



# **The revision of the EU Emissions Trading System for phase 4 and the implementation process**

**Workshop on the preliminary Carbon Leakage List for phase 4 of the EU Emissions Trading System**

**2 March 2018**

**DG CLIMA.B**



# EU ETS revision process

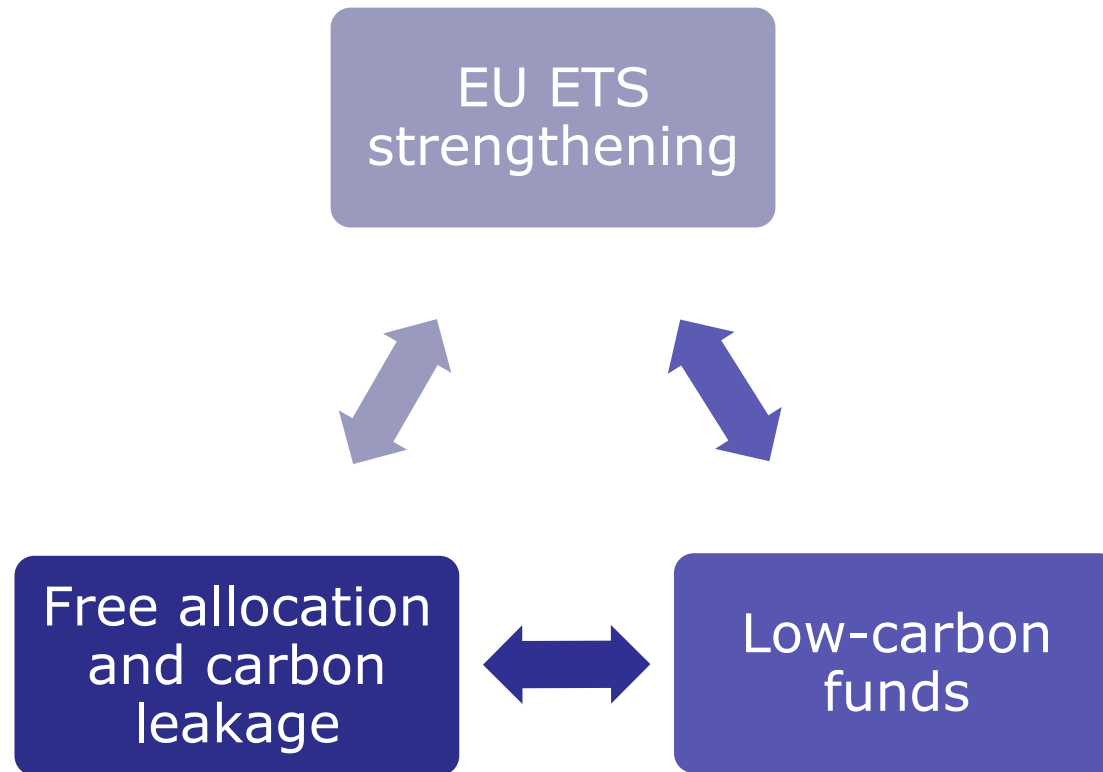
## **EU ETS revision process**

- European Council conclusions on the Climate and Energy Framework for 2030 of October 2014
- Commission proposal presented on 15 July 2015
- Trilogues from April to 8 November 2017
- EP plenary vote on revised EU ETS agreement on 6 February 2018 followed by Council's agreement on 27 February 2018
- Expected publication in late March 2018



