

COGEN Europe raises concerns over the treatment of cogeneration in post-2012 EU ETS



As the Environment Council of Ministers meets in Brussels on June 5th, COGEN Europe warns Member States that the post-2012 European Union Emissions Trading Scheme (EU ETS) if unamended, will damage the EU's 2020 CO₂ emission target and put the 20% energy efficiency target in jeopardy. In its current form, the revised EU ETS threatens to increase CO₂ emissions by forcing energy efficient cogenerators to close capacity. Cogeneration is in a unique position as proven available energy efficiency technology to contribute short term CO₂ savings. COGEN Europe wants the Council to insist that the EU ETS promotes cogeneration, not - as is currently the case - the opposite.

High efficiency cogeneration is one of the few technologies available to create a step change reduction of 10-20% in emissions immediately upon implementation. Today's global emission average in the power sector is 600 grammes of CO₂ per kWh. Cogeneration with natural gas for example emits only around 200 gm CO₂ per kWh, and on average cogeneration halves the emissions level compared to separate production of heat and power. The revised EU ETS could, by making cogeneration attractive, encourage those sites with large heat loads to generate electricity and those whose main business is generating electricity to seek out heat loads instead of building isolated condensing plant operating with low efficiencies. This would be a logical market response created by well-crafted policy. The current post-2012 EU ETS proposals will do just the opposite.

Auctioning of all electricity under the revised post-2012 EU ETS will lower the profit of cogenerated electricity today, even potentially force some operations to reduce capacity or even in some cases shut down and thereby perversely increase emissions rather than reduce them. Additionally, it will discourage the entry of new cogeneration units because the return on capital is unattractive and the real costs, increased business complexity, and on-site carbon footprint increase considerably. These consequences are to the disadvantage of EU climate policy and raise unnecessary barriers to the adoption of emission trading schemes globally, just as the International Energy Agency (IEA) is advocating a wider use of cogeneration in the global arena. Cogeneration is a key tool in the IEA's kit for tackling the climate change challenge.

COGEN Europe argues that if the EU ETS is good policy for CO₂ reduction, it should support cogeneration in to the 2012-2020 phase because cogeneration is one of the few direct mechanisms capable of achieving the earliest possible step change reductions in CO₂ emissions.

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