

EU ETS and interaction with other policy instruments

Polish perspective

Ankara

06.11.2018



IOŚ-PIB

INSTYTUT OCHRONY ŚRODOWISKA
PAŃSTWOWY INSTYTUT BADAWCZY

Plan of the presentation

- **KOBiZE - The National Centre for Emissions Management**
- **Global perspective**
- **EU and local policies that has impact on EU ETS prices**
- **Polish perspective on climate and energy policy**



The National Centre for Emissions Management - KOBiZE

- **KOBiZE as a part of Institute of Environmental Protection – National Research Institute (IOS - PIB) is responsible for emissions management and administration of EU ETS in Poland under the supervision of the Ministry of Environment.**
- **Administration of the EU ETS:**
 - ✓ Allocation of free allowances
 - ✓ Monitoring and verification
 - ✓ Reports related to the system
 - ✓ Administration of EU Registry
 - ✓ Auctions
- **Management of national emissions:**
 - ✓ Database with information on the emitters (not only GHG)
 - ✓ Reporting under UNFCCC and other conventions
 - ✓ Active negotiators within UNFCCC process (COP)



COP 24 in Katowice

Paris Agreement implementation

Adoption of a package of decisions ensuring the full implementation of the Paris Agreement

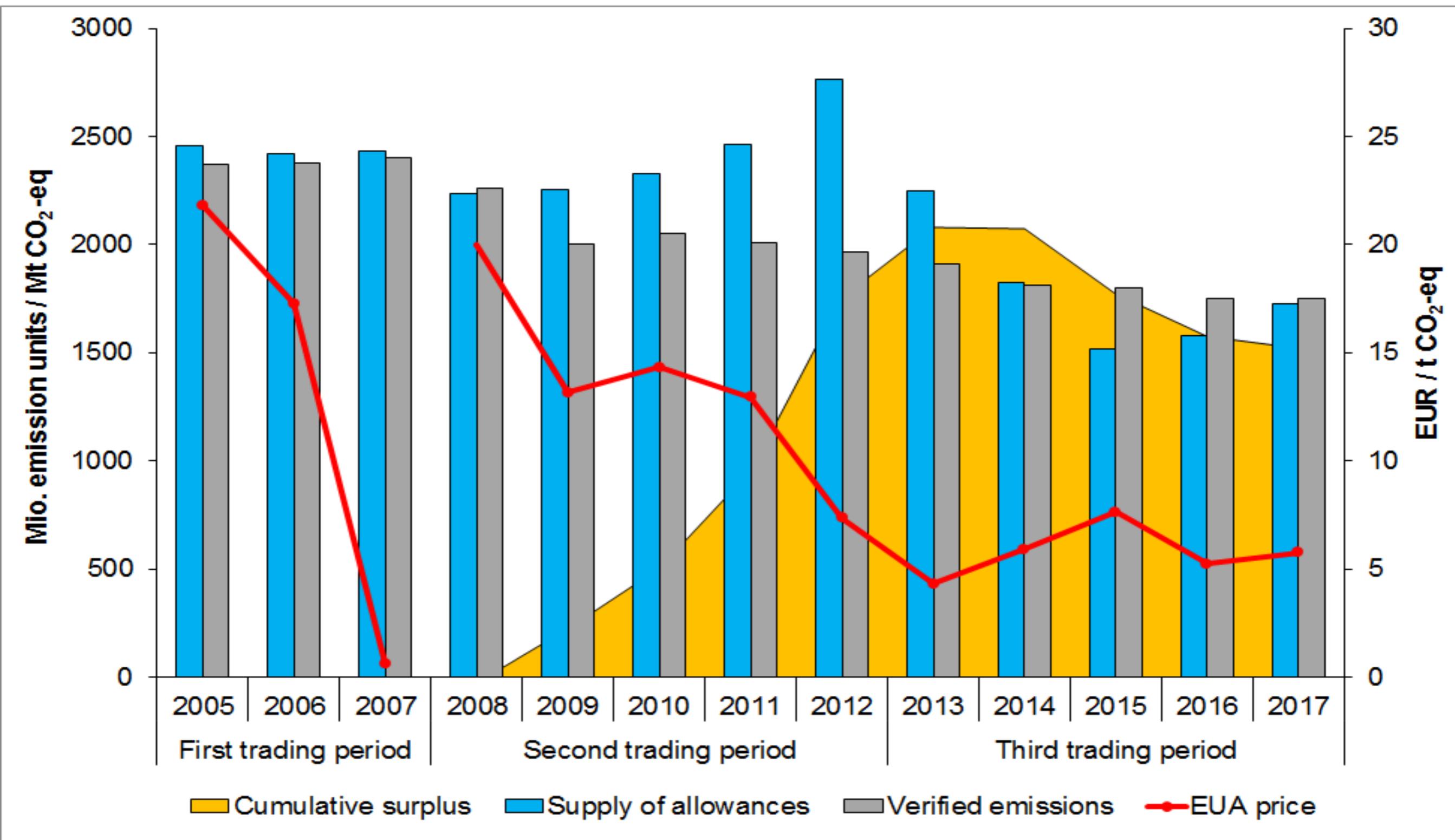
Technology - development of climate-friendly
modern solutions, such as electromobility;

