PROMITHEAS-2

EU-BSEC Energy and Climate Policy Network

Workshop "Electricity Generation and Emission Trading in South – Eastern Europe"

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Workshop "Electricity Generation and Emission Trading in South – Eastern Europe"

"Implementation of Directive 2003/87/EC (Emissions Trading Scheme) and National Allocation Plan in Romania"

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Introduction to the National Allocation Plan (1)

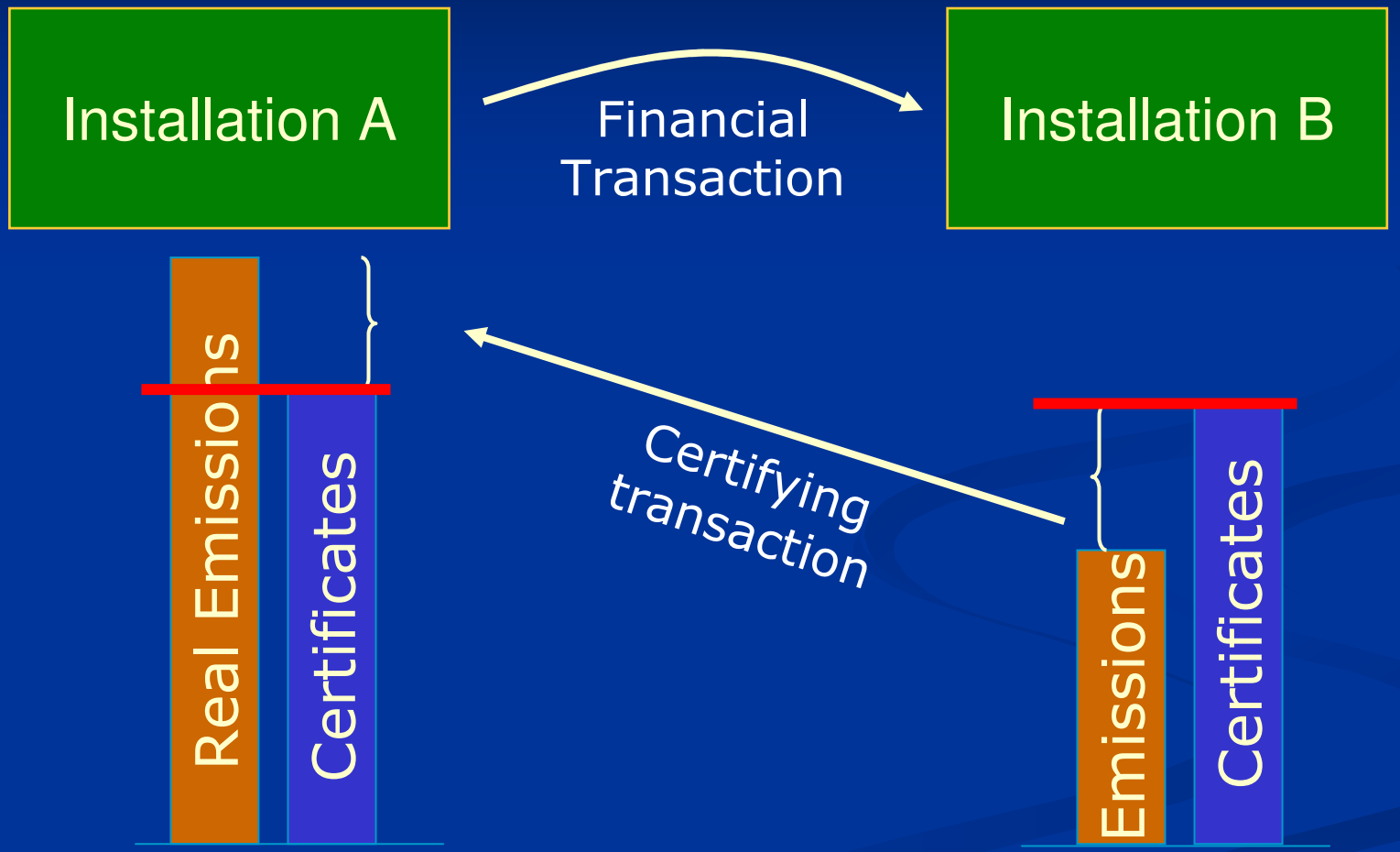
The EU emission trading scheme in Romania

- The document sets out Romania's National Allocation Plan (NAP) for participating in the European Union Emission Trading Scheme (referred herein as: *EU – ETS* or *the scheme*) for the periods 2007 and 2008 – 2012.
- The EU – ETS is a Community - wide scheme established by Directive 2003/87/EC for trading allowances covering emissions of greenhouse gases from installations set out in Annex I of the Directive.
- Phase I started on January 1st 2005 and will end on 31st of December 2007.
- Phase II will run from 2008 to 2012, corresponding to the first commitment period under the Kyoto Protocol.

