

## Definition of new entrant

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## New entrant elements

- Presence of new entrant reserve
- Definition and treatment of know new entrants
- Size and structure of the reserve
- Calculation of allowances and provision of bonuses
- Access to the reserve
- Treatment of surplus or deficit in the reserve

## Directive

- “need to provide access to allowances”  
not “need to provide allowances”
- Definition covers increase in production if a physical extension of the installation is involved but not increased utilisation

## New entrants – to date

- All MS set aside New Entrant Reserve – free allocation for at least some of allowances
- Size depends on growth assumptions – from <2% to >10%
- Separate reserve for cogeneration accepted
- Known new entrants – generally only relates to certain investment - treatment different in different MS

## New entrants – to date (ctd)

- Allocation by benchmarks – but not standardised
- Deficit – some MS will buy allowances, in others installations must buy
- Surplus – most cancelled or auctioned – some sold on open market

## Considerations

- Difference between production at a new facility and through greater utilisation of existing capacity
- Ability of new entrants to include carbon cost in investment decisions
- Transition from new entrant to incumbent

# Harmonisation

- No further harmonisation
- Harmonising overall approach
- Harmonising the allocation methodology
- Harmonising the size and structure of the reserve

## No further harmonisation

- Impact through guidance document
- Common reporting format for transparency
- Allows MS to use rules in a way that is relevant to the national context
- Does not tackle potential competition distortions



# Harmonising overall approach

- Core definitions
  - Harmonising definition of new entrant eligibility for free allowances
  - Transfer of allowances
  - Surplus or deficit of allowances in NER
- Tackles competition and increases clarity

## Harmonised allocation methodology

- Could propose harmonised methodology – with some defined sectors where MS could propose bonuses
- EU rule book – define what is acceptable and what options exist – leaves some flexibility for MS
- Could set out rules for different phases giving clarity to industry

## Harmonising the size and structure

- EU guidelines for MS reserve
  - Comparability of national data e.g. growth rates
  - Needs to be linked to incumbent allocations
- or
- EU wide reserve
  - Challenge to establish the size

## Harmonisation

- Strong arguments in favour of harmonising new entrant rules
- Linked to overall decisions on harmonisation of future phases of ETS
- Rule book – begins harmonisation and sets out long term approach
- In long term – remove NER and closure rules?