



# Directive establishing a scheme for GHG emission allowance trading within the Community

## Preliminary works for the initial allocation

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## Political agreement

- Cap and trade system
- Compulsory
- Allocation free of charge for the first period
- **Minimum** 90 % of free of charge for the second period 2008-2012
- Only industrial installations (annex 1) combustion installations, iron and steel, lime, cement, pulp and paper, glass,...)
- **CO<sub>2</sub>** only for the 1st period
- Strong penalties (40€-100€)

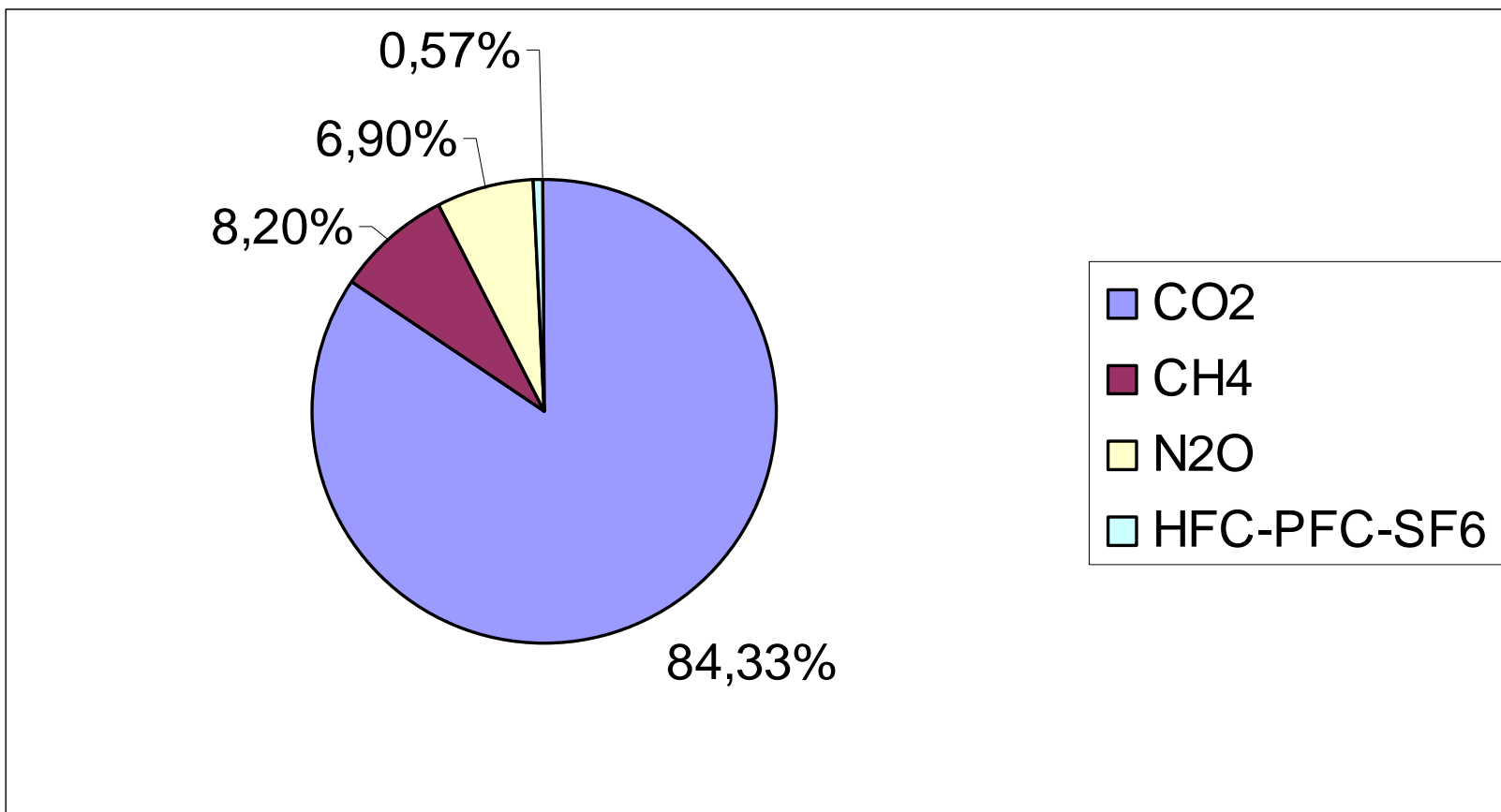


## Belgian situation

- Belgium is a federal State
- 3 Regions (Flemish, Walloon, Brussels)
- Environmental, energy, industrial policies are predominantly the responsibility of the Regions
- Coordination between the federal state and the Regions
- The Regions have each a ' climat plan '
- The Regions implement :
  - directive IPPC
  - voluntary agreements with the industries
  - green certificats for RES
  - ....



