

ERCST EXPLANATORY NOTE

EU ETS Compliance 2022

Highlights

General remarks:

- Under the EU ETS Compliance Cycle, the EU ETS Directive requires industrial installations and aircraft operators to surrender by April 30 of each year enough allowances to compensate their level of verified emissions for the previous year.
- After entering verified emissions data in the EU's Union Registry, operators are required to surrender allowances to compensate for their level of verified emissions.
- 2021 values show the past year to be one of the best years in terms of entities' compliance rate (97.15%), second only to 2016 (97.30%).
- In 2021, only 10 countries reached full compliance among their installations, while installations from four Member States, as a whole, display lower compliance rate values than the EU average.

Authors

Andrei Marcu, Juan Fernando López Hernández, Elena Bonfiglio and Anita Vollmer.

1. The EU ETS Compliance Cycle

One of the essential elements of the EU ETS is the EU ETS Compliance Cycle. Under it, the Monitoring and Reporting Regulation (MRR)¹ requires industrial installations and aircraft operators to monitor and report to their Competent Authority (CA) their level of annual emissions from the previous year by March 31 of every year.

After verified emissions data are entered in the EU Union Registry, operators are required to surrender allowances to compensate for their level of verified emissions. The EU ETS Directive sets the deadline to surrender allowances from the previous year by April 30. Moreover, Article 16 of the EU ETS Directive² establishes that operators will have to pay EUR 100 for each emitted tonne of carbon dioxide equivalent for which the stationary or aircraft operator has not surrendered allowances.

On May 4, 2022, the European Commission (DG CLIMA) published the compliance data of the EU ETS installations for 2021³. DG CLIMA had previously announced the then upcoming publication on April 7⁴, following the publication of the verified emissions table for 2021 on April 1. ERCST has analysed the level of compliance for EU ETS installations based on the most updated figures as reported by April 30, 2022 to CAs. The objective of this analysis is to identify the compliance rate across the entire Phase III (2013-2020) of the EU ETS and the beginning of Phase IV.

2. EU ETS compliance evolution in 2013-2021

The results show 2021 as one of the best years in terms of compliance. Indeed, the number of allowances surrendered is greater than or equal to the level of verified emissions for around 97% of the covered installations⁵, while for 1.48% of them the number of allowances is lower. Finally, 1.36% of installation did not report their verified emissions by the deadline of April 30 (Figure 1).

From the analysed dataset, better results in terms of compliant stationary and aircraft operators have been achieved only in 2016, during which the level of compliance reached 97.30%. If we do not consider 2013, the first compliance year of Phase III, the worst year of compliance across the whole period was 2020, where the non-compliance rate reached 2.42%.

¹ Commission Implementing Regulation (EU) 2018/2066 of 19 December 2018 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council and amending Commission Regulation (EU) No 601/2012 (Text with EEA relevance).

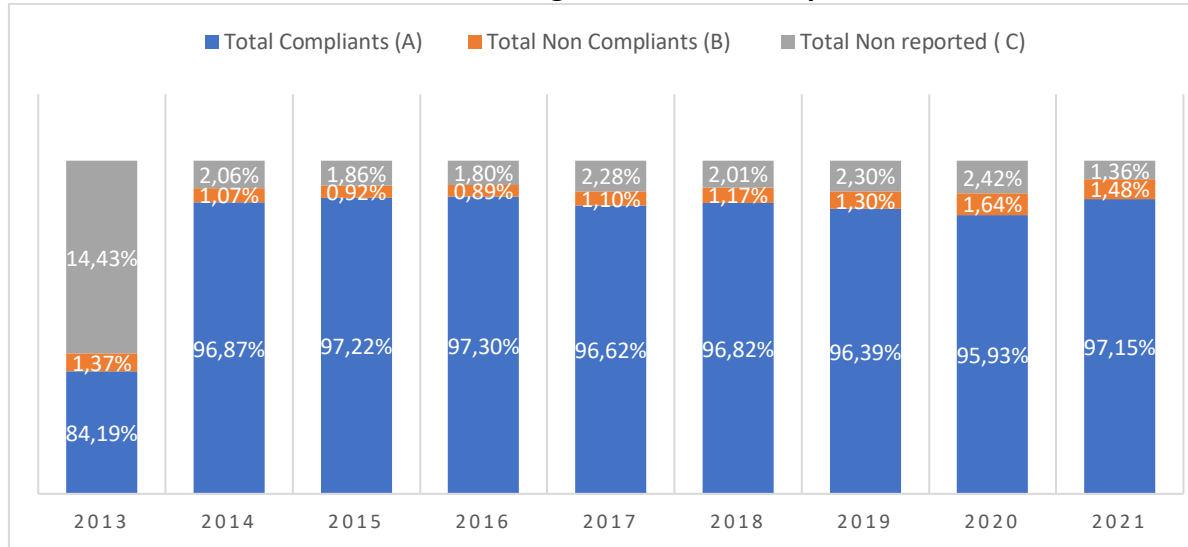
² Directive 2003/87/EC of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (Text with EEA relevance).

