

# *Offsets and the ETS*

Sources of offsets used for compliance in the EU ETS in 2009

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# About this report

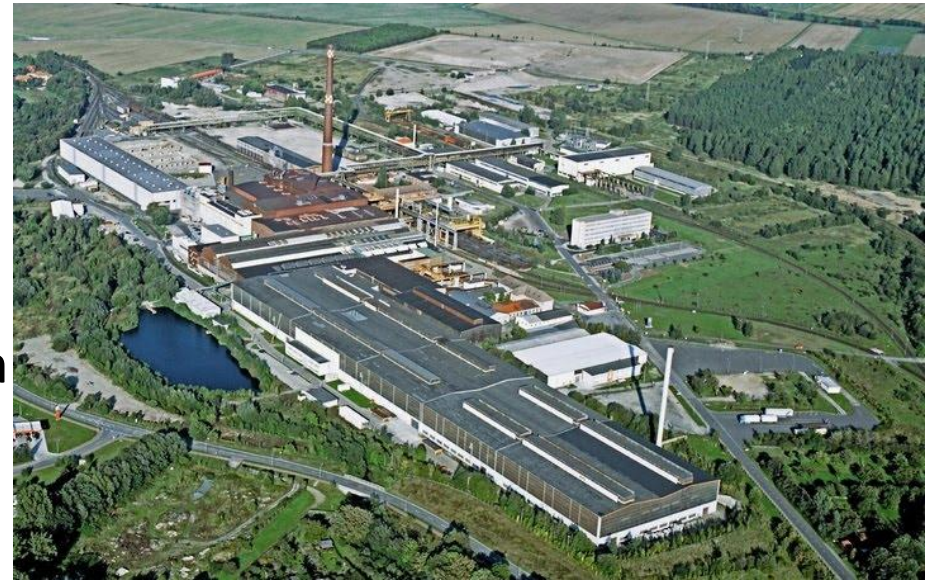
- The use of international offsets is allowed in the ETS and is intended to keep costs low
- What this looks like is generally unknown
- Sandbag has brought this process to life through this report and the accompanying interactive map
- This report & map is a combination of data taken from the EU CITL and the UNFCCC websites