Man - solidary and just transition of industrial regions;

Nature – supporting achieving climate neutrality by
absorbing CO₂ by forests and land, or by water
management.



EUA situation on the EU ETS market



Source: EEA

**Original expected
demand for EUAs**



**Current demand
for EUAs**

EU policies:
Energy efficiency
Renewable energy
LCPD & IED*

Other reason:
Economic crisis and
low activity
Use of offsets (CDM/JI)
Use of ETS revenues
*Energy taxes and
subsidies*

MS policies:
Coal phase out

Carbon price
floor

Performance
standards (EPS)



Carbon prices in the EU ETS 2008 - 2018 [euro/EUA]



Source: KOBIZE, price data from the OTC market and stock exchanges Bluenext, EEX, Nordpool, ICE / ECX

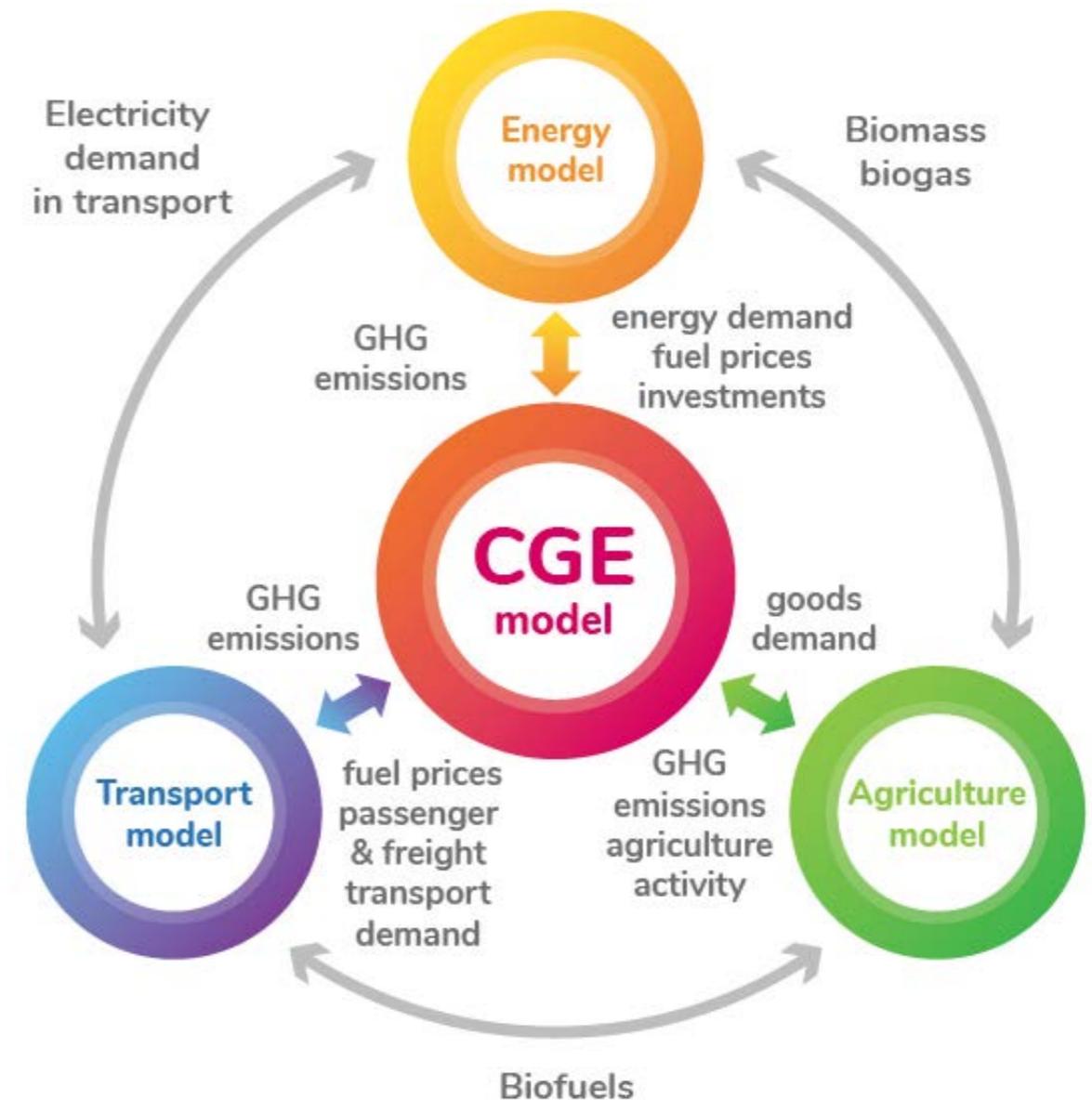
Challenges for the EU ETS

- **Implementation of climate & energy package is a great challenge to EU MS's (also legislative and administration):**
 - ✓ number of implementations documents (regulations; decisions; guidelines) to be implemented at MS's level;
 - ✓ high complexity of implemented solutions;
 - ✓ interactions between different EU policies (EU ETS/non-ETS/RES/EE).
- **Climate change policy could help to faster the economic development in sustainable manner**
- **But also can cause distortions in current economic performance (high emission intensive sectors of the economy) and other energy and climate policies (RES, EE)**
- **Policy decision on which path to choose has to be made based on complex analyses**

