
Benchmarking and NAP-III

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Allocation method NAP-III

- Allocation should be fair
 - Equal treatment
 - Reward for good behavior and early action
 - Incentive for low-carbon technologies
- Allocation method
 - No grandfathering but
 1. Auctioning
 2. Benchmarks (allocation norms/standards)

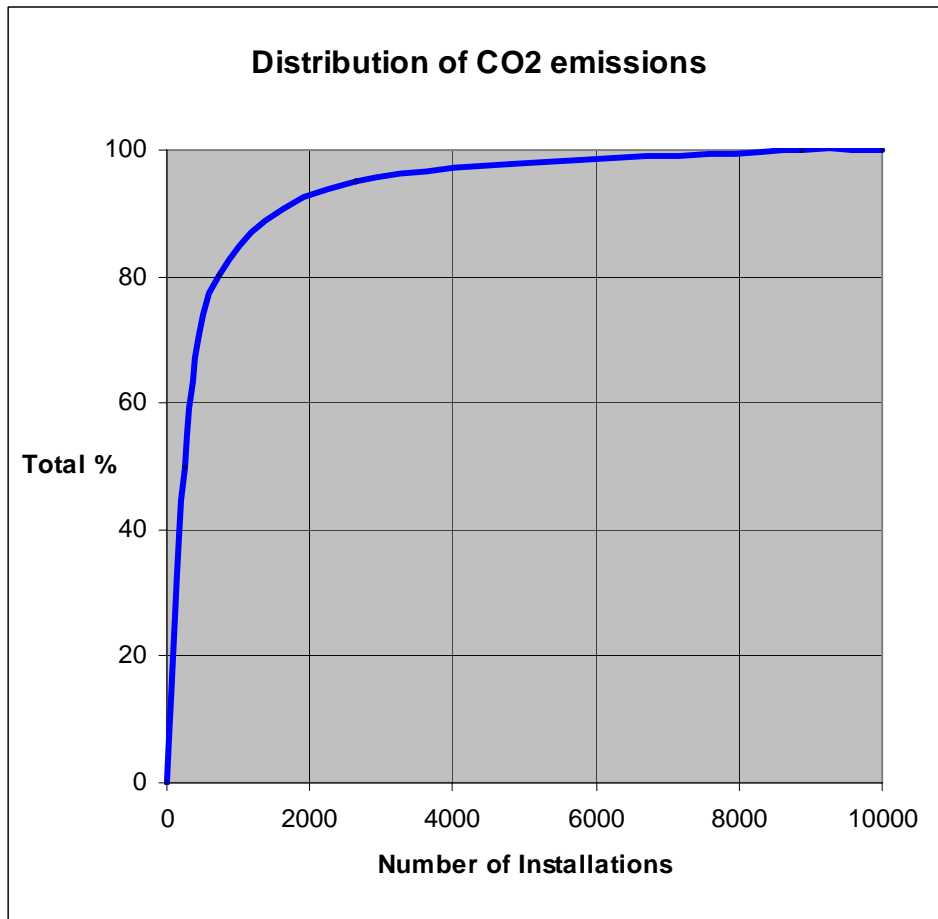
EU Allocation benchmarks will meet important criteria EU-ETS Directive

- Foster CO₂ / Energy-efficiency improvement
- Level Playing Field
- Objective & Transparent
- Reward of Early Action
- Allocation in line with technological potential
- “Realistic” Allocation Norms will ease the way for the rest of the world to join EU-ETS

Criteria for benchmarks

- Simplicity and Predictability to be key starting-points
- Set EU allocation norms for existing plants and for new entrants but only for major products/processes
 - Apply the Pareto (or 80/20) concept