# Overview of 2009 Certified Emissions Reductions (CER) usage:

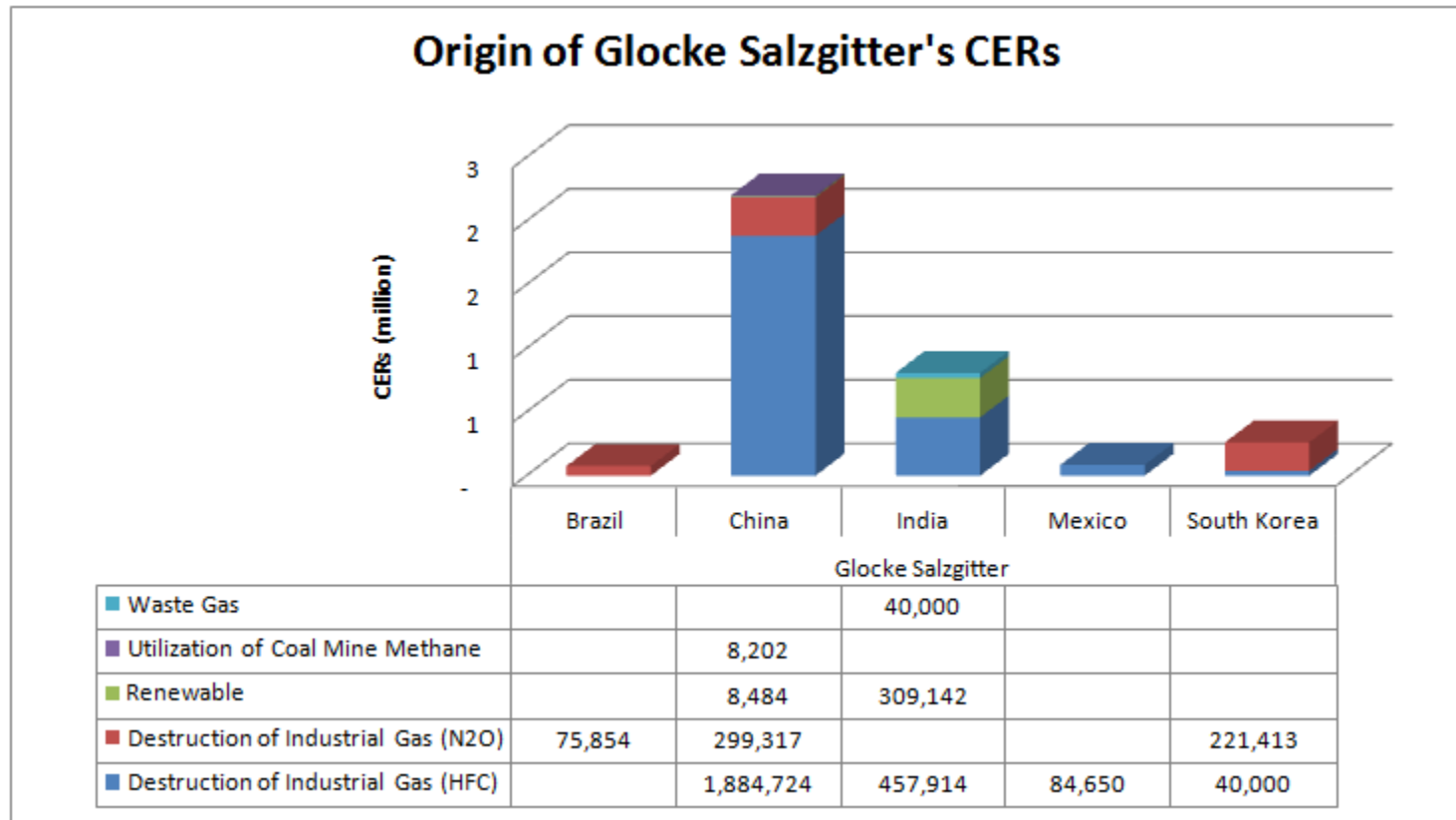
- In 2009 some 78 million CERs were used for compliance in the ETS (€861m)
- This accounts for 4.2% of all permits surrendered in 2009
- 60% of all CERs surrendered originate from HFC project

# Installation Analysis

- 10 European surrendered 21.4% of all compliance offsetting in 2009
- The biggest user of CERs was Salzgitter's 'Glocke Salzgitter' steel plant,
  - surrendering 3.4million CERs,
  - offset 99.5% of its emissions in 2009
  - 89% of these CERs used were from industrial gas (HFC and N2O) projects
  - Combined surplus of 10.9million



