

Polish outlook and reflections on EU ETS

Workshop: „The role, state and future development of EU ETS”

Robert Jeszke, KOBiZE

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Presentation outline

- ▶ **Situation in PL – economy and emissions outlook**
- ▶ **Allocation in phase III**
- ▶ **Costs**
- ▶ **Reflections**
- ▶ **State of play**



GHG emissions in Poland – background information

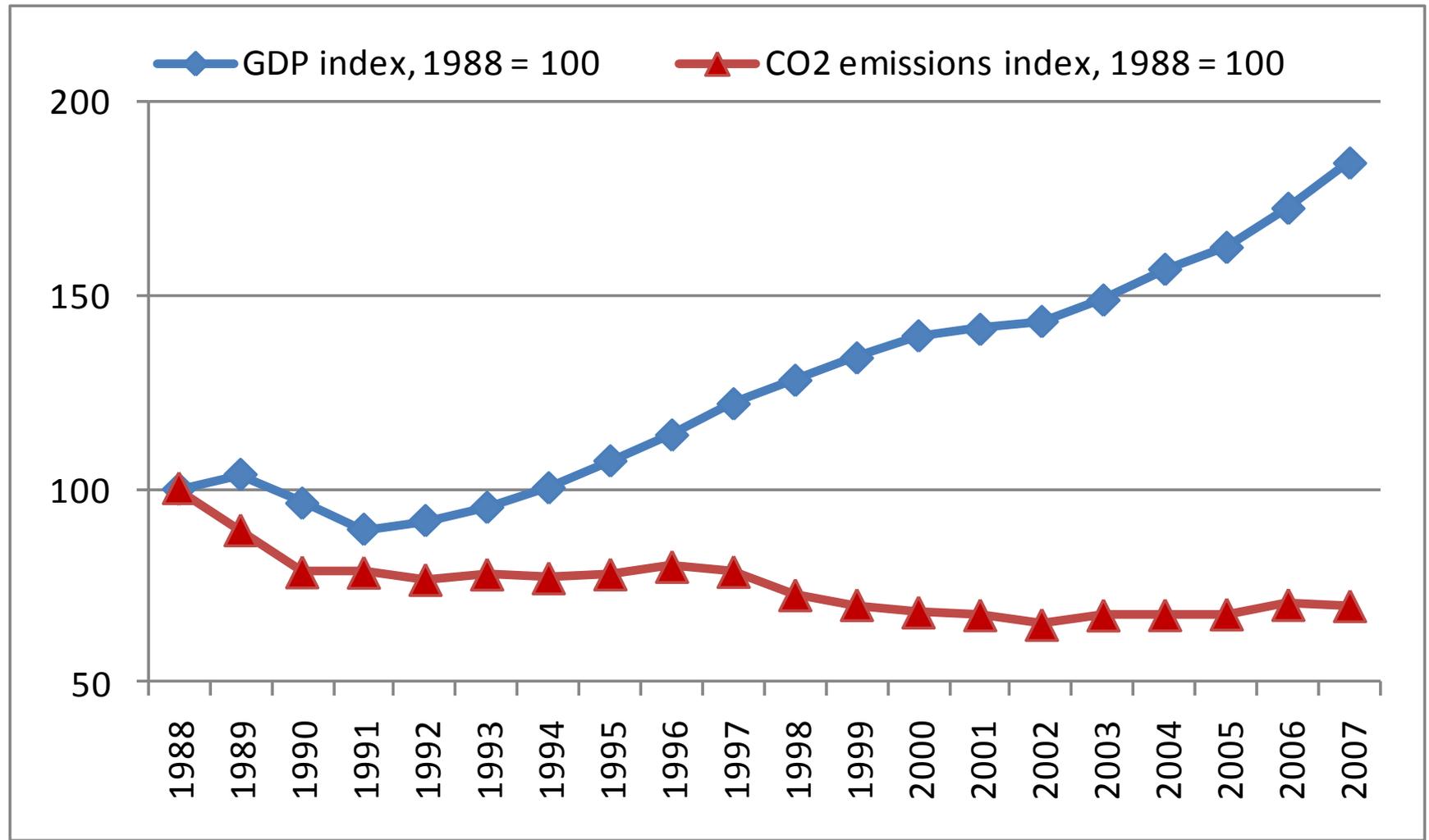
- ▶ **Kyoto target: -6% (reference year 1988)**
 - ▶ almost 30% reduction achieved until now
 - ▶ 564,6 tons CO₂ (1988) - 402,5 tons CO₂ (2010)