Introduction to the National Allocation Plan (2)

- For Romania the provisions of the Directive are compulsory after January 1st 2007, date of its accession to the EU.
- Romania will participate in the last year of Phase I (2007) and the entire Phase II (2008 – 2012).
- The NAP document therefore relates to this last year of Phase I – 2007 as well as to the entire Phase II.
- The NAP becomes operational after it is approved by the Romanian Government following the final decision of the European Commission.

Principals of Emissions Trading

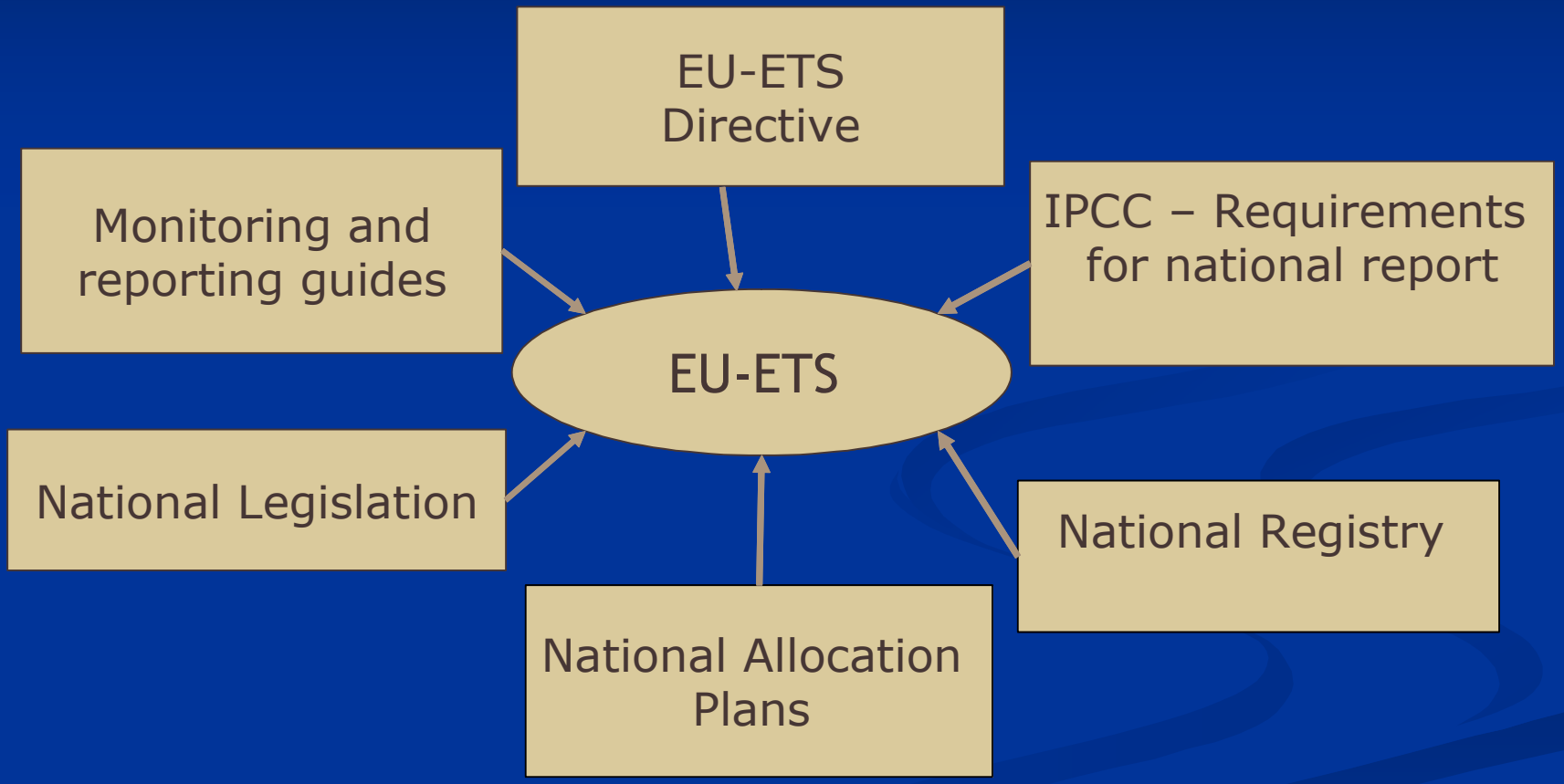


Legal framework for EU - ETS implementation

- The legal framework for the implementation of the EU ETS in Romania is set up by the Governmental Decision 780/2006 on “Establishing the Greenhouse Gas Emission Trading Scheme” which transpose both Directives 2003/87/EC and Directive 2004/101/EC - Linking Directive.

