Review of the EU-ETS Monitoring and Reporting Guidelines

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Overview

- Background
- The Review Process
- Key Changes
- Lessons Learned

Background

Why Monitoring?

- ETS scheme is based on absolute emission targets (national targets in the case of the EU-ETS)
- In order to ensure that an emission target is met not only on paper but in reality, each certificate traded must correspond to 1tCO_2 emitted
- To ensure this, emissions must be determined with high precision

=> Monitoring is basic for the environmental integrity of the scheme

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Development of Original 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
- Development of draft by Ecofys, TÜV Rheinland, KPMG & FIELD between Nov 2002-Oct 2003
- Multi-step review by Member States and industry stakeholders during 2003
- Adoption by Member States on 24 November 2003
- EU-Commission 29 January 2004
- Published in the EU Official Journal in the official EU languages on 26 February 2004
- To be implemented before 1 January 2005

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 differents 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

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Tier Approach as Backbone of the MRG

- Building blocks for design of an installation's monitoring system (including AD, NCV,EF, OF)
- Tiers: approaches with different levels of accuracy for calculation of emissions
- Tier 1: lowest level of accuracy - increasing numbering reflects increasing accuracy
- Choice of tiers: Obligatory use of highest tier unless this is not technically feasible or leads to unreasonably high costs
- Choice of tiers to be approved by competent authority as part of permitting process
- Guidance on minimum requirements for different installations for first trading period in Table 1

The MRG Review

Objectives for Review

- Have improved guidelines in place in time for the second trading period
- Approval of revised EU-MRG by Climate Change Committee in summer 2006
- Consider the recommendations from the Stakeholder Consultation in 2005
- Build on growing experience from implementation in industry
- Ensure maximum consistency with evolving NAP-2 and national greenhouse gas inventories
- Support the translation process
- Publication of EU-MRG-2 in fall 2006

First Anniversary of Stakeholder Day in Cologne - 12 May 2005

Selected Key-Issues for Review

- Better operationalise cost-effectiveness
- Widen the scope for application of lower tier and non-tier approaches
- Lighter monitoring requirements for pure biomass
- Lighter monitoring requirements for small installations
- Better consideration of existing commercial practices
- Exclusive use of of standard factors for commercial fuels
- Improve user-friendliness

Key Changes

Improved Cost-Effectiveness (I)

- Definitions for „unreasonably high cost“ and „technically feasible“ added
- Widened scope for application of lower tier and non-tier approaches for minor fuel/material streams
- Fall-back approach, allowing alternative approach with equal uncertainty requirements, if tier requirements cannot be reached
- Gradual relaxation of requirements for accreditation of laboratories

Improved Cost-Effectiveness (II)

- Application of Table 1 tiers for installations with annual emissions < 50.000 t CO_2 generally allowed
- Reduced tier requirements for commercially traded fuels
- Use of lower tiers generally allowed for biomass use
- Annex I maintained infinetely

Simplifications for Small Emitters

HE6

Reduced requirements for smaller installations (<25,000 t fossil CO_2 p.a.) inter alia

- Application of low tier approaches generally allowed
- Requirement for EN ISO 17025 is waived if EN ISO 9001/2. is implemented,
- Fuel/material consumption data and net calorific value of fuels can be taken from purchasing records without further uncertainty considerations
- MS can allow lower frequency or waive necessity for site visits for verification

HE6 Nochmal mit der Liste in Section 17 des letzten Drafts abgleichen

Harnisch, Ecofys ; 16/05/2006

Verification

Section "Control & Verification" of Annex I revised within bounds of existing legal basis:

- Strengthened definitions: verifier, accreditation, non-conformity, material non-conformity,...
- Clear guidance on materiality level, level of assurance and use of risk based approach
- Provisions on data acquisition and handling
- Control activities including responsibilities, QA/QC for measurement devices, reviews and validation of data, documentation of data
- Elaboration steps of the verification process
- Preparation of internal verification report

Key Changes to Sectoral Annexes

- New annex for use of continuous emission monitoring systems e.g. for opted-in N_2O
- Consistent treatment of carbonates in all source streams of the mineral industry
- Improvement of mass-balance approach
- Removal of mass-balance approach for refineries
- Optional use of oxidation factors for combustion installations

Lessons Learned

Lessons Learned & Outlook

- Voluntary industry protocols useful basis for mandatory schemes but with clear limitation
- Field experience crucial – but only limited availability in 2003/2004: review clauses useful
- Flexibility at level of installation needed
- More consistency in respect to implementation of EU-MRG by Member States needed: notifications
- Consistency regarding Verificaiton: need for establishing a network of MR&V at MS level
- Attention to loopholes: transferred & inherent CO_2
- Independent and high quality verification of base year and annual reports essential for credibility
- Road ahead: consistent permitting, consistent monitoring requirements & consistent verification

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Thank you for your attention!

Further information:

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