- ▶ **EU ETS in Poland:**
 - ▶ **II period (2008-2012):**
 - 838 installations
 - 208.515 mln allowances
 - no auctioning so far (but envisaged)

- ▶ **Decoupling:**
 - ▶ **Visible decoupling between CO₂ emissions and GDP growth**

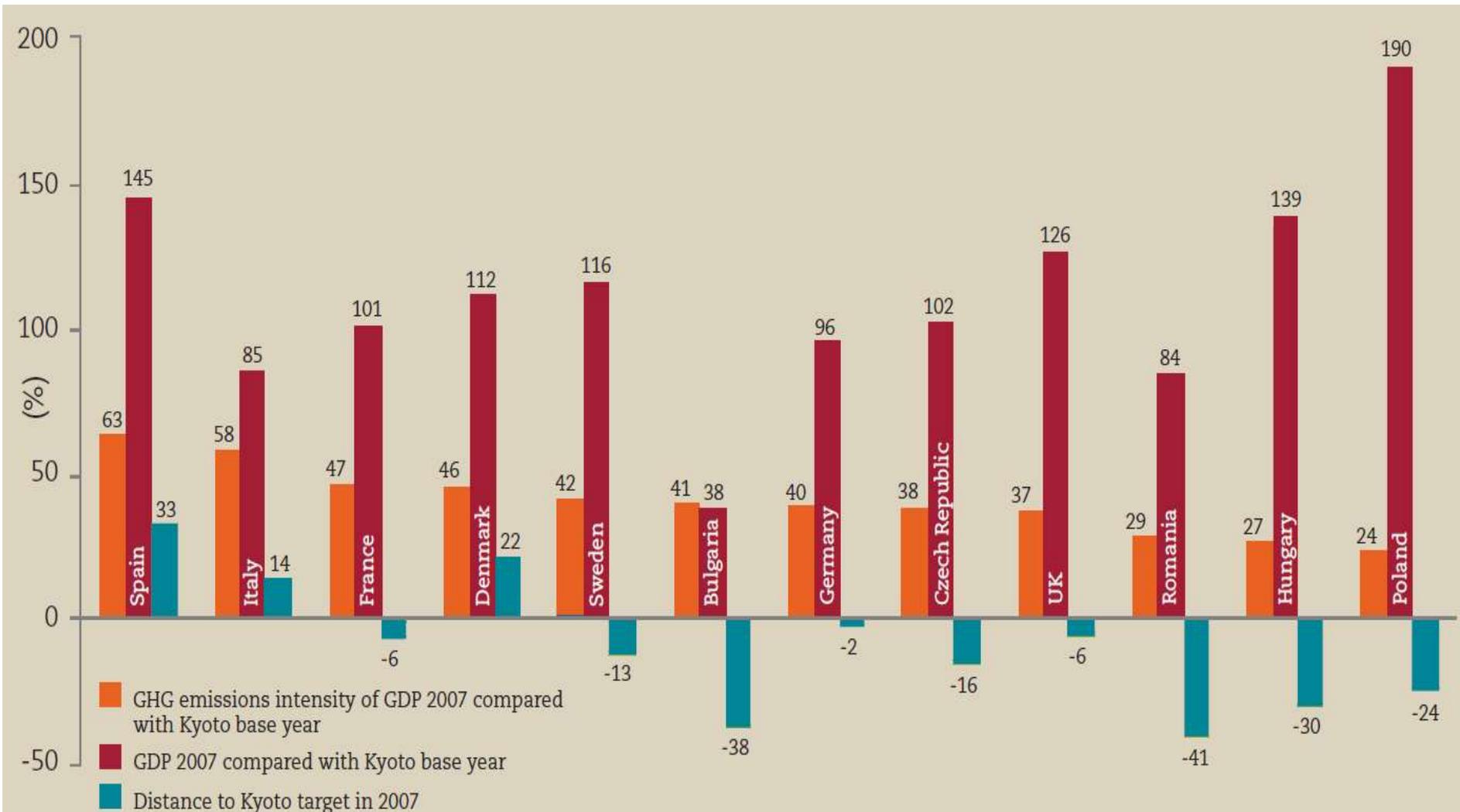


