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EXCLUSION OF SMALL INSTALLATIONS FROM THE EU EMISSION TRADING SCHEME (ETS)

General principles

Over 50% of companies participating in the EU ETS emit less than 25,000 tonnes of CO₂ a year and contribute less than 3% of total emissions to the scheme. At the same time the administrative burden of the ETS often imposes disproportionate costs on small emitters.

Therefore BUSINESSEUROPE has always supported article 27 of the revised EU ETS Directive: "Member States may exclude from the Community scheme [ETS] installations which have reported to the competent authority emissions of less than 25 000 tonnes of carbon dioxide equivalent and, where they carry out combustion activities, have a rated thermal input below 35 MW, excluding emissions from biomass".

The article requires that excluded installations will be subject to measures that achieve an equivalent contribution to emission reductions. The measures have to be defined by the Member States concerned.

Against that background, BUSINESSEUROPE urges Member States to implement article 27 swiftly and properly, and calls on the Commission to apply the following principles when defining the conditions for excluding small emitters:

- the main aim of the exclusion should be to **reduce the administrative burden** for small operators while achieving an ETS-equivalent emissions' reduction;
- measures applicable to excluded installations should be **flexible enough** to allow operators to achieve the required emission reduction in the **most cost-efficient** way;
- the exclusion of installations from the ETS system should **not distort competition** with installation falling under ETS.



Proposed measures

Emission reduction path

- Each excluded installation or each pool (see below) of excluded installations will have to commit to a specific target of emission reductions. The target may be reached by following a linear reduction path, but non-linear reduction paths should also be acceptable, if they lead to a result equivalent to the ETS provisions over the whole period.¹

Verification and penalties

- Emissions should be verified every two years starting in 2013 and compared with the required reduction over the two-year period.
 - If emissions are at or below the reduction path, to which an installation has committed, no penalties have to be paid.
 - If emissions exceed the reduction path, installations must pay for their total emissions, minus the equivalent of free allowances they would have received under ETS. The CO₂ price applied will be the average ETS CO₂ price over the given period.

Pooling

- Installations should be able to pool together for the reduction and the verification of their emissions. In the event that the pool of installations emits more than the amount permitted, each installation is considered individually and is responsible for paying the due penalty.

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¹ For instance, numerous small installations will only come into operation in the period 2015-2018 (either built or retrofitted incl. with biomass). Their emissions until then might be linear but a sharp decrease will come into effect from the moment they become operational and onwards, bringing them to the agreed target by 2020.