



Outline for the framework for disaggregated assessments

**Workshop on the preliminary Carbon Leakage List for
phase 4 of the EU Emissions Trading System**

2 March 2018

DG CLIMA.B

Overview

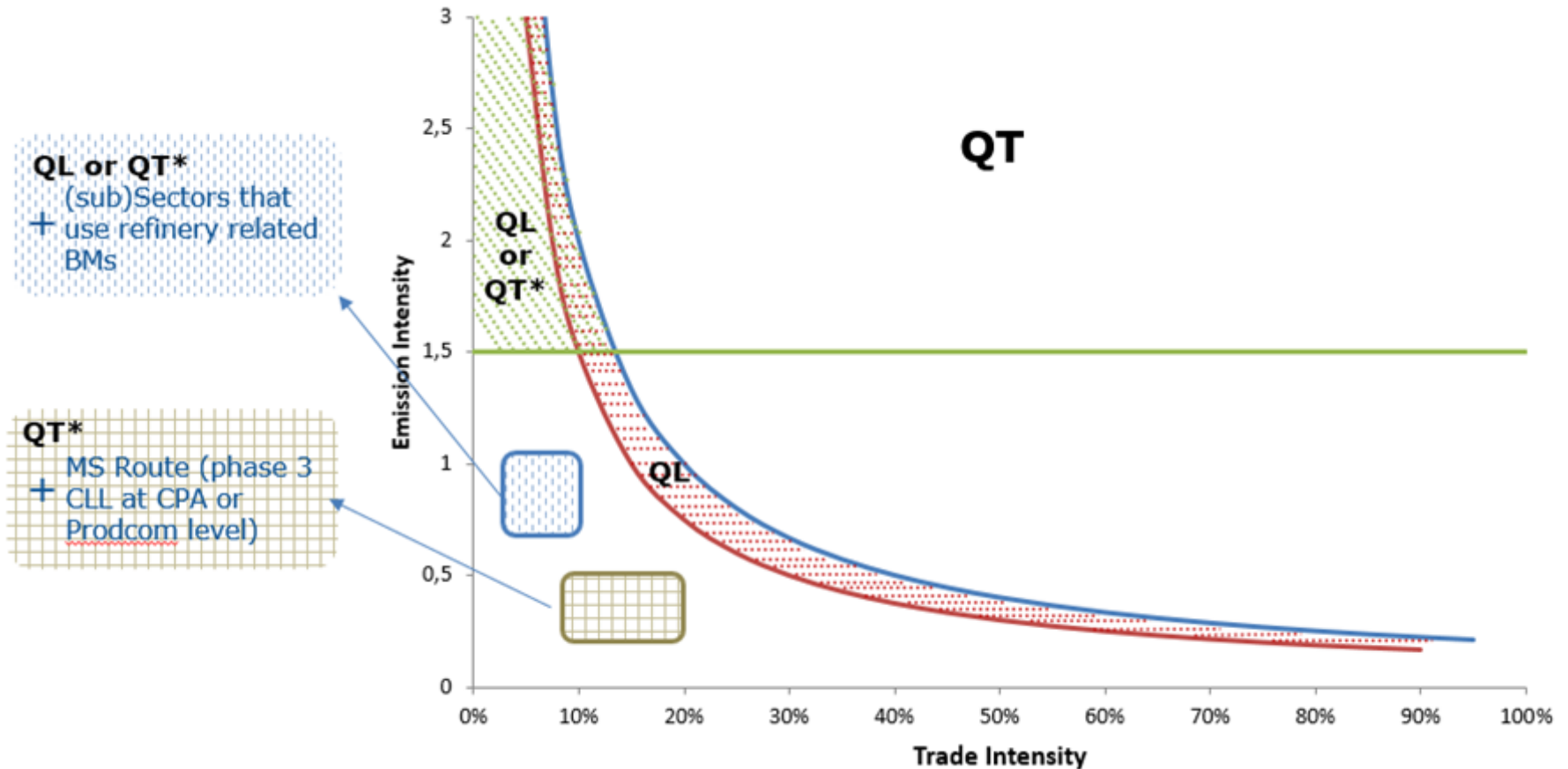
The outline presentation provides an overview of the focus and framework for the Disaggregated Assessment.

It provides a first level of guidelines and instructions on what sectors need to do when applying for a Disaggregated Assessment and on the evidence they need to provide to support their application.




