



Council of the European Union
General Secretariat

**Interinstitutional files:
2021/0211 (COD)**

Brussels, 16 June 2022

WK 8613/2022 ADD 4

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CONTRIBUTION

From:	General Secretariat of the Council
To:	Coreper I
N° prev. doc.:	WK 8239/22 ADD 1
Subject:	Fit for 55 package - ETS: Comments from a delegation

In view of Coreper I meeting on 17 June 2022, delegations will find attached comments by the NL delegation on reducing administrative costs in ETS (distributed to WPE in WK 8239/22 ADD 1).

NETHERLANDS

Reducing the administrative complexity of ETS-2

Comments

Working Party on the Environment

June 8, 2022

The Netherlands presents two complementary proposals to reduce the administrative costs of implementing ETS-2 and improve feasibility for fuel suppliers, verifiers and national authorities.

Proposal 1: Simplifying monitoring requirements for very small fuel suppliers

In the existing ETS, a range of simplifications already exists for small emitters. In the new ETS, no such simplifications yet exist. Very small fuel suppliers face relatively high compliance costs, notably because of extensive monitoring requirements. In the new ETS, we suggest removing the obligation to hand in a monitoring plan, instead relying on standardised monitoring requirements as set out in article 14 of the Directive. This would require amending article 30b, which is shown below. We suggest a threshold of 1000 tonnes of carbon dioxide equivalent, but are flexible on this point.

Article 30b Greenhouse gas emission permits	
<i>Text proposed by the Commission</i>	<i>Proposed amendment by the Netherlands</i>
<p>1. Member States shall ensure that, from 1 January 2025, no regulated entity carries out the activity referred to in Annex III unless that regulated entity holds a permit issued by a competent authority in accordance with paragraphs 2 and 3.</p> <p>2. An application to the competent authority by the regulated entity pursuant to paragraph 1 for a greenhouse gas emissions permit under this Chapter shall include, at least, a description of:</p> <p>(a) the regulated entity;</p> <p>(b) the type of fuels it releases for consumption and which are used for combustion in the buildings and road transport sectors as defined in Annex III and the means through which it releases those fuels for consumption;</p> <p>(c) the end use(s) of the fuels released for consumption for the activity referred to in Annex III;</p> <p>(d) the measures planned to monitor and report emissions, in accordance with the acts referred to in Articles 14 and 30f;</p> <p>(e) a non-technical summary of the information under points (a) to (d).</p> <p>3. The competent authority shall issue a greenhouse gas emissions permit granting authorisation to the regulated entity referred to in paragraph 1 for the activity referred to in Annex III, if it is satisfied that the entity is capable of monitoring and reporting</p>	<p>1. Member States shall ensure that, from 1 January 2025, no regulated entity carries out the activity referred to in Annex III unless that regulated entity holds a permit issued by a competent authority in accordance with paragraphs 2 and 3.</p> <p>2. An application to the competent authority by the regulated entity pursuant to paragraph 1 for a greenhouse gas emissions permit under this Chapter shall include, at least, a description of:</p> <p>(a) the regulated entity;</p> <p>(b) the type of fuels it releases for consumption and which are used for combustion in the buildings and road transport sectors as defined in Annex III and the means through which it releases those fuels for consumption;</p> <p>(c) the end use(s) of the fuels released for consumption for the activity referred to in Annex III;</p> <p>(d) <i>when the annual emissions corresponding to the quantities of fuels released for consumption exceed 1000 tonnes of carbon dioxide equivalent:</i> the measures planned to monitor and report emissions, in accordance with the acts referred to in Articles 14 and 30f;</p> <p>(e) a non-technical summary of the information under points (a) to (d).</p> <p>3. The competent authority shall issue a greenhouse gas emissions permit granting authorisation to the regulated entity referred to in paragraph 1 for the</p>

<p>emissions corresponding to the quantities of fuels released for consumption pursuant to Annex III.</p> <p>4. Greenhouse gas emissions permits shall contain, at least, the following:</p> <p>(f) the name and address of the regulated entity;</p> <p>(g) a description of the means by which the regulated entity releases the fuels for consumption in the sectors covered by this Chapter;</p> <p>(h) a list of the fuels the regulated entity releases for consumption in the sectors covered by this Chapter;</p> <p>(i) a monitoring plan that fulfils the requirements established by the acts referred to in Article 14;</p> <p>(j) reporting requirements established by the acts referred to in Article 14;</p> <p>(k) an obligation to surrender allowances, issued under this Chapter, equal to the total emissions in each calendar year, as verified in accordance with Article 15, within four months following the end of that year.</p>	<p>activity referred to in Annex III, if it is satisfied that the entity is capable of monitoring and reporting emissions corresponding to the quantities of fuels released for consumption pursuant to Annex III.</p> <p>4. Greenhouse gas emissions permits shall contain, at least, the following:</p> <p>(f) the name and address of the regulated entity;</p> <p>(g) a description of the means by which the regulated entity releases the fuels for consumption in the sectors covered by this Chapter;</p> <p>(h) a list of the fuels the regulated entity releases for consumption in the sectors covered by this Chapter;</p> <p>(i) <i>when the annual emissions corresponding to the quantities of fuels released for consumption exceed 1000 tonnes of carbon dioxide equivalent:</i> a monitoring plan that fulfils the requirements established by the acts referred to in Article 14;</p> <p>(j) <i>when the annual emissions corresponding to the quantities of fuels released for consumption is less than 1000 tonnes of carbon dioxide equivalent: monitoring requirements established by the acts referred to in Article 14;</i></p> <p>(k) reporting requirements established by the acts referred to in Article 14;</p> <p>(l) an obligation to surrender allowances, issued under this Chapter, equal to the total emissions in each calendar year, as verified in accordance with Article 15, within four months following the end of that year.</p>
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Proposal 2: Minimising fuel use categories and improving sectoral definitions

