

EU ETS: free allocation adjustments due to production changes in Phase 4

Agenda

Date: October 12, 2018

Time: 13:30 - 16:30

Location: ERCST offices, Rue Archimede 61, Brussels

The recent revision for the fourth phase of the EU ETS extended the use of transitional free allocation for the period 2021 – 2030. Moreover, the revision introduced some new rules for free allocation and adjustments to free allocation due to production changes. While these new rules set out the main criteria, the European Commission has the mandate to adopt more detailed implementation rules and requirements.

According to the indicative planning of the European Commission, the current free allocation rules will be updated in a new delegated act, expected to be adopted in Q4 2018. Moreover, an implementing act is expected to be adopted in Q3 2019 which will set out the provisions for the adjustments of the levels of free allocation based on changes in production levels.

While some of the main rules for free allocation adjustments due to production changes are clearly included in the phase 4 revision (e.g. the 15% threshold calculated on a rolling average of two years), a number of issues for discussion and clarification remain. For example, the preambles of the phase 4 amendments include the vision for the Commission to ‘consider further measures to put in place, such as the use of absolute thresholds regarding the changes of allocations’.

This meeting gives the opportunity for stakeholders to discuss this important issue with each other and with policymakers. The objective is to take an open approach to the issue by looking at examples from other emission trading systems and discussing the (dis)advantages, for specific sectors and the EU as a whole, of different ways free allocation adjustments can be organised.

13:00 **Registration**

13:30 **Welcome and introduction**
A. Marcu, Director of ERCST and Senior Fellow at ICTSD

13:40 – 15:20

State of play in the EU and examples of free allocation adjustments due to production changes from other ETS

This session will start with a presentation on the state of play of the implementation of the free allocation adjustments in Phase 4 and examples of how this is being done in other ETS jurisdictions, which will be followed by some initial reactions and a roundtable discussion.

Free allocation for industrial facilities takes place in most emission trading systems that currently exist. The rules for free allocation, and the possible adjustment due to production changes, however, are organised differently across the systems. In California, the free allocation calculation is updated annually based on verified production data, while in China ex-post adjustments are made to free allocation reflecting actual production volumes. On the contrary, in Korea, free allocation is based on the average GHG emissions of the base years (2011-2013), without any rules for adjustments due to production changes. Experts from the Californian and Chinese systems will elaborate on why these approaches were chosen and how these adjustments take place, which will be followed by some initial reactions and a roundtable discussion.

State of play

- M. Quinn, DG Clima

Examples from other ETS

- D. Maosheng, China Carbon Market Center
- C. Munnings, IETA (California)

Reactions

- F. de Jong, Carbon Market Watch
- O. Imbault, Air Liquide
- P. Chauveau, Solvay

15:20 – 16:30

Stakeholders views

In this panel, stakeholders will present their views on how the rules for free allocation adjustments due to production changes should be organised during Phase 4 of the EU ETS. The focus should be on discussing (dis)advantages and consequences of certain approaches. The initial interventions will be followed by a roundtable discussion among participants.

- L. Rathe, Norsk Hydro
- T. Buckley, Sandbag
- P. De Decker, Total
- Y. Dong, France

16:30

Concluding Remarks