Economic growth and GHG emissions in Poland, 1988-2008



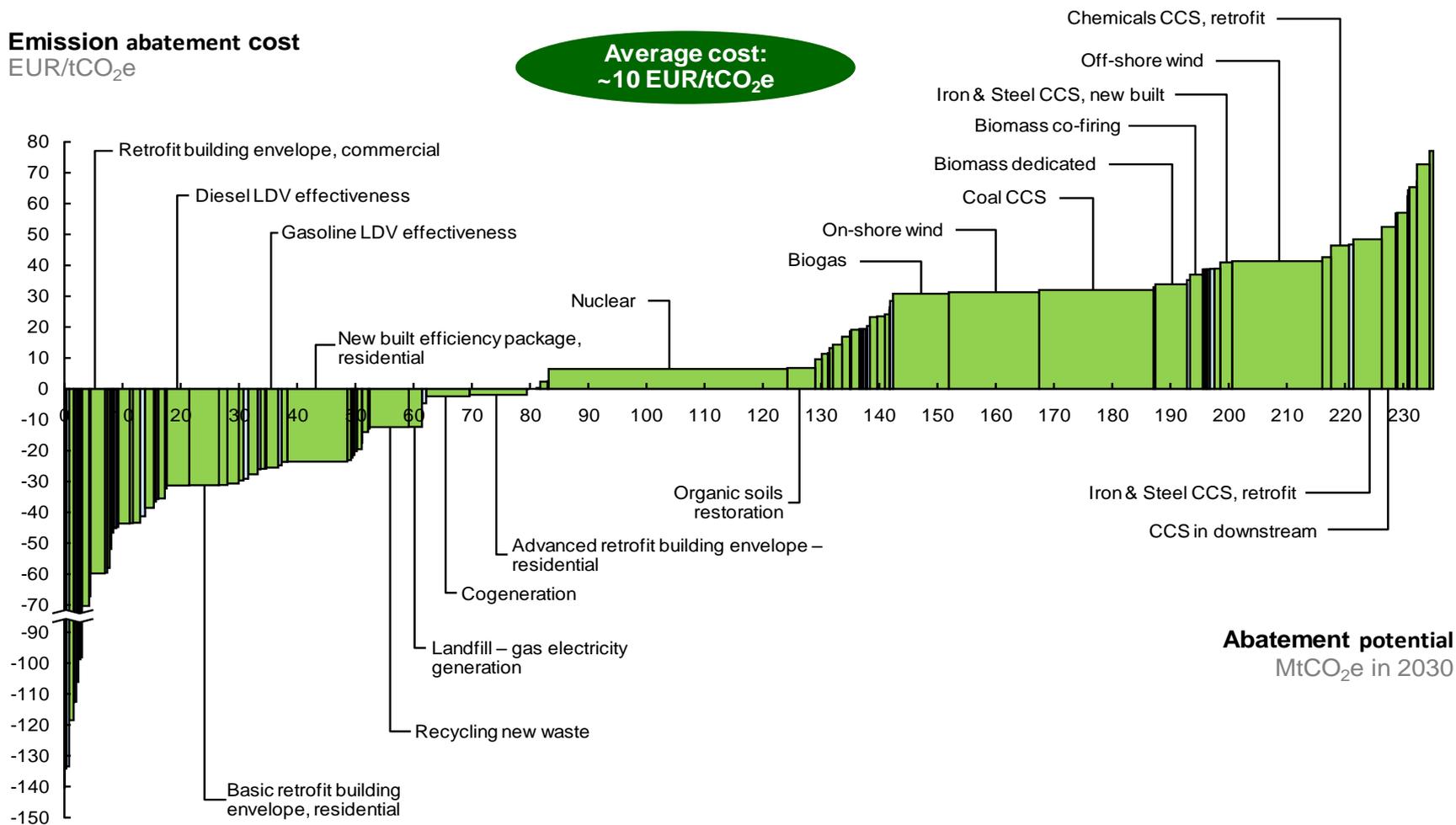
Source: Eurostat

Progress towards meeting Kyoto protocol targets, changes in GDP values and changes in GHG emission intensity of GDP for selected EU countries: Kyoto protocol base year–2007

