



EUROPEAN COMMISSION

MEMO

Brussels, 6 July 2012

Emissions trading: Commission clears temporary free allowances for power plants in Bulgaria, Czech Republic and Romania

The European Commission today authorised requests from Bulgaria, the Czech Republic and Romania for a continued free allocation of EU Emissions Trading System (EU ETS) allowances to their power sectors beyond this year. The Commission has taken these decisions under provisions which allow certain Member States exemptions from the general rule that, from 2013 onwards, the power sector must buy all its allowances at auctions or in the market. The Commission has already approved applications from Cyprus, Estonia and Lithuania.

Free allocation for power plants to fall annually

Under the revised EU ETS Directive¹ adopted in 2009, 10 Member States were given the possibility to request temporary exemptions from the rule that full auctioning of EU ETS allowances will apply from 2013 in the power sector. In September 2011 eight² of these Member States submitted applications for temporary free allocations. The Commission is obliged to assess these in accordance with the rules and conditions laid down in the Directive.

Following some modifications to the applications from Bulgaria, the Czech Republic and Romania, the Commission has today accepted them. In May the Commission authorised requests from Cyprus, Estonia and Lithuania (see [MEMO/12/350](#)).

In total, more than 268 million allowances will be allocated for free to power plants in these six countries in the period 2013 to 2019. The number will be reduced each year, reaching zero in 2020 (see Annex). The Member States will put in place strict monitoring and enforcement rules to ensure that the economic value of free allowances is at least mirrored, if not exceeded, by a corresponding amount of investments in modernising their electricity generation.

The decisions are without prejudice to a forthcoming state aid assessment by the Commission.

The Commission may reject an application or any aspect thereof but has the option to approve applications tacitly. For reasons of legal certainty the Commission adopts a decision on each application even if the applications are approved in their entirety.

¹ Directive 2009/29/EC

² Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Lithuania, Poland and Romania submitted applications for temporary free allocation. Malta and Latvia were also eligible but did not submit applications.

Next steps

The assessments of the Hungarian and Polish applications are pending and will be concluded soon.

Background

The temporary free allocation of allowances represents a major derogation from the general rule laid down in the revised EU ETS legislation that there should be no free allocation for power plants. For this reason, the European Parliament and Council made temporary free allocation subject to several conditions:

- It must finish in 2019 at the latest;
- It is limited to no more than 70% of emissions for domestic electricity supply in 2013, declining annually thereafter;
- The value of the free allowances must be channelled into investments in retrofitting and upgrading the country's energy infrastructure, including new power plants and diversification of the energy mix and sources of supply, and into clean technologies. These investments have to be set out in a national plan.
- The Commission must assess the application for consistency with the rules of the ETS Directive.

More information on transitional free allocation for power generators can be found at:

http://ec.europa.eu/clima/policies/ets/auctioning/derogation/index_en.htm

See also [MEMO/12/531](#) (questions & answers)

Number of allowances to be allocated for free to power plants by Member State and year

	2013	2014	2015	2016	2017	2018	2019	2020	Total
BG	13.542.000	11.607.428	9.672.857	7.738.286	5.803.714	3.869.143	1.934.571	0	54.167.999
CY	2.519.077	2.195.195	1.907.301	1.583.420	1.259.538	935.657	575.789	0	10.975.977
CZ	26.916.667	23.071.429	19.226.191	15.380.953	11.535.714	7.690.476	3.845.238	0	107.666.668
EE	5.288.827	4.533.280	3.777.733	3.022.187	2.266.640	1.511.093	755.547	0	21.155.307
LT	582.373	536.615	486.698	428.460	361.903	287.027	170.552	0	2.853.628
RO	17.852.479	15.302.125	12.751.771	10.201.417	7.651.063	5.100.708	2.550.354	0	71.409.917
Total	66.701.423	57.246.072	47.822.551	38.354.723	28.878.572	19.394.104	9.832.051	0	268.229.496