# Installation Analysis



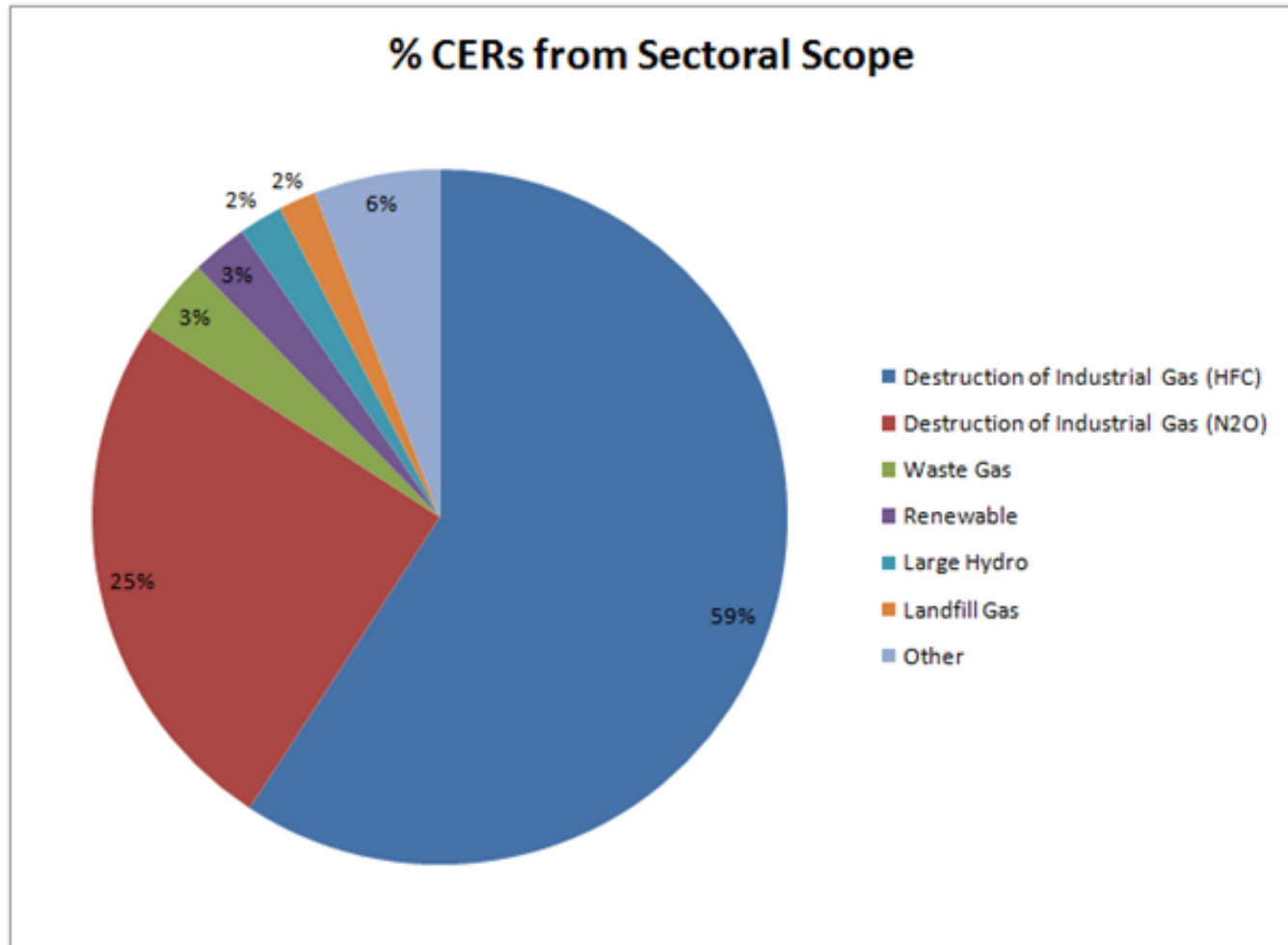
# Company Analysis

- The biggest CER users in 2009
  - Vattenfall AB 6.7 million
  - Polich Energy Group (PGE) 6.2 million
  - ENEL/Endesa 3.7 million
  - Salzgitter AG 3.4 million

