



# Revision of the EU-ETS Monitoring & Reporting Regulation

**Brussels, 22 November 2023,  
EU-ETS Compliance Conference**

**Heiko Kunst, Head of Unit CLIMA B2**

**'ETS Implementation, Policy Support & ETS Registry'  
European Commission, DG Climate Action**



- A smoothly functioning and environmentally credible EU ETS is ensured through a **robust framework of Monitoring, reporting, verification and accreditation** requirements. These requirements are harmonised in Regulation 2018/2066 (Monitoring and Reporting Regulation) and Regulation 2018/2067 (Accreditation and Verification Regulation)
- The system to **Monitor & Report emissions** in the EU ETS relies on a building-block approach. It gives operators a high degree of flexibility thus ensuring both the cost-efficiency and reliability of emissions data.
- The Monitoring and Reporting Regulation (MRR) requires both installations and aircraft operators to have a **monitoring plan** approved by the national competent authority and triggers the obligations for compliance. This prevents them from making an arbitrary selection of monitoring methods and temporal variations.

# History of MRR



**MRR 2012**   **MRR 2018**   **MRR 2020**   **MRR 2023**

## Milestones:

**2012:** First version of MRR was published in view of EU ETS phase 3

**2018:** A new version of the MRR has been developed for the use in **the 4th phase** of the EU ETS and adopted on 19 December 2018

**2020:** Latest **major MRR amendment** for EU ETS phase 4, adopted on 20 December 2020 with provisions for the treatment of biomass, i.e., sustainability and GHG emissions saving criteria of biofuels, bioliquids and biomass fuels used for combustion

**2022:** Latest (minor) MRR amendment

## 2023 Revision

The Monitoring and Reporting Regulation (MRR) has been amended in 2023 (batch 1), to take the revised EU ETS Directive into account. **The updated rules will apply as of 1 January 2024** when the next monitoring cycle begins.

This amendment, concerning the necessary changes and developments mandated by the Directive, was discussed with Member States in five meetings of the Technical Working Group MRVA and seven meetings of the Climate Change Policy Expert Group ETS2 formation, with one meeting including also external stakeholders.

**A second batch of MRR revisions** will follow in the first half of 2024, to address issues that were not taken up in the first batch.

- Monitoring of emissions under the EU ETS from 1 January 2024, for **municipal waste incineration (MWI) installations** carrying out combustion activities and having a total rated thermal input exceeding 20 MW.

**Monitoring plans** of those installations will have to be submitted to the competent authorities before the end of 2023.

In this trial period same monitoring rules apply to MWI as for regular combustion installations, and verified annual emission reports of MWI installations will be submitted by Member States to the COM by 30 April each year

The **data gathered in the MRV phase** will provide the basis for the assessment, by 31 July 2026, on whether it is feasible to include MWI installations in the EU ETS, as from 2028, and whether there is the potential need to allow a Member State to opt out these installations until 31 December 2030



1. MWI plants are free to choose between Continuous Emissions Measurement System or calculation-based approach
2. Same tier and uncertainty levels as for combustion activities - MRR offers sufficient flexibility to deviate from tiers (Art 17/18/26 MRR)
3. Explanation of specific monitoring issues for MWI in guidance

On some areas specific rules were included:

- ✓ Definition of municipal waste from Waste Framework Directive
- ✓ IPCC factor for Emission Factor of municipal waste in MRR Annex VI
- ✓ Requirement to include permit number is waived in MRR Annex X





- Establishing monitoring and reporting rules for the **new ETS2 system** for buildings, road transport and additional sectors as of 2025;

ETS2 is an '**upstream system**', regulating the fuel suppliers and not the emitters/end-consumers: The triggering of a compliance obligation is the releasing on the market of fuels for combustion in the sectors concerned;

Building on existing provisions regulating tax warehouses and fuel suppliers for excise duty reasons, to reduce administrative burden and cost for regulated entities and administrative authorities. Emissions will be determined indirectly via the fuel quantities placed on the market