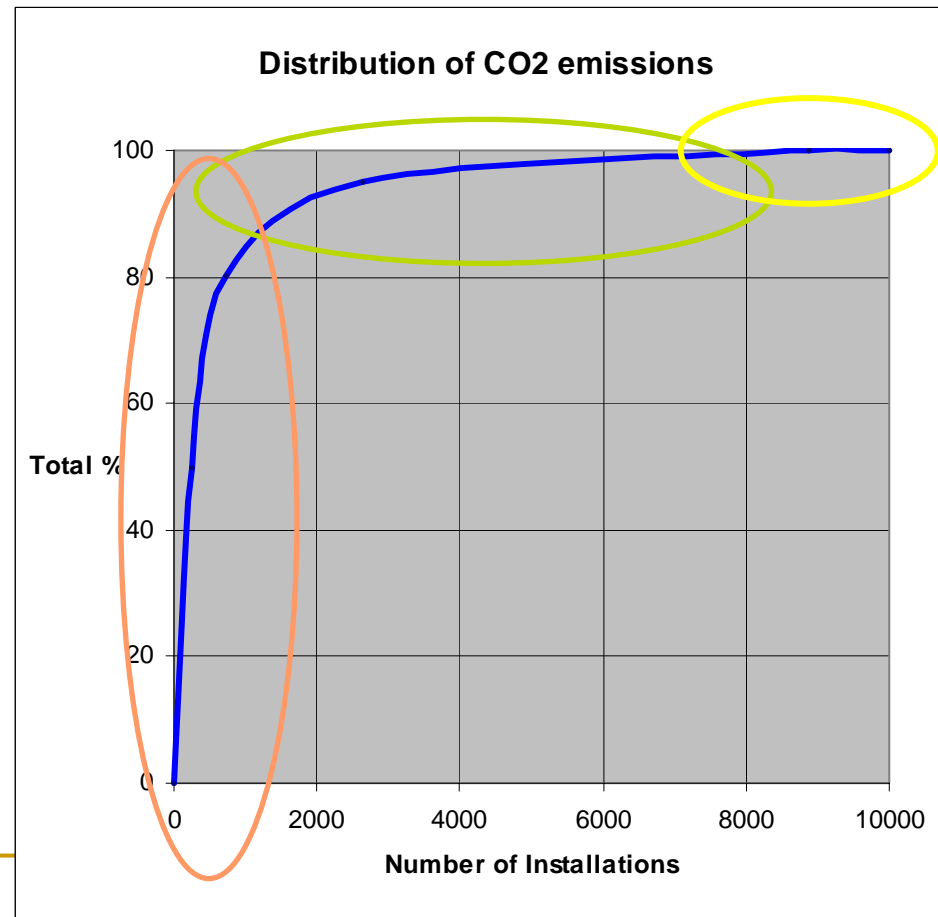
Distribution of CO₂ coverage in 2005 for participants EU-ETS



- **80 % of the total emission volume within ETS system originated from 740 Installations**
 - **These Installations represent a limited number of major products/processes such as**
 - **Power plants**
 - **Steel plants**
 - **Refineries**
 - **Petrochemical installations**
 - **Cement plants**
- **7370 Installations in EU were responsible for only 5 % of total ETS emission**

Apply the Pareto concept as basis for allocation

- Exclude the very small emitters
- Develop EU wide rules for allocation to the “major few”
- Leave allocation principles for the “many” to the discretion of MS



EU Allocation Principles

- The total emission cap setting → autonomous process independent from allocation norms for individual installations

Allocation

1. Exclude the real small emitters
2. The Allocation for major products/processes → EU Allocation Norms
 - ca. 740 installations but 80% of the emissions
3. The Allocation to the other ETS installations → discretion of MS
 - Grandfathering, auctioning, benchmarking

Benchmarks

- Are benchmarks difficult to develop?
- Not necessarily if you **keep it simple!**
- Stick to the “major few”, you need only 10 to 15 modular benchmarks
 - Agree on the correct boundaries
 - Alignment with IEA definitions/statistics
 - Make use of existing global Benchmarks

Technical discussion points

- Include direct and indirect CO₂ emissions?
 - Fuel specific yes/no?
 - Proper definition of activity or unit of product
 - Loadfactor
 - Etc. etc.
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- Important but not now! → first consensus on the use of BM's

Next step

- Many supporters for the use of standards / benchmarks
- Many questions to be answered
- And also lot of scepticism; will it work?

Proposal

- Start a pilot

Pilot objectives

Three objectives

1. For two sectors where global BM curves are already available demonstrate how the system would work in practice
 - Refineries and ammonia?
 2. For sectors where currently no global BM is available demonstrate that a modular BM could work in theory
 3. Check whether the allocation method will meet the EU-ETS Directive Criteria
- Ready in October 2007

Summary

- Total ETS cap autonomous process

Allocation

- No grandfathering but auctioning and standards/BM
- Exclude the real small emitters
- Develop EU benchmarks for the major few, and
KEEP IT SIMPLE!
- Leave smaller emitters to discretion of MS
- Start a pilot, MS take initiative

Thank you for your attention!