

Lessons Learnt From Monitoring Under the EU-ETS: The Monitoring and Reporting Guidelines

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Overview

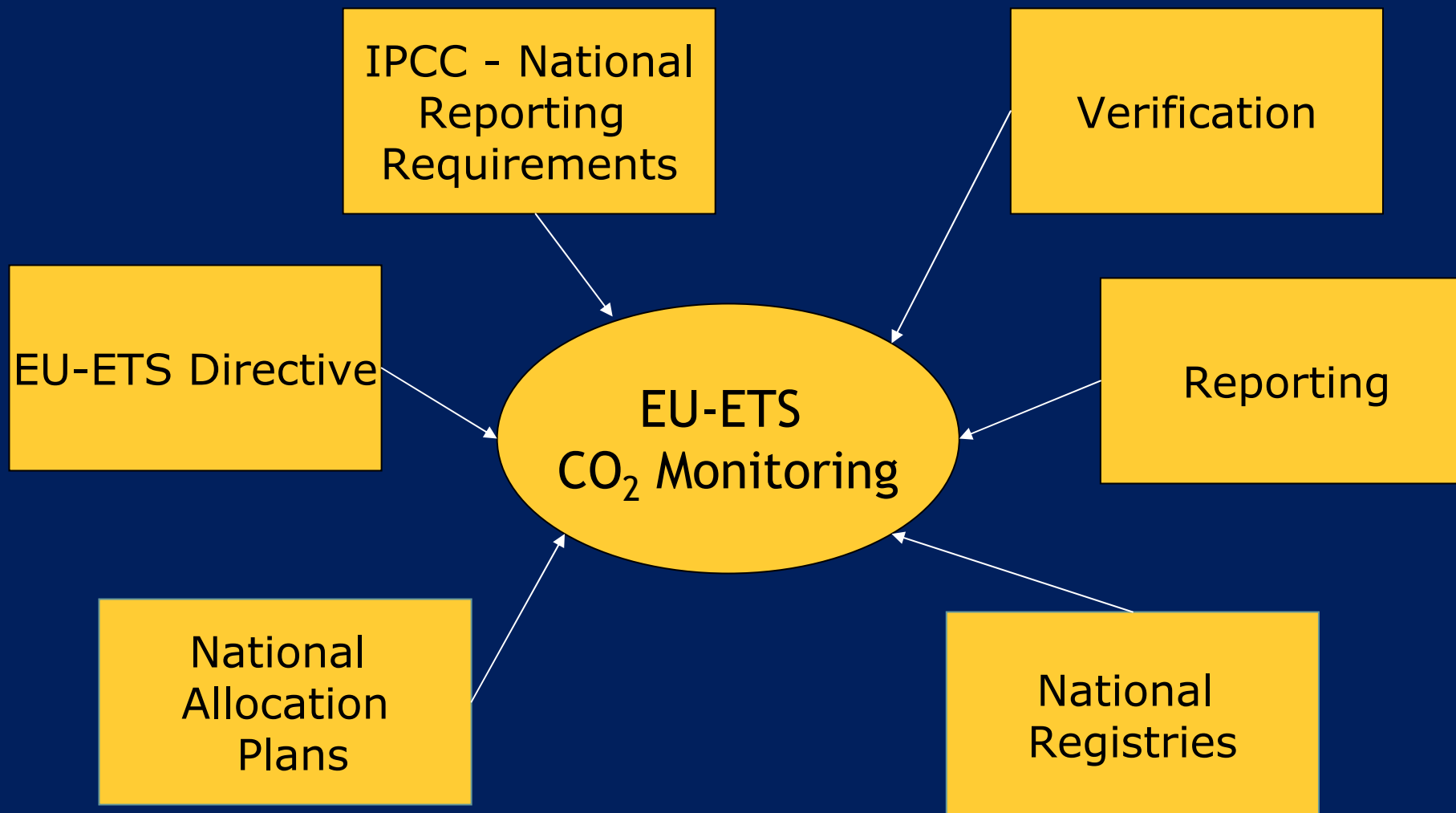
- Background
- MRV Process in the EU-ETS
- Key Issues for MRG Review Process
- Conclusions