- According to GD no. 780/2006 the total amount of allowances shall be allocated for free. Allowances from the New Entrants Reserve not used by the end of period 2008 – 2012 shall be auctioned

Legal framework for EU - ETS



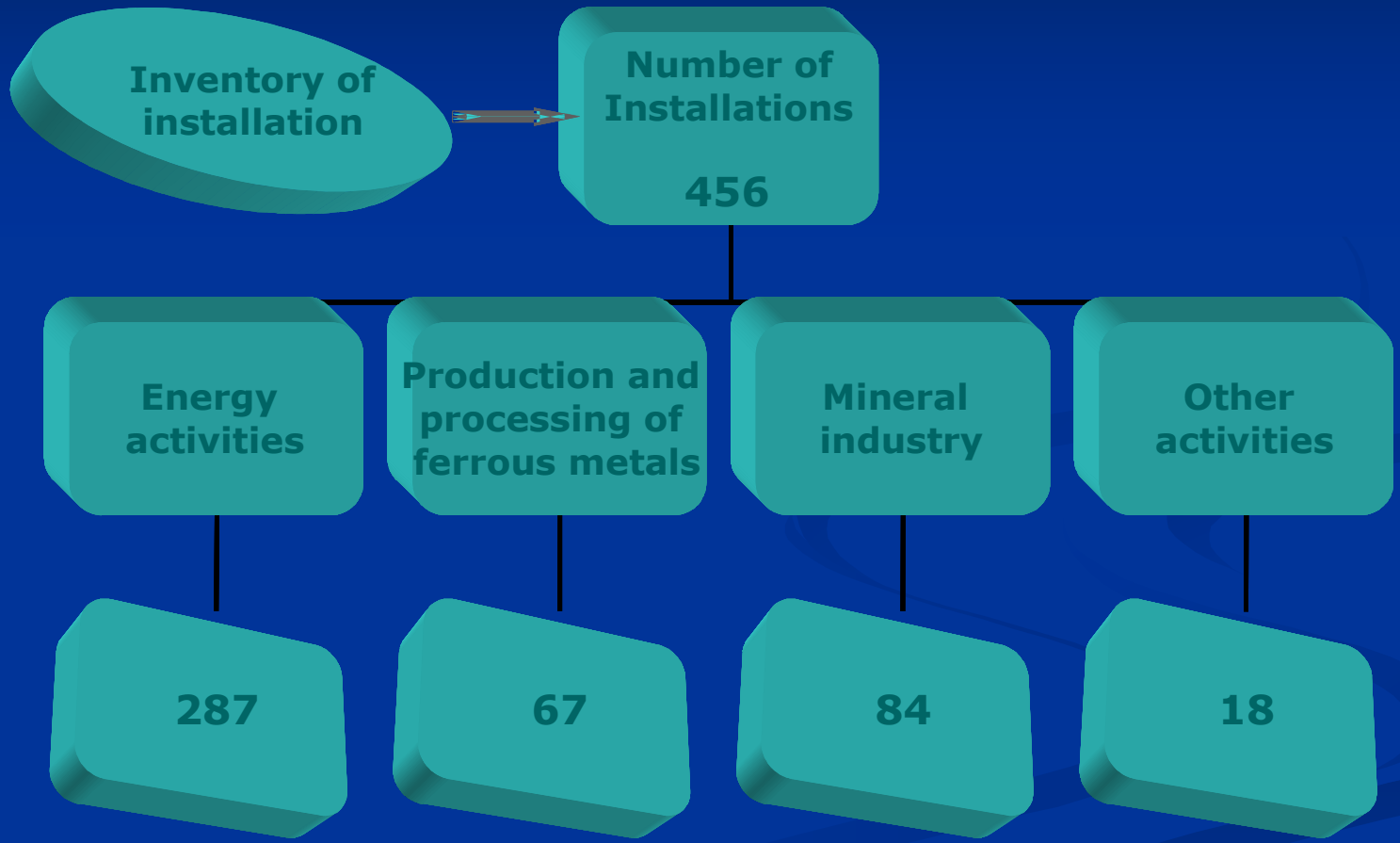
National Allocation Plan – Romania

- In Romania, Government Decision No. 780/2006 implemented the EU-ETS.
- One of the main tasks in the run-up to the implementation of the EU-wide greenhouse gas allowance-trading scheme is the elaboration of national allocation plans by Member States.
- The Romanian authorities in compliance with the European guidance document elaborated the National Allocation Plan (NAP)
- NAP was submitted for approval to the European Commission in late 2006, before the Decision 2006/780/EC on avoiding double counting of greenhouse gas emission reductions under the Community emissions trading scheme for project activities under the Kyoto Protocol pursuant to Directive 2003/87/EC of the European Parliament and of the Council was published. This forced the NAP to be re-elaborated
- NAP re-submitted in April 2007 to the European Commission.
- The European Commission hasn't yet approved the NAP
- Strong signals that will happen before the end of 2007.

