





Ministry of the Environment of the Czech Republic

CZECH CONSIDERATIONS FOR OPT OUT UNDER ARTICLE 27 AND 27A ETS DIRECTIVE IN THE FOURTH TRADING PERIOD

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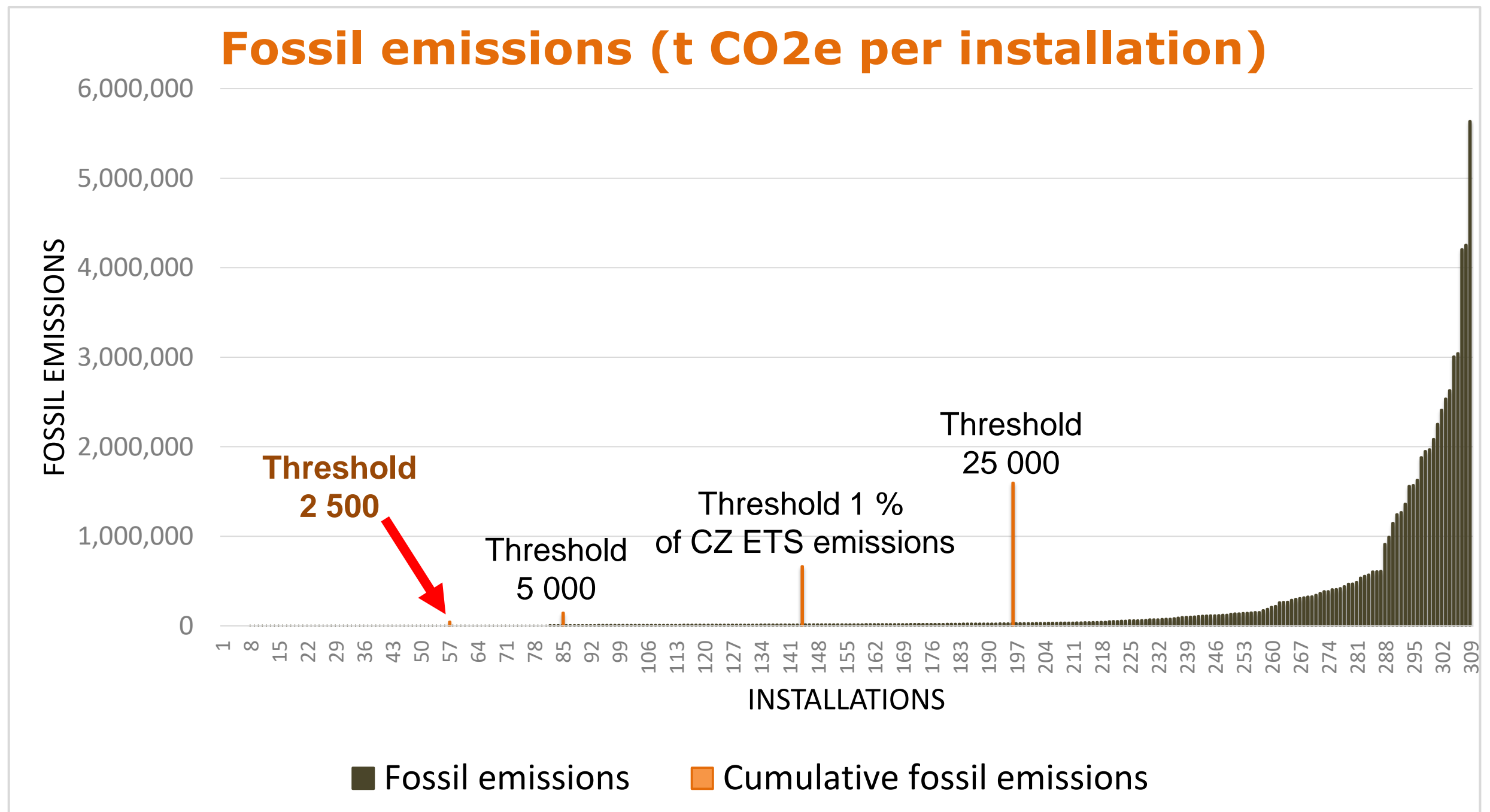
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Why?

