

Position paper of the Alliance of Energy Intensive Industries

Calculation of the maximum amount of allowances for free allocation (Article 10a.5, Emissions Trading Directive)

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For the third ETS trading period, the maximum annual amount of free allowances needs to be determined. In order to come to a consistent and fair maximum amount the emissions of all those installations that will receive benchmark-based free allowances must completely and correctly be taken into account. Therefore, Member States and EC should ensure that relevant emissions data of all respective installations and sectors are made available and are calculated to this maximal annual amount. The core of this work lies in the definition of electricity generators, but there is more to consider.

It is important that the basis for free allocation also includes the emissions from the following installations which will receive allowances according to performance benchmarks:

- emissions stemming from electricity production from unavoidable waste gases;
- emissions from the production of heat and cooling in high efficiency cogeneration installation (CHP);
- emissions from new activities including N₂O emissions in certain Member States, which will be included in the EU ETS as of 2013 onwards.

All of these emissions should be excluded from the emissions assigned to electricity generators and included in the base for the manufacturing industry sectors.

If these emissions are not taken into account correctly, the maximum amount of allowances available for industry and therefore potentially for free allocation will be smaller than justifiable. This would lead to an unjustified faster application of the uniform cross-sectoral correction factor. Especially since this correction factor does not take into account CO₂ abatement potentials, its early application will weaken the effectiveness of benchmarking to prevent carbon leakage.

The Alliance of Energy Intensive Industries therefore strongly recommends to establish the maximum amount of allowances for free allocation in line with the rules, definitions and boundaries of the Community's post 2012 benchmarking system. Specifically, we propose the following as consistent guidance to Member States:

- Member States should identify the emissions for the waste gases consumed in electricity production independently of permitting practices and the determination of installation boundaries; in a simplified approach they could decide not to assign the status of "electricity generator" to power plants using waste gases;
- Member States should assign the heat related emissions of CHP units and district heating to the basis for free allocation¹;
- Member States should include the emissions of new activities including N₂O emissions entering the scheme as from 2013 in the basis for free allocation.²

Such aligned rules could avoid diverse and inconsistent data collection in different Member States.

The Alliance of Energy Intensive Industries calls upon the Commission and Member States to amend and apply the Commission's "Guidance paper to identify electricity generators" in line with these suggestions in order to establish a consistent basis for the benchmark-based free allocation within the EU ETS regime post 2012.

¹ By example, smaller gas turbines can reach heat production shares of up to 70%. Data should be collected by installation but for simplification could also use a value of 50% for average heat generation as a default.

² As stipulated by Article 9a.2 of the ETS Directive and Recital 25 of the Effort Sharing Decision: "Any adjustment in the coverage of Directive 2003/87/EC should be matched by a corresponding adjustment in the maximum quantity of greenhouse gas emissions covered by this Decision."

Europe's energy-intensive industries have an aggregated turnover of more than 1000 billion Euros per year and provide direct employment to over 3 million people. Manufacturing is closely interlinked with Europe's entire economic fabric, downstream processing, R&D and innovation.

	CEFIC – European Chemical Industry Council
	CEMBUREAU - The European Cement Association
	CEPI aisbl - The Confederation of European Paper Industries
	Cerame-Unie – Liaison Office of the European Ceramic Industry
	CPIV - The European Glass Federation
	Association of European Ferro-Alloy Producers
	EUROFER – European Confederation of Iron and Steel Industries
	EuLA – The European Lime Association
	EUROMETAUX - European Association of Non-Ferrous Metals Industries
	EUROPIA, the European Petroleum Industry Association
	European Expanded Clay Association
	International Federation of Industrial Energy Consumers - Europe
	IMA-Europe – Industrial Minerals Associatio