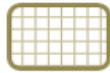
Revised EU ETS Directive

- *Carbon Leakage List assessment*
- *Article 10(b), paragraphs 1 to 4*

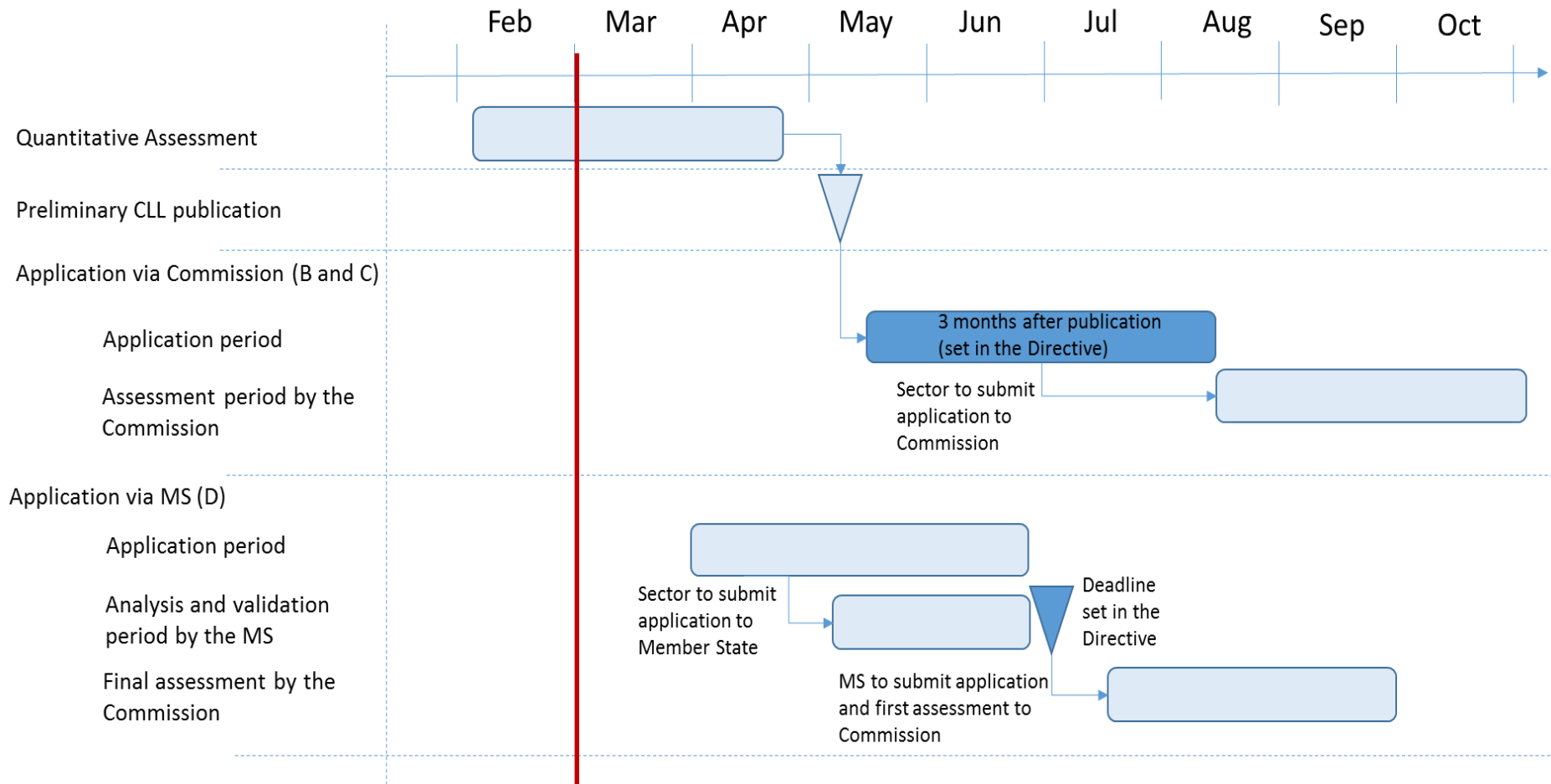
Carbon Leakage List eligibility criteria



“Second level” assessment eligibility criteria (as set in the revised EU ETS Directive)

Criteria		Article	Assessment process	Sector application route	Application deadline	Figure 3 reference
A	carbon leakage indicator between 0.15 and 0.2	Art 10b (2)	Qualitative assessment (QL)	to Commission	3 months after publication of preliminary CLL	
B	emission intensity exceeds 1,5	Art 10b (2a)	Qualitative assessment (QL) OR Quantitative at Disaggregated level (QT*)	to Commission	3 months after publication of preliminary CLL	
C	free allocation is calculated on the basis of the refineries benchmarks	Art 10b (2a)	Qualitative assessment (QL) OR Quantitative at Disaggregated level (QT*)	to Commission	3 months after publication of preliminary CLL	
D	listed in the EU ETS phase 3 CLL at a 6-digit or 8-digit level	Art 10b (2a)	Quantitative at Disaggregated level (QT* via MS)	to one Member State before final decision by Commission (“MS route”)	by the 30 June 2018	

Process - draft timeline



Process – general items

Application entity:

