



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

Stakeholder Meeting on the Preliminary Carbon Leakage List for phase 4 of the EU Emissions Trading System

16 May 2018

DG CLIMA.B



EU ETS revision process



EU ETS revision process

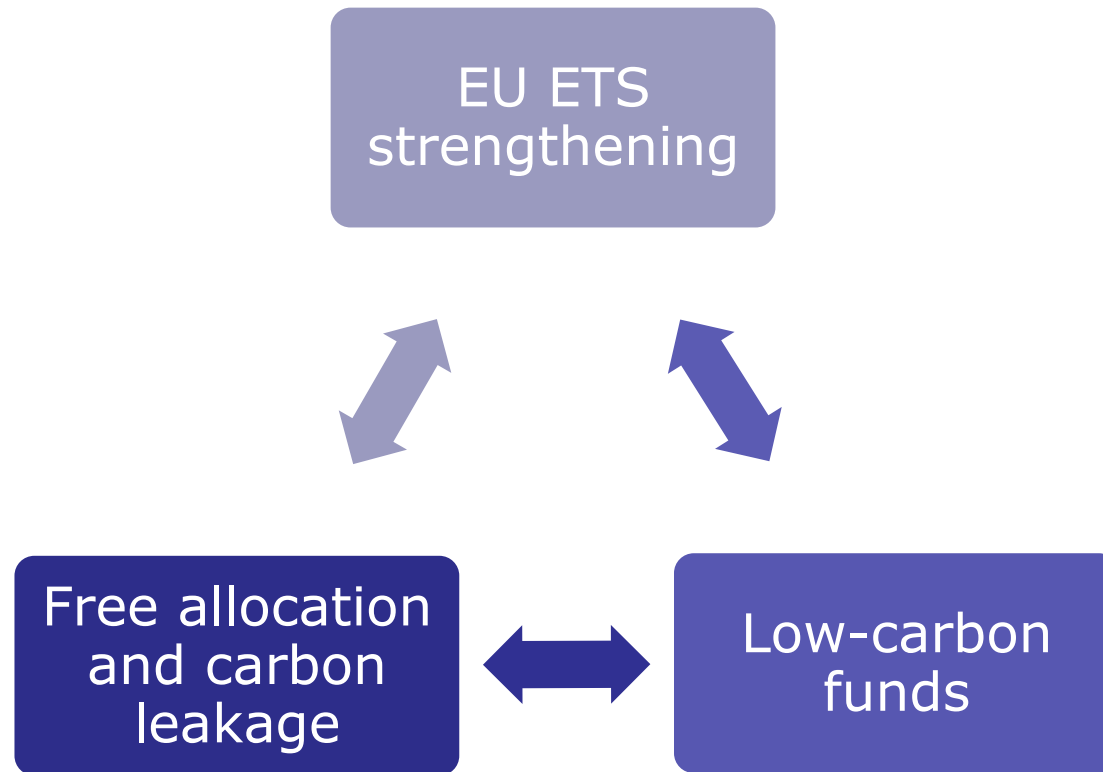
- European Council conclusions on the Climate and Energy Framework for 2030 of October 2014
- Commission proposal adopted on 15 July 2015
- Trilogues from April to 8 November 2017
- EP plenary vote on revised EU ETS agreement on 6 February 2018 followed by Council's agreement on 27 February 2018
- Published in Official Journal on 19 March 2018
Directive (EU) 2018/410 (2018/L 76/3)
- Entry into force on 8 April 2018



Main elements of the trilogue agreement



The triangle of interrelated issues





Free allocation / carbon leakage



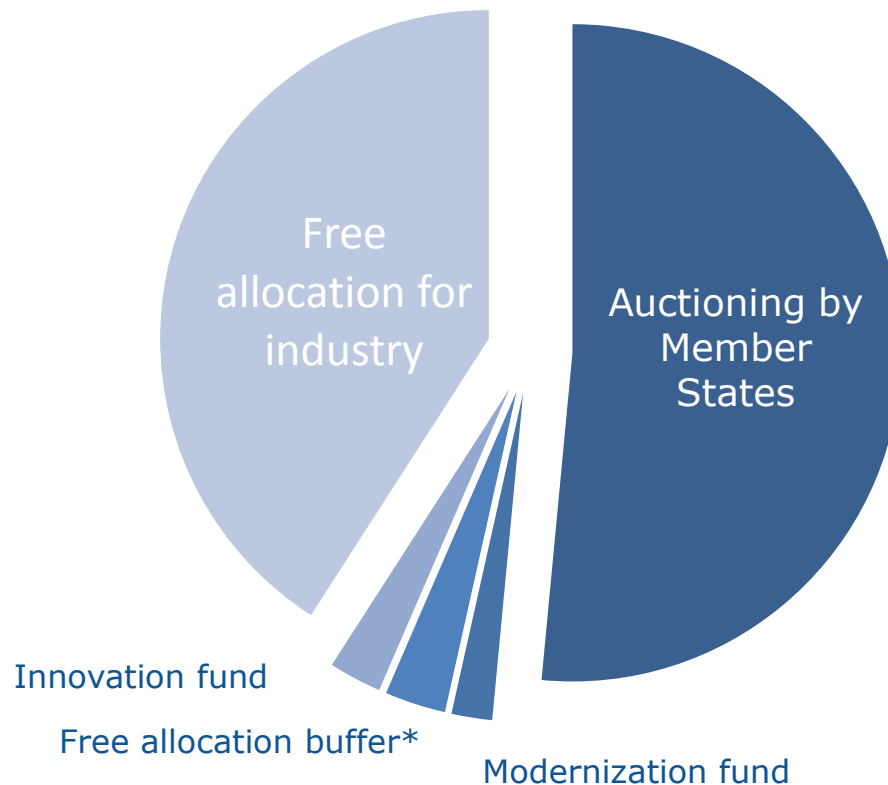
Free allocation / carbon leakage - Overview

