

Wednesday 4<sup>th</sup> October 2023

# Free Allocation Regulation (FAR) Public consultation

## Roundtable

*Under Chatham House Rules*

# ERCST

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Roundtable on  
Climate Change and  
Sustainable Transition

# 1. Agenda

## Free Allocation Regulation (FAR) EU ETS

### Public Consultation

#### Stakeholders Roundtable (In person)

By invitation only

*This meeting is under Chatham House Rules/ No press.*

#### Agenda

**Date:** Wednesday 4 October 2023

**Time:** 10:30 – 12:30 CEST

**Venue:** Rue Archimède 61, 1000 Brussels, Belgium

The revised [EU ETS Directive \(EU\) 2023/959](#) was adopted on 10 May 2023 and published in the EU Official Journal six days after. The European Commission now needs to update several regulatory acts for the revised EU ETS to be implemented in 2024. One important update concerns the Free Allocation Regulation (FAR), that sets the rules for the allocation of allowances to those sectors under the risk of carbon leakage.

In the EU ETS, products under the carbon leakage list receive free allocation - at the benchmark level - for free. Following the adoption of the EU Carbon Border Adjustment (CBAM), the free allocation provided to energy intensive selected goods will be gradually phased out and replaced by the CBAM "protection". The revised FAR is expected to be adopted by the end of 2023.

This meeting is intended as a brainstorming roundtable with a small group of invited stakeholders and policy makers to brainstorm on the upcoming revision of the FAR, in response to the ETS revision/Fit For 55.

10:30 **Welcome**  
• A. Marcu, Director of ERCST

10:35 **State of play and outline**  
• J. F. López, Manager & Senior Policy Analyst, ERCST

ERCST will present its views before the start of two sessions, each kicked off by a 5-minute initial intervention. Open roundtable discussions will conclude each session.

The topics to be discussed include conditionality on free allocations, link with climate neutrality plans, product benchmark definitions, free allocation phase out for CBAM sectors, review rules for exchangeability of fuel-electricity, etc.

#### Roundtable

10:45 **Challenges in the update of free allocation rules following the EU ETS Directive revision.**

- A. Lorck, Air Liquide.
- D. Fraile, Hydrogen Europe.
- E. Manigrassi, European Aluminium.

*Followed by a roundtable discussion with participants*

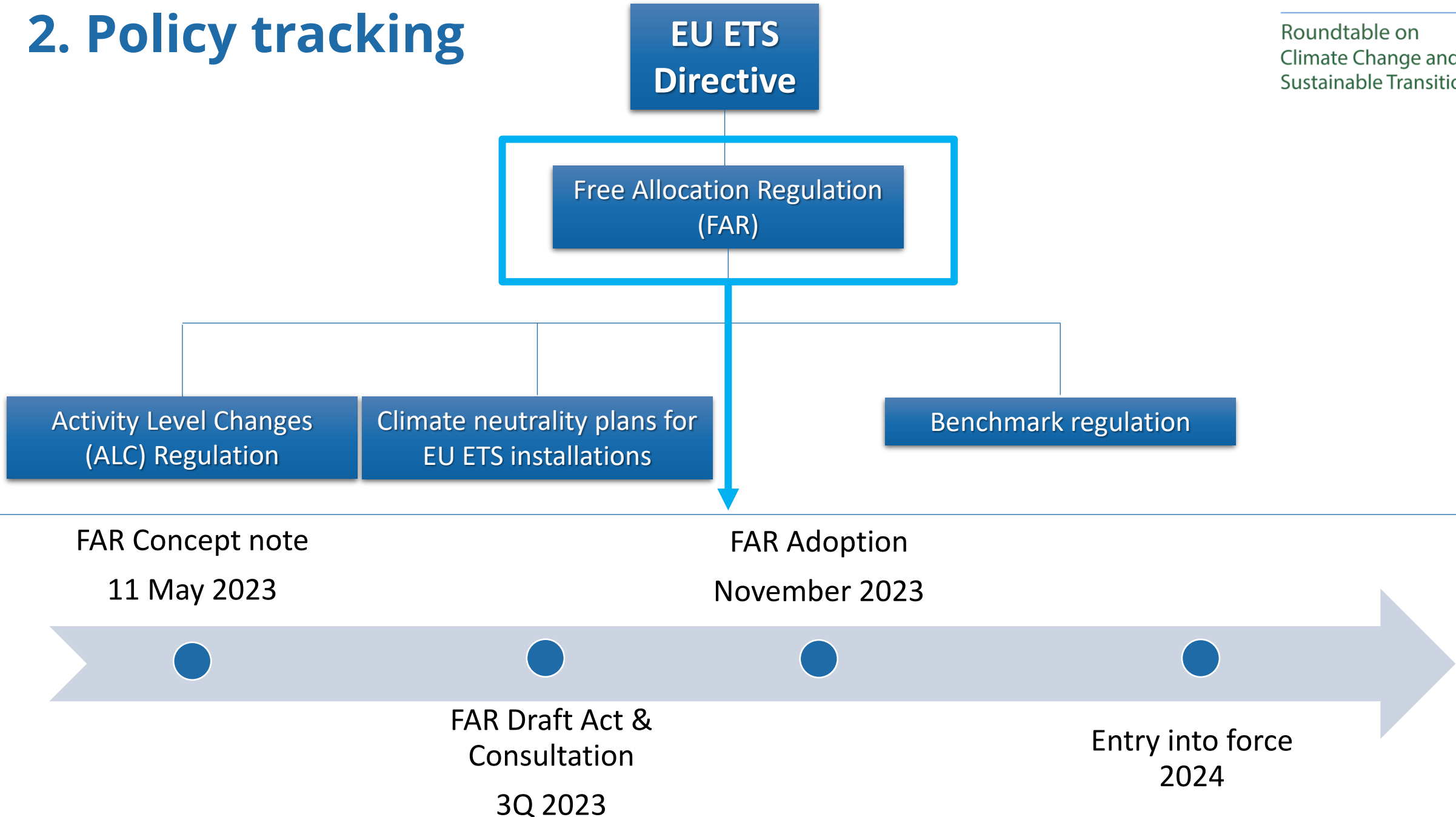
11:35 **Potential options to consider in the update of free allocation rules following the EU ETS Directive revision.**