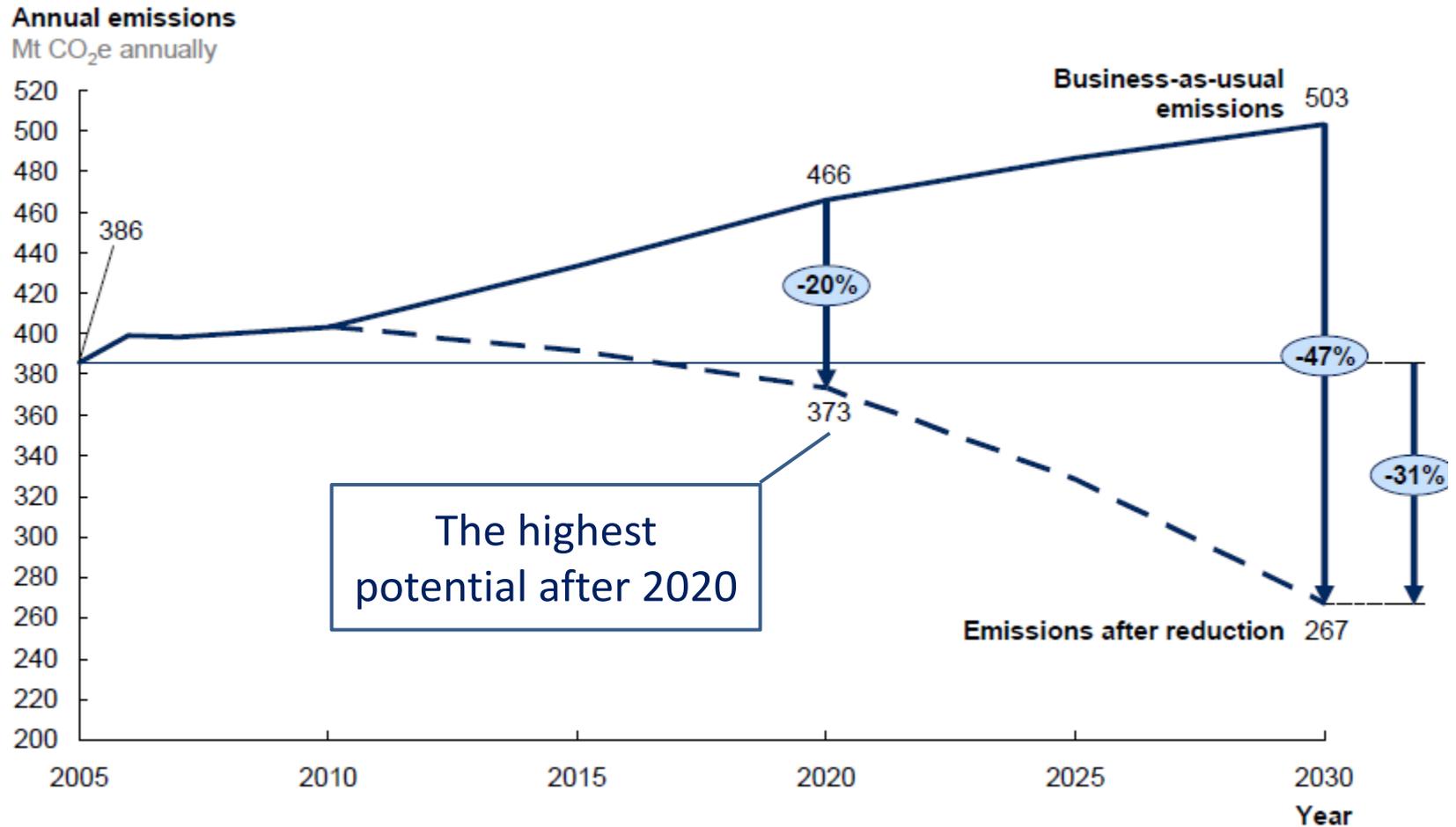


► Source: A. Błachowicz, R. Jeszke, W. Jaworski *A fair deal for all*, TradingCarbon, 2010; data: EEA (2009), IMF (2009)

Emission reduction curve for Poland (in 2030 perspective)