Overarching aim: prevention of a correction factor

- Free allocation 'buffer' of up to 3% may be taken from auctioning volume
- Benchmark update to preserve ambition level
- More focused carbon leakage rules
- Indirect cost compensation continued
- Better alignment with production changes 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 and disaggregated assessment possible (second level assessment)**
 - for sectors between 0,15 and 0,2 and a limited number of sub-sectors (Prodcom)
- **Current carbon leakage list prolonged until 2020**



More focused carbon leakage rules

Commission Notice on the preliminary carbon leakage list 2021-2030 was published in the Official Journal on 8 May 2018 (2018/C 162/01):

- 44 sectors qualify directly for the 2021-2030 Carbon Leakage List;
- 12 sectors and 16 sub-sectors/products are eligible to apply for further assessments (based on criteria set in the revised EU ETS Directive (EU) 2018/410, Article 10b paragraphs 2 and 3).



Implementation



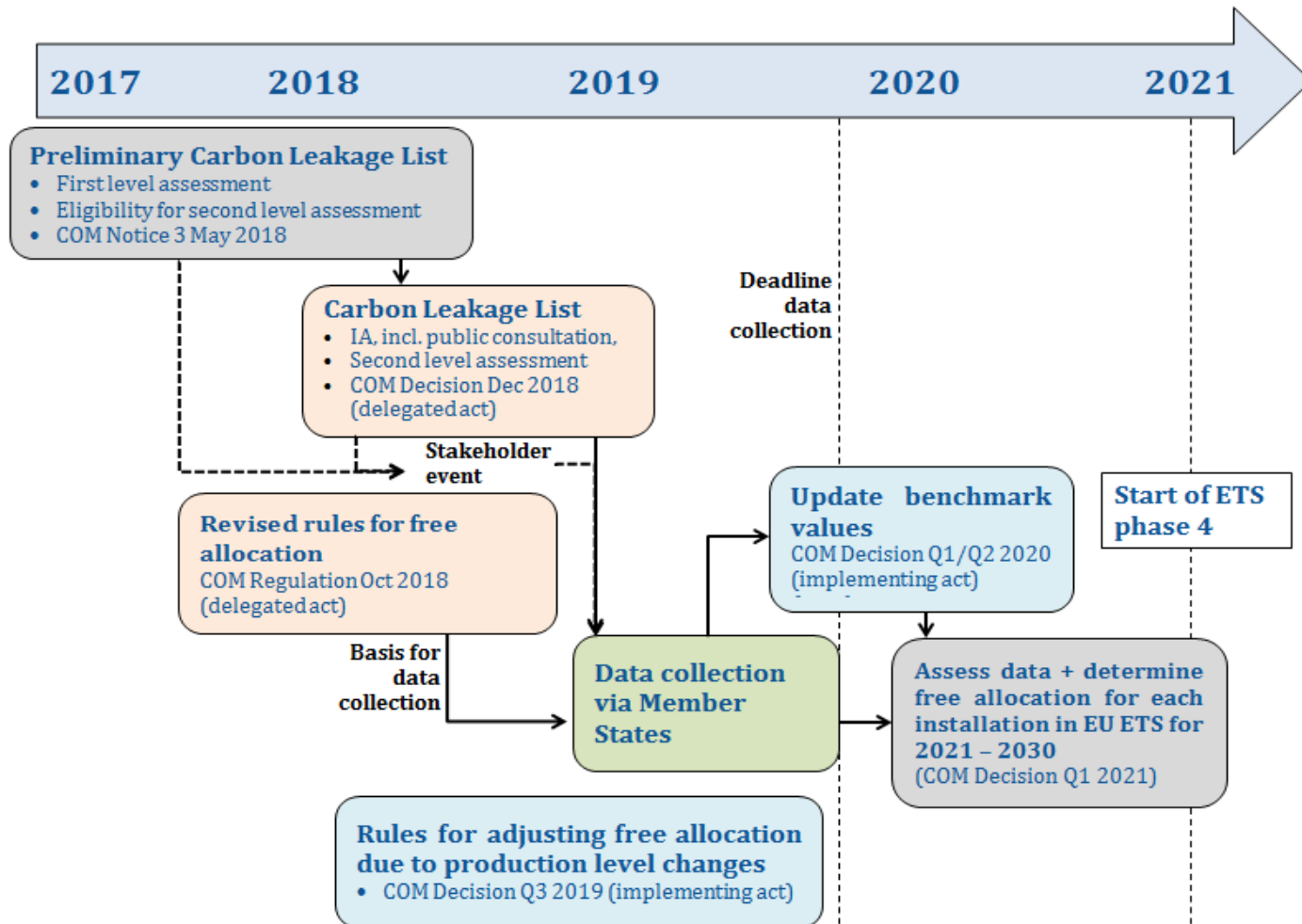
Free Allocation implementation measures 2021-2030

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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