- High number of **very small installations** with low emissions
- **Administrative burden** (both for operators and the CA)
- Overall **benefits x costs ratio** (emissions covered by the EU ETS or saved emissions x time, administration, money etc.)
- **Aim:**
 - Reduce administrative burden
 - Maintain environmental integrity and uphold ETS objectives
 - Find the right balance between reducing the administrative burden and keeping the exclusion of emissions from the scope of ETS to a minimum

Why?



Source: Ministry of the Environment of the Czech Republic, 2018, based on 2017 reported emissions.

How? – Options:

Opt-out threshold	Cumulative fossil emissions (t CO2e)	Cumulative % of emissions	Number of installations	% of installations
2 500 t CO2e (Art. 27a)	44 315	0.07 %	57	18 %
5 000 t CO2e (Art. 27)	143 502	0.21 %	85	28 %
10 000 t CO2e	469 894	0.70 %	127	41 %
1 % of CZ emissions	664 412	0.99 %	144	47 %
15 000 t CO2e	891 877	1.33 %	160	52 %
25 000 t CO2e (Art. 27)	1 596 744	2.38 %	196	63 %

Source: Ministry of the Environment of the Czech Republic, 2018, based on 2017 reported emissions.

→ „**Small opt out**“ according to Art. 27a (44 315 t CO2e/year = still not more than a single category A installation)

Effects

- The administrative burden is reduced the most for **small 27a opt out** (< 2500 tCO₂ / up to 300 hours of operation annually) – compared to overall costs of an installation connected with the participation in ETS

Opt-out < 2 500

Costs (allowances) ↓, Admin. burden ↓ ↓ ↓

Opt-out < 25 000

Costs (allowances) ↓ ↓ ↓, Admin. burden ↓

- Some operators **concerned that they have to comply with ETS rules**
- Operators also concerned that they will have to comply with **another system and legislation if they are excluded from ETS**. Their concerns might outweigh the costs of meeting ETS requirements
- Equivalent contribution to CO₂ reduction not needed: **no different burden imposed x impact on emissions low**
- A very **small amount of the overall emissions** is excluded from the ETS (0.07 % / 44 315 t CO₂e)
- **Time saved by the CA** would be an estimate of 350 man-hours / year (if 6 hours is considered for each excluded installation)
→ Better supervision over bigger emitters

Expected measures

- **Legislation review** (CZ national emission trading law)
- Operators will be informed about the possibility of opt-out and **excluded from the EU ETS on request**
- Remaining **obligations of the operators** of opt-outed installations
 - Having an EU ETS emission permit
 - Notifying the CA if the 2500 threshold is exceeded
 - Reporting the emissions to the CA; annual check by the CA whether the operator is (not) exceeding the opt-out threshold
 - Responsibility for determining the emissions correctly
- **Obligations waived**
 - Holding an EUA account in the Registry
 - Surrendering allowances
 - Submitting a verified Annual Emission Report (AER)
- **Decision**, whether an opt out will actually be applied
 - **yet not made...**

Questions

- Should the emissions from installations excluded from EU ETS under the opt-out be **incorporated to the Effort Sharing target** (and if yes, how)?
 - Even though the potentially opt-outed emissions are rather low, they might endanger achieving the CZ Effort Sharing target, if counted into the Effort Sharing
 - Change of the national Effort Sharing target – before 2020?
- Do the installations using opt-out need to possess an **emission permit**, similarly to other (ETS) installations?
- How can the CA keep **control over the excluded installations** and their annual emissions, when no complicated reporting obligations are imposed on them?
- What are the plans of other states? What **requirements do they plan to have on the opt-outed operators?**

Questions and answers...

