

compensation have been, or will be, handled. Finally, more information about the process of the qualitative assessment should be added.

(1) The problem definition should explain more clearly the overall context of this initiative. The IA should explain the significance of this exercise in relation to the benchmarking exercise foreseen for 2010, as well as briefly indicate what future changes may be necessary depending on the outcome of the international negotiations on climate change. The benchmarking exercise should be explained more fully, including the link to the total cap on allowances. This analysis should be included in the section on problem definition.

(2) Some methodological aspects need to be clarified. The IA should indicate more clearly the role of three main factors – level of auctioning, carbon price and benchmarks – in determining vulnerability to carbon leakage, and explain how uncertainties about these factors have been or will be handled. For this specific initiative of determining the list of eligible sectors, it should justify more fully using the assumption of 100% as opposed to 70% auctioning. In this context, it should also explain the difference between auctioning and allocating for free, from the (sectoral) perspective of the ability to pass costs through.

(3) More information about the process of the qualitative assessment is needed. The IA report contains a good explanation of how the provisions of art. 10a17 have been understood. It should nevertheless provide more information on how the process of identifying sectors that would qualify for free allowances under this article has been carried out. In particular, the report should clarify whether the same 'values' (e.g. market structure) were applied across all sectors in a uniform manner and whether the process would be repeated annually, together with a general update of the list of sectors.

(D) Procedure and presentation

The IA report would benefit from a glossary explaining technical terms. Greater coherence between the report and its executive summary should be ensured.

2) IAB scrutiny process

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