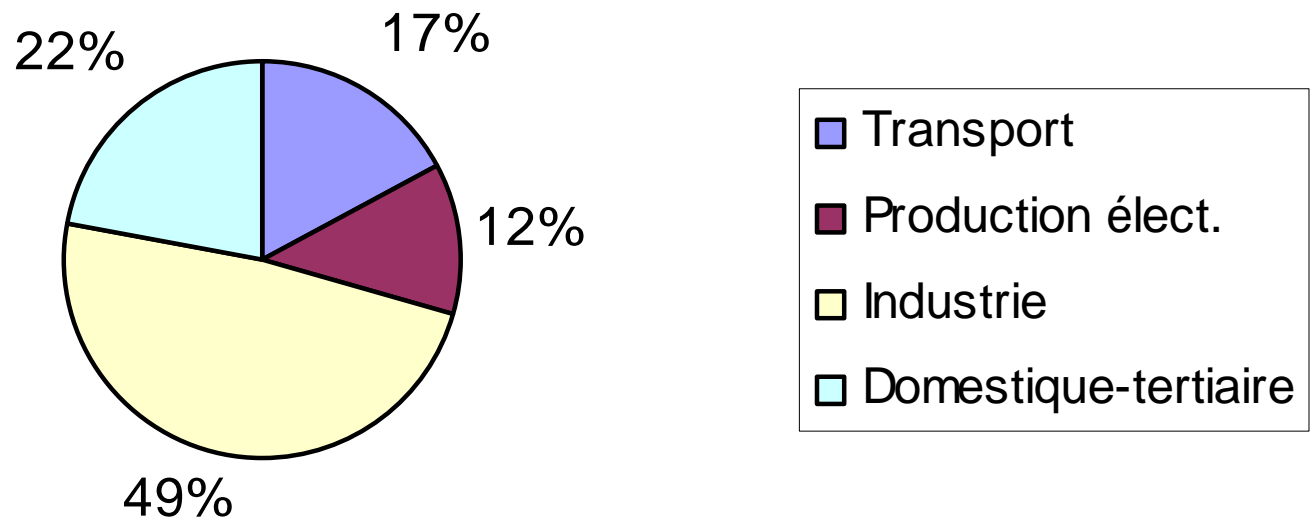
# Walloon situation





## Walloon situation

- CO2





## Voluntary agreements

- **8 sectors** : paper, chemistry, lime, cement, non ferrous and foundry, food sector, steel, metal working
- This 8 sectors represent **90 % of the energy consumption** of the Walloon industries (more than 150 industrial installations)
- Voluntary agreements are based on an improvement of energy efficiency by sector
- Signatories of the letter of intents by the sector (1999-2001)
- **Energy audit** of the individual installations
- Action plan (list of actions) at the level of the sector



## Voluntary agreements

- Actually 147 companies implement the energy audit
- This audit process cost +/-5 M €
- 2 sectors have finished (paper and chemical)
  - paper : improvement of 33 % of energy efficiency
  - chemical : 16 %
- Public consultation (in progress) of this 2 agreements before the final approval



## EU trading

- The aim of the voluntary agreements is the same that the EU trading (but the instrument is different)
- We believe that a link between this 2 instruments is possible
- there are some difficult issues
  - accounting of the energy sector (indirect scheme/direct)
  - economic growth (absolute cap/ relative)
  - accounting of early actions
  - new entrant
  - closure of installation
  - banking
  - ...





## EU trading

### – VA

- 150 installations
- relative targets
- indirect accounting of the emission for energy sector
- list of measures based with a payback time of 4 years

### – ET

- 110 installations (included the energy sector)
- absolute targets
- direct accounting
- No clear rules to make the allocation



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## EU Trading

- We decide to have a bottom up approach for the allocation (checked with our global target)
- VA give a list of actions to implement installation by installation included in a sector --> we can have a ' direct vision '
- We can included a forecast of the production to be consistent with the VA



## EU Trading

- Allocation year  $Y = \{ ( [\text{ratio efficiency} \times \varepsilon^{\text{énergétique}}_{\text{réf}}] + [\varepsilon^{\text{process}}_{\text{réf}}] ) \times \text{ratio } \delta \text{ production forecast} \}$
- efficiency  $\text{CO}_2 = \text{specific emissions CO}_2$
- ratio efficiency = efficiency  $\text{CO}_2$  **for this installation** included in the VA / efficiency  $\text{CO}_2$  for the baseyear
- This formula is approved by the Walloon Government and by the industries



## EU Trading

- Why this formula ?
  - consistent with the VA
  - consistent with the Annex III of the EU trading
    - clear and transparent rules and data for each installation
    - the allocation is consistent with the potential, including the technological potential, of the activities
    - NAP will contain information on the manner in which clean technology, including energy efficient technologies are taken into account



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## EU Trading

- For the new entrants (not included in a VA), allocation based on BAT or benchmarking
- For the installations not included in the VA but included in the ET scheme:
  - energy audit of this installations ?
  - New VA (energy sector) ?
  - Allocation based on a benchmark ?



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## EU Trading

- Other issues
  - base year = 2002 or 2003 --> early actions
  - clarification of the definition of installation (link with the definition of IPPC)
  - banking (careful with a full banking)
  - closure of installation (delocalisation)
  - timing