Background

Development of the EU-MRG

- Art. 14 of the Directive requires Commission to adopt guidelines for monitoring and reporting
 - Annex IV of the Directive sets out general requirements for monitoring & reporting
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- ⇒ Development of draft by Ecofys, TÜV Rheinland, KPMG & FIELD between Nov 2002-Oct 2003
 - ⇒ Several review steps involving Commission, Member States and industry associations in 2003
 - ⇒ Accepted by MS on 24 Nov 2003
 - ⇒ Adopted by the EU-Commission 29 January 2004
 - ⇒ Published in the EU Official Journal in the official EU languages on 26 February 2004

The Context of EU GHG-Monitoring



Objectives of the EU-MRG

Main objective:

Balance environmental integrity & cost-effectiveness

Further objectives:

- Uniform EU-wide requirements (Level Playing Field)
- Transparent monitoring and reporting procedures
- Flexibility for > 10,000 installations from different sectors, with different technologies, having different sizes and ages
- Consistency with WBCSD/WRI GHG Protocol and other existing protocols – to the extent possible
- Consistency with national reporting under UNFCCC using IPCC Guidelines – to the extent possible

Approach: Structure

Structure of MRG:

- Formal Decision
- Annex I: General guidelines
- Annexes II-VI: Sector Specific Guidelines

Structure provides for

- Open structure: simple inclusion of additional activities (additional Annexes) and inclusion of non-CO₂-Gases in existing annexes
- Easy handling by operators - guidance and regulation are combined in one activity specific document

The Tier Approach (I)

- Concept: Introduction of flexibility for monitoring for different types, sizes and ages of installations
- Allows for transparency and comparability
- Basic concept from IPCC Inventory Guidelines
- Acknowledges that 2005 monitoring will not be uniform – but provides a reference and target
- Provides a structured and transparent approach to characterize & improve monitoring methodologies
- Target: highest tiers – if technically feasible at reasonable cost

Guidance on choice of tiers: Table 1

TABLE

Column A: total annual emissions ≤ 50 tonnes

Column B- 50 kilograms < total annual emissions < 500 kilograms

Column C: total annual emissions > 500 tonnes

[illegible]

The Tier Approach (II)

- Building blocks for configuration of a monitoring-system for activity data, net calorific values, emission factor etc.
- Flexibility for smaller fuel or material streams: minor sources, de-minimis sources, biomass
- Guidance on choice of tiers: minimum requirements for three installation size categories in table 1 of Annex I

$$\text{CO}_2\text{-emissions} = \text{activity data} * \text{emission factor} * \text{conversion factor}$$

