Commission Regulation (EU) No 176/2014 of 25 February 2014 amending Regulation (EU) No 1031/2010 in particular to determine the volumes of greenhouse gas emission allowances to be auctioned in 2013-20 (Text with EEA relevance)

COMMISSION REGULATION (EU) No 176/2014

of 25 February 2014

amending Regulation (EU) No 1031/2010 in particular to determine the volumes of greenhouse gas emission allowances to be auctioned in 2013-20

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC[(1)], and in particular Articles 3d(3) and 10(4) thereof,

Whereas:

(1) Directive 2003/87/EC provides for determining the timing, administration and other aspects of auctioning to ensure that it is conducted in an open, transparent, harmonised and non-discriminatory manner. It also provides for the Commission to monitor the functioning of the European carbon market.

(2) Commission Regulation (EU) No 1031/2010[(2)] provides the volumes of allowances to be auctioned each year, after deducting the allocation given free of charge from the Union-wide quantity of allowances issued in the same year. A deviation from this time profile has also been decided in Commission Regulation (EU) No 1210/2011[(3)] to determine a volume of allowances to be auctioned early, prior to 2013, with corresponding reductions in the 2013 and 2014 auction volumes, with the foremost objective to ensure a smooth transition from the second to the third trading period, taking due account of the hedging needs for compliance in the early years of the third trading period. These annual volumes were decided based on the factors determining supply of and demand for allowances at the time of the assessment and assumption of an ongoing economic recovery.

(3) Account should be taken of exceptional changes in drivers determining the balance between the demand for and supply of allowances, notably the renewed economic slowdown, as well as temporary elements directly related to the transition to phase 3, including increasing unused volume of allowances valid for the second trading period for compliance in the said period, increasing volumes of certified emission reductions and emission reduction units from emission reduction projects under the Clean Development Mechanism or under Joint Implementation provisions for surrendering by operators covered by the scheme, the monetisation of allowances from the new entrants

reserve for the third trading period for support of demonstration projects of carbon capture and sequestration and innovative renewable energy technologies ('NER300') pursuant to Commission Decision 2010/670/EU[4] and release of allowances not needed in the new entrants reserves for the second trading period. Although all these factors are subject to different degrees of uncertainty, it is important to determine appropriate corrections to the annual volumes to be auctioned in 2014-20 in a timely manner.

(4) Reducing the risk of carbon leakage (an increase in greenhouse gas emissions in third countries where industry would not be subject to comparable carbon constraints) and avoiding putting certain energy-intensive sectors and subsectors in the EU which are subject to international competition at an economic disadvantage, is an important consideration in EU climate policy. Accordingly, the Commission analysed the impacts on the competitive situation of energy-intensive industries to be expected from the review of the auction time profile[5], using assumptions that remain valid as of January 2014. The impact assessment noted that Directive 2003/87/EC has put in place measures, including the continued free allocation of emission allowances and the adoption of a list of industries deemed to be at risk of carbon leakage, to address the risk of carbon leakage for energy-intensive industrial sectors. Reviewing the timing of the auctions does not affect the level of free allocation issued each year or the total quantity of allowances (the cap) for the period starting in 2013. While potential effects on carbon costs may be distributed differently over time, the impact assessment showed that they are expected to remain within the average carbon price levels projected by the Commission's impact assessment accompanying the package of implementation measures for the Union's objectives on climate change and renewable energy for 2020[6] and subsequent analysis[7].

(5) As the volume to be auctioned in each year of the period 2014-16 is reduced, the thresholds for the auction volume per individual auctions on an auction platform appointed by a Member State not participating in the joint action should be reduced accordingly.

(6) Regulation (EU) No 1031/2010 should therefore be amended accordingly.

(7) In order to apply to auctions taking place from 2014 onwards, and to ensure orderly functioning of the carbon market and predictable auctions, this Regulation should enter into force without delay.

(8) The measures provided for in this Regulation are in accordance with the opinion of the Climate Change Committee,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EU) No 1031/2010 is amended as follows:

(1) after the second subparagraph of Article 10(2), the following subparagraphs are added:

> The volume of allowances to be auctioned in a given year determined pursuant to the first or second subparagraphs of this paragraph in 2014-16 shall be reduced by

the quantity of allowances for the respective year set out in the second column of the table in Annex IV to this Regulation.

Where in 2014 the volume of reduction set out in Annex IV cannot be spread over a period of more than 9 months it shall be decreased by 100 million allowances and thereafter by the same amount for each quarter of the year. In that case, the volumes of reduction for 2015 and 2016 shall be adjusted in equal instalments accordingly.

The volume of allowances to be auctioned in a given year determined pursuant to the first or second subparagraphs of this paragraph in 2019-20 shall be increased by the quantity of allowances for the respective year set out in the third column of the table in Annex IV to this Regulation.

In respect of Member States applying Article 10c of the Directive and without prejudice to the first sentence of Article 10c(2) of the Directive, the total quantity of allowances to be auctioned in a given year following the adjustment set out in the second column of the table in Annex IV to this Regulation shall not be lower than the quantity of allowances to be transitionally allocated free of charge to installations for electricity production in that same year.

If necessary, the total quantity of allowances to be auctioned in a given year in the period 2014-16 by a Member State applying Article 10c of the Directive shall be increased accordingly. To the extent that the total quantity of allowances to be auctioned is increased in accordance with the previous sentence, it shall subsequently be reduced to ensure that the distribution pursuant to the first subparagraph of this paragraph is complied with. The volumes of allowances to be auctioned referred to in the second and third column of the table in Annex IV to this Regulation shall be adjusted to reflect any such increase and reduction.;

(2) the last sentence of Article 32(1) shall be replaced by the following:

‘However, the volume of allowances covered by Chapter III of Directive 2003/87/EC auctioned in an individual auction conducted by those auction platforms in 2014 to 2016 shall be no less than 2 million allowances.’;

(3) an annex is added after Annex III as follows:

ANNEX IV Adjustments to the volumes of allowances (in million) to be auctioned in 2013-20 referred to in Article 10(2)YearVolume of reductionVolume of increase20132014400201530020162002017201820193002020600

Article 2

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.