



Overview of free allocation rules in phase 4

**9th EU ETS Compliance Conference
Brussels, 13 & 14 November 2018**

Overview

The presentation provides an overview of the free allocation rules and highlights the main differences between the current Decision on determining transitional Union-wide rules for harmonised free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC and the final draft of the delegated regulation on the same topic for the 4th trading period of EU-ETS 2021-2030.

FAR Regulation vs current Decision 2011/278/EU

Main differences

- FAR regulation requires directly the operators to comply with the rules - Decision requires MS to comply with certain rules ensuring the complete and right implementation
- MRVA rules in MRR and AVR did not cover all the activities in phase 4 – MRVA rules were added in FAR regulation and revised AVR

Decision 2011/278/EU – FAR Regulation

phase 3 (2013-2020)	phase 4 (2021-2030)
one 8-year allocation period	two 5-year allocation periods
cap reduced by 1.74% per year	cap reduced by 2.2% per year
new entrants include significant capacity extensions	new entrants are only greenfield installations

Decision 2011/278/EU – FAR Regulation

phase 3 (2013-2020)	phase 4 (2021-2030)
allocation changes due to SCE/SCR and partial cessation	allocation changes due to activity level changes

Decision 2011/278/EU – FAR Regulation

phase 3 (2013-2020)	phase 4 (2021-2030)
CL status is determined by criteria for carbon cost and/or trade intensity	CL status is determined by trade intensity multiplied by the emission intensity
Transitional free allocation decreasing from 80% of calculated allocation to 30% in 2020	Transitional free allocation decreasing from 30% of calculated allocation to 0% after 2026

General provisions

- Definitions

- incumbent installations
- heat benchmark sub-installation to exclude district heating
- district heating and district heating sub-installation
- process emissions, insertion of waste gas and more clarity to the activities
- waste gas definition was added
- significant capacity changes and related articles were removed

General provisions

- Definitions
 - start of normal operation
 - baseline period
 - allocation period
 - mergers and splits

Data reporting and monitoring rules

- Application for free allocation by operators of incumbent installations – 30 May 2019 and 30 May 2024 (or one month later or earlier) accompanied by:
 - baseline data report verified as satisfactory (Art. 10, Annexes I, II, III, IV)
 - monitoring methodology plan (Annex VI)
 - verification report on the baseline data report and on the MMP unless it has already been approved by the CA

Data reporting and monitoring rules

- Application for free allocation by new entrants accompanied by:
 - New entrants data report verified as satisfactory (Art. 10, Annexes I, II, III, IV excl section 3)
 - monitoring methodology plan
 - verification report on the new entrants data report

Data reporting and monitoring rules

- General obligation to monitor data as listed in Annex IV based on a MMP approved by the CA by 31 Dec 2020
- Monitoring principles: completeness, consistency, accuracy, transparency, comparability
- Division into sub-installations: remains the same, but district heating sub-installation is added
- Control system and data gaps in line with MRR rules

Allocation rules

- The NIMs list will include **electricity generators**, and installations included or excluded pursuant to **Art. 24, 27, 27a**
- HAL for incumbent sub-installations is based on the **arithmetic mean** of the annual activity levels in the baseline period
- Calculation of the allocation in line with the current rules.
 - Change: from 2026, the preliminary allocation will be reduced by the annual historical emissions stemming from waste gases flared, with the exception of safety flaring, and not used for the purpose of the production or measurable heat, non-measurable heat and electricity

Allocation rules

- HAL for new entrants will be the activity level of the **first calendar year** after the start or normal operation
 - Change: major simplification, no capacity is needed to calculate the HAL
- renunciation of free allocation of allowances
- mergers and splits: more data must be submitted comparing to the current phase
- cessation of operations of an installation: simplified rules

Thank you for your attention

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*EU ETS Free Allocation of Allowances Web:
https://ec.europa.eu/clima/policies/ets/allowances_en*