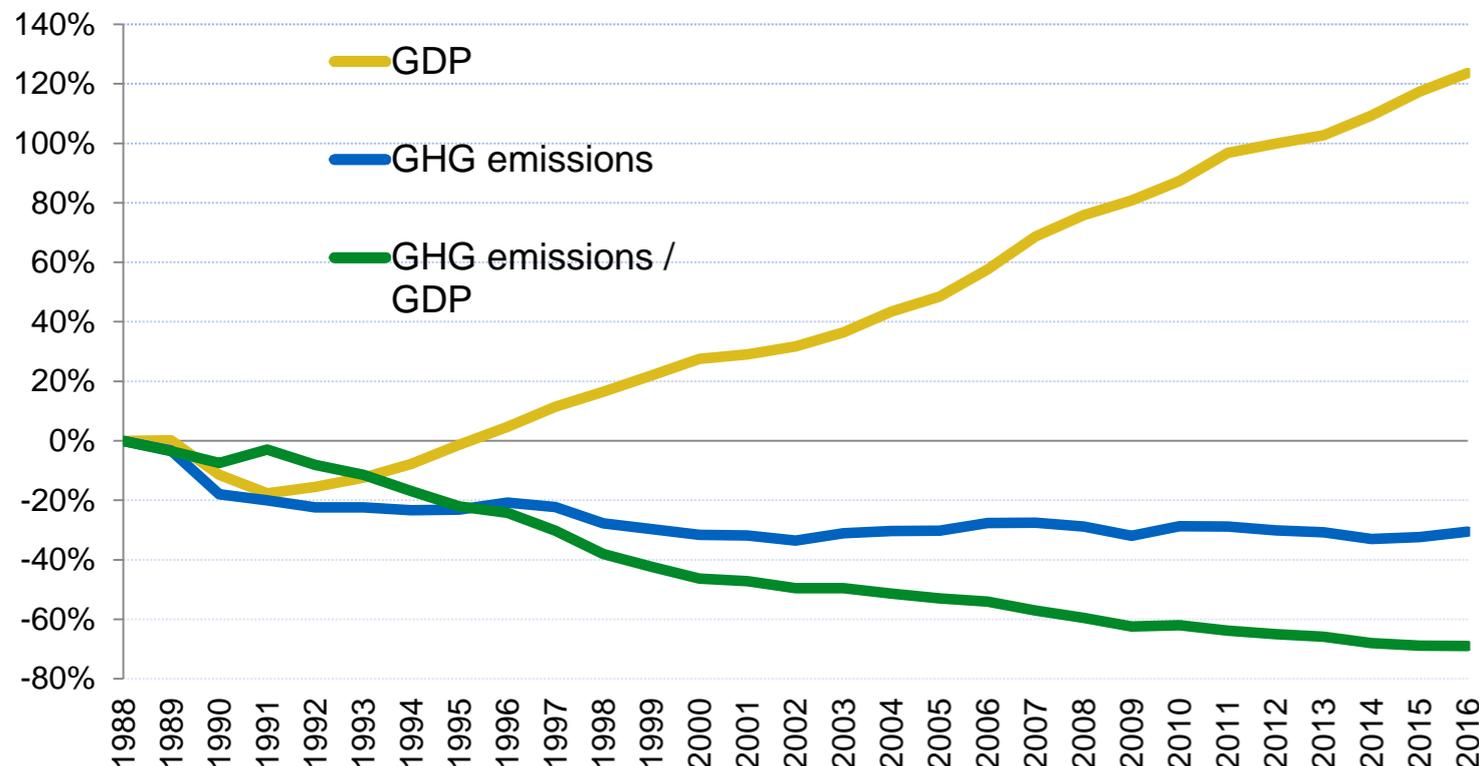


LIFE Climate CAKE PL

- **TITLE:** Building a system of providing and disseminating information supporting the implementation of the EU's climate and energy policy
- **PROJECT LOCATION:** Warsaw, Poland
- **PROJECT IMPLEMENTER:** Institute of Environmental Protection/National research Institute - National Centre for Emissions Management
- **DURATION:** 01/09/17 – 30/11/20
- **BUDGET:** 2,4 mn euro



POLAND - Decoupling emissions from economic growth



In the period 1988-2016, Poland's GDP have doubled and in the same time around 30% reduction of GHG emissions has been achieved.