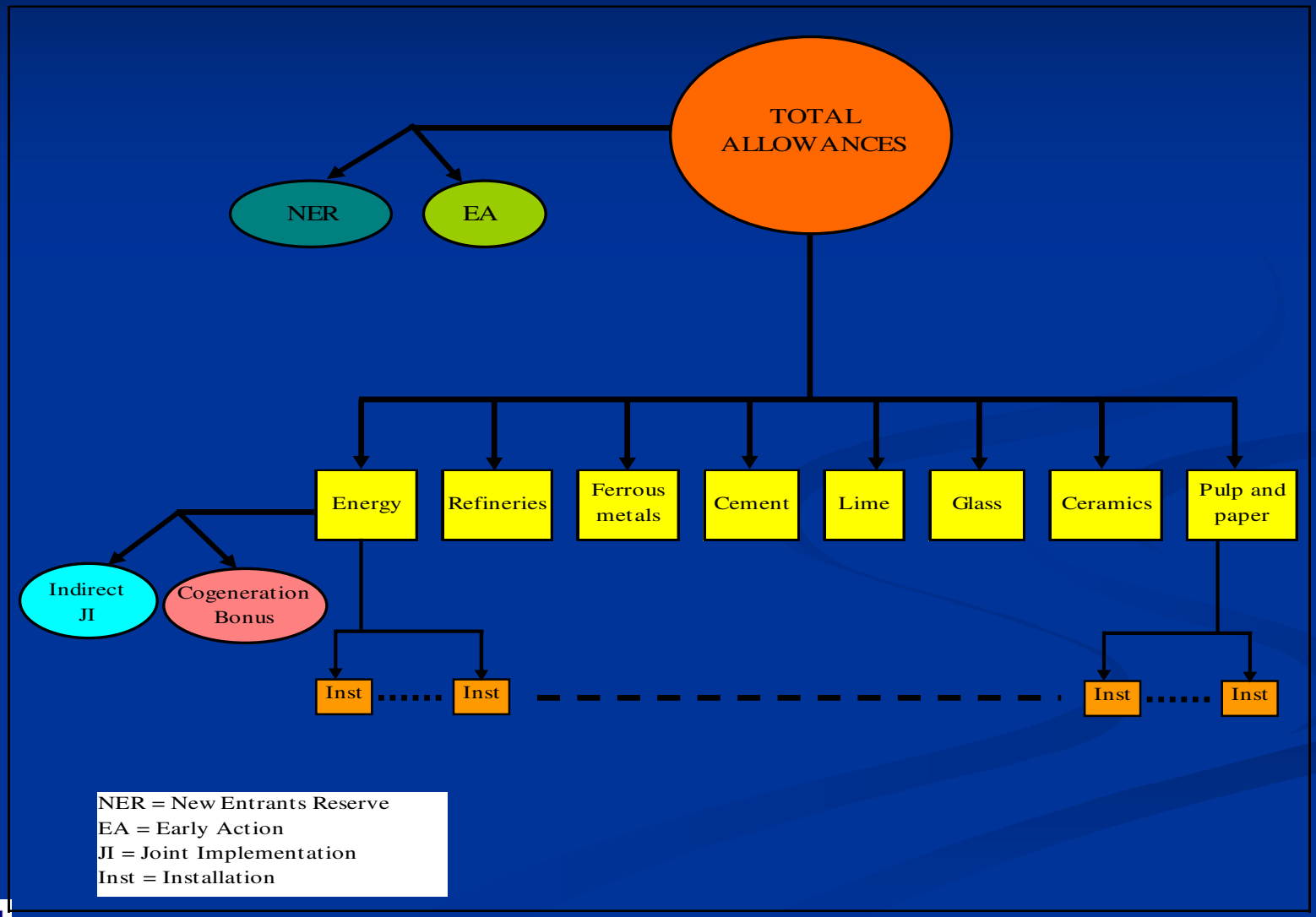
Romanian National Allocation Plan highlights

- The Romanian NAP refers to the last year or the first phase: 2007 and to the entire second phase of the EU-ETS: 2008-2012.
- The sectors identified are: Energy, Refineries, Production and processing of ferrous metals; Cement; Lime; Glass; Ceramics; Pulp and paper.
- The total amount of allowances to be allocated for the first phase of the EU-ETS (2007) is 83,917,000. For the second phase is 478,493,000 tCO2/yr with average value 95,698,600 tCO2/ year.
- In order to avoid double counting, a JI set-aside was established for the year 2007, based on the “early credits from JI projects emissions reductions generated before 2008, and another JI set-aside was established for the period 2008-2012 as requested by the Council decision 2006/780/EC. For 2007 the JI set-aside includes 0.54% from total amount of allowances and for second phase, 1.84% from total amount of allowances.
- There are 246 installations that have received allocation for 2007 and 245 installations allocated for 2008-2012.
- Romania shall not allow banking from the first to the second phase of the EU ETS.

