Some Thoughts on Allocation in the ETS

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Introduction

• ETS is the main instrument for the implementation of EU climate change policy
• The 1st Phase has been a learning phase for Business AND Governments
• We have all learned a great deal!!
Some Emerging Impacts of the ETS

- Consequences of EU burden-sharing agreement
- Absence of an inclusive global climate change regime
- Uneven implementation of the ETS Directive in the first phase
- Rising power prices
Some Thoughts on Allocation

General

• Allocation rules must create a level playing field within the EU
• Complexities in NAPs 1 and 2 are a consequence of Government responses to local Business needs
• A common protocol for allocation should be formulated for sectors and installations
Potential Allocation Methodologies

• Grandfathering
  – Considerable experience now available
  – Real emission data can be used for guidance

• Auctioning
  – ‘Flavour of the month’: appears ‘easy’ (?)
  – Attractiveness of revenues: Recycling (?)
  – Removes value from Business

• Benchmarking
  – Favoured by many Businesses: but appears ‘complex’
  – Issues of data availability and confidentiality
What do we expect?

- An increase in the levels of auctioning
  - 3 x 5 periods (?)
  - Targeted on specific sectors
- Benchmarking for large homogeneous processes
- Grandfathering for smaller installations
- ‘Special treatment’ for installations that can demonstrate the impacts on international competitiveness
Thank you for your attention