## Monitoring and Reporting rules for ETS2:

- The **monitoring and reporting in ETS2** is based on principles established in the existing ETS1 set out in the monitoring and reporting regulation and will ensure consistency between monitoring methodologies in both systems.
- The monitoring rules for the ETS2 are less complex than the ones for stationary installations in ETS1. Regulated entities are required to submit a monitoring plan which is complete and transparent document for the monitoring methodology.
- For the monitoring of ETS2 emissions a **similar methodology formula to ETS1** calculation-based formula was introduced, along with the new definition of 'fuel stream' and the '**scope factor**'. The scope factor determines the share of a fuel stream that is used for combustion in sectors covered by Annex III to Directive 2003/87/EC;
- Rules were also amended on the specifications and minimum requirements in the existing monitoring and reporting templates, to ensure synergies between the ETS for stationary installations and aircraft operators, and ETS2 regulated entities and to avoid double counting;

- detailed monitoring and reporting requirements for the **eligible aviation fuels**, updated provisions for biofuels and other aviation related changes to be implemented before 1 January 2024;
- article 3c(6) of the revised Directive reserves 20 million of EU ETS allowances for commercial aircraft operators, on a transparent, equal-treatment and non-discriminatory basis, for the use of **sustainable aviation fuels** and other aviation fuels;
- based on the volumes of fuels as reported under the newly adopted rules of the MRR, the reserved allowances will be allocated respectively by the Member States.







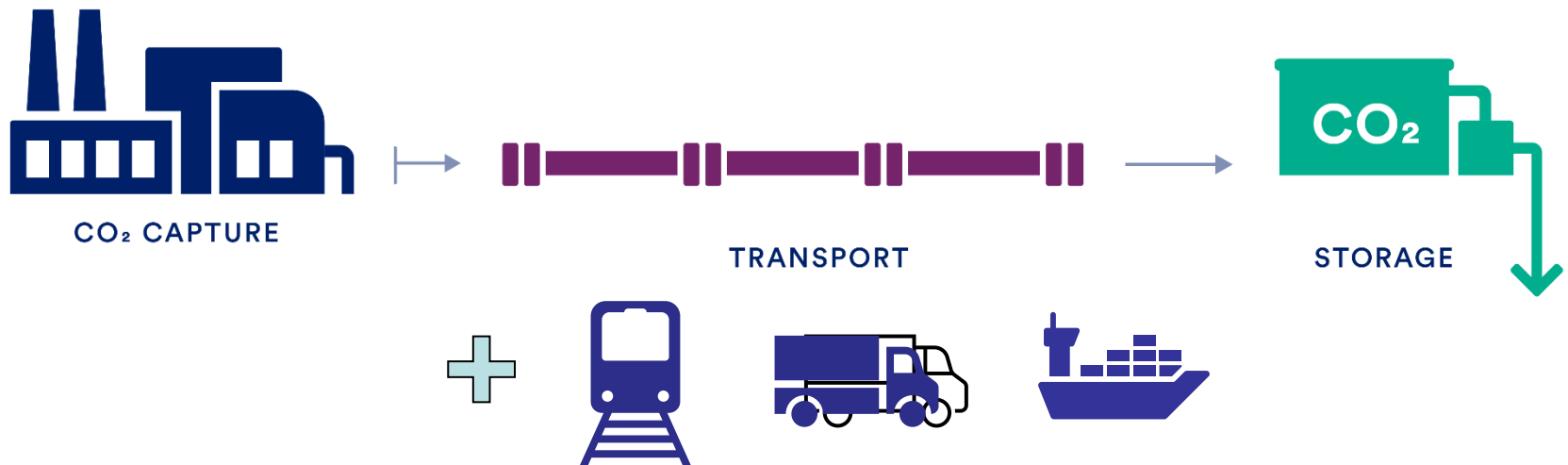
## 2<sup>nd</sup> batch of MRR revisions : Envisaged adoption Q2/2024

In the second batch of MRR revisions remaining topics need to be processed to address:

- Revisions in the Directive that have an impact on the MRR and that were not taken up in the first batch of MRR revisions.
- Aviation related issues that were not included in the first batch of MRR revisions.
- Outstanding issues in the existing MRR provisions that could not be followed-up in the first batch.

