Industrial Emissions

How to make IED and ETS work together

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Industrial Emissions Directive

Main elements

Scope

IED regulates around 50,000 large industrial installations in Europe

Objectives

Reduce and eliminate pollution arising from industrial activities; control industries with the highest pollution potential

Integrated approach + pollution-prevention principle

Permits must take into consideration the whole environmental performance of a plant, covering emissions to air, water and land, generation of waste, use of raw materials, energy efficiency, noise, prevention of accidents and restoration of site upon closure.

Best Available Techniques (BAT)

Performance-based standards that are periodically reviewed to take into account innovation and progress. Emissions limit values should not exceed emission level associated with the best available techniques as described in BAT conclusions.

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Emission Trading System

Main elements

Scope

EU ETS regulates 11,000 power stations and industrial plants + airlines

Objectives

Reduce greenhouse gas emissions by putting a price on carbon. Market-based ‘cap and trade’ system, with the overall cap declining each year, which means that less allowances are available and therefore emissions are reduced over time in line with the overall EU climate target.

Polluter-pays principle

Installation covered under the ETS are required to surrender emission allowances corresponding to the amount of GHG they emit. (However, more than 90% of industrial greenhouse gas emissions are covered by free ETS emissions allowances.)

ETS Benchmarks

Benchmark values are calculated on the basis of the performance of the 10% most efficient installations in the EU, and have yearly efficiency improvements rates, which are set between 0.2 % and 1.6% (art. 10a ETS Directive). ETS benchmarks are aimed to strengthen the incentives for GHG emission reductions and innovation and reward the most efficient installations

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THE ISSUES TO SOLVE

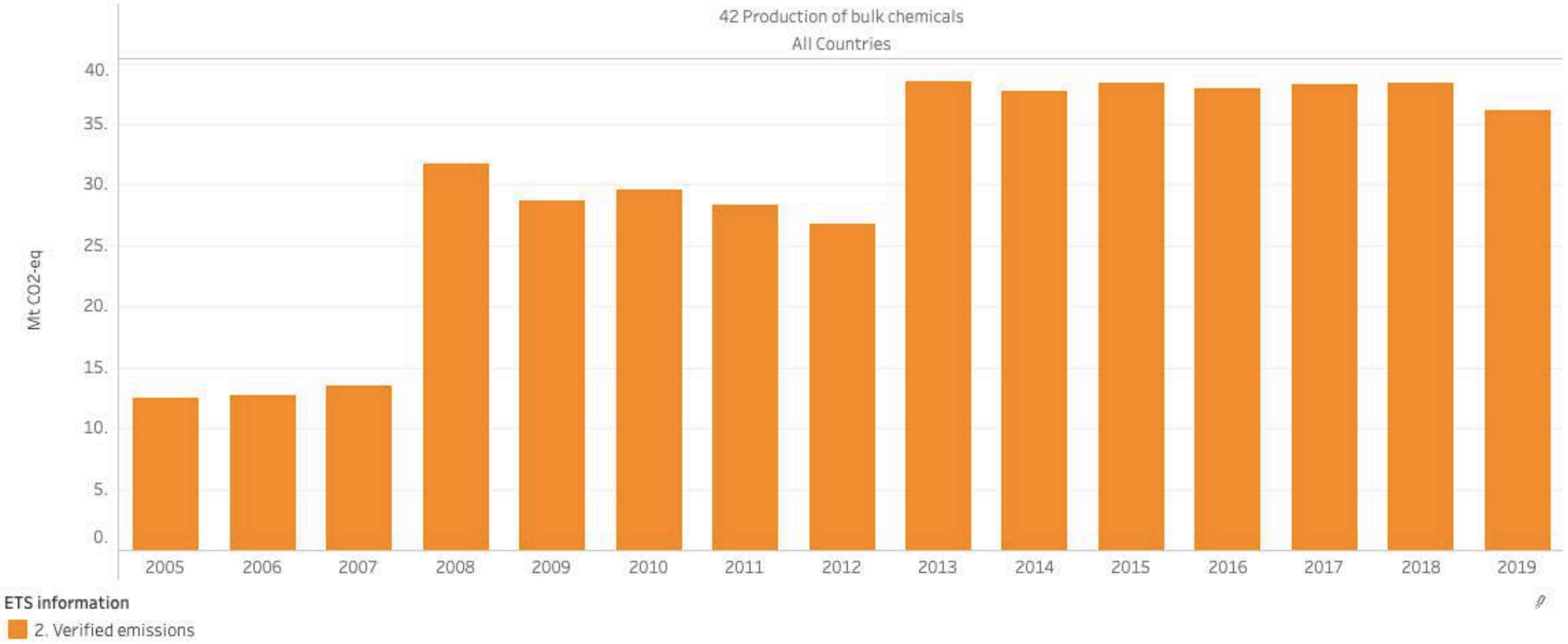
Tackle greenhouse gas emissions

IED tackles all pollutants in an integrated approach but does not address GHG. While protecting the environment, the IED does not address climate pollution directly.

