockpiles which can easily cover short interruptions of energy (the reserve supplies correspond to 7-17 months use). Peat brings lower transportation costs and impact on the environment because it is a local energy source.

Factors such as those described above should be taken into account by the legislator in the allocation of emission rights to single companies.

Conclusions

The ETS Directive has been a useful tool to ensure that the battle against global warming is properly fought at the EU level. EPAGMA welcomes the efforts of the Commission to ensure that the system for the period post-2012 increases its contribution to the fight against climate change.

EPAGMA believes, however, that the review of the ETS Directive should ensure that an all encompassing as well as sector specific approach is taken into account in the consideration of the factors which bring to the allocation of emission rights to the different industrial sectors. The factors which should be taken into consideration should include security of supply, research and investment in new technologies and, in the case of peat, the very unique nature of the life cycle nature of the industry.

Eventually, the national member states are still the best placed to understand the specificities of industrial sectors and the Commission's role should be to coordinate, advise and ensure that member states comply to the requirements of the ETS Directive.

ANNEX 1

Charter for the Sustainable Management and Use of Peat

Peat has been an important resource ever since man lit the first fire. Historically, it has provided a valuable source of heat and light – and it continues to do so today. As time and man progressed, peat also began to be used in the cultivation of plants. Its use here has strongly contributed to the multitude of fruit, vegetables, plants and flowers that are cultivated today.

The peat industry recognizes, however, that some of its past practices such as over-extracting peat in certain regions were unacceptable. The European Peat Industry is committed to breaking with the past and ensuring a sustainable future for peat, both as part of a sustainable energy mix and for use in sustainable horticulture.

The industry has therefore taken a lead in furthering understanding of how to apply modern techniques and technologies, in particular to help the sector move towards CO₂ neutrality.

The European Peat and Growing Media Association (EPAGMA) and its members have now developed techniques and technologies for ensuring sustainable management and use of peat. These are encapsulated in the principles of ‘Wise use of peat’, drawn up by the International Peat Society (IPS) and the International Mire Conservation Group (IMCG).

Through these principles, the industry is committed to the sustainable future of peat by:

- only extracting peat from non-pristine peat lands which are already man-modified. This means that the industry can stop the ongoing emissions of greenhouse gases from these peat lands.
- committing to a life-cycle approach and to careful restoration of peat lands after extraction by creating carbon sinks out of land that was previously leaking CO₂,
- contributing to the socio-economic development of the often remote and scarcely populated peat regions by providing jobs as well as meeting part of the local energy demand through local energy supply.

The use of peat as a source of energy brings considerable advantages in terms of security and diversity of supply and efficiency by:

- replacing imported coal and oil, thus ensuring security of supply and minimising dependence on imported fuels.
- securing energy supply, because peat can be stockpiled, thereby covering short interruptions of energy supply.
- bringing lower transportation costs, thereby reducing the impact on the environment, as peat is a local energy source.
- making the combustion process of wood cleaner and more efficient through co-firing with peat.
- balancing out any fluctuations in the availability and procurement of wood fuels.

In view of all the above, EPAGMA calls on European regulators to ensure that EU policy encourages a sustainable use of peat through its energy, environment, regional and research development policies and programmes
