EUROPEAN COMMISSION
IMPACT ASSESSMENT BOARD

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IAB recommendations

Title **Recommendations of the Impact Assessment Board on the Background analysis for a Commission Decision on co-financing of carbon capture and storage and innovative renewable energy demonstration projects pursuant to Article 10a paragraph 8 of the revised Emission Trading Directive 2003/87/EC (draft version of 2 July 2009)**

Lead DG **DG ENV**

1) Impact Assessment Board Recommendations

The decision that 300m allowances from the Emission Trading Scheme (the 'new entrants reserve') should be disbursed to promote the early demonstration of carbon and capture storage as well as renewable energy technologies, was taken by the Council in the course of the revision of the Emission Trading Directive (art. 10a.8, Directive 2009/29/EC). At the same time, the disbursement scheme needs to meet a number of criteria, including: i) the allocation must be done by 2015, ii) up to 12 carbon capture and storage plants should be in operation by 2015, iii) support should be given only on the basis of verified avoidance of CO2 emissions, iv) it should be provided via Member States, v) the projects need to be balanced both in terms of technology and geographical location.

Given these constraints, as well as the constraints of the EU Emission Trading Scheme itself, the Impact Assessment Board did not consider that a full impact assessment was justified for this initiative. Instead, the Board requested a background analysis to provide transparency and to serve as an explanation to stakeholders about Commission choices with regard to how the 300m allowances will be spent.

The analysis prepared by DG Environment is generally well done and fits that purpose. The recommendations below follow an exchange with the author DG and have been largely accepted by them:

First, the analysis should provide greater clarity on the timing of the effects. Since the funds for support of renewables and carbon capture and storage are expected to bring major effects only after 2020, it is clear that they are not likely to make a contribution to the achievement of the CO2/renewable energy targets for 2020.

Secondly, management issues should be described in greater detail, in particular, where co-ordination between different institutions will be needed to ensure smooth implementation. This relates in particular to the due diligence check to be performed either by the European Investment

Bank or the European Commission, as well as for the use of the Risk Sharing Finance Facility. Additionally, the analysis should provide a better rationale for the decision to have two rounds of bidding for the funds , as well as for i) the split of the finances allocated to the two rounds, ii) the time span between the first and second round.

Thirdly, the ex-ante evaluation of the costs of administering the system should be integrated into the analysis. The IAB acknowledges that the 300m allowances do not constitute an EU resource and therefore should not be subject to such an assessment, but the costs of administering them should be. In this context, the analysis, whenever appropriate, should assess the proposed solutions against simplicity of procedures and value for money.

Fourthly, given the importance of the matter to potential applicants, the analysis should explain how uncertainties will be handled, in particular those that result from the volatility of the carbon price. It should explain what mechanisms can be put in place by the Commission or European Investment Bank to mitigate them, what the role of Member States will be, what will be left to the applicants to deal with and how this will affect their incentives to bid for projects. In this context, it should also be clarified whether using price as a selection criterion does not introduce a bias against potentially more innovative, but riskier, projects.

2) IAB scrutiny process

Reference number	(Comitology item)
Author DG	ENV
External expertise used	No
Date of Board Meeting	Written procedure
Date of adoption of Opinion	04 SEP. 2009