# Interesting features of the data

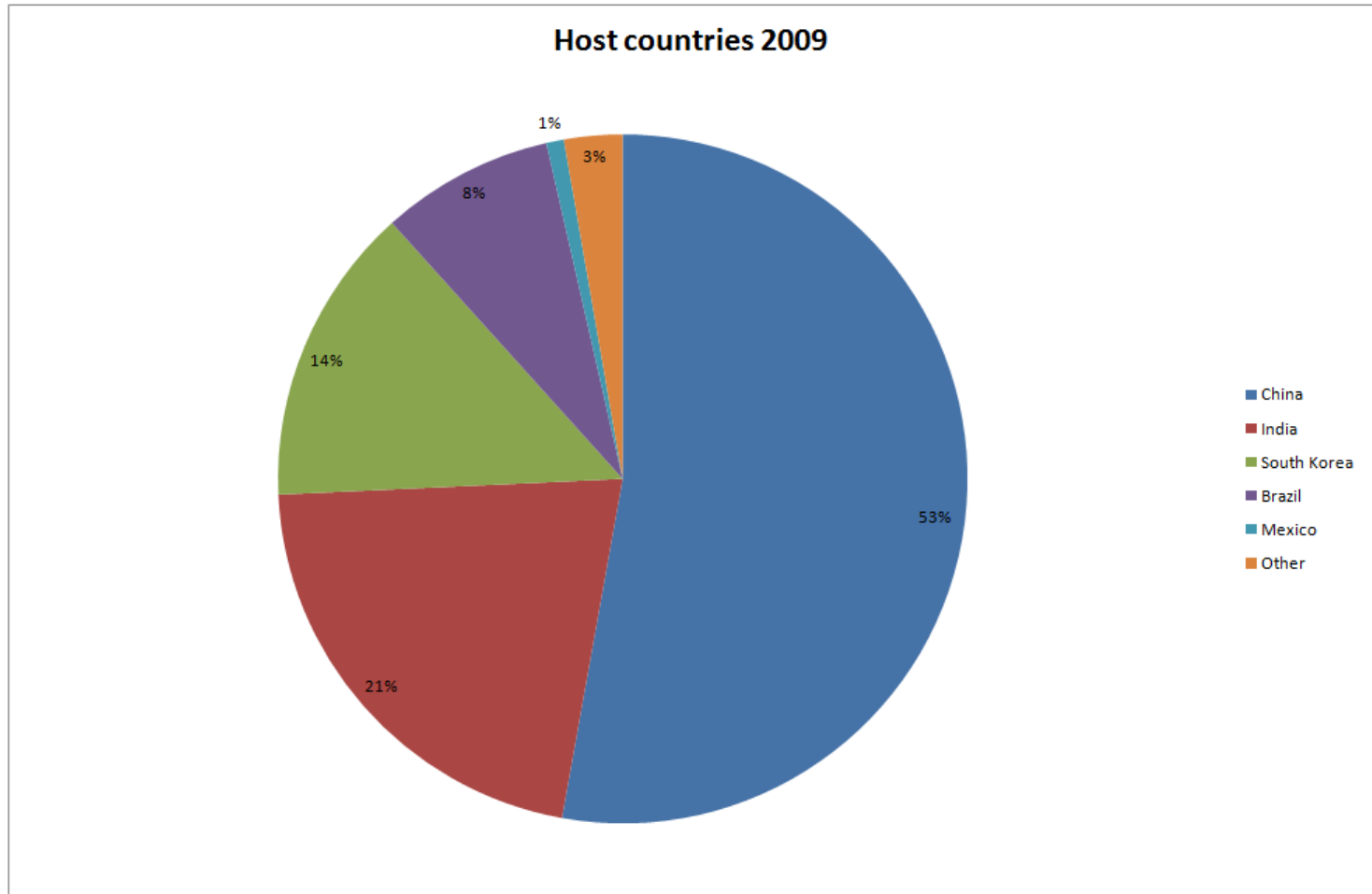
- The EU ETS is dominated by a small number of players
- Swapping of CERs is a common practice among installations who have a surplus. Thus making a windfall profit.
- Industry in the EU is subsidising rivals in developing countries through the CDM