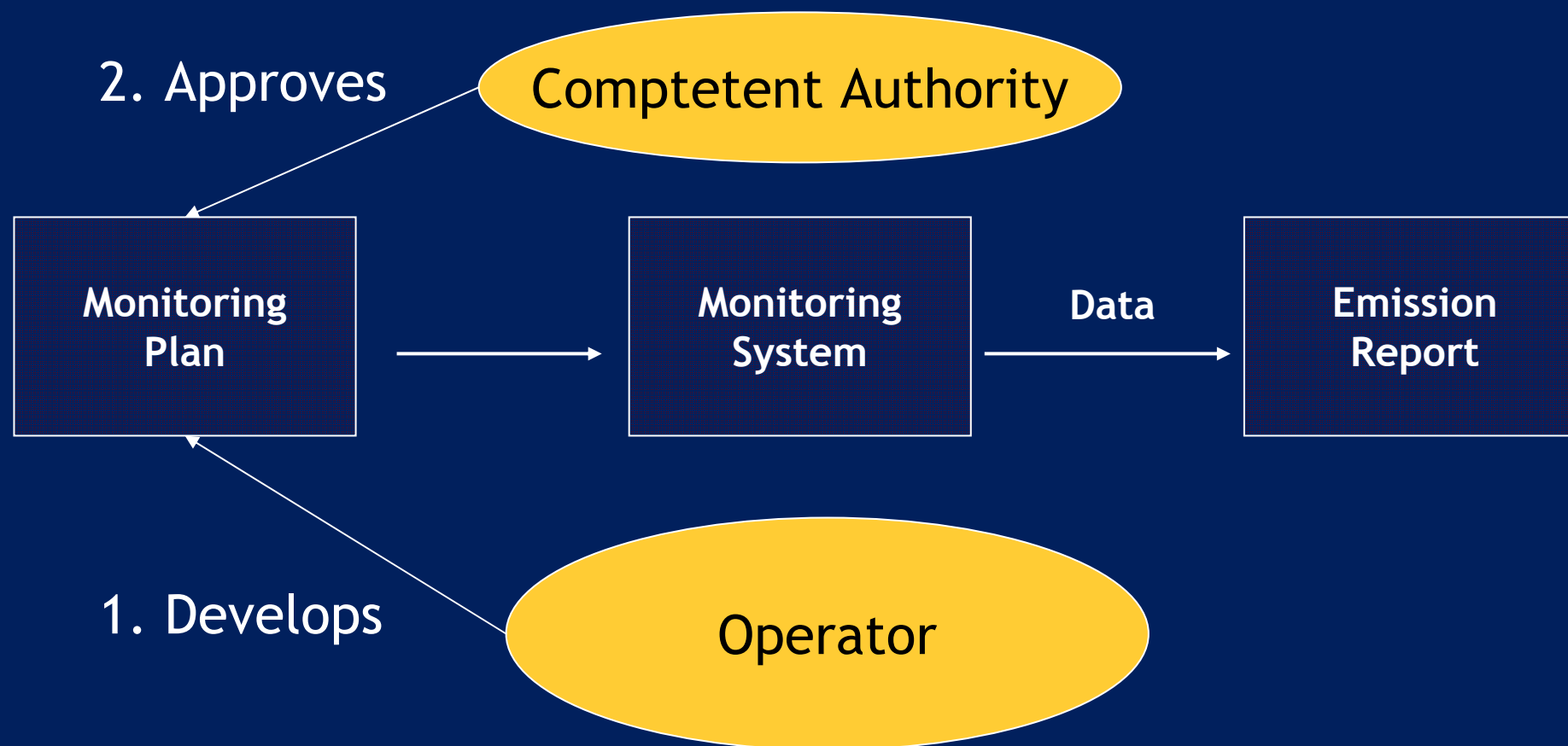
Tier 1
Tier 2
Tier 3
Tier 1
Tier 2
Tier 3
Tier 1
Tier 2