Over the past twenty years Poland has come a long way – from an economy based on central planning with inefficient industry and agriculture and poorly developed services to a market economy which has taken its place amongst the ranks of developed countries.

The Polish success in decoupling economic growth from GHG emissions is significantly higher than the European average.



Challenges in Poland - climate and energy policy

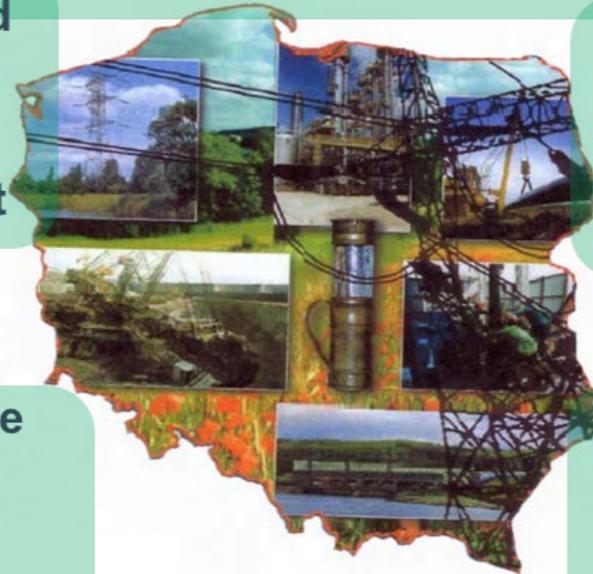
Inadequate level of fuel and
energy generation and
transportation
infrastructure development

High energy demand for
the developing economy

Significant dependence on
the external supply of
natural gas

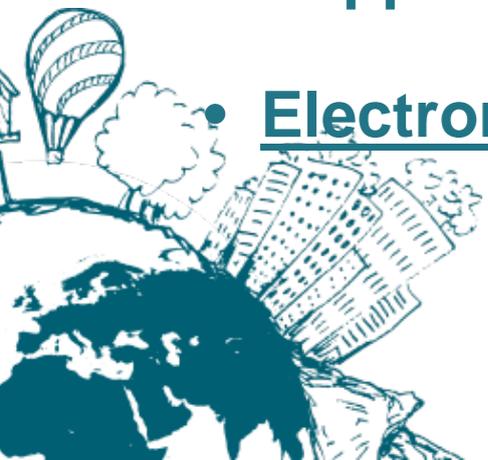
Obligations related to the
natural environment
protection, inclusive of
these concerning the
climate