³ European Commission (2022): Compliance data for 2021[Excel sheet]. DG CLIMA. Union Registry website. \$ May. Accessible at: https://ec.europa.eu/clima/eu-action/eu-emissions-trading-system-eu-ets/union-registry_en (Accessed on 16 May 2022).

⁴ European Commission (2022): EU Emissions Trading System - compliance information for 2021. DG CLIMA. NEWS ARTICLE. Available at: https://ec.europa.eu/clima/news-your-voice/news/eu-emissions-trading-system-compliance-information-2021-2022-04-07_en (Accessed on 16 May 2022).

⁵ In 2021 the compliance coverage is based on 9161 operators, including aviation.

Figure 1: EU ETS Compliance evolution 2013-2021

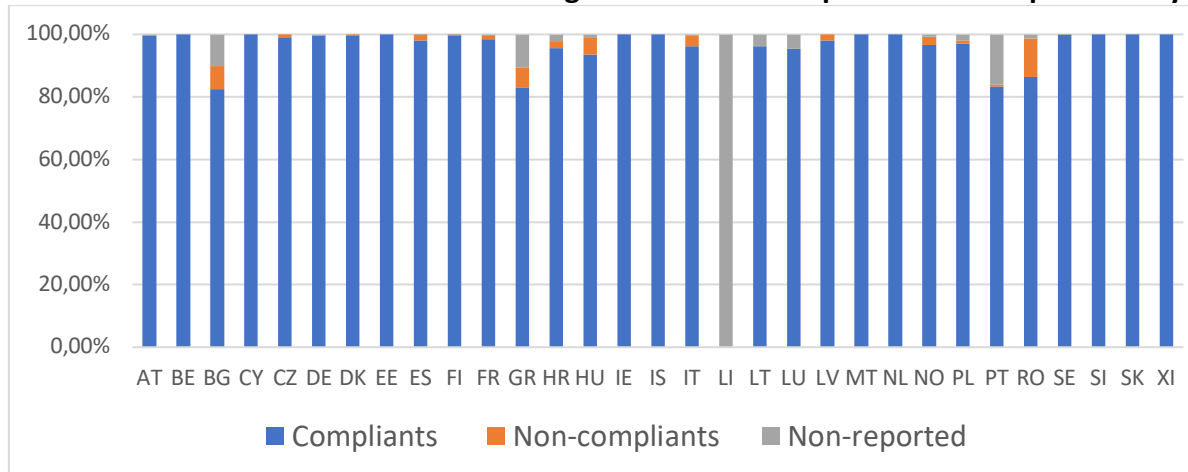


Source: Own elaboration based on European Commission data.

3. EU ETS Compliance per country in 2021.

Figure 2 shows the compliance of stationary installations per country. The dataset includes covered installations located in the EU27, Iceland, Liechtenstein and Norway. In addition, 2020 and 2021 data include Northern Ireland's installations (XI)⁶.

Figure 2: EU ETS Compliance in 2021 per country



Source: Own elaboration based on European Commission data.

The analysis shows that all installations were compliant only in 10 countries (Belgium, Cyprus, Estonia, Ireland, Iceland, Malta, Netherlands, Slovenia, Slovakia, Northern Ireland). Instead, Bulgaria (82.57% of compliant installations rate), Greece (82.93%), Portugal (83.33%) and Romania (86.49%) were below the whole dataset average (97%).

⁶ From January 1, 2021 following the UK's withdrawal from the European Union, all installations were transferred over to a new UK Emissions Trading Scheme (UK ETS) and under the terms of the Northern Ireland Protocol, Northern Ireland Electricity Generators continue to be participants in the European Union Emissions Trading System (EU ETS).