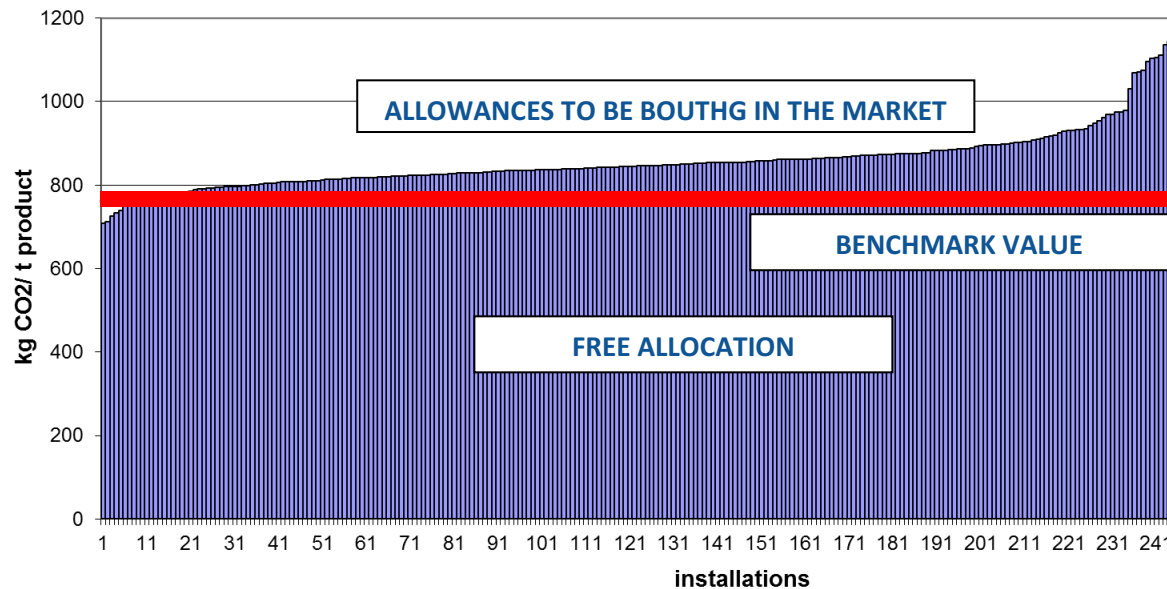




Allocation Adjustments due to Activity Level Changes

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DG CLIMA.B2

- **Carbon leakage.** Transfer of production to countries with laxer emission constraints. Possible increase in total emissions. Free allocation prevents carbon leakage.
- Transitional measure until other major economies have equivalent policies.
- The level of free allocation is based on “benchmarks”. Average emissions per unit of product (performance) of the 10% best performers in Europe.