Almost full dependence on
external supply of crude oil

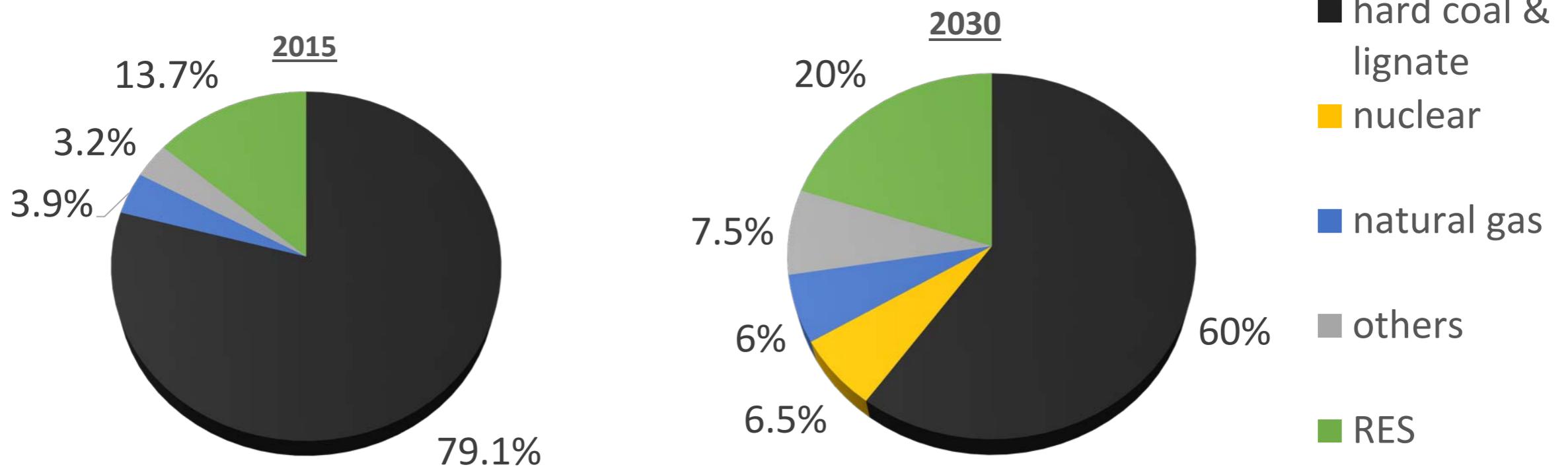


Main directions – climate and energy policy

- Energy efficiency will remain the priority of the energy policy
- The role of RES will increase according to EU policy but further development of RES will depend on achieving economic and technological maturity
- Hard coal and lignite will remain basic fuels for power generation - around 50% of electricity will be produced in 2050
- Supporting investments in electricity generation (capacity market)
- Nuclear Energy Program will be implemented (1st power plant in 2030)
- Diversification of routes of gas supply: LNG, Norway, Denmark
- Reducing CO₂ emissions – EU 2030 goals
- Support of high-efficiency cogeneration
- Electromobility



Electricity generation [%]



- Emissions are projected to gradually decline due to **phasing out coal, cogeneration and RES development**. The share of RES in final energy consumption will be the result of cost efficiency and the possibility of balancing energy in the national electricity system.
- However, a significant decrease will be achieved after introducing nuclear energy.