Inventory of existing installations



Total amount of allowances to be allocated and the proportion of overall emissions

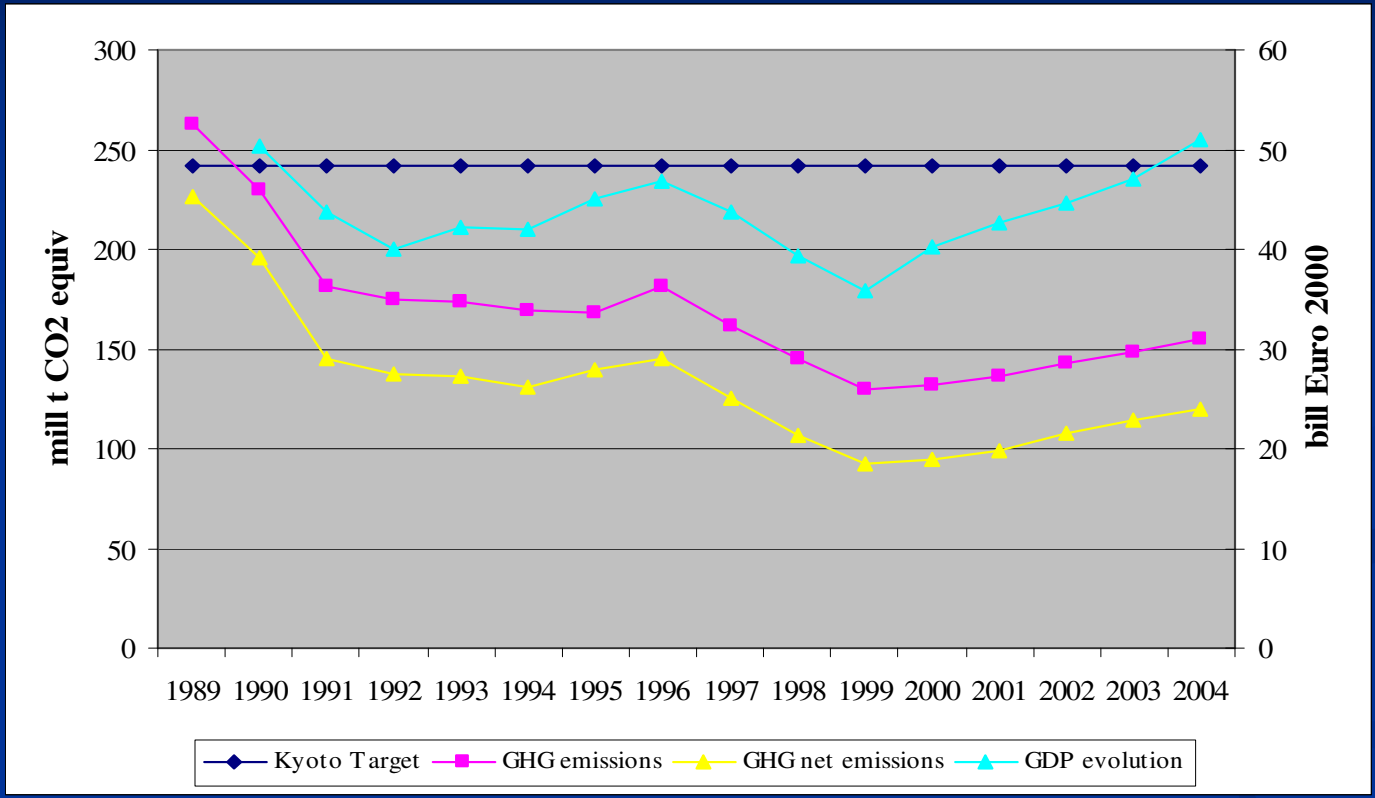


Development of greenhouse gas emissions

According to 2004 Romania's National Inventory Report for anthropogenic emissions of direct greenhouse gases [1] and indirect greenhouse gases [2] , the total quantity of emissions (excluding net CO2 from LULUCF [3]) is **154.627** mil.tonnes CO2 equivalent and the estimate of net emissions after taking into account the removals from the land use change and forestry sector is **119.958** mil.tonnes CO2 equivalent. This represents more than 50% below the obligation under the Kyoto Protocol.

