



EUROPEAN COMMISSION
IMPACT ASSESSMENT BOARD

Brussels,
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Opinion

Title

DG CLIMA - Commission Regulation laying down provisions for the implementation of Article 14 of Directive 2003/87/EC of the European Parliament and of the Council establishing rules for the monitoring and reporting of greenhouse gas emissions (basis: art. 14 of the ETS directive)

Commission Regulation laying down provisions for the implementation of Article 15 of Directive 2003/87/EC of the European Parliament and Council establishing rules for the verification of emission reports and the accreditation and supervision of verifiers (basis:art.15 of the ETS Directive)

(draft version of 23 June 2011)

(A) Context

Directive 2003/87/EC (EU ETS), as amended by Directive 2009/29/EC (EU ETS Review), establishes a scheme for greenhouse gas emission allowance trading within the Union in order to promote reduction of greenhouse gas emissions in a cost-effective and economically efficient manner. Under the scheme, installations must surrender one emission allowance or project credit for each tonne of CO₂ equivalent emitted. Accurate monitoring and reporting of emissions by companies, as well as third party verification of emission reports, are key for the integrity of the carbon market. The revised ETS directive includes a mandate for the Commission to adopt the following two regulations by the end of 2011: (i) a regulation for the monitoring and reporting of emissions (M&R Regulation); (ii) a regulation for the verification of emission reports produced by companies and the accreditation and supervision of qualified verifiers (A&V Regulation). Some of the issues have been already discussed in the impact assessment accompanying the proposal for the revision of the ETS directive.

(B) Overall assessment

While this IA report should be seen in the wider context of the Emission Trading Scheme Directive, there are a number of issues which require significant improvement. The IA report should provide greater clarity on the discretion left to the Commission in the ETS Directive with respect to monitoring, verification etc. The Member States' experience with the implementation/application of the current regime should be described in the problem definition section. On this basis, the objectives and options should be restructured in order to allow a more focused discussion of the measures likely to have significant impacts on operators or public authorities. The actual content of the policy options should be made clear.

The administrative burdens for industry should be assessed in more depth. Finally, the IA report should better present the comparison of options, and present the cumulative impacts of the changes envisaged under both Regulations.

In its written exchange with the Board DG CLIMA largely agreed to take on board these comments

(C) Main recommendations for improvements

(1) Describe the problems more clearly and better relate them to the objectives. The report should provide a stand-alone problem definition and identify more clearly the concrete problems with the current regime for monitoring/reporting and verification/accreditation. For this purpose, illustrative examples from the Member States can be used, both on 'gold plating' and good practices, as well as findings from the 2010 comprehensive ETS compliance review. Additionally, the report should better explain risks associated with the transfer of CO₂ and potential leakage. The report should also ensure that the objectives correspond to the identified problems, and should express them in 'SMART'er terms (Specific, Measurable, Achievable, Realistic, Time-dependent).

(2) Clarify the scope for remaining policy choices. The report should define more precisely the discretion left to the Commission by the revised ETS Directive with respect to the scope and content of the policy options and the detailed requirements being discussed. If there are any constraints in terms of objective setting or criteria for assessing the options stemming from the ETS Directive, these should be made clear upfront in the report to clearly identify the remaining policy choices.

(3) Restructure the options and specify their content. The report should consolidate policy options by concentrating the analysis on those which are likely to entail significant impacts, such as uncertainty assessment, transfer of CO₂, sampling or simplified procedures for small installations. This should allow for a more focused assessment and comparable policy options and related impacts. The report should describe in greater detail the actual content of the proposed measures. In addition, the issue of surveillance of verifiers should be analysed in greater detail.

(4) Improve the assessment of impacts. The report should more systematically assess the costs and benefits of the proposed changes both in qualitative and in quantitative terms. Whenever a more qualitative approach is applied, the IA report should clarify sources from which the information has been drawn, such as ETS operators, competent authorities or verifiers. A greater effort should be made to quantify the changes in administrative burden that may arise from the proposed measures, using the EU Standard Cost Model whenever these are significant. Impacts on smaller installations require particular attention.

(5) Better compare options. The report should clearly compare the impacts of the proposed changes with impacts of the baseline scenario, and should indicate the costs and benefits for each option in a more systematic manner. An overview table summarising the estimated cost savings/increases and administrative burden impacts and also containing a comparative assessment of effectiveness and efficiency should be added. Finally, the report should provide a cumulative assessment of the costs and the benefits (for both Regulations), both in quantitative and in qualitative terms, both in total and for public authorities, verifiers, and operators, including small emitters.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.

(D) Procedure and presentation

The report should follow the structure outlined in the IA guidelines, and in particular add sections on subsidiarity and monitoring. The executive summary should be a self-standing document. It should allow the reader to easily understand the problems to be solved, the proposed changes and the consequences of implementing them. The executive summary should also have a separate section on subsidiarity, objectives and evaluation and monitoring.

(E) IAB scrutiny process

Reference number	(implementing measures)
External expertise used	No
Date of Board Meeting	Written procedure