Transformation of coal regions

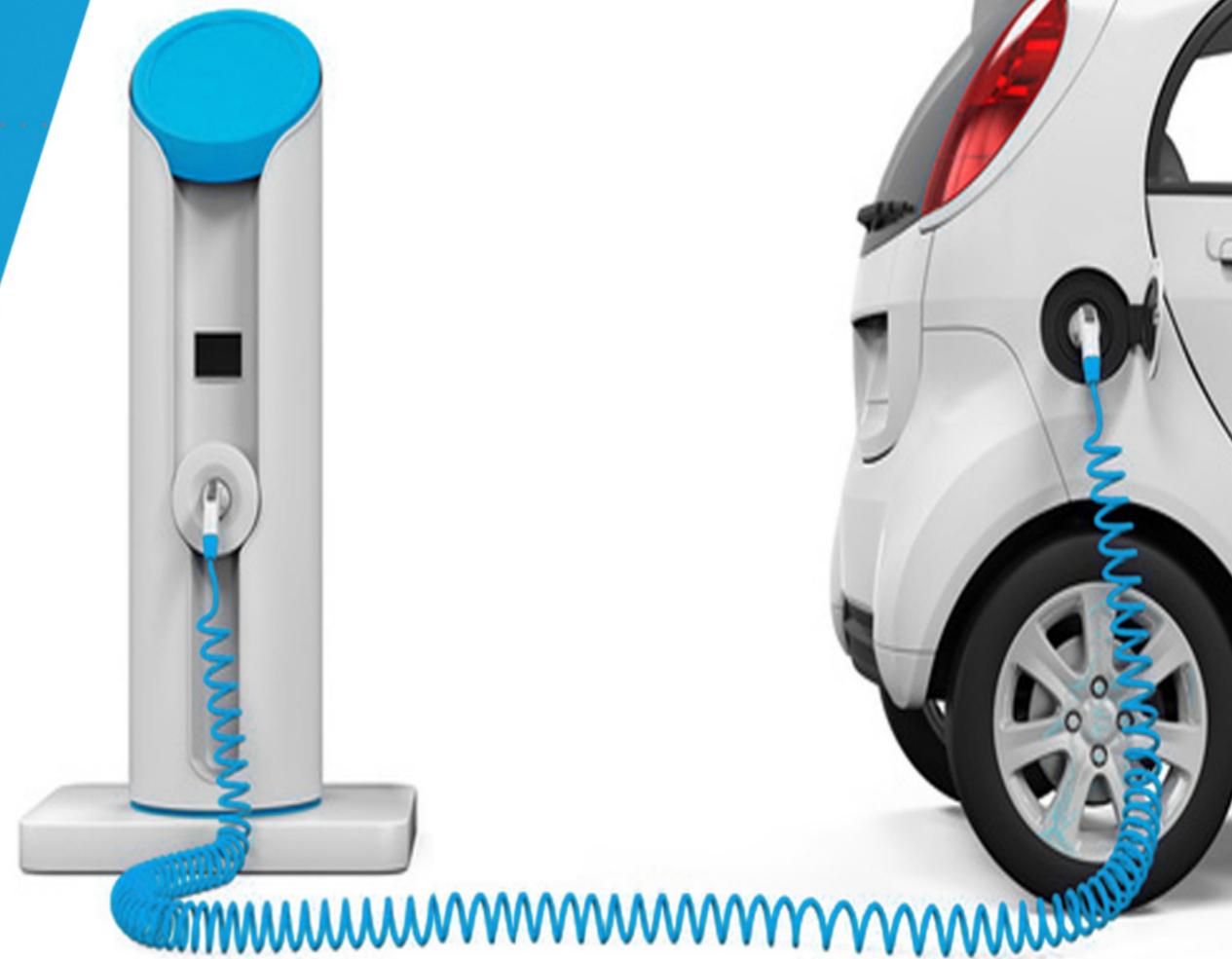
- **The European Commission launched the Platform on Coal Regions in Transition in December 2017.**
- **"Program for Silesia" aimed at bringing in the long term (2030) to change the economic profile of the region and gradually replace traditional sectors of the economy, such as mining and metallurgy, with new enterprises in the more productive, innovative and technologically advanced sectors.**
- **08.02.2018: the European Commission accepted amendments to the state aid program for the hard coal mining sector for the years 2015-2023.**



Electromobility

Already made:

- The Plan for Development of the Electromobility and the National Policy Framework for Alternative Fuels Infrastructure Development 03/2017
- The competition for a Polish electric car 09/2017
- The Act of 11 January 2018 on Electromobility and Alternative Fuels