Other Key Elements

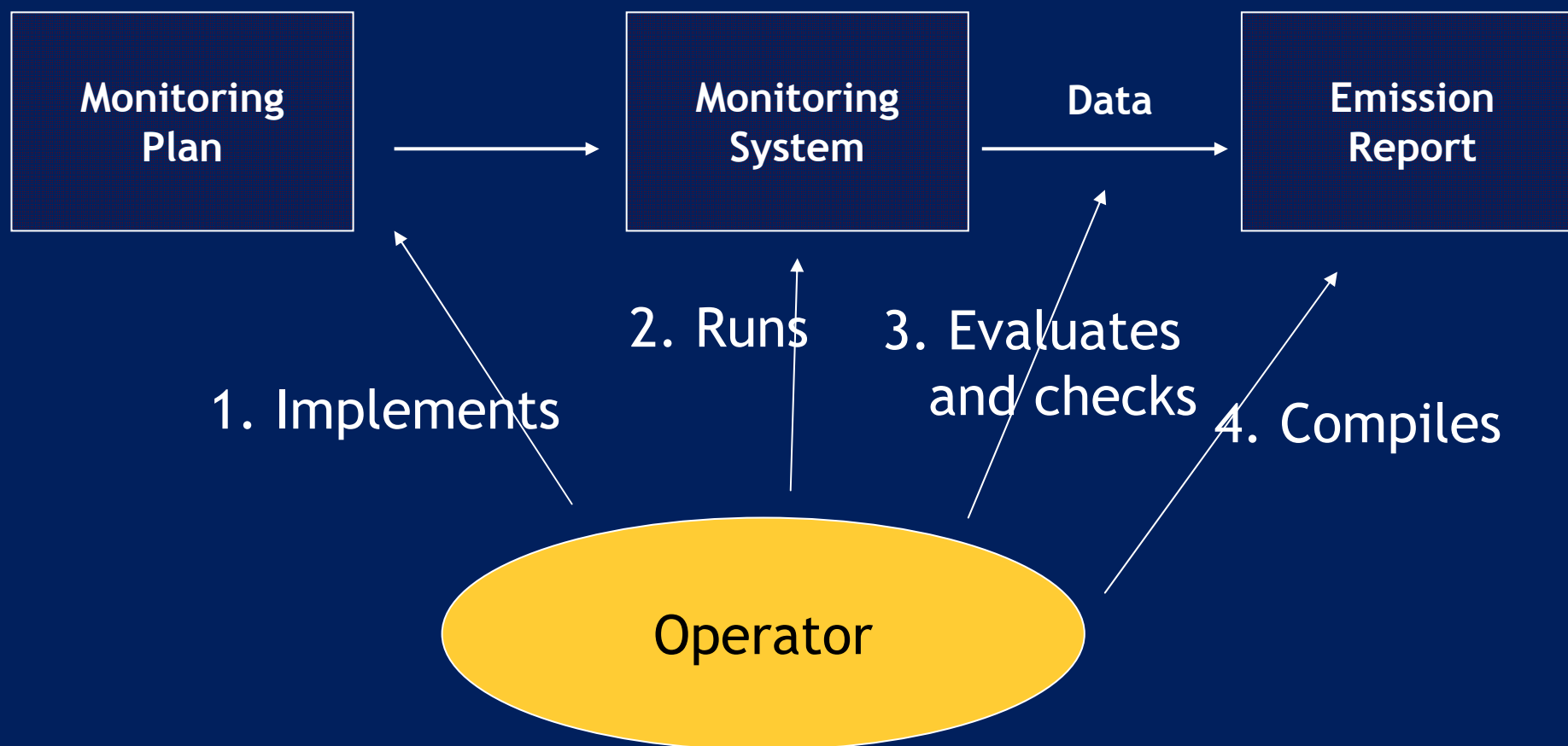
- Continuous emissions monitoring: Allowed if lower uncertainty than with calculation is provided
- Uncertainty: Determination of overall uncertainty not required, only determination of uncertainty of activity data for single fuel and material stream
- Mass balance approach for the calculation of complex installations like integrated steel plants or refineries: input-output calculation
- Biomass: Specific definition designed for requirements of MRG + exemplary positive list
- Development of specific values (EF, OF, NCV..) in higher tiers: Analyses by EN ISO 17025 accredited laboratories

