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REFIT Platform

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## **STAKEHOLDER SUGGESTIONS**

### **- CLIMATE ACTION -**

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This document contains suggestions from stakeholders (for example citizens, NGOs, companies) or Member State authorities communicated to the Commission and submitted to the REFIT Platform in a particular policy area.

It is provided by the secretariat to the REFIT Platform members to support their deliberations on the relevant submissions by stakeholders and Member States authorities.

The Commission services have complemented relevant quotes from each suggestion with a short factual explanation of the state of play of any recent, relevant ongoing or planned work by the EU institutions.

The document does not contain any official positions of the European Commission unless expressly cited.

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## 1. SUMMARY

This briefing includes two suggestions in the area of greenhouse gas emissions:

- The submission of the Austrian Federal Economic Chamber (WKÖ) relates to the Emissions Trading System (ETS) and suggests that benchmarks and fall-backs should only be updated once at the beginning of the new trading period. On 15 July 2015, the European Commission presented a legislative proposal to revise the EU ETS. The proposal is still in legislative procedure.
- The submission of the Board of Swedish Industry and Commerce (NNR) relates to the system for monitoring, reporting and verification (MRV) and suggests reducing unnecessary bureaucracy. Legislation adopted in 2012.

## 2. EMISSIONS TRADING DIRECTIVE

### 2.1. Submission by the Austrian Federal Economic Chamber (WKÖ)

For the Emissions Trading System, a radical simplification of bureaucratic procedures and increased transparency on the processes within the European Commission (e.g. regarding the assessment for the carbon leakage list) are necessary. The criteria to remain on the carbon leakage list must remain constant, also when compared to the current trading period. Also, financial burden for ETS businesses must be reduced.

Regarding the benchmarking system, these benchmarks must be technically and economically realistic and feasible. Our suggestion: the average emissions of the 10 to 15 percent most efficient installations (best performers) should be counted for the benchmarking exercise, the top 5 percent should be treated as statistical outliers and thus be excluded from the calculations.

To decrease the administrative burden and increase planning security for participating companies, benchmarks and fall-backs should only be updated once at the beginning of the new trading period. This update should rely on data provided by the companies. If there have not been any significant technological changes in a certain sector, a simplified procedure to gather and submit data should be accepted by the Commission.

The Cross-Sectional Correction Factor (CSCF) must be scrapped. Not only is this necessary to create a fair and level playing field within Europe, doing away with the CSCF would also dramatically increase the planning and investment security for businesses. Currently, the CSCF punishes the best performers with a reduction of their free certificates by up to one fifth. Scrapping the CSCF would furthermore ease the carbon leakage problem. By making the allocation system more dynamic and fair, the CSCF could become redundant without jeopardising the long-term climate objective (i.e. the overall EU greenhouse gas cap).

### 2.3. Policy Context

In October 2014, the European Council agreed on the 2030 climate and energy policy framework, which includes the target to reduce greenhouse gas emissions by at least 40% below 1990 levels by 2030. To this end, it is inter alia necessary for the EU emissions

trading system (ETS) to cut emissions by 43% compared to 2005.

On 15 July 2015, in a first legislative step to deliver on those targets, the European Commission presented a legislative proposal to revise the EU ETS, i.e. amending the Directive 2003/87/EC (COM(2015) 337 final). The proposal relates to the Phase 4 of the EU ETS (2021-2030). The proposal is currently in legislative procedure.

The accompanying Impact Assessment (SWD(2015) 135 final) has reflected on the lessons learned during the earlier phases, as well as a number of evaluation studies conducted during this period.

The position of the WKO mainly concerns the existing ETS Directive, but also includes comments on how the system should be during the period 2021-30, i.e. the period covered by the Commission's proposal of 15 July 2015. The positions of the WKO have already been presented during a meeting with DG CLIMA representatives in October 2014, as well as through their input during the public consultation on revision of the EU Emission Trading System (EU ETS) Directive in spring 2015.

The input from the WKO focuses on particular elements of the free allocation system (benchmarks, carbon leakage, CSCF), aiming to increase predictability and reduce financial burden for companies.

### **3. VERIFICATION, MONITORING AND REPORTING OF GREENHOUSE GAS EMISSIONS**

#### **3.1. Submission by the Board of Swedish Industry and Commerce (NNR)**

##### **Legislation**

**Commission Regulation EU No 600/2012** on the verification of greenhouse gas emission reports and tonne-kilometre reports and the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council and **Commission Regulation EU No 601/2012** on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council

##### **Burden on business**

The system for monitoring, reporting and verification (MRV) is unjustifiably complex. Already at information meetings and referral process the airline industry stated the unnecessarily complexity of the system. Fuel costs are the largest cost for an airline and the companies do their best to reduce fuel consumption by switching to aircraft with improved fuel economy and shifting to shorter flight paths and fuel-saving approach procedures.