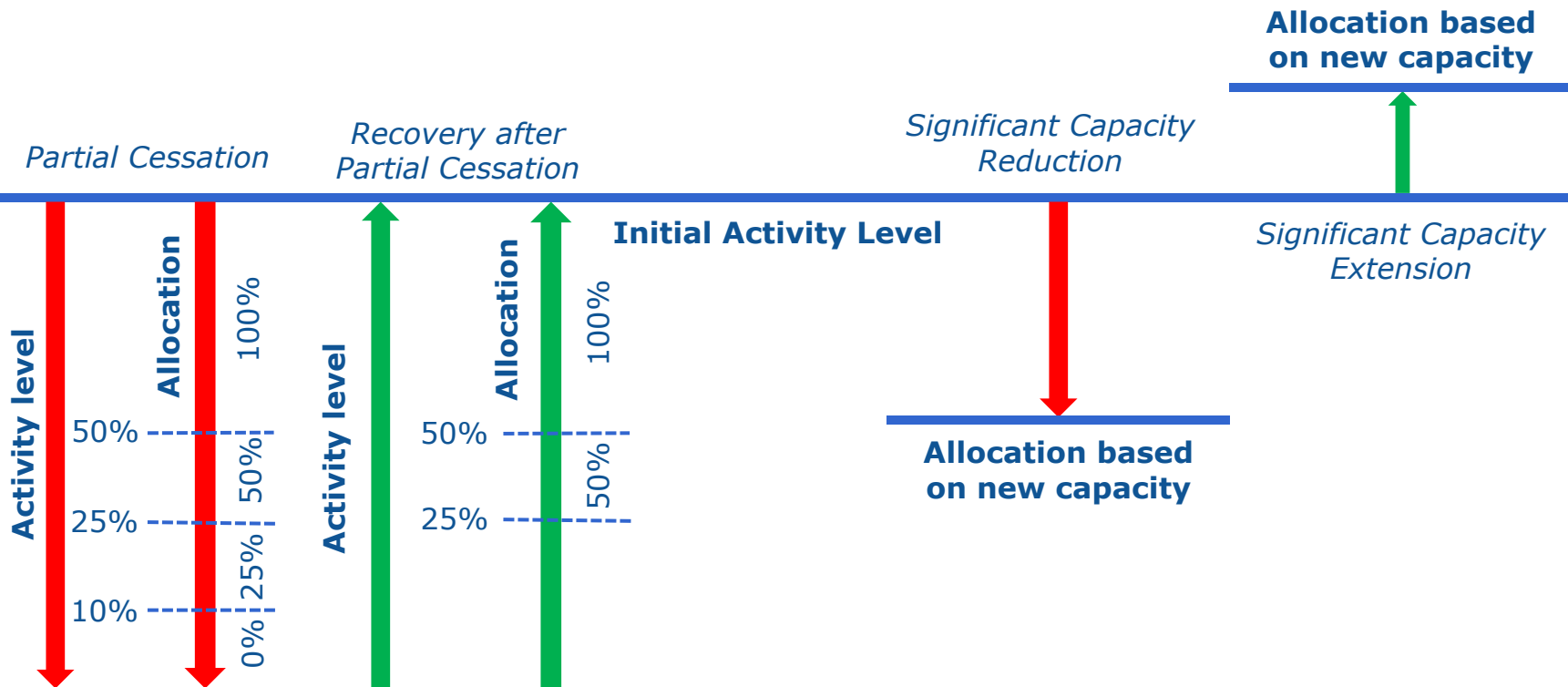


Changes based on activity level

- Partial Cessations. Reductions in allocation.
- Recoveries after partial cessation. Increases on free allocation when activity levels recover.

Changes in capacity

- Significant capacity extension. Physical changes leading to higher capacity.
- Significant capacity reduction. Physical changes leading to lower capacity.



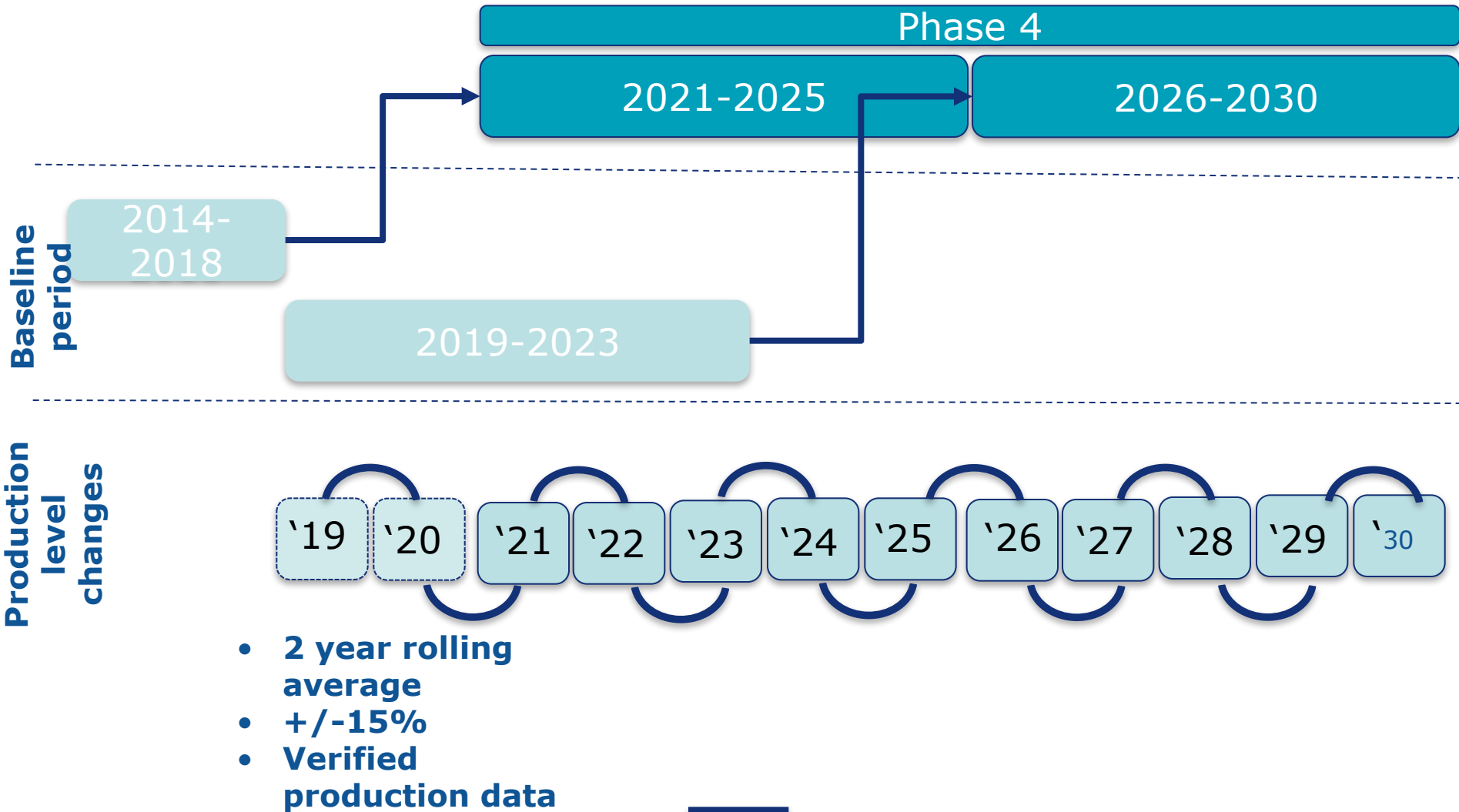


- Changes in allocation based only on changes in activity levels.
- Simplification of the rules. Concept of capacity is no longer used.
- Symmetrical rules (same percentages used for increases / decreases in activity levels).
- Changes based on the rolling average of the two previous years.
- Further rules to be set in an implementing act (additional thresholds to reduce administrative burden?, how to modify allocation once the 15% limit is reached?).
- **Open consultation to be published very soon:**

https://ec.europa.eu/info/law/better-regulation/have-your-say_en)



Phase 4 rules (2021 – 2030)



Allocation changes

+15%

adjustment

no adjustment

**2014-
2018
average**

no adjustment

-15%

adjustment





Thank you for your attention