

EU Emissions' Trading Scheme

EAG Meeting

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EU Emissions' Trading Scheme

- Phase I: starts on 1st January 2005
 - ends 31st December 2007
 - CO₂ only
 - compulsory for all installations with combustion plant in aggregate >20MW thermal
 - opting out allowed if in equivalent scheme
- Phase II: 2008-12 (Kyoto period)
 - all 6 GHGs
 - compulsory (as above) and no opt out

EU ETS - General

- UK Gov't remains committed to Kyoto and its own goal (?!) of 20% cut in CO₂ by 2010
- DEFRA responsible gov't dept in UK, but....
- DTI undertakes energy projections on which sectoral and overall emissions allowances are calculated
- National Allocation Plan has to submitted to Euro-Comm by the end of March '04
 - consultation on methods of allocating allowances closed on 2nd October 2003
 - consultation on draft NAP closed on 12th March '04

EU ETS – General *(cont'd)*

- Euro-Comm response to NAP by 30th June '04
- Verification of emissions data April to August '04
- Final allocations: end of September '04
- Timing is V. Tight!
- Costs of not surrendering necessary CO₂ allowances, after any trading undertaken
 - 40 Euros/Tonne per year in Phase I
 - 100 Euros/Tonne per year in Phase II

EU ETS – Offshore Issues

- Draft NAP assumed emissions fall with production → 30-45% cuts!
- Should be “business as usual”
 - rising emissions in short to medium term
- UKOOA has assessed by 3 methods
 - total fluids production
 - operators’ own forecasts
 - ave emissions ’99 - ’02 + NER (Genesis – DTI)
- DTI (LCU) doing own calcs
- Outcome: 20 MT?? of CO₂ allowances/year for offshore and related onshore terminals

EU ETS Offshore Issues (*cont'd*)

- Flaring: will not be in Ph I, perhaps in Ph II
- New Entrants Reserve (new cos. & investments)
 - how large? (5.7% overall, single pot)
 - what qualifies?
 - auctioning of surplus NER
 - further consultation
- Tie-backs: allowances belong to “host” installation
- Closures – of an installation
 - definition?? v. important
 - further consultation

EU ETS – Offshore Issues (*cont'd*)

- Measuring and Monitoring: poor accuracy
 - DTI and UKOOA to resolve
- Competent Authority: DTI offshore (EA & SEPA onshore, i.e. our terminals)
- All combustion installations > 20MW thermal in aggregate will need a permit by 31 March 2004
- Permit is NOT an emissions allowance!
 - allowances will be issued later, once NAP approved
- JVs: Trading arrgts – paper being prepared