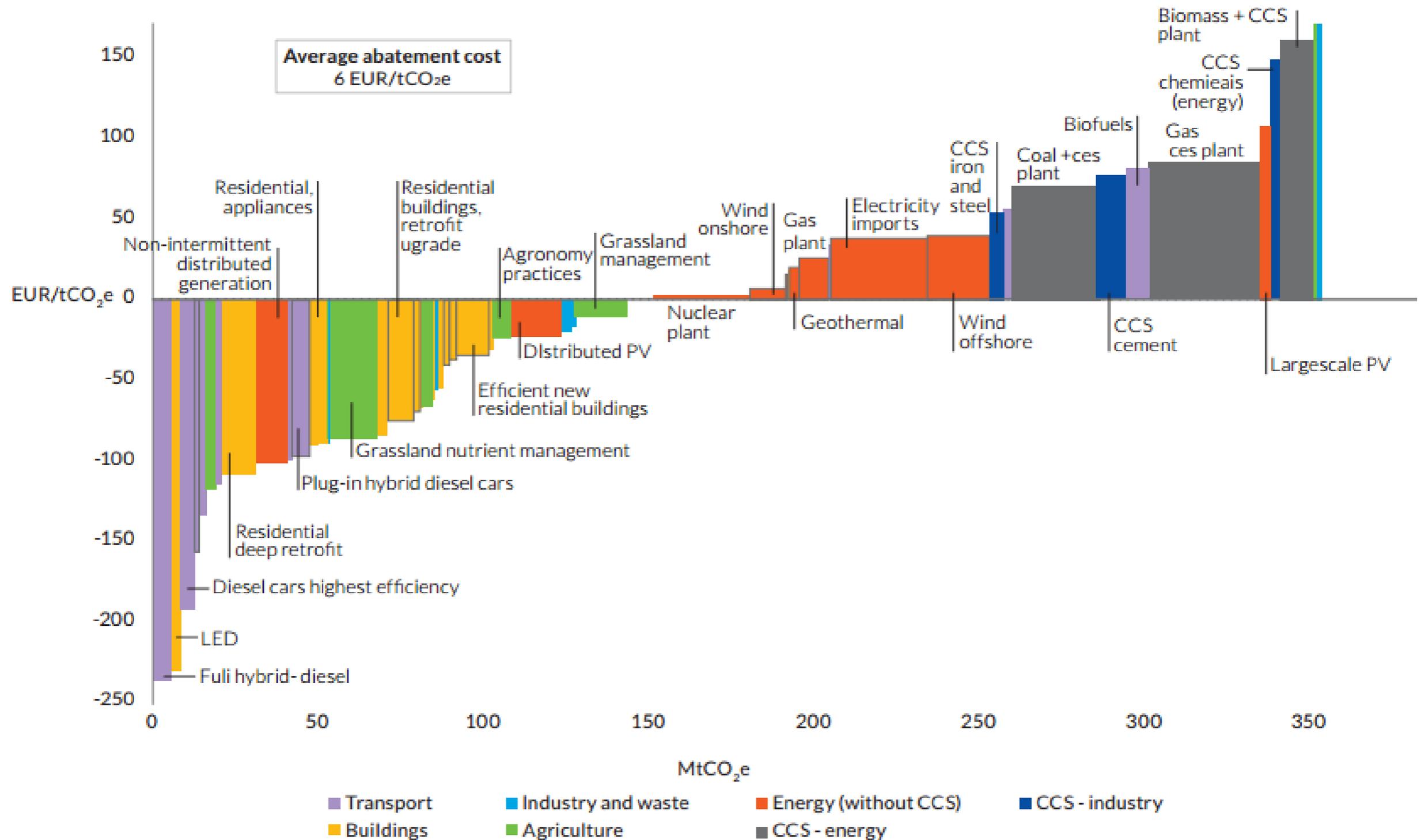


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Clean Air priority programme