Reducing the number of fuel use categories is a highly practical solution to reduce administrative complexity, as there is less need to distinguish the end-use of fuels sold at the level of the fuel supplier and reduces the complexity in monitoring, reporting and verification. The detailed identification of the downstream use of fuels by the regulated entity and verifier will be nearly impossible in some cases. This is one of the reasons the Netherlands favours extending the scope of the new ETS to all fuels, reducing the amount of categories to a minimum. However, improvements to the scope can be considered even without such an extension, staying close to the Commission proposal in terms of scope but reducing overall administrative complexity and improving the feasibility and enforceability.

On February 17th, we submitted written comments¹ suggesting several minor changes to the scope of ETS-2, keeping the approach of the Commission in referring to several source categories in the 2006 IPCC guidelines but removing three exemptions (mobile machinery, agricultural vehicles, and heat suppliers). Implementing these would reduce administrative complexity, but still relies on monitoring numerous fuel use categories.

In this paper, we suggest an alternative approach, specifying only the excluded fuel use categories, instead of the included ones. This minimises the number of fuel use categories that need to be

¹ WK 2307/2022 INIT

monitored and also improves harmonised application across Member States as reliance on the outdated 2006 IPCC Guidelines source categories is no longer needed.

The suggested changes to Annex III are presented below. Option 1 keeps the scope as close as possible to the Commission's proposal (covering only approx. 2% additional emissions at EU-level), while option 2 extends the scope to all fuels, as favoured by the Netherlands.

<p style="text-align: center;">ANNEX III ACTIVITY COVERED BY CHAPTER IVa</p>		
<p style="text-align: center;">Commission proposal Scope: buildings, road transport <i>Approx. 34% of EU emissions (in 2019)</i></p>	<p style="text-align: center;">Proposed amendment option 1: Scope: buildings, transport, and others <i>Approx. 36% of EU emissions (in 2019)</i></p>	<p style="text-align: center;">Proposed amendment option 2: Scope: all fuels <i>Approx. 43% of EU emissions (in 2019)</i></p>
<p>Activity:</p> <p>1. Release for consumption of fuels which are used for combustion <i>in the sectors of buildings and road transport</i>.</p> <p>This activity shall not include:</p> <p>(a) the release for consumption of fuels used in the activities set out in Annex I to this Directive, except if used for combustion in the activities of transport of greenhouse gases for geological storage (activity row twenty seven);</p> <p>(b) the release for consumption of fuels for which the emission factor is zero.</p> <p>2. The sectors of buildings and road transport shall correspond to the following sources of emissions, defined in 2006 IPCC Guidelines for National Greenhouse Gas Inventories, with the necessary modifications to those definitions as follows:</p> <p>(a) Combined Heat and Power Generation (CHP) (source category code 1A1a ii) and Heat Plants (source category 1A1a iii), insofar as they produce heat for categories under (c) and (d) of this point, either directly or through district heating networks;</p> <p>(b) Road Transportation (source category code 1A43b), excluding the use of agricultural vehicles on paved roads;</p> <p>(c) Commercial / Institutional (source category code 1A4a);</p> <p>(d) Residential (source category code 1A4b).</p>	<p>Activity:</p> <p>1. Release for consumption of fuels which are used for combustion.</p> <p>This activity shall not include:</p> <p>(a) the release for consumption of fuels used in the activities set out in Annex I to this Directive, except if used for combustion in the activities of transport of greenhouse gases for geological storage (activity row twenty seven);</p> <p>(b) the release for consumption of fuels for which the emission factor is zero;</p> <p>(c) the release for consumption of fuels used in agriculture;</p> <p>(d) the release for consumption of fuels used in ships or activities under Article 2(2) in Regulation (EU) 2015/757;</p> <p>(e) the release for consumption of fuels used for the production of products in activities not covered under Annex I of this Directive.</p> <p>2. Member States may voluntarily and unilaterally opt in fuel consumption categories. Member States shall notify the Commission before implementation of this paragraph.</p>	<p>Activity:</p> <p>Release for consumption of fuels which are used for combustion.</p> <p>This activity shall not include:</p> <p>(a) the release for consumption of fuels used in the activities set out in Annex I to this Directive, except if used for combustion in the activities of transport of greenhouse gases for geological storage (activity row twenty seven);</p> <p>(b) the release for consumption of fuels for which the emission factor is zero;</p>