# Main elements of the trilogue agreement

# The triangle of interrelated issues





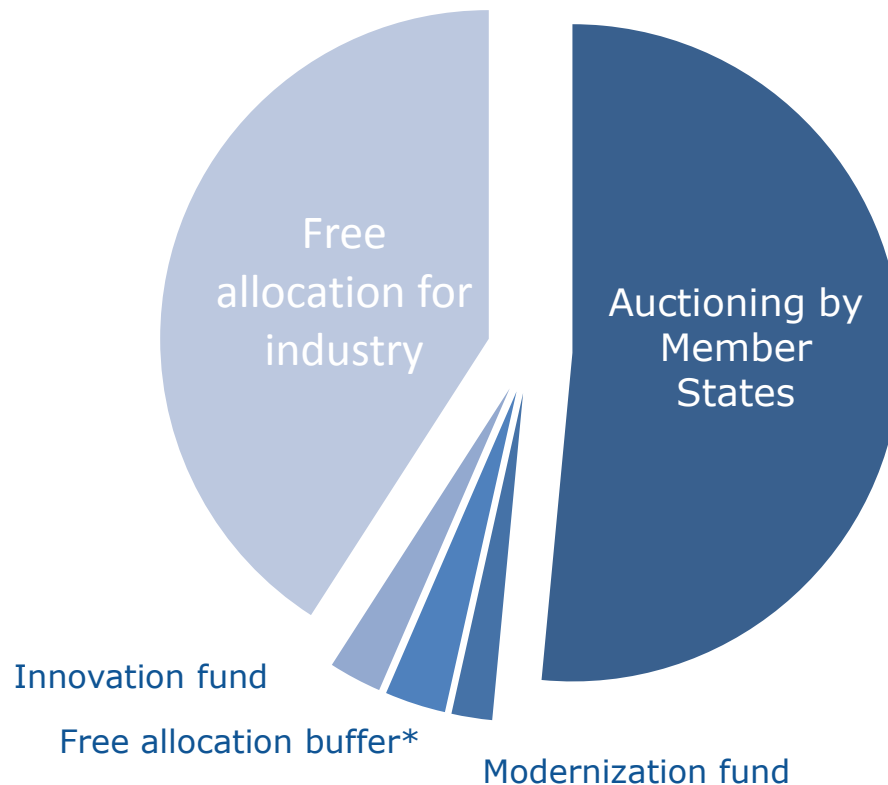
# Free allocation / carbon leakage

## Free allocation / carbon leakage - Overview

### **Overarching aim: prevention of a correction factor**

- Free allocation 'buffer'
- Benchmark update to preserve ambition level
- More focused carbon leakage rules
- Indirect cost compensation continued
- Better alignment with production and
- New Entrants Reserve

# Structure of the EU ETS in Phase 4 (15.5 billion allowances)



\* Allowances dedicated for auctioning that may be converted



## Free allocation 'buffer'

- **Some 450 million allowances (3% of cap) is allocated as a potential 'buffer' to increase the amount available for free allocation, if needed, to avoid cross sectoral correction factor**
  - Two allocation phases (2021-2025 and 2026-2030)
  - 'Buffer' available for entire decade; clarity on extent needed in 2025
  - If not needed, allowances used to top-up low-carbon funding mechanisms and returned to auction volume

## More focused carbon leakage rules

- **Binary approach to carbon leakage**
  - Sectors exposed to significant carbon leakage risk: 100% free allocation; less exposed sectors: 30 % phased-out after 2026 until 2030
  - Carbon leakage list valid for 10 years
- **Principle: quantitative assessment**
  - based on trade intensity multiplied with emission intensity (threshold: 0,2)
- **Qualitative assessment possible**
  - for sectors between 0,15 and 0,2 and a limited number of carbon leakage sub-sectors (Prodcom)
- **Current carbon leakage list prolonged until 2020**