Emissions reduction potential relative to business-as-usual baseline

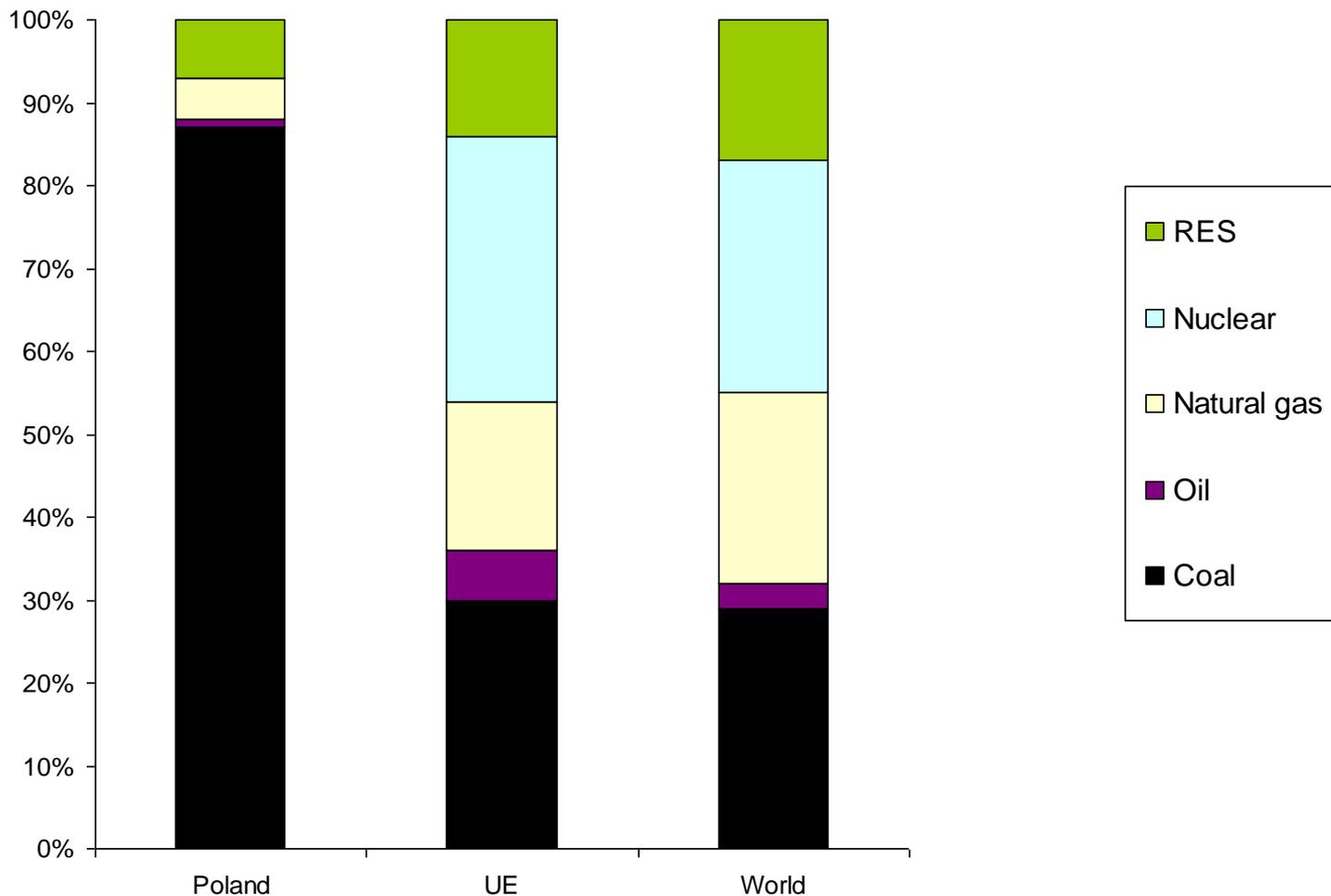


Current economic situation in Poland

- ▶ **GDP growth rate positive**
- ▶ **Need for a new trigger to maintain the growth rate**
- ▶ **Main concerns:**
 - ▶ Social situation
 - ▶ Unique energy mix
 - ▶ Possible impact of EU ETS – energy prices, carbon leakage
 - ▶ Power poverty

