



EUROPEAN COMMISSION

## MEMO

Brussels, 13 July 2012

### **Emissions trading: Commission rules on temporary free allowances for power plants in Poland**

The European Commission today approved Poland's request for a continued free allocation of EU Emissions Trading System (EU ETS) allowances to its power sector beyond this year, subject to certain modifications being made. The Commission has taken its decision 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.

Under the revised EU ETS Directive<sup>1</sup> adopted in 2009, 10 Member States were given the possibility to request temporary exemptions from this general rule. In September 2011 eight<sup>2</sup> of these Member States submitted applications for temporary free allocations for their power sector. The Commission assesses these in accordance with the rules and conditions laid down in the Directive.

The modifications Poland is required to make relate to installations which otherwise may not receive free allowances and to some technical aspects of the allocation methodology used. The modifications need to be notified by end 2012 and the Commission will work with Poland to implement them.

The Commission's decision also stipulates that certain investments proposed by Poland, primarily concerning new fossil-fuel base generation capacity, may not be used to justify the allocation of free allowances. Poland plans to grant free allowances to installations only after admissible modernisation investments have been realised.

### **Free allocation for power plants to fall annually**

The Commission has already authorised the requests from Cyprus, Estonia and Lithuania (see [MEMO/12/350](#)) and Bulgaria, Czech Republic and Romania (see [MEMO/12/530](#)).

In total, close to 673 million allowances will be allocated for free to power plants in these seven 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.

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<sup>1</sup> Directive 2009/29/EC

<sup>2</sup> 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.

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

## Next steps

The assessment of the Hungarian application is 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](http://ec.europa.eu/clima/policies/ets/auctioning/derogation/index_en.htm)

See also [MEMO/12/562](#) (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
<b>BG</b>	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
<b>CY</b>	2.519.077	2.195.195	1.907.301	1.583.420	1.259.538	935.657	575.789	0	10.975.977
<b>CZ</b>	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
<b>EE</b>	5.288.827	4.533.280	3.777.733	3.022.187	2.266.640	1.511.093	755.547	0	21.155.307
<b>LT</b>	582.373	536.615	486.698	428.460	361.903	287.027	170.552	0	2.853.628
<b>PL</b>	77.817.376	72.258.992	66.700.608	60.030.547	52.248.809	43.355.395	32.238.627	0	404.650.354
<b>RO</b>	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
<b>Total</b>	<b>144.518.799</b>	<b>129.505.064</b>	<b>114.523.159</b>	<b>98.385.270</b>	<b>81.127.381</b>	<b>62.749.499</b>	<b>42.070.678</b>	<b>0</b>	<b>672.879.850</b>