# Dominance of HFCs





# Dominance of China



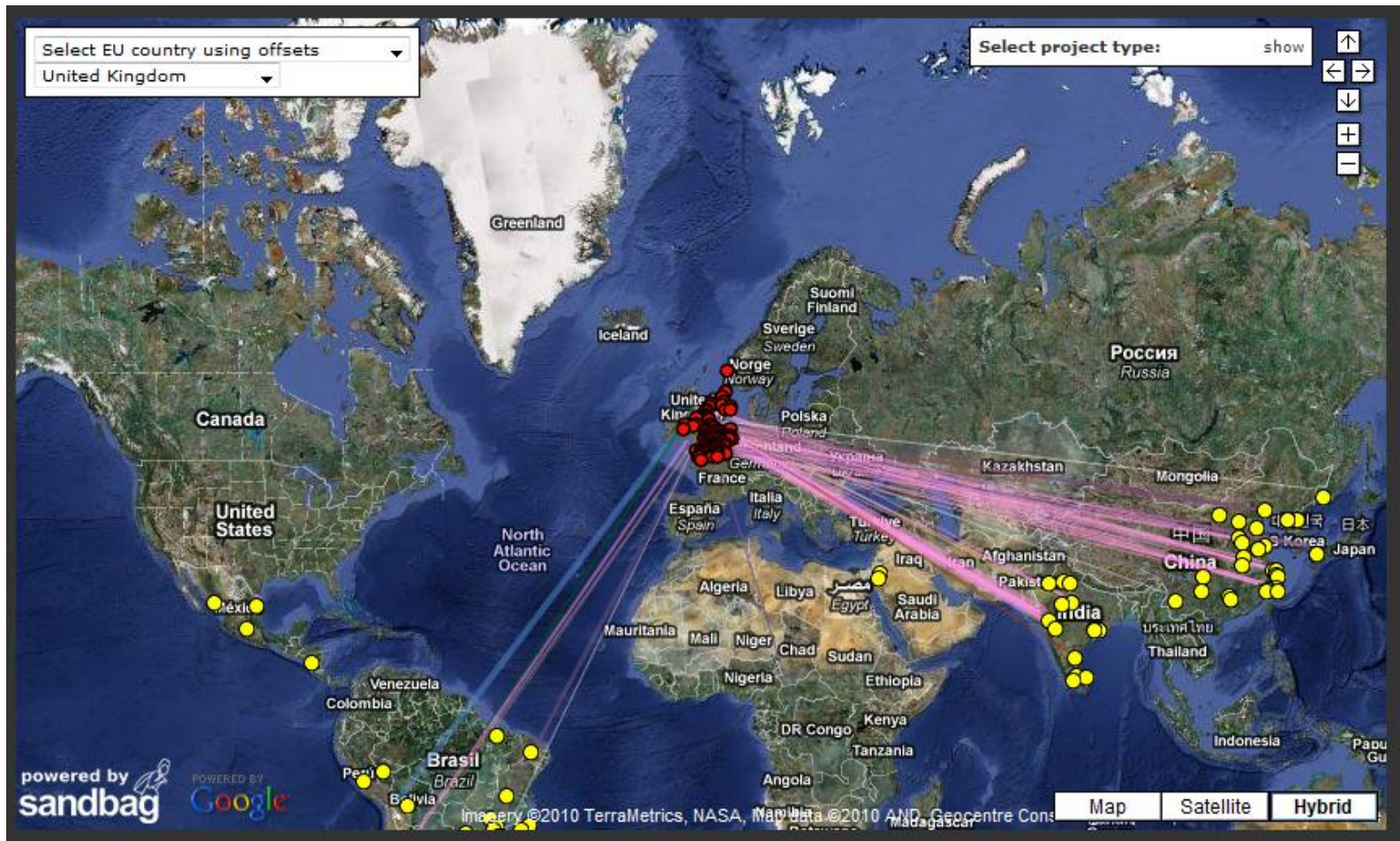
# Swapping of CERs

- Swapping is the use of offsets in order to bank freely allocated EUA
- There is an oversupply of permits in the ETS
- Corus Steel manufacturers
  - 08-09 surplus of over 12.7million permits
  - Surrendered 2.6 million CERs over the same period
  - Allowing them to bank freely allocated EUAs
  - Estimated profit of €7.7 million
  - Corus does not need to use offsetts

# EU subsidising rivals

- The data shows that in 2009 EU steelworks surrendered CERs from steel CDM projects
- Salzgitter's Glocke Salzgitter steel works purchased 40,000 CERs from a waste gas CDM project in an Indian Steel Works
- In total over 2million steel CERs were surrendered in 2009 with an estimated value of €22.2 million

