

Mr Hans Bergmann
European Commission
DG Climate Action
Head of Unit B.2
Avenue de Beaulieu 5
1160 Brussels
BELGIUM

Commission Decision of 5 September 2013 concerning national implementation measures for the transitional free allocation of greenhouse gas emission allowances (2013/448/EU)

Dear Mr Bergman,

According to the above mentioned Decision, the cross-sectoral correction factor (CSCF) will reduce the free allocation to industry by about 12% over the third trading period. As a result, even highly efficient installations within the EU Emissions Trading System (ETS), that are deemed to be exposed to a risk of carbon leakage, will face a shortage of free allowances and thus an increased risk of carbon leakage.

We believe that the Decision on the CSCF may be based on an error in the methodology which leads to an underestimation of the maximum amount of allowances available for industry (the 'industry cap') and thus to an unjustified early application of the CSCF.¹ Our calculations have shown that this effect could be significant: we estimate that the 'industry cap' is about 165 Mio. t of allowances short. However, our calculations are based on our knowledge of the industry and on surveys amongst the concerned sectors – rather than the data available to you. To clarify this issue, IFIEC Europe asks DG Climate Action to explain its calculation of the 'industry cap' and the CSCF. In particular we ask for clarification of the questions in Annex I. Considering the significant impact of the CSCF, we believe transparency regarding its calculation is extremely important.

IFIEC Europe is at your disposal for support and any required clarification of the above mentioned points.

We look forward to receiving your explanations.

Yours sincerely,



Dr. Annette Loske
Chairwoman WP Climate & Energy Efficiency, IFIEC Europe

Copy:
Mr. Delbeke, Director-General, DG Climate Action
Ms Rogalska, Head of Unit, DG Enterprise

¹ See description of the problem in Annex I

Annex I

Description of the possible error in the calculation of the 'industry cap' and the CSCF

- Emissions from electricity generators are counted towards the 'auctioning cap' while the allocation for the generated heat that is exported to industrial ETS installations is taken from the 'industry cap'.
- Emissions due to the burning of waste gases are counted towards the 'auctioning cap', while the allocation is taken from the 'industry cap'.
- Emissions from electricity generation by industrial ETS installations are counted towards the 'industry cap', while no allocation is given for electricity generation.

To calculate the size of the possible miscalculation, IFIEC Europe requests DG Climate Action to answer the following questions regarding the determination of the 'industry cap' as defined in Art. 10a(5) of the revised ETS Directive:

1. How much heat was exported from electricity generators to ETS installations in the relevant time period (2005-2007)? What is the corresponding amount of emissions? It is assumed that these emissions are not included in the 'industry cap'.
2. What were the emissions from waste gases that were counted towards the 'auctioning cap'?
3. What were the emissions from electricity generation in industrial ETS installations in the relevant time period (2005-2007)?