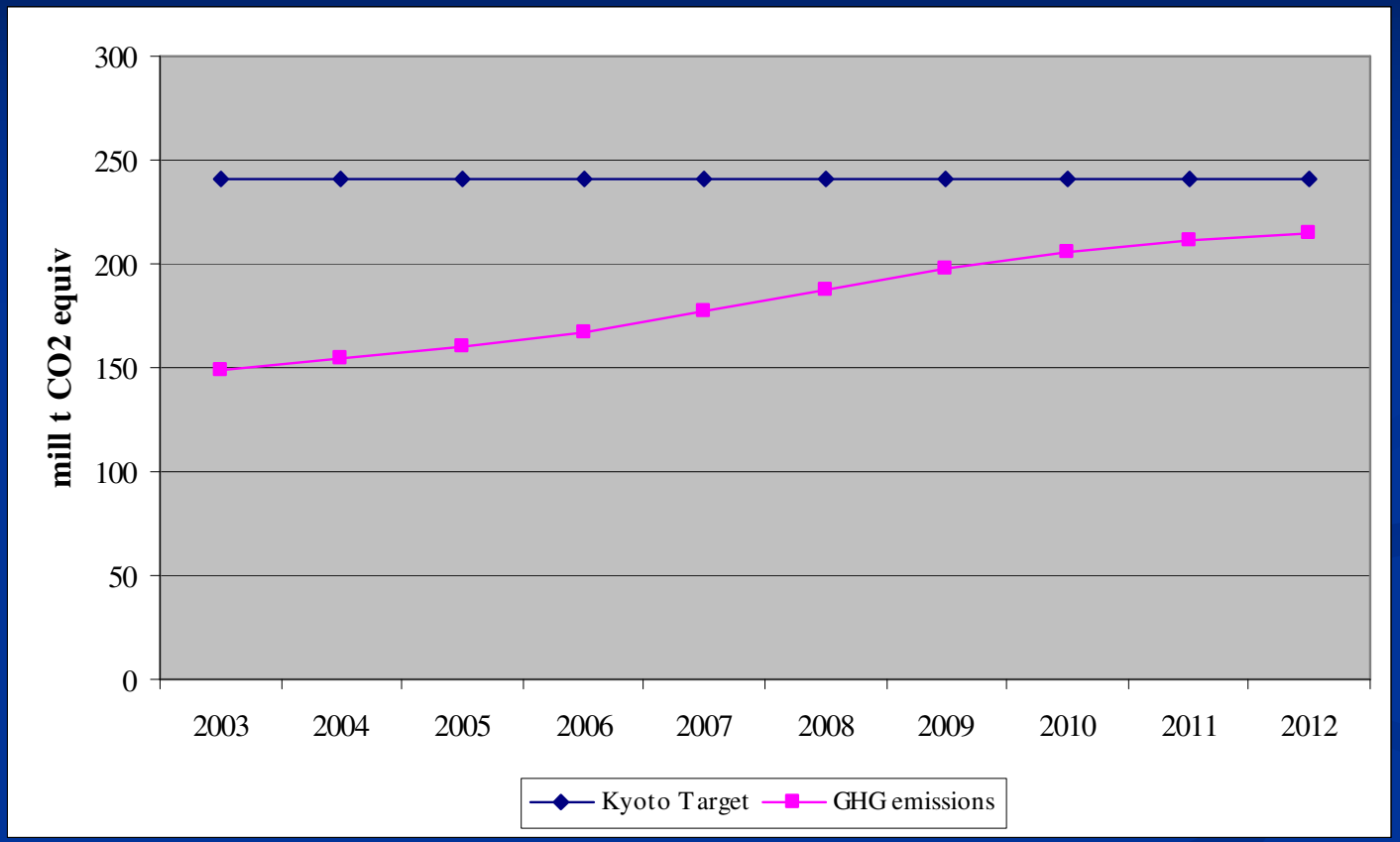
[1] CO2, CH4, N2O, HFC, PFC, SF6
[2] NOx, CO, NMVOC , SO2
[3] land use, land use change and forestry

The historical total greenhouse gas emissions during the period 1989 – 2004



In the total GHG emissions of year 2004, CO2 emissions accounts for 75.25 %. CH4 emissions accounts for 17.42 % and N2O for 7 % of total GHG emissions. Fluorinated gases contributed with about 0.3% to total GHG emissions.

