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COVER NOTE

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 15 February 2019

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
the European Union

No. Cion doc.: SWD(2019) 21 final

Subject: COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY
OF THE IMPACT ASSESSMENT Accompanying the document
Commission Delegated Decision (EU) .../... supplementing Directive
2003/87/EC of the European Parliament and of the Council concerning the
determination of sectors and subsectors deemed at risk of carbon leakage
for the period 2021 to 2030

Delegations will find attached document SWD(2019) 21 final.

Encl.: SWD(2019) 21 final



Brussels, 15.2.2019
SWD(2019) 21 final

COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Commission Delegated Decision (EU) .../...

**supplementing Directive 2003/87/EC of the European Parliament and of the Council
concerning the determination of sectors and subsectors deemed at risk of carbon leakage
for the period 2021 to 2030**

{C(2019) 930 final} - {SEC(2019) 86 final} - {SWD(2019) 22 final}

Executive Summary Sheet

A. Need for action

Why? What is the problem being addressed?

In the EU emissions trading system (ETS), the free allocation of emission allowances provided to industry sectors is a safeguard measure against the risk of carbon leakage. Sectors on the carbon leakage list receive higher level of free allocation. The revised EU ETS Directive sets a quantitative threshold and eligibility criteria for sectors eligible for a second-level assessment.

Due to lack of official data, detailed data quality criteria and a methodology how to carry out the second-level assessments, the carbon leakage list risks becoming too large in scope. Thus, a clear process and methodology need to be established and put in operation to ensure fair and transparent treatment of sectors in drawing up the list for entire Phase 4.

What is this initiative expected to achieve?

The initiative aims to implement the provisions of the revised Directive on carbon leakage second-level assessment.

What is the value added of action at the EU level?

EU action is required by the Directive. The carbon leakage list has to ensure the EU-wide application of rules and a level playing field for EU industries.

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

The revised Directive provides industry with more clarity and transparency in terms of eligibility criteria, types of second-level assessments and deadlines for submission of an application. The present impact assessment analyses implementation options combining the assessment elements into packages: Baseline scenario - no guidance; Flexible framework; Rigid framework. Section 5 describes the impact of the implementation options.

Who supports which option?

Industrial stakeholders expressed their support for transparent and harmonised assessment framework guidance¹ and asked for guidance on data collection and quality. Member States voiced concerns on the need for guidance on applications for second level assessments. Civil society favours assessment transparency.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise main ones)?

The benefits include the expected increase in process transparency, data quality and comparability.

What are the costs of the preferred option (if any, otherwise main ones)?

The use of assessment frameworks will reduce administrative efforts of operators, competent authorities and the Commission. The upfront increase in costs due to data collection requirements linked to the use of a framework is offset by less iteration in the assessment process that would otherwise be needed.

How will businesses, SMEs and micro-enterprises be affected?

Since installations have to purchase emission allowances (depending on their carbon efficiency and emissions) in case they exceed the free allocation available, this affects companies' cash flows. Very few SMEs are covered by the EU ETS, thus no significant impact on SMEs is expected.

Will there be significant impacts on national budgets and administrations?

No significant impact is expected on the administrative costs as the share of free allocation per installation is defined in accordance with the free allocation rules. The auctioning revenues for Member States will not be

¹ Framework for disaggregated assessments

https://ec.europa.eu/clima/sites/clima/files/ets/allowances/leakage/docs/framework_for_disaggregated_assessments.pdf

Framework for qualitative assessments

https://ec.europa.eu/clima/sites/clima/files/ets/allowances/leakage/docs/framework_for_qualitative_assessments.pdf

impacted by the assessed options.
Will there be other significant impacts?
None have been identified.
D. Follow up
When will the policy be reviewed?
A further assessment of the carbon leakage risk may take place as part of the EU ETS review in light of international developments.