EU ETS covers GHG but gives virtually no incentive for industry to decarbonise. ETS benchmarks are aimed at strengthening the incentives for GHG emission reductions and innovation and reward the most efficient installations. However, industrial emissions are stagnating…

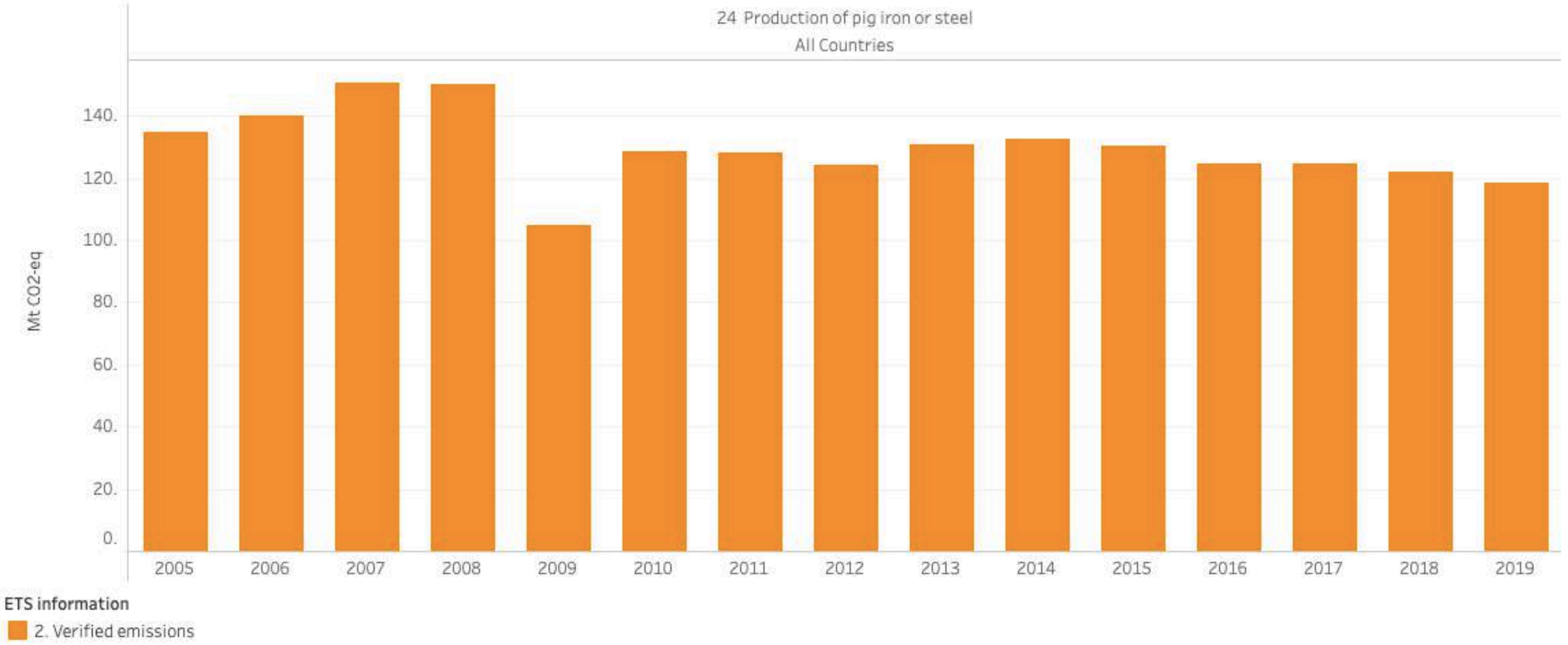
Bulk Chemicals

Historical Emissions



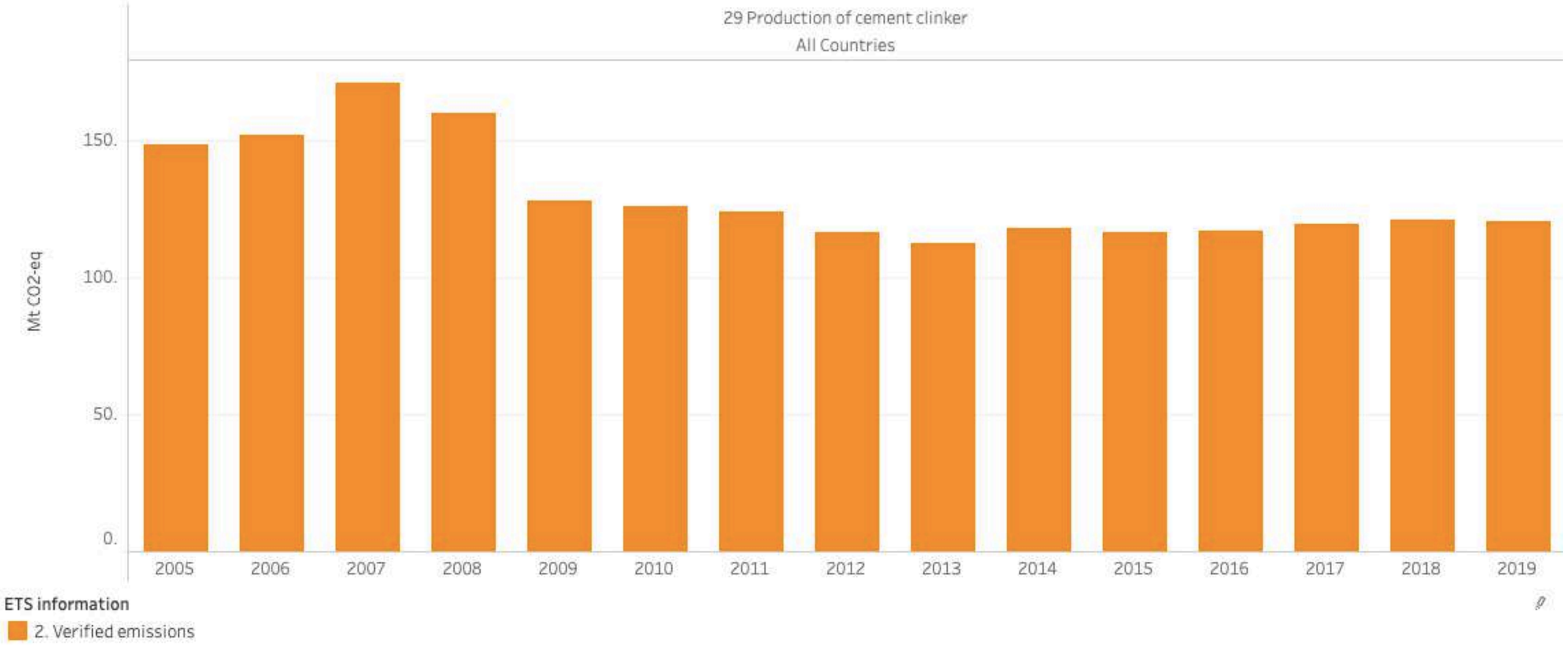
Steel

Historical Emissions

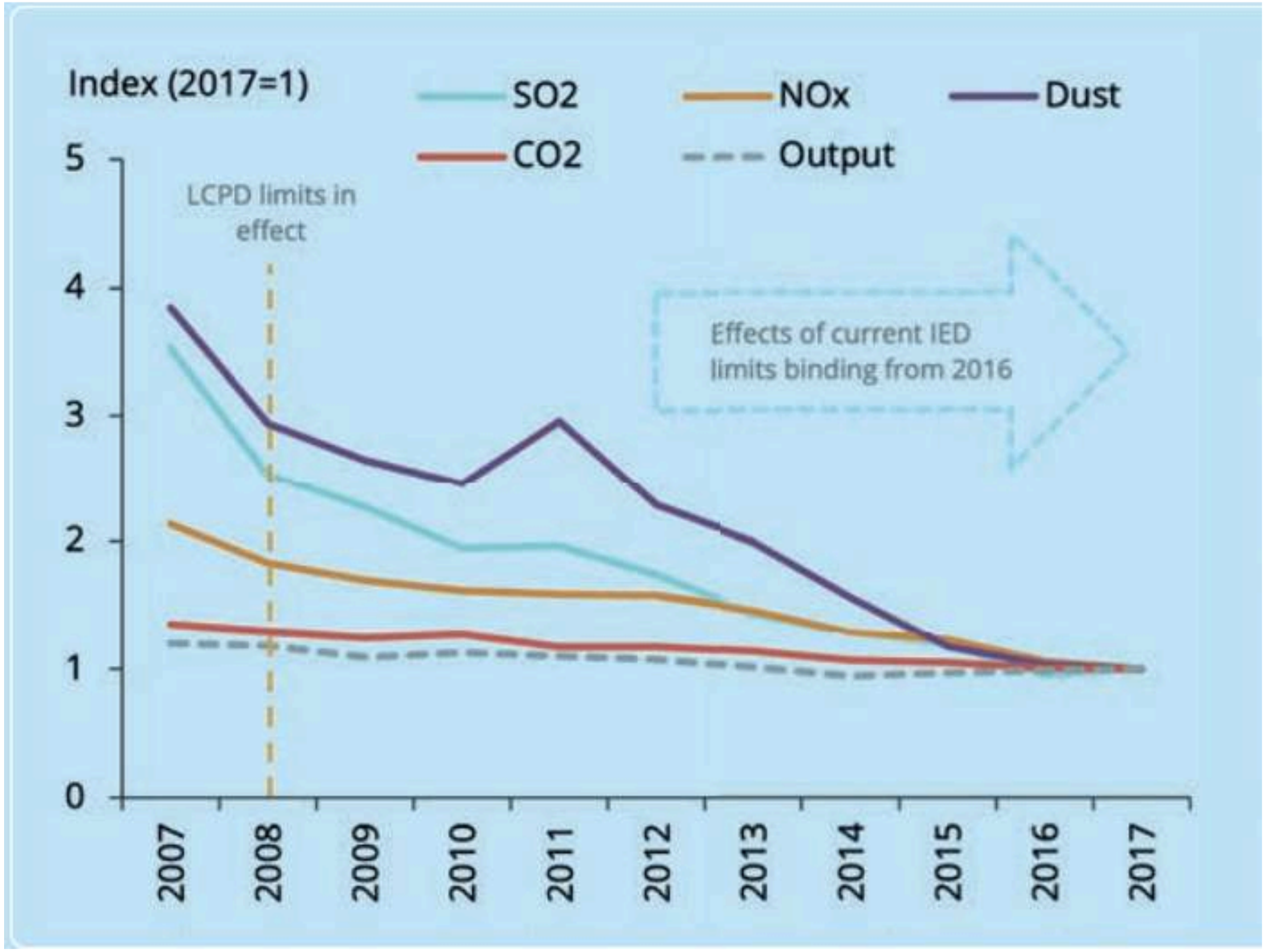


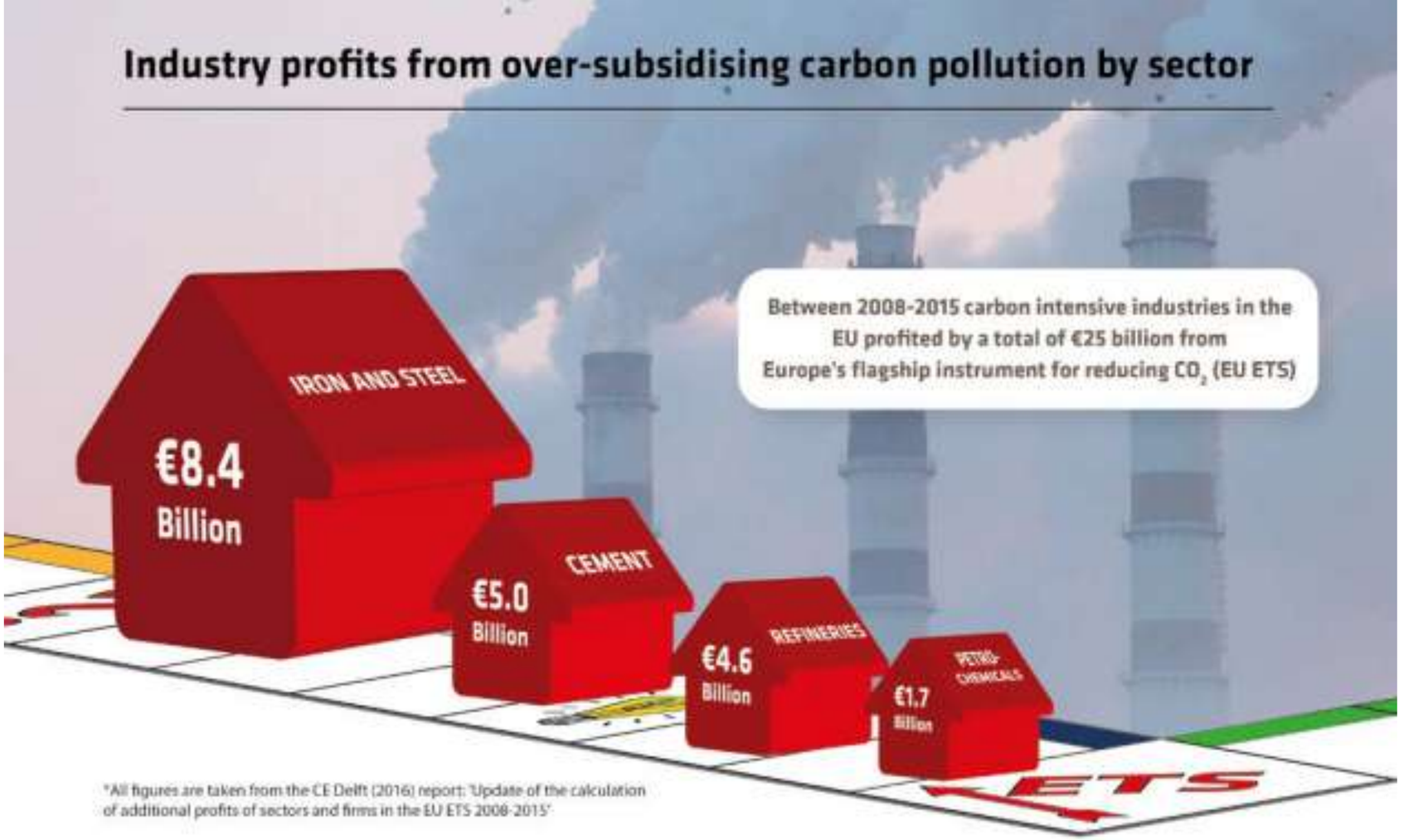
Cement

Historical Emissions



Large Combustion Plants





Sector	Windfall profits from surplus	Windfall profits from offsets	Windfall profits from minimum cost-pass through	Total windfall profits
Iron and Steel	€784 million	€ 239 million	€7,364 million	**€8.4 billion**
Cement	€2,729 million	€149 million	€2,083 million	**€5.0 billion**
Refineries	-€67 million	€86 million	€4,562 million	**€4.6 billion**
