

Review of the EU Emissions Trading System:

Further improvement in harmonising the application to installations in the current scope

9 March 2007

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Focus of presentation

- Improvements have been made regarding the harmonisation of the current scope of the system in WGIII for NAPII
- Is there further room for improvement?
 - In current scope of the Directive
- Focus
 - Annex I sectors
 - Combustion installations
 - Process emissions

Sectors in Annex I

- Still differences in e.g. integrated installations vs stand-alone installations
 - E.g. mills, furnaces in (integrated) steel plants
 - Hydrogen plants in refineries vs stand-alone
- Similarly, lime kilns in building materials sectors vs in other sectors (food, paper, aluminium) or stand-alone
- System boundaries paper industry?
- Considerations integration vs stand-alone:
 - Competition between similar processes treated differently, e.g. integrated (in ETS) and stand-alone installations (not in ETS)
 - Formal transfer of responsibility for installation to different operator would lead to exclusion from ETS
- “And/or” in ceramics industry participation thresholds

Further improvements

- Include both integrated as well as stand-alone installations
- Additional necessity/effort also depends on further elaboration of 'furnaces'
- Possible trade-off with small installations issue
- Clarify definitions, where possible, on process/product, not sector
 - Similar as done for some sectors in NAPII approach

Combustion installations

- Main area of further work:
 - furnaces
- Commission to provide further specification of which furnaces to include
- Ammonia plants should be included
 - The main big emitter missing!
 - Deal with feedstock energy use/process emissions
- Possibly others
 - production of methanol, hydrogen, synthesis gas, phosphorus, salt, carbon anodes, metal smelting, TiO_x

Process emissions

- Annex I of the Directive does not distinguish between combustion emissions and process emissions – just lists ‘CO₂ emissions’
- Phase I:
 - Many MS excluded process emissions with argument ‘emissions cannot be reduced’
 - Label often misused
 - Emission reduction potential differs case-by-case
 - Especially ‘process emissions’ from combustion installations were excluded

NAPII – process emissions

- Generally process emissions from combustion installations are included
- Still not always clear how process emissions have been dealt with, e.g. which reduction factor (if any) is applied
- Main problem:
 - Which emissions are characterised as process emissions?

Further improvement

- Trade-off between simplicity and transparency
- Simple approach:
 - Industry lower emission reduction factor than energy sector because of share of process emissions
 - But how much lower? => risk for intransparency and gaming
- Pragmatic approach:
 - Commission to define what are process emissions
 - Countries to determine reduction factor, but provide substantiation of factor

Conclusions

- Significant improvement made compared to Phase I
- Most important gains to achieve by:
 - Harmonising application of definition of furnaces, especially including ammonia plants
 - Harmonising definition and treatment of process emissions

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