Romania's emissions evolution towards the Kyoto target

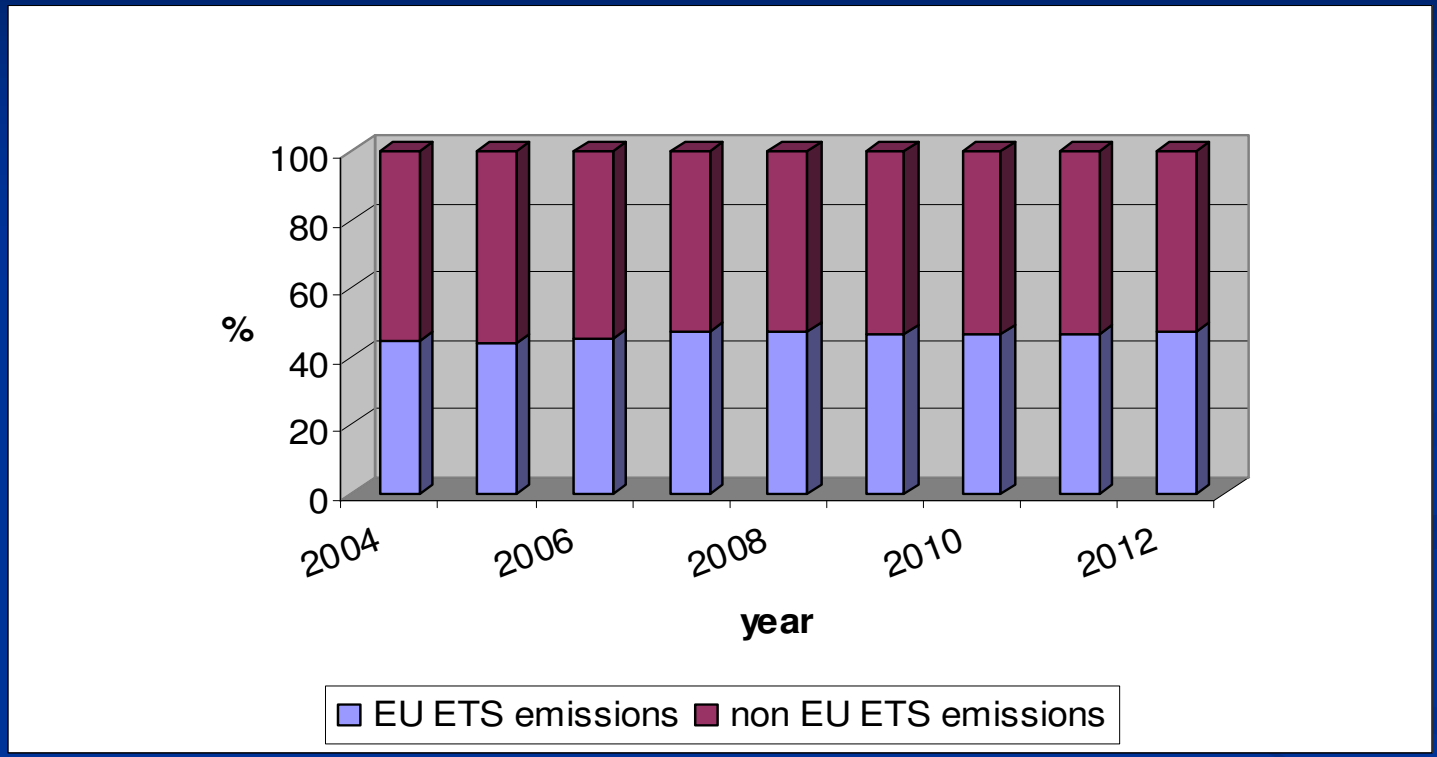


Based on emission projections presented in the National Inventory Report and Progress Report (154.627 mil.tonnes CO2 equivalent) Romania is certain to meet its Kyoto Protocol commitments

GHG emissions evolution and CO2 emissions evolution for ETS sector [mil tCO2]

		Achievements			Forecast						
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Energy generation	GHG	63.13	59.46	62.06	66.40	73.10	75.40	82.20	84.94	88.48	90.70
	CO_2 in ETS	51.88	48.40	49.93	53.31	59.66	61.23	63.23	64.29	66.38	67.78
Transport	GHG	12.27	17.04	17.23	17.50	18.00	18.80	19.20	20.64	21.00	21.50
Commercial, residential and agriculture energy use	GHG	11.48	12.13	12.50	12.80	13.40	14.50	15.00	15.30	15.70	16.00
	CO_2 in ETS	0.30	0.31	0.31	0.31	0.32	0.32	0.33	0.33	0.34	0.35
Industrial processes	GHG	17.35	18.57	20.00	21.46	22.60	25.30	26.80	28.30	28.90	29.40
	CO_2 in ETS	9.27	9.93	10.35	11.43	12.87	15.69	16.74	17.75	18.56	19.43
Agriculture	GHG	11.95	13.93	14.11	14.53	14.80	15.10	15.50	16.10	16.40	16.60
LUCF	GHG	-34.80	-34.67	-34.80	-34.90	-35.00	-35.20	-35.30	-35.40	-35.50	-35.60
Waste	GHG	8.19	8.43	8.51	8.62	8.70	8.80	8.87	9.13	9.21	9.26
All other sector	GHG	24.26	25.06	25.67	26.19	27.00	29.50	30.60	31.00	31.30	31.60
Industrial combustion processes	CO_2 in ETS	9.52	10.16	10.22	11.04	11.05	11.93	12.69	13.37	13.72	14.05
Total	GHG	148.63	154.62	160.08	167.50	177.60	187.40	198.17	205.41	210.99	215.06
Total in ETS	CO_2 in ETS	70.97	68.80	70.81	76.10	83.92	89.17	92.97	95.74	99.0	101.61

Share of ETS and non ETS emissions in the total GHG emissions



In the base year 2003 the share of ETS sectors is of about 47.75 % (70,97 mil t CO2). This value slowly decreases to 44.23% (68,8 mil. t CO2) in the period 2004 - 2005 and then increases to 47.24% in 2012 (101,61 mil. t CO2).