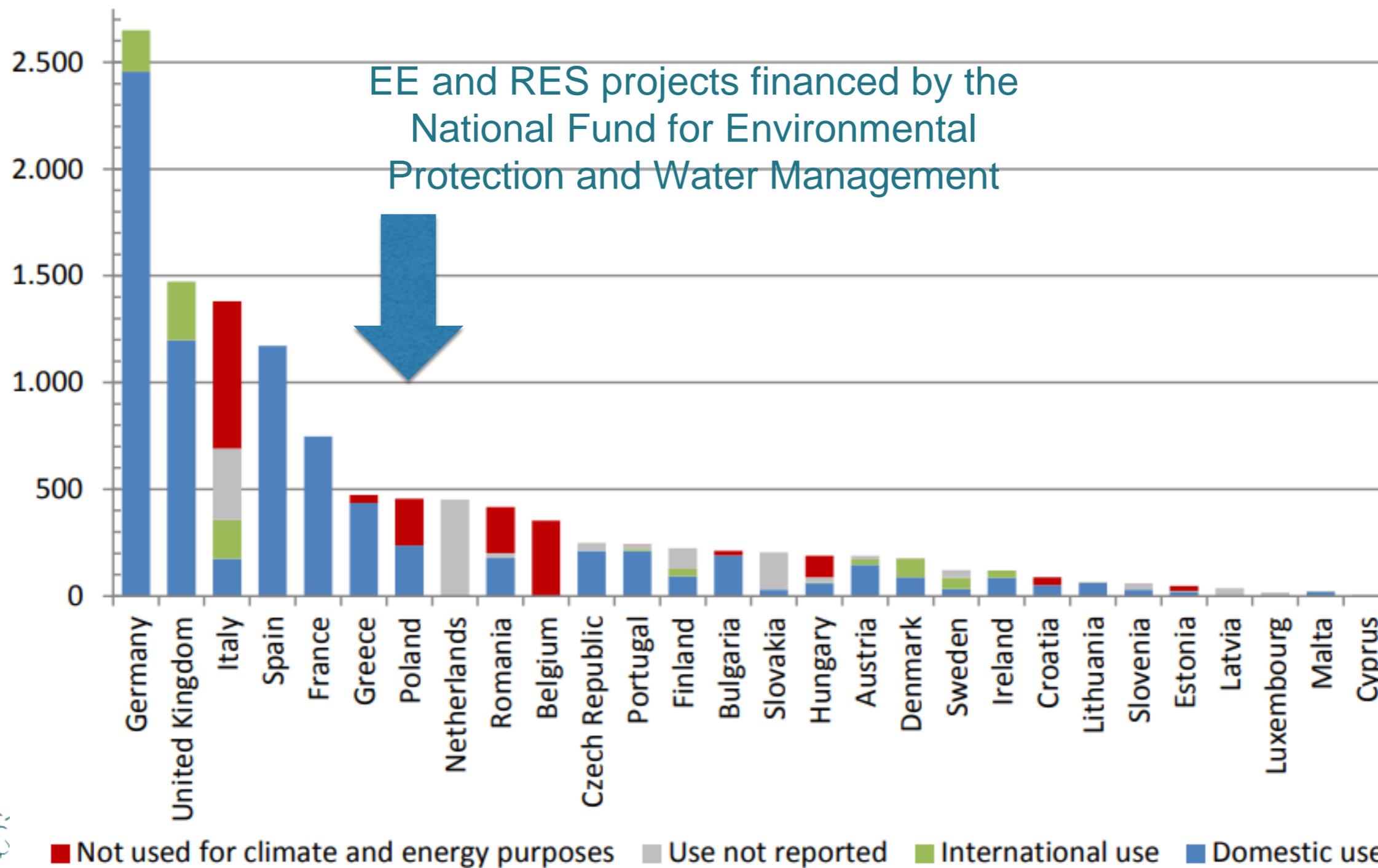
- **AIM: improving air quality – problem of smog in cities and industrial areas**
- **103 billion PLN by 2029**
- **For existing single-family residential buildings, the programme will finance the replacement of old-generation coal-fired heat sources with heat distribution substations, solid fuel boilers (coal or biomass), electric heating systems, condensing gas boilers and heat pumps. Additionally, the scope of the project may include thermal insulation of buildings and using renewable heat and electricity sources, for example solar thermal collectors and photovoltaic micro-installations.**
- **In newly constructed residential buildings, co-financing will cover the purchase and installation of: heat distribution substations, solid fuel boilers, electric heating systems, condensing gas boilers and heat pumps.**
- **IMPORTANT: changing awareness of the society**

Costs of emissions reductions in 2050 in PL



Source: : InE-IBS

Overview of the use of auctioning revenues – total 2013-2015 (000 EUR)



Source: EC

New financing sources and ideas to use revenues

- Innovation Fund
- Modernisation Fund
- Derogation
- UE funding (NFOŚiGW)
- Compensations for industry
- Compensation for households



Conclusions

- **ETS is a powerful tool in climate change mitigation,**

but...

- **A package of energy and climate policies is generally necessary to cover the full range of actions needed to reduce emissions most cost-effectively**
- **The introduction of a carbon price is a good time to review existing energy policies for consistency amongst themselves and with the carbon price**

and

- **Policy packages should be regularly reviewed to maintain coherence over time.**



Thank you !

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#ŚrodowiskoŻyciem

