Treatment of CHP in EU Accession Country National Allocation Plans

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Outline

- Key points
- EU Accession Country NAP principles
- NAP progress in Slovakia, Czech Republic, Poland and Hungary (75% of installations in CEE)
- Lobbying preferences
- Carbon finance

Key points

- Accession governments are under extreme time pressure
- While CHP is recognised as desirable, it is not considered a to be a priority issue within allocation
- There are complications relating to 'optional' Annex III allocation criteria
- Most current installations are likely to receive sufficient allocation. But, New Entrant policy is key to encourage further CHP.

EU Accession Country NAP Principles

- Installations may expect to receive sufficient allowances for business-as-usual operation
- New Entrants are likely to receive allowances free of charge in phase 1
- Ministry officials would welcome engagement and suggestions on allocation

But…

- Surplus allowances will not be allocated indiscriminately – consistent with Annex III

Slovak Republic

- 225 installations
- Most well developed Accession country NAP
- Allocation methodology based on an algorithm applied to historic maximum and average data
- Larger emitters consulted on a case-by-case basis
- Methodology may incorporate benchmarking

Czech Republic

- 450 installations
- Industry working groups in consultation with government
- Methodology based on historic data with benchmarking applied to homogeneous sectors
- Aim to incorporate credit for early action

Poland

- > 1000 installations
- Engagement with industry has been limited
- Installations will shortly receive a questionnaire requesting historic data
- Consultant recently appointed by Ministry of Environment

Hungary

- 200 installations
- Data collection substantially complete
- Expect a grandfathered allocation methodology
- Aim to create an environment conducive to investment in clean technology
- Very keen to engage with industry

Other considerations

- Commission allocation guidance - mandatory vs. optional criteria in Annex III
  - Mandatory criteria are the priority
  - Making use of the optional criteria may leave a country vulnerable to criticism
- Signals from the UK NAP
  - NE reserve
  - No specific treatment of 'optional' criteria
- Other national policies may be a more appropriate, efficient and more easily implemented means of supporting CHP

Lobby recommendations – New Entrants

- CHP New Entrants receive a free allocation, creating a financial incentive to drive plant substitution
- Benchmarked allocation based on heat & power projected output to incorporate reward for displaced indirect emissions

Lobby recommendations – Existing Installations

- CHP should be treated as a single sector
- Benchmarked allocation based on heat & power output to incorporate reward for displaced indirect emissions
- Or, if Grandfathered allocation (less preferable), incorporate a 'heat-bonus'

Carbon Project Finance

- EU Accession Country installations will not have unlimited allowances to sell onto the market
- However, the region has a lower average marginal abatement cost than Western Europe
- Environmental projects may be driven by carbon finance - forward selling allowances
- Appropriate new entrant policy for CHP is fundamental

Vertis Environmental Finance

- Privately held partnership of North American, UK, and Central European financial professionals; strong personal commitment to environmental issues
- Headquarters in Budapest, staff and partnerships in Poland, Czech Republic, Slovakia
- One of few financial advisory firms in CEE with exclusive focus on emissions trading and energy finance
- Main services are structuring and facilitating emission trading transactions, EU ETS advisory, Joint Implementation transaction management and renewable energy & energy efficiency corporate finance

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