



EU ETS Compliance Conference  
Break Out Session I (art. 27a)

# Preliminary Danish Considerations

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## Art. 27 – Bad and unfair?

- Not implemented in DK in ETS 3
- Would complicate the Danish rules, "weaken" ETS, reduce incentives.
- Difficult to implement: Timeline, many unknowns (impact assessment, Ricardo)
- How many companies would benefit?
- Danish carbon tax on industries outside ETS
- New entrants at a disadvantage (until next subperiod)
- NTS liability etc.: Higher costs to society than savings to ETS-operators?
- Moving up to 435.000 tonnes to NTS: Difficult, expensive
- Allowance deduction in case of reintroduction: Art. 9a (4) + Art. 27 (3)



## Art. 27a – A bit less unfair?

- Would also complicate the Danish rules, "weaken" ETS, reduce incentives
- No "equivalent measures" (e.g. individual reduction targets & penalties)
- Carbon tax hurts less ("very small" emissions)
- Timeline easier to meet - Yet still many unknowns
- Moving up to 86.000 tons to non-ETS: Not cheap, but feasible
- **Better relation between savings to operators and costs to non-ETS sector**
- **Eligible installations almost entirely utilities (heating, electricity), hospitals**



## The (lack of) numbers (1:2)

	<b>Art 27</b> 25.000 t / 35 MW + hospitals	<b>Art 27a</b> 2.500 t / 300 hours
Max eligible installations	126 (37%)	159 (46%)
27 + 27a combined	210 (159 + 51) = 61%	
Max eligible emissions	435.000 tonnes (2,9%)	86.000 tonnes (0,6%)
27 + 27a combined	~ 500.000 tonnes (3 – 3,5%)	
Eligible sectors	Heating Electricity Hospitals 35% Industry	Heating Electricity Hospitals 5% Industry
Operators willing to opt out	Unknown	Unknown

## The (lack of) numbers (2:2)

	Art 27 25.000 t / 35 MW + hospitals	Art 27a 2.500 t / 300 hours
Administrative savings	Verification (~ € 2.200) + ETS-account (~ € 3.000 – 3.500 p.a.)	
All eligible installations max	~ € 400.000 p.a.	~ € 500.000 p.a.
27 + 27a combined	~ € 650.000 p.a.	
”Max” EUA savings (”€ 20”)	€ 500.000 p.a.	€ 50.000 p.a.
All operators ”max”	€ 8.7 mio. p.a. Ø ~ € 70.000 pr. installation	€ 1.7 mio. p.a. Ø ~ € 11.000 pr. installation
27 + 27a combined	€ 9 – 10 mio. p.a.	
Costs to operators	Allowances, taxes & penalties	Allowances, taxes
Max costs to society	Increase in NTS liability: € 4 mio ?? & Loss in auction revenues	Increase in NTS liability: € 800.000 ?? & Loss in auction revenues



## Art. 27a – What’s it going to be in DK?

- 27a is more attractive than art. 27
- ...unless it does not allow opt-out of individual installations (!!)
- What "simplified monitoring arrangements" would COM accept? Can "reporting and verification measures" be simplified too, see art. 27 (1) b?
- When must those arrangements be "in place", art. 27a (1) b?
- What? No art. 9a (4) allowance deduction in case of reintroduction??
- What will be the numbers...? The numbers...!



## Article 27a - Optional exclusion of installations emitting less than 2 500 tonnes

1. Member States may exclude from the EU ETS installations that have reported to the competent authority of the Member State concerned emissions of less than 2 500 tonnes of carbon dioxide equivalent, disregarding emissions from biomass, in each of the three years preceding the notification under point (a), provided that the Member State concerned:

- (a) notifies the Commission of each such installation before the list of installations pursuant to Article 11(1) is to be submitted or at the latest when that list is submitted to the Commission;
- (b) confirms that simplified monitoring arrangements are in place to assess whether any installation emits 2 500 tonnes or more of carbon dioxide equivalent, disregarding emissions from biomass, in any one calendar year;
- (c) confirms that if any installation emits 2 500 tonnes or more of carbon dioxide equivalent, disregarding emissions from biomass, in any one calendar year, the installation will be reintroduced into the EU ETS; and
- (d) makes the information referred to in points (a), (b) and (c) available to the public.

2. When an installation is reintroduced into the EU ETS pursuant to point (c) of paragraph 1 of this Article, any allowances allocated pursuant to Article 10a shall be granted starting from the year of the reintroduction. Allowances allocated to such an installation shall be deducted from the quantity to be auctioned pursuant to Article 10(2) by the Member State in which the installation is situated.

3. Member States may also exclude from the EU ETS reserve or backup units which did not operate more than 300 hours per year in each of the three years preceding the notification under point (a) of paragraph 1, under the same conditions as set out in paragraphs 1 and 2.



## Art. 27 – Exclusion of small installations subject to equivalent measures

1. Following consultation with the operator, Member States may exclude from the EU ETS installations which have reported to the competent authority emissions of less than 25 000 tonnes of carbon dioxide equivalent and, where they carry out combustion activities, have a rated thermal input below 35 MW, excluding emissions from biomass, in each of the three years preceding the notification under point (a), and which are subject to measures that will achieve an equivalent contribution to emission reductions, if the Member State concerned complies with the following conditions:

(a) it notifies the Commission of each such installation, specifying the equivalent measures applying to that installation that will achieve an equivalent contribution to emission reductions that are in place, before the list of installations pursuant to Article 11(1) has to be submitted and at the latest when this list is submitted to the Commission;

(b) it confirms that monitoring arrangements are in place to assess whether any installation emits 25 000 tonnes or more of carbon dioxide equivalent, excluding emissions from biomass, in any one calendar year. Member States may allow simplified monitoring, reporting and verification measures for installations with average annual verified emissions between 2008 and 2010 which are below 5 000 tonnes a year, in accordance with Article 14;

(c) it confirms that if any installation emits 25 000 tonnes or more of carbon dioxide equivalent, excluding emissions from biomass, in any one calendar year or the measures applying to that installation that will achieve an equivalent contribution to emission reductions are no longer in place, the installation will be reintroduced into the EU ETS;

(d) it publishes the information referred to in points (a), (b) and (c) for public comment.

## Art. 27 (continued)

Hospitals may also be excluded if they undertake equivalent measures.

2. If, following a period of three months from the date of notification for public comment, the Commission does not object within a further period of six months, the exclusion shall be deemed approved.

Following the surrender of allowances in respect of the period during which the installation is in the EU ETS, the installation shall be excluded and the Member State shall no longer issue free allowances to the installation pursuant to Article 10a.

3. When an installation is reintroduced into the EU ETS pursuant to paragraph 1(c), any allowances issued pursuant to Article 10a shall be granted starting with the year of the reintroduction. Allowances issued to these installations shall be deducted from the quantity to be auctioned pursuant to Article 10(2) by the Member State in which the installation is situated.

Any such installation shall stay in the EU ETS for the rest of the period referred to in Article 11(1) during which it was reintroduced.

4. For installations which have not been included in the EU ETS during the period from 2008 to 2012, simplified requirements for monitoring, reporting and verification may be applied for determining emissions in the three years preceding the notification under paragraph 1 point (a).



## Art. 9 (4) - Union-wide quantity of allowances

(...)

4. In respect of installations which are excluded from the EU ETS in accordance with Article 27, the Union-wide quantity of allowances to be issued from 1 January 2013 shall be adjusted downwards to reflect the average annual verified emissions of those installations in the period from 2008 to 2010, adjusted by the linear factor referred to in Article 9.