

Allocation of allowances from the New Entrants' Reserve 2013 – 2020

Updated on 23 July 2015 (next update foreseen for January 2016)

In the third trading period of the EU ETS, new installations and installations that increase their capacity are eligible for free allocation from the New Entrants' Reserve¹. Following such applications, the allowances are allocated to the installations for each year of the entire period as of their start and put in circulation annually.

Table 1 shows the number of applications for allowances from the New Entrants' Reserve as well as the amounts already in circulation and the amounts allocated for these installations the remaining years of phase 3. Table 2 shows the current status of the New Entrants' Reserve, comparing the initial amount and the amount still available.

Table 1: New Entrants' Reserve allowances allocated and put in circulation

Type of application	Number of installations	Put in circulation in 2013-2015 (in millions)	Allocated for 2016 to 2020 (in millions)
New installations	126	6.5	9.5
Significant Capacity Extensions	243	28.9	46.4
Total	369	35.4	55.9

Table 2: Current status of the New Entrants' Reserve

	Allowances in millions	%
Initial New Entrants' Reserve	480.2	100%
In circulation or reserved for future allocation for 2013 – 2020	91.3	19%
New Entrants' Reserve Available	388.9	81%

¹ 5% of the overall ETS cap (around 780 million allowances) went into the New Entrants' Reserve for the third trading period. From this initial amount 300 million allowances were deducted for funding innovative low-carbon energy demonstration projects (the so-called NER300 programme).

The tables are for information purpose only.

Free allowances remaining unallocated in 2013 – 2015

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According to the harmonised allocation rules of the ETS, the allowances foreseen for each installation for the entire phase 3 of the ETS may be reduced because of closure or changes in production or production capacity.

- A closure applies when an installation ceases its operations fully or is no longer part of the ETS.
- A partial cessation occurs when the production/activity level of an installation drops more than 50% compared to its historical level. Installations with partial cessation may recover their activity levels, and therefore their allocation fully or partially (depending on certain thresholds).
- A significant capacity reduction applies when the production capacity of an installation is reduced by at least 10% compared to its initial capacity.

Table 3 shows the allowances designated for free allocation but remaining unallocated in the years 2013 to 2015 as a result of the changes mentioned above. The allocation is adjusted as of the year after the installation's change, e.g. the free allocation reduces in 2014 is due to changes in the operations of installations in 2013.

Table 3: Free allowances remaining unallocated per year as a result of the changes mentioned above²

2013 (in million allowances)	2014 (in million allowances)	2015 (in million allowances)	Sum for 2013-2015 (in million allowances)
40.7	59.4	65.3	165.4

The forthcoming Market Stability Reserve (MSR) defines unallocated allowances as allowances not allocated due to closures, partial cessations, capacity reductions, and any unused allowances from the New Entrants' Reserve and foresees that these allowances will be transferred into the MSR in 2020. On the basis of the information in this update and by applying the agreed rules, 165.4 million allowances as per table 3 above, and 388.9 million allowances (remaining in New Entrants' Reserve) would be transferred into the MSR. Both of these figures will continue to change throughout the decade depending on cessations, changes in production, capacity changes and new installations. The actual figure for total unallocated allowances will only be known in 2020.

² The figures in this table, notably for 2015, may be subject to upward modifications due to late notifications by some Member States.