## Prominent objectives of the 2nd MRR amendment:

- extensions in scope of activities covered by EU ETS, require that specific rules to monitor and report CO<sub>2</sub> transferred to the CCS storage site through other means than pipelines, including requirements on the cross-border transport of CO<sub>2</sub>



This also covers rules on how to avoid double counting if the transport mode is already covered by the ETS maritime sector, road transport under ETS1 until 2026 and ETS2 afterwards

## Prominent objectives of the 2nd MRR amendment:

The revised ETS directive recognizes the potential climate benefits of **recycled carbon fuels (RCFs)**, and **renewable liquid and gaseous fuels of non-biological origin (RFNBOs)** for sectors that are hard to decarbonize.

In June 2023, a concept note was shared with TWG-MRVA members outlining options for developing M&R rules for RFNBOs/RCFs ensuring that:

- ✓ RFNBOs/RCFs contribute to greenhouse gas emission reductions
- ✓ All emissions are accounted for, including where such fuels are produced from captured CO<sub>2</sub> outside the Union
- ✓ Double counting is avoided
- ✓ Appropriate incentives are in place for capturing emissions
- ✓ The treatment of these fuels under RED II is considered

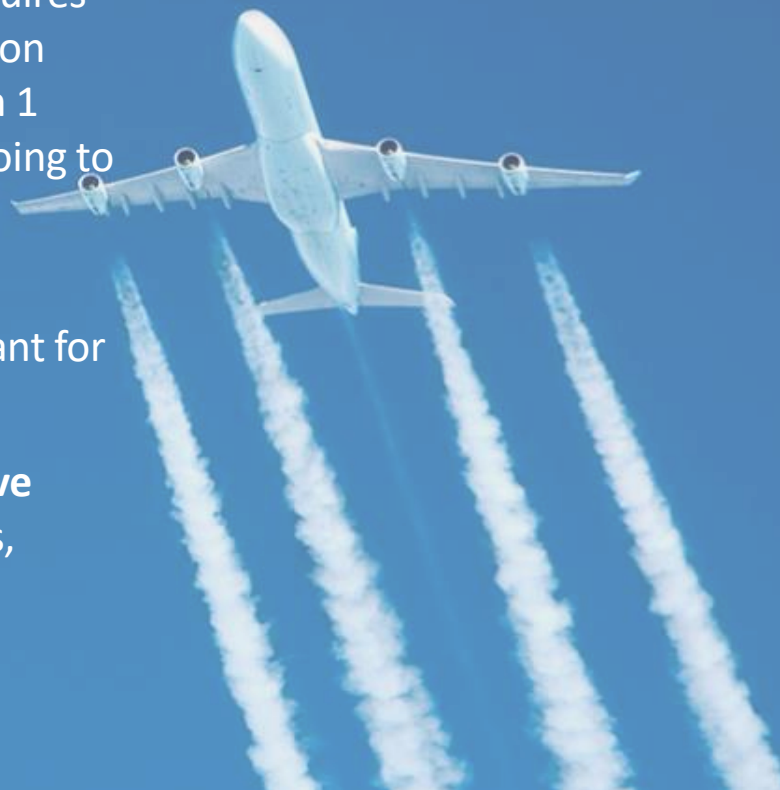


## Prominent objectives of the 2nd MRR amendment:

### - Non-CO2 gases in Aviation

Article 14(5) of the EU ETS Directive requires aircraft operators to report once a year on non-CO2 aviation effects occurring from 1 January 2025. Preparatory work is on-going to define MRV requirements of non-CO2 aviation effects

- Rules on **RFNBO** and **RCF** will also be relevant for aviation and will be considered
- Streamlining of **separate M&R of alternative fuels** avoiding repetition in rules on: Biofuels, RFNBO and RCF and Eligible aviation fuels
- **Improvements** of existing rules