# Interactive Map



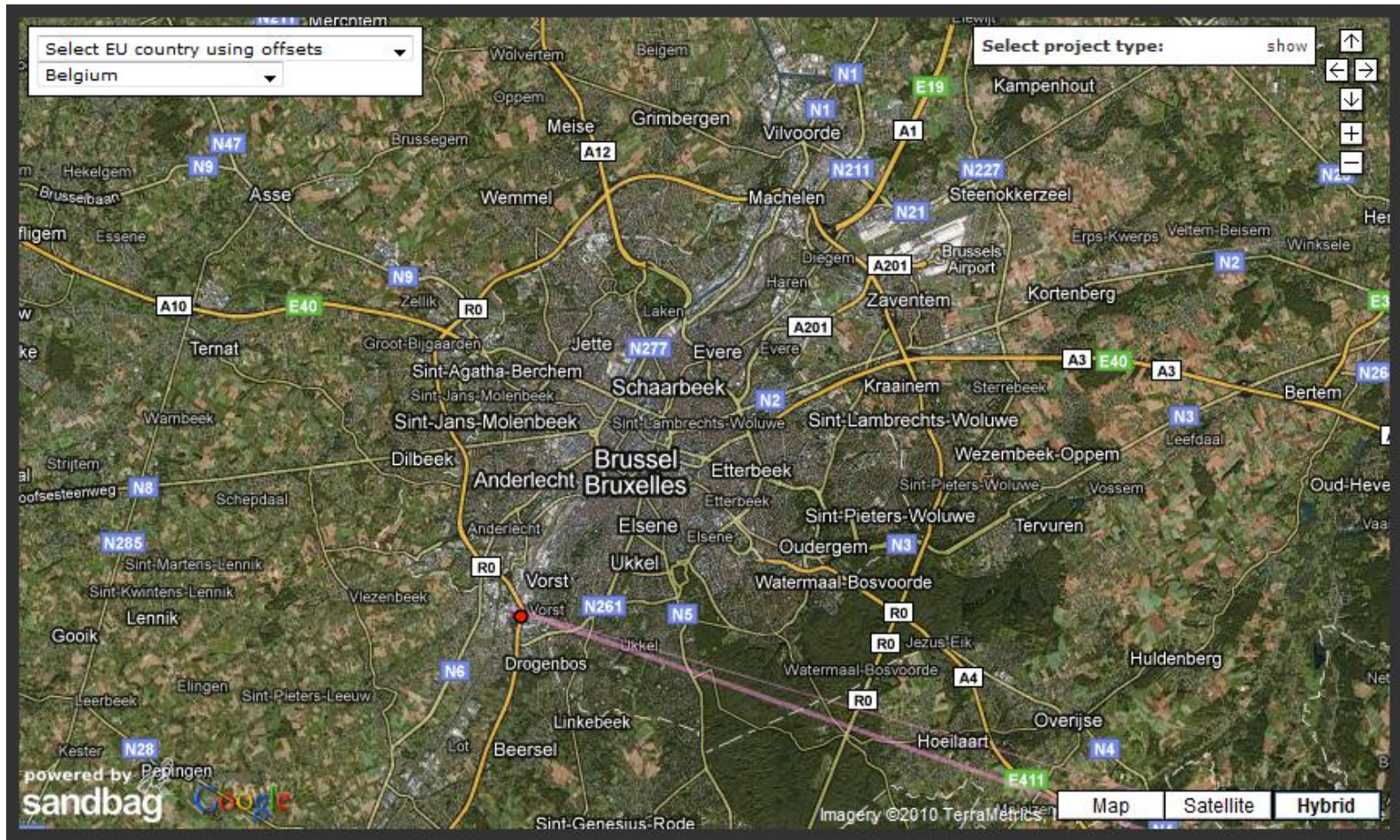


# Belgium





# Brussels







# Installation level

The screenshot shows a web application interface for managing offset permits. At the top left, there is a dropdown menu labeled 'Select EU country using offsets' with 'Belgium' selected. At the top right, there is a 'Select project type:' dropdown with a 'show' button. The main area is a satellite map of Belgium with a red dot marking the location of Drogenbos. A white information popup is centered over the map, containing the following details:

**Electrabel - Centrale Drogenbos**  
Surrendered 234,321 offset permits in total

	HFC23 Decomposition Project at Zhonghao Chenguang Research Institute of Chemical Industry, Zigong, SiChuan Province, China	150,000
	Project for HFC23 Decomposition at Zhejiang Dongyang Chemical Co., Ltd.,	30,000

Got any more information about this project/site?  
Please get in touch.

The map interface includes a 'powered by sandbag' logo in the bottom left, a 'Google' logo, and a 'Map Satellite Hybrid' selector in the bottom right. The map shows various roads and locations in Belgium, including Brussels, Drogenbos, and Beersel.

# Key messages:

- Market dominated, HFCs, China and India
- EU industry subsidising rival industry
- EU companies making windfall profits
- Offsetting is helping the EU to comply with caps and keep costs low



# What Europe can do:

- Take unilateral action to improve the quality of offsets being used in the EU ETS;
- Phase out HFCs from the EU ETS as soon as it is viable to do so;
- Reduce competitive distortions;
- Review policy, no windfall profits;
- Improve the distribution of projects to where investment is needed.

## International Offsets and the EU 2009

An update on the usage of compliance offsets in the EU Emissions Trading Scheme



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Thank you for your attention!

Our latest report '*International Offsets and the EU 2009*' will be circulated among the participant list.

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