- A. Amand, Sandbag
- N. Vinck, EuroAlliages.
- S. Swinnen, Essenscia.
- S. Van den Plas, Carbon Market Watch.

*Followed by a roundtable discussion with participants*

12:30 **Concluding remarks**

## 2. Policy tracking



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### EU ETS Directive 2023/959

Some of the (free allocation) issues to be tackled in 2ndary legislation:

- **Benchmarks** shall be reviewed in relation to their application in the period from 2026 to 2030, with a view to potentially **modifying the definitions and system boundaries**, considering its circularity potential [Art 10a(3)].
- **Conditionality on free allocation** (1<sup>st</sup> reduction from 2026 onwards):
  - Implementation of **energy audits** (Art 8 EED 2012/27/EU). [Art 10a(1)]
  - **Installations** with the highest (above 80%) emission intensities for a product benchmark should implement **climate neutrality plans** (by 1 May 2024). [Art 10a(1)]
  - **District heating** shall establish a climate-neutrality plan (by 1 May 2024) for the installations for which they apply for additional free allocation. [Art 10b(4)]
- **Free allocation phase out for CBAM** sectors by 2034 [Art10a(1)].

## 2. Policy tracking

CLIMA/2022/OP/0017

Some of the (free allocation) issues to be tackled in 2ndary legislation:

1. Review of the **definitions and system boundaries** for all 52 product benchmarks, with special attention on “hot metal” and “hydrogen”.
2. New **rules for conditional free allocation** (energy efficiency and carbon neutrality plans).
3. Review of rules for **exchangeability fuel – electricity** in view of incentivising electrification of industrial processes.
4. Inclusion of hydrogen to cover energy generated from hydrogen combustion (to incentivise **green hydrogen**) in Art. 2 FAR (definitions, heat and fuel benchmarks).

### 3. Panel discussions

**10:45** Roundtable

*Challenges in the update of free allocation rules following the EU ETS Directive revision.*

*Ice-breakers*

- **A. Lorck**, Air Liquide.
- **D. Fraile**, Hydrogen Europe.
- **E. Manigrassi**, European Aluminium.

*Followed by roundtable discussion with participants*

**11:35** Roundtable

*Potential options to consider in the update of free allocation rules following the EU ETS Directive revision.*

*Ice-breakers*

- **A. Amand**, Sandbag.
- **N. Vinck**, EuroAlliages.
- **S. Saartje**, Essenscia.
- **S. Van den Plas**, Carbon Market Watch.

*Followed by roundtable discussion with participants*