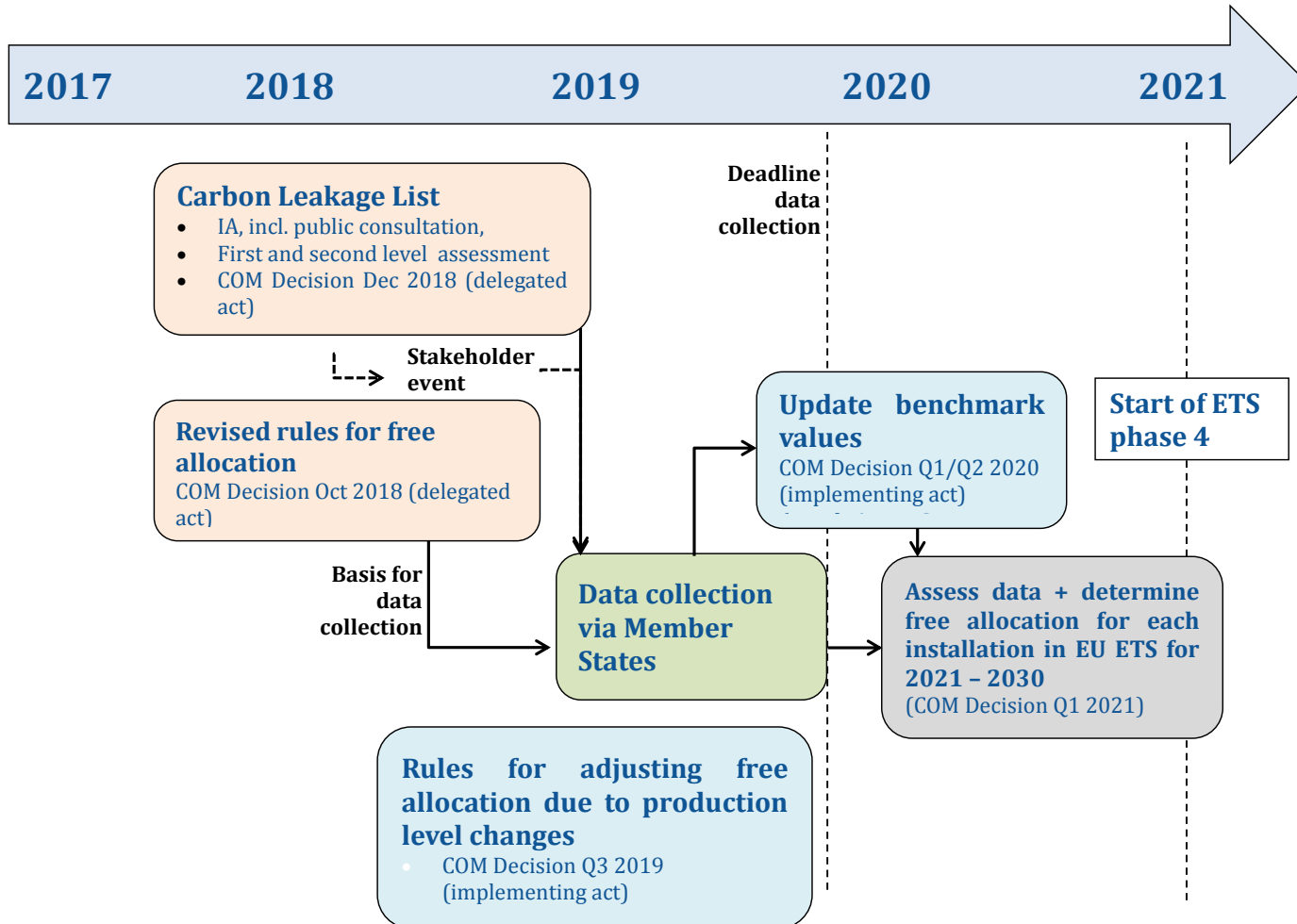
# Implementation

# Free Allocation implementation measures 2021-2030

5 legal acts identified by the revised ETS Directive relate to the free allocation rules:

- Delegated act on the Carbon Leakage List 2021-2030
- Delegated act on general free allocation rules
- Implementing act on the benchmark values 2021-2025
- Implementing act on adjustments to allocation due to production level changes
- NIMs Decision 2021-2025

# ETS implementation measures 2021-2030





# Thank you!

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