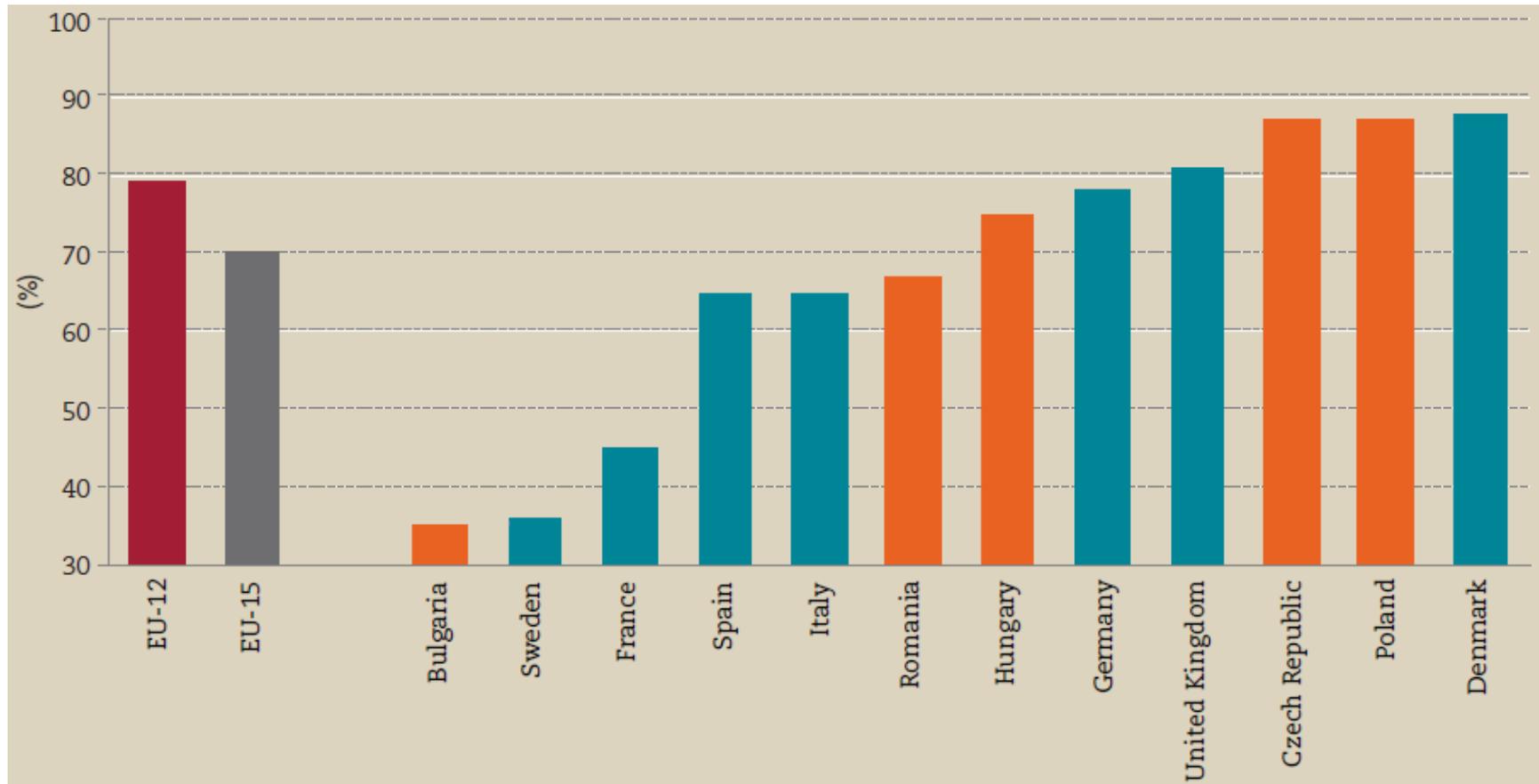


Electricity generation by sources in 2009



Source: Eurostat

Share of emissions from fuel combustion installations in EU ETS for selected countries (2005-2008)



► Source: A. Błachowicz, R. Jeszke, W. Jaworski *A fair deal for all*, TradingCarbon, 2010; data: EEA (2009), IMF (2009)

Allocation in III phase

▶ Polish concerns:

- ▶ Fuel specific benchmarks
- ▶ Benchmarks definition (not taking into account technology, regional situation, quality of the raw material)
- ▶ Derogation 10c (lower impact on electricity prices)

▶ Threats:

- ▶ Heat benchmark (based on natural gas)
- ▶ District heating (switch to non-ETS, increase in low emissions)
- ▶ Paper sector (based on heat production from coal)



Impact of new rules in phase III on allocation in Poland



Source: KOBiZE

Costs

- ▶ Needs huge investment in the power sector - estimated around 100-300 bln PLN (25-75 bln €) until 2020 (Fitch; EIB)
- ▶ Potential cost of buying additional allowances in the period 2013-2020 will be approximately 70 bln PLN (17,5 bln €)

Additional costs for Poland in case of increasing the target to:

-25% is 0,76% GDP

-30% is 0,69% GDP (lower because of additional measures)

[IA to Beyond 20% EC Communication]



Reflections (1)

▶ Finance

- ▶ Auctioning revenues → Unknown amount due to current carbon price circumstances and the final amount of free allocation
- ▶ New state aid rules (limited scope of application)
- ▶ Possible distortions:
 - ▶ Revenue recycling capability
 - ▶ Efficiency of expenditure
- ▶ Support for innovative low-carbon technology (not enough for CCS)



Reflections (2)

- ▶ **EU ETS vs. non-ETS**
 - ▶ **GHG emissions cannot be treated separately**
 - ▶ **EU ETS and non-ETS are linked – need for deeper recognition in EU climate policy**
 - ▶ Lack of operationalisation of art. 24a (DoP's)
 - ▶ Lack of solutions for AAUs surplus
 - ▶ Global offset treatment (JI/CDM)
 - ▶ **New EU financial perspective underlines this link**



State of play

Climate policy raising importance in the EU?

- ▶ **Even during the economic crisis most of the MS's recognise climate change as an important issue**
- ▶ **New financial perspective in the EU (2014-2020)**
 - ▶ new notion and importance of climate policy within other EU policies
 - ▶ climate policy goals incorporated in almost all European economy sectors (Cohesion fund, CAP, R&D)
 - ▶ almost