A system that requires monitoring, reporting and verification of tonne-kilometres flown level for each sector is unjustified and overly burdensome. Reporting in itself does not mean that *greenhouse gas* emissions are reduced. It entails higher costs for airlines, reducing their economic ability to switch to more efficient aircraft. Airports and airlines have had a well-developed reporting system for a long time, monitoring and reporting all air traffic to the Transport Agency. Fuel Companies and carriers have full control over how much fuel each airline purchases annually, which should be quite sufficient as a basis for purchasing and accounting of allowances.

The current systems for MRV may be a disadvantage for a speedy agreement on a global system to reduce aviation greenhouse gas emissions that are discussed within the framework of ICAO.

### **Simplification proposal**

A significant shift in the entire MRV system should be undertaken promptly to reduce completely unnecessary bureaucracy and simplify the airlines. The reporting of airline emissions should be done by checking the kerosene fuel purchases (invoices), easily done by auditors and can be, if necessary, verified by fuel companies. Verification can also be done by comparing to the Authority on reported traffic towards purchased jet fuel.

### **Effects of the simplification proposal**

Time-saving Reduced costs

## **3.2. Policy Context**

The MRV for EU ETS aviation, as agreed by the Council and European Parliament, is guided by a set of principles, which help to ensure a robust and workable system. These principles include: Completeness, consistency, comparability, transparency, accuracy, integrity of methodology and continuous improvement. Integrity of methodology accommodates proportionality by allowing aircraft operators to choose the right method for monitoring emissions, but by balancing improved accuracy against what is technically feasible and not incurring unreasonable cost. The principles help ensure that the MRV for aviation is appropriately robust, but fit for purpose without adding unnecessary burden. It also provides for the necessary certainty and equal treatment among operators.

The aviation sector is very competitive with many aircraft operators performing flights in the EU and on the same routes. Under such conditions it is important that all market players work under the same conditions and are subject to equal treatment. A robust and transparent MRV system ensures that all aircraft operators account for all their emissions on a reasonably comparable and, therefore, fair basis, which is the key prerequisite to common compliance and correct surrender of allowances equivalent to each tonne of CO<sub>2</sub> emitted. A robust MRV system ensures that perverse incentives to avoid reporting emissions are avoided or reduced to a minimum.

A robust route based MRV is necessary for the airlines to collect information on fuel consumption and monitoring of tonne-kilometres (TKM) data, to accurately assess the efficiency of their aircraft, in order to identify where bigger fuel savings can be achieved (e.g. on long or short haul flights). This allows air carriers taking better informed decisions on how to further improve their fuel efficiency.

Allowances surrendered for the purposes of compliance with the EU ETS have a monetary value. Reporting the correct and accurate amount of emissions ensures that operators actually pay only for the emissions they actually generate.

From a climate perspective, it is crucial that all emissions are properly reported. As rightly stressed, reporting in itself does not mean that emissions are reduced. Only if all emissions are properly accounted, the right number of allowances will be surrendered, creating the right incentive to reduce emissions and confidence that the intended climate goals are being achieved.

Detailed reporting by aircraft operators of emissions data by country pair is necessary to allow for a proper verification of reported data and ensure that the principle of completeness was respected. In addition, for the implementation of the EUETS obligations, it is necessary to differentiate between flights (and emissions) covered by the scheme and those not covered.

Aircraft operators are recording fuel use data per flight on a regular basis, which can be collected, analysed and stored in a proper information system. The experience to date shows that the large majority of aircraft operators have installed fuel accounting and management systems, which may involve an initial capital outlay, but which reduce annual monitoring costs to a minimum on an on-going basis. Some airlines employ MRV methods of EU ETS to calculate emissions on all of their flights, on the grounds that it provides them accurate fuel use information on a route basis.

Minimising administrative burden, including costs, for Competent Authorities and operators has always been one of the main aims of EU ETS MRV and in particular in the development of Commission Regulations (EU) No 600 and 601, as their impact assessment show. Special consideration has been given to reducing the burden on small emitters.

In addition, a specific treatment for small aviation emitters has recently been further taken into consideration by Regulation (EU) No 421/2014. On the one hand, non-commercial operators emitting less than 1000 CO<sub>2</sub> tonnes a year have been excluded from the ETS. This has meant reducing the number of operators subject to the system from around 2500 to around 350. More than 2000 operators which had to report their emissions annually do not have to do it now. On the other hand, operators emitting below 25000 CO<sub>2</sub> tonnes are allowed to report their emissions by using the "small emitter's tool", developed with data from Eurocontrol. Only big companies are obliged to comply with full MRV requirements.

Monitoring of tonne-kilometres (TKM) is also mentioned. This should not be confused with MRV of emissions. While emissions have to be monitored and reported every year, TKM had to be monitored only once, in 2010, in order to apply for free allocation of allowances. Monitoring and reporting TKM was not mandatory, although those not reporting these data could not apply for free allocation. When changes to the legislation were introduced (as in 2013 and in 2014) changes to monitoring and reporting of TKM has been avoided and no additional administrative burden for operators and competent authorities have been created.