Summary of principles on the basis of which the allocation is made (1)

National Cap	**84,200,000** allowances will be allocated for the year 2007. **487,770,000 total for 5 years, 97,554,000 annually**, allowances shall be allocated for the 2008 – 2012 period.
Top - down approach	The total amount of allowances to be allocated is determined through top - down projections.
Historical and forecasting	The method used is a combination of the historical approach and forecast approach. The base year for CO_2 emissions projections is the year 2003.
Two - stage approach	Allocation to installations will be done in two steps. First, allowances allocated to the sectors, and subsequently to installations within the sectors.
Sectors	The sectors identified are: Energy, Refineries, Production and processing of ferrous metals; Cement; Lime; Glass; Ceramics; Pulp and paper.

Summary of principles on the basis of which the allocation is made (2)

Sector allocation	Allocation at sector level will be done considering the top-down projected emissions, which are based on historic emissions, projected growth of production and projected reduction of carbon intensity.
Reference period and relevant emissions	The historical reference period is 2001– 2004. The relevant emissions of an installation are the average emissions of the two years with the highest emissions within the historic reference period.
Allocation to installations	Allocation of allowances at the installation level will be done on the basis of the share of relevant emissions in the total relevant emissions in that sector.
Installations with no historical data	For installations which have no historical data for the reference period (including those which began operating in 2005) the relevant emissions will be determined using the formula: Relevant emissions = Average specific emission of the sub sector * forecasted production of the installation for 2007 * 95%.

Summary of principles on the basis of which the allocation is made (3)

Early Action	Allowances shall be set aside for Early Action bonus for installations which reported early voluntary emission reductions. For 2007, the Early Action Reserve shall comprise 5,203,971 allowances, representing 6.18% and for the 2008-2012 period, 26,019,855 (5,203,971 annually), representing 5.33% of the total amount of allowances to be allocated. The Early Action Reserve is subtracted from the overall national cap.
JI reserve	In order to avoid double counting, a JI reserve for indirect reductions shall be set aside for the period 2008-2012 for the JI projects. The JI reserve shall comprise of 5,592,500 allowances (1,118,500 annually), representing 1.15% of the total amount of allowances to be allocated.
Clean technology	A CHP bonus is granted to CHP installations with overall efficiency higher than 65%. For 2007 cogeneration reserve includes 912,938, representing 1.08% from the total amount of allowances; for the 2008 – 2012 period, the reserve includes 4,564,690 allowances (912,938 annually), representing 0.94% from the total amount of allowances.

Summary of principles on the basis of which the allocation is made (4)

New Entrants	Allocation for new entrants shall be done for free from a set aside named the new entrants reserve (NER). For 2007, the NER shall comprise of 1,567,929 allowances, representing 1.86% and for the 2008 – 2012 NER shall comprise of **39,428,365, representing** 8.08% from the total amount of allowances to be allocated. CHP new entrants shall receive 99% of the amount of allowances, calculated based on the emissions of the installation (in order to balance the fact that older CHP plants receive a CHP bonus and promote the CHP technology), where as all other installations shall receive 95%. Allowances from the NER not used within the 2007 period shall be cancelled. Allowances from the NER not used within the second period, at the end of third quarter of 2012 shall be auctioned
Closures	One installation is to be considered finally closed when for at least one year its production is zero, its CO2 emissions are zero and the installation will not be opened anymore.
Issuance	Allowances are issued by 28th of February of each year during the period. For year 2007 the issuance of allowances shall be done in 10 days after approval of NAP by the Romanian Government.
Banking	Romania shall not allow banking from the first to the second period of the EU ETS.

Conclusions:

- Romania will fulfil the Kyoto target;
- The Romanian authorities are making efforts to implement the EU legislation regarding environmental protection.
- This will determine high costs of implementing the EU legislation required environmental protection measures, at source level;
- The EU – ETS Directive was implemented by Government Decision No. 780/2006
- National Allocation Plan (NAP) was elaborated by the Romanian authorities in compliance with the European guidance document
- NAP was submitted for approval to the European Commission in late 2006, before the Decision 2006/780/EC on avoiding double counting of greenhouse gas emission reductions under the Community emissions trading scheme for project activities under the Kyoto Protocol pursuant to Directive 2003/87/EC of the European Parliament and of the Council was published.
- This forced the NAP to be re-elaborated
- NAP was re-submitted in April 2007 to the European Commission.
- The European Commission hasn't yet approved the NAP
- But we are hopping that will happen before the end of 2007.

THANK YOU FOR YOUR ATTENTION

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