## Prominent objectives of the 2nd MRR amendment:



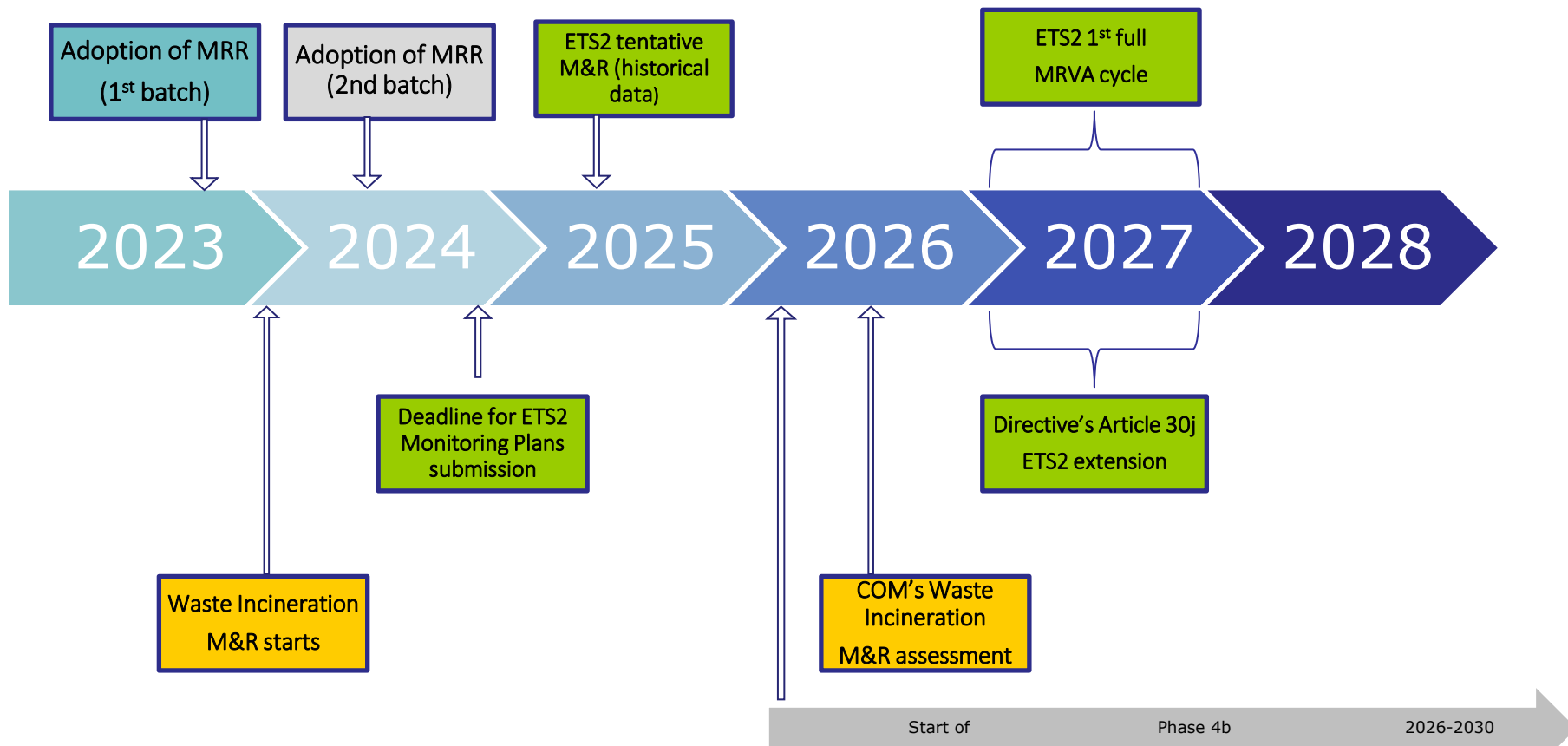
- Introduction of **tier 3b for biomass fraction**: Tier 3b would allow the operator of the installation to base the estimation of biomass fraction on a mass balance, such as the one for RED II compliance. Similar provision was introduced for ETS2 regulated entities in batch 1

Adjustments to the MRR will be required in Activity-specific monitoring methodologies related to installations, to reflect the change to the **'definition of emissions'** in Directive's Article 3(b), and the deletion of the wording *'into the atmosphere'*

GHGs would be considered emitted as soon as these are released from a source within the installation (regardless of whether they are emitted into the atmosphere)



## ETS Revision planning from the MRR perspective



# ***Thank you for your attention***

- **If you have questions, please contact us:** [CLIMA-MRVA@ec.europa.eu](mailto:CLIMA-MRVA@ec.europa.eu)
- **Download the newly adopted MRR:** [EUR-Lex - 32023R2122 - EN - EUR-Lex \(europa.eu\)](#)

Commission Implementing Regulation (EU) 2023/2122 of 17 October 2023 amending Implementing Regulation (EU) 2018/2066 as regards updating the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council

- **Visit our MRVA webpage:** [here](#)