



20 March 2008

Cogeneration and the EU ETS

**-Why the Commission's
proposal must be
amended-**

1. POLICY BACKDROP

The European Emissions Trading Scheme lays a very good framework for **decreasing CO₂ emissions in Europe by increasing the efficiency of the European power sector and industry.**

However, the Commission's proposal does not build on the experience from the first 2 phases of the EU ETS and will not be the driver for investments in high efficiency cogeneration despite the supportive words from the Commission.

2. THE ISSUE

While auctioning does allow for the full integration of CO₂ costs into the economic value chain and therefore rewards more efficient processes and combustion technologies, **cogeneration ends up on the losing end of the proposed regulation** as it offsets emissions elsewhere in the system and leads to a local (i.e. on-site) increase in CO₂ emissions.

The Commission is aware of this problem but has not come up in its proposal with the guarantees that are necessary for high efficiency cogeneration to develop and realise its potential.

3. THE CALL

We therefore ask Members of the European Parliament to add-on simple provisions that take into account the specificity of cogeneration installations.

4. THE OPTIONS

This is both necessary and straightforward to do and COGEN Europe has been considering **several options that the European Parliament could take up:**

On allocation: allocate free allowances commensurate with the Primary Energy Savings achieved by the cogeneration installation¹, besides ensuring that the community-wide industrial benchmarks take the specificity of cogeneration installations into consideration.

On small installations: raise the lower threshold for inclusion in the ETS for cogeneration installations.

On revenue recycling: explicitly refer to cogeneration as beneficiaries.

5. WHY IT MATTERS

160 million tonnes of CO₂ reduction: the amount of avoided CO₂ emissions annually by high efficiency cogeneration installations in the EU.

Preliminary research by the D-ploy project (www.d-ploy.eu) indicates that further utilisation of high efficiency cogeneration in 4 industrial sectors alone could help achieve **additional savings of 50 to 100 million tonnes of CO₂ annually.**

High efficiency cogeneration is the number one technology available for **helping European industry become more sustainable** and also provides heating to millions of households across the EU, in particular in new Member States.

¹ As defined under Directive 2004/8/EC on the promotion of high efficiency cogeneration.