Monitoring, Reporting and Verification in the EU-ETS

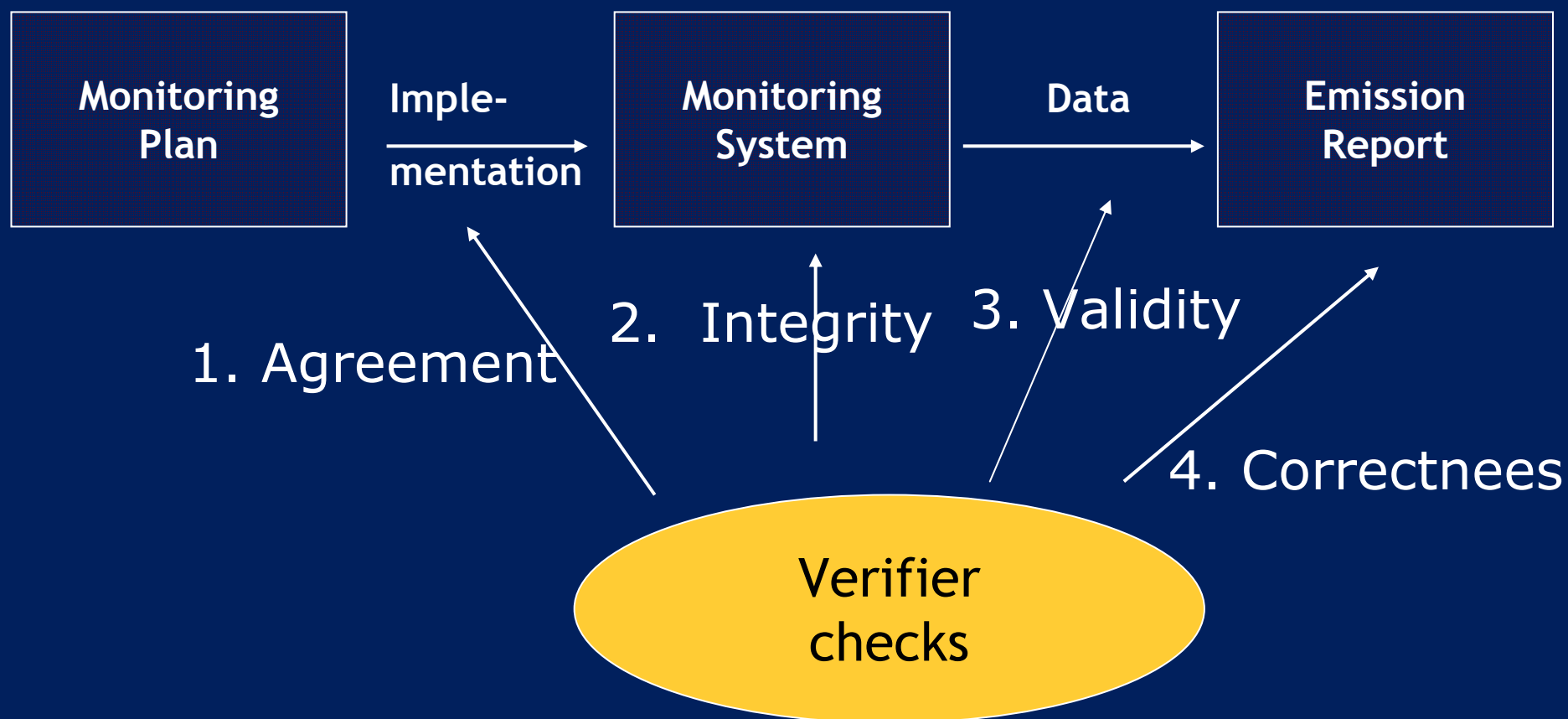
EU-MRV: Step 1



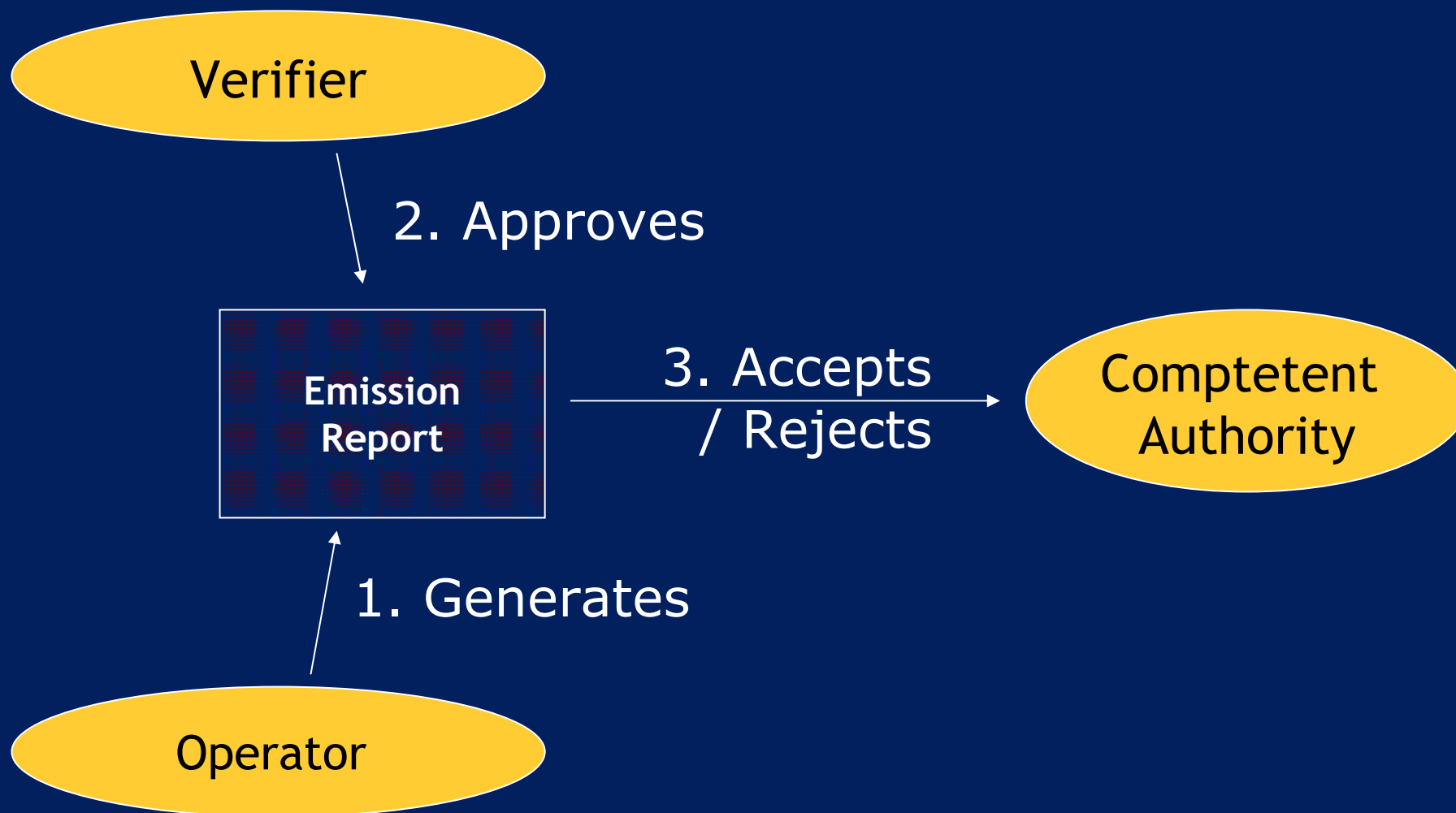
MRV – EU-MRV: Step 2



MRV – EU-MRV: Step 3



MRV – EU-MRV: Step 4



EU-MRV: Key Elements

- Operator develops “monitoring plan” according to EU-MRG
 - “Monitoring plan” to be approved by competent authority for each installation
 - Operator implements & runs “monitoring system”
 - Verifier checks implementation and emission report
 - Competent authority has final decision on emission data
- ⇒ Strong Role for competent authorities
- ⇒ Strong Role for third party verifiers
- ⇒ Flexibility to develop national best practices

Key Issues for MRG Review

MRG Review (I)

- ET-Directive Review clause in the EU-MRG:
„The Commission will review this Annex and Annexes II—XI by 31 December 2006, **taking into account experience with the application**“ (Annex I, 1)
- MRG review to be in line with review of ET-Directive and development of NAP II
- Potential changes for the second trading phase to be in place well ahead 1 January 2008