Petrochemicals	€774 million	€42 million	€901 million	**€1.7 billion**

THE ISSUES TO SOLVE

Energy efficiency

Many Best Available Techniques (BAT) Conclusions under the **IED** contain performance-based energy efficiency standards.

However, for activities covered by **EU ETS** the application of energy-efficiency standards is optional and at discretion of Member States.

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		Best available techniques *(performance based)*	Emission limit values / other permit measures	Pollution prevention	Polluter pays
Non-GHG	**IED**	Yes	Yes	Yes, but limited if end of pipe approach is taken	Not implemented / no provisions on leftover emissions
	ETS	Exempted	Exempted	Exempted	Exempted
Direct GHG	**IED**	Exempted	Exempted	Exempted	Exempted
	ETS	Not performance-based but market price	EU-wide cap	No prevention obligation	Partly implemented - over 90% of industrial emission are allocated for free to industrial installations[11]
Indirect GHG *(e.g. fuel choice, energy efficiency)*	**IED**	Yes, but often indicative or leaving fuel choice option open	Optional for member states	Optional for member states	Optional for member states
	ETS	Exempted	Exempted	Exempted	Addressed in part (EUA price) incentivising fuel switch and energy efficiency
Resource use	**IED**	Yes	Yes	Yes, but limited if end of pipe approach is taken	Not implemented / no provisions on leftover emissions
	ETS	Not addressed	Not addressed	Exempted	Exempted

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Policy Recommendations

Address GHG in a combined approach

Delete art. 9(1)

Delete IED Art. 9 to enable a combined approach of command and control (IED) as well as market-based instruments (ETS) to tackle GHG emissions

Amend art. 9(2)

Amend IED art. 9(2) to introduce minimal binding energy efficiency standards based on best in class solutions within a given industrial activity. Where already available, energy efficiency standards should be enforced.

GHG performance standard

Introduce GHG performance standards to achieve a complete coal phase-out in Europe by 2030, and industrial decarbonisation in line with achieving climate neutrality before 2050.

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IED Process

2020 - 2021

February 2020

IED evaluation and findings

21 April 2020

Deadline for feedback
on inception impact assessment

December 2020

Public consultation based on
questionnaire for 12 weeks

23 March 2021

Deadline for responding
to public consultation

4th Quarter 2021

European Commission
adoption


THANK YOU
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