- **Ensure the application completeness and representativeness**
- **One application by eligible (sub)sector is expected**
- **Single point of contact: Industry association(s), multiple companies or combination**

Application must provide:

- **NACE 4-digit code and the activities it covers**
- **Prodcom codes that are covered by the NACE 4-digit code**
- **subset of Prodcom codes that are believed to have a CL indicator >0.2**
- **Criteria/route through which the subsector is eligible**
- **List of the installations in the (sub)sector that are covered by the EU ETS**

Process – general items

Carbon leakage indicator (CLI) calculation and methodology:

- **CLI calculation for each Prodcop-defined sub-sector using the default methodology (provided in Guidance)**
- **Complementary methodology (if relevant) should be justified and detailed**
- **Data and methodology validation must follow EU ETS Directive verification and audit requirements**
- **All underlying data and data sources must be provided**

Quality criteria for application:

- **Robustness of data (reliable sources)**
- **Coverage (time period)**
- **Coverage (in terms of ETS installations)**
- **Geographical coverage**
- **Clarity of methodology**
- **Traceability of calculations**

Process – general items

Default methodology:

Framework will set a default methodology and data sources. If there is deviation from the default method and data, the application must include both the default methodology calculation and the calculation from the complementary approach.

Competence of the verifier can be demonstrated by:

Certified accreditation with representative industry organisations

Certified quality standards (e.g. ISO) accreditation

The experience and qualifications of those responsible for carrying out the verification

Auditor Vs Verifier – Financial vs Technical assessment competency (to be detailed in the guidelines)

Only submissions including a positive opinion from the verifier can be considered by the Commission.

Process (criteria B and C)

Who: Eligible (sub)sector under criteria B and C

To whom: to the Commission

By when: within three months after the publication of the preliminary Carbon Leakage List

What: Carbon Leakage Disaggregated assessment application

Data period: three most recent year

Indicator calculation: $\text{Emission Intensity} * \text{Trade Intensity} > 0,2$

Data quality: duly substantiated, complete and independently verified data

Verification report: to validate calculation and methodology; evidence on the competence and independence of the verifier

Process (criteria B and C)

Verification on: *data used, assumptions applied, calculations of indicators and the link between indicators and conclusions*

Assessment by the Commission:

- *checks of eligibility, completeness of the files, verification requirements and data sources used, if satisfactory*
- *assess the Carbon Leakage Indicator methodology, and draw a conclusion on the extent to which the applied data and methodology is duly:*
 - *Substantiated*
 - *Complete*
 - *Independently verified*
- *decision on the calculated CLI*

Process (criteria D)

Who: Eligible (sub)sector under criteria D

To whom: via a Member State

By when: to the Commission by 30 June 2018

What: Carbon Leakage Disaggregated assessment application

Data period: five most recent years

Indicator calculation: Emission Intensity*Trade Intensity >
0,2

Data quality: duly substantiated, complete, verified and audited data

Verification report: to validate calculation and methodology;
evidence on the competence of the auditor

Process (criteria D)

Verification on: *data used, assumptions applied, calculations of indicators and the link between indicators and conclusions*

Analysis by the Member State:

- *checks of eligibility, completeness of the files, verification requirements and data sources used, if satisfactory*

- *analyze the Carbon Leakage Indicator methodology, and review the extent to which the applied data and methodology is duly:*
 - *Substantiated*
 - *Complete*
 - *Verified*
 - *Audited*

- *prepare an analysis report to accompany sector application and submit to Commission for final approval*

Process (criteria D)

Assessment by the Commission:

- *confirm checks of eligibility, completeness of the files, verification requirements and data sources used,*
- *confirm MS analysis and assess the Carbon Leakage Indicator*
- *decision on the calculated CLI*

Quality criteria for application (I/II)

Representativeness of data

- *Whole of the 8-digit Prodcod (sub)sector (min. 85% of turnover)*
- *Geographic scope: EEA area (min. 85% of turnover)*
- *Whole EU ETS Direct emissions (min. 85% of emissions)*

Robustness of data

- *Reliable and trustworthy sources, preferably official sources*
- *Alternative data and methods should be independently verified*

Consistency of the data

- *Consistent with both standard economic definitions and methods*

Quality criteria for application (II/II)

Time period

- *Three (five for "MS route") most recent years*

Traceability of calculations

- *Where alternative methods have been used to calculate the data values for an indicator, a clear description of the method must be provided*
- *The method must be transparent, easy to follow and replicate, and the data used must be readily accessible.*

Items where further development is ongoing

- *Quality criteria for application*
- *Detailed analytical framework and default methodology*
- *Verification provisions (e.g. Independently verified Vs Audited)*
- *Assessment provisions*
- *Application template*
- *Analysis report (from MS) template*



Thank you for your attention