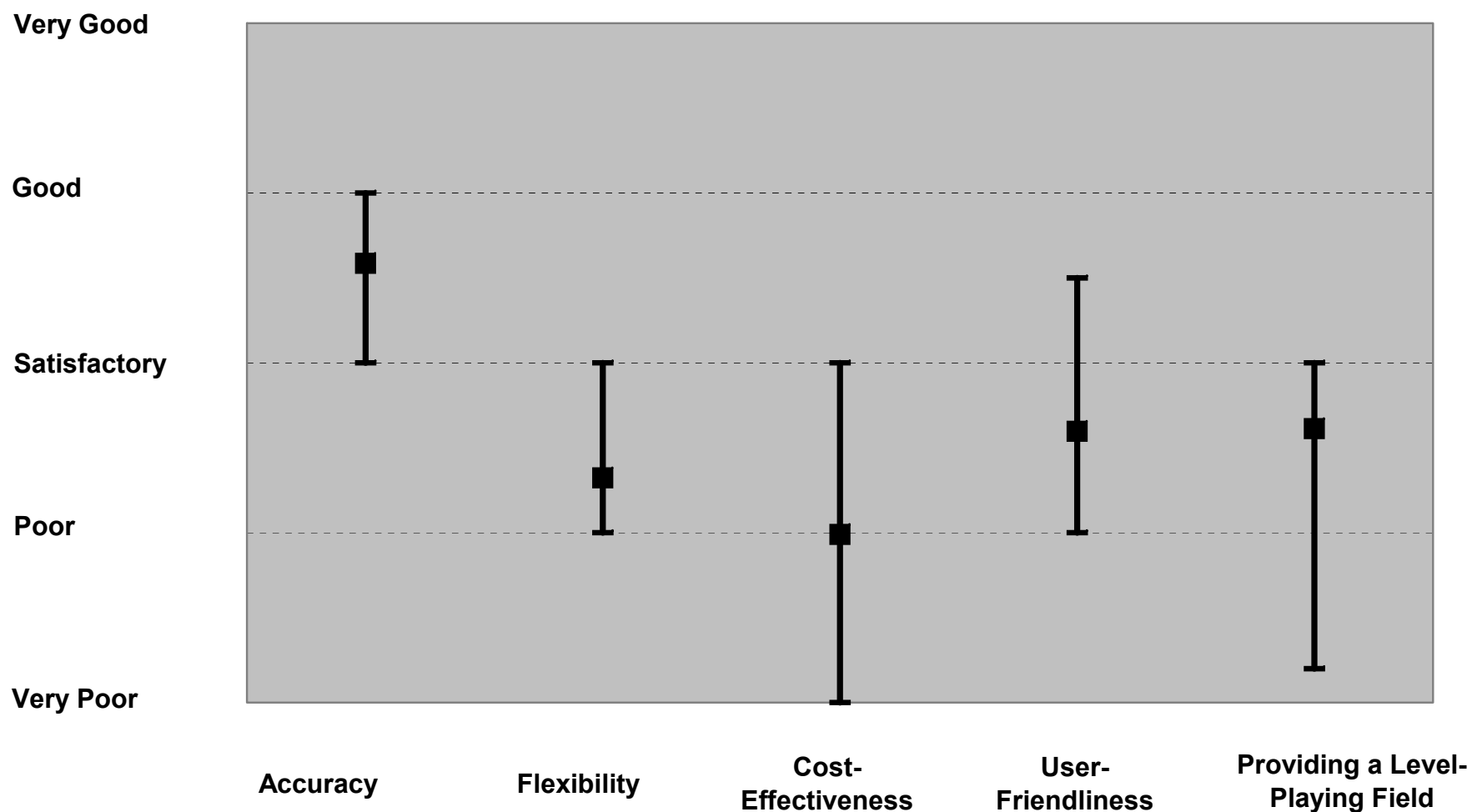
MRG Review (II)

The Process

- Stakeholder consultation based on questionnaires, position papers and a stakeholder day
- Informal discussions with Member States in WG3 of the Climate Change Committee in summer/fall 2005
- Bilateral discussions with industry stakeholders in November and December 2005
- Official consultation phase in January – April 2006
- Target for adoption: April / May 2006
- Facilitation of Commission work by Ecofys in cooperation with PwC and TÜV Rheinland

Stakeholder Consultation

Rated Key-Aspects of the Monitoring and Reporting Guidelines



Stakeholder Day in Cologne on May 12th, 2005

- Over 130 participants from industry and national authorities
- Specific sessions on cross-cutting and sectoral level issues



Issues f. Consideration in Review (I)

- Improve cost-effectiveness:
 - Better operationalise cost-effectiveness
 - Widen the scope for minor sources and no-tier
 - Lighter monitoring requirements for pure biomass use and small installations
 - Introduce intermediate tier layers e.g. „lighter“ requirements regarding EN ISO 17025
 - Better consideration of exististing commercial reporting practices
 - Simplify tier structure & remove selected higher tiers
 - Only standard factors for commercial fuels

Issues f. Consideration in Review (II)

- Improve cost-Effectiveness:
 - Reconsider presumption of highest tier as starting point
- Provide more flexibility for large installation: consider overall uncertainty of emissions
- Reconsider “transferred CO₂”
- Review and amend selected activity specific annexes
- Provide further guidance on verification

EU-MRG: The Road Ahead...

- Improve cost-effectiveness and flexibility of monitoring and maintain accuracy & credibility
- Achieve “full” consistency with national reporting
- Maintain “basic” consistency with other ghg reporting and verification schemes
- Review and amend activity specific annexes
- Prepare MRG for inclusion of other gases and activities

Conclusions

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- Learn from national best practices in implementing MRV
- Solve problems and close loopholes identified in 2004 and 2005
- Improve the cost-effectiveness of monitoring
- Reduce the burden of participation for small installations
- Align the verification process with the specific monitoring and reporting procedures of the EU-ETS
- Develop means to facilitate a user-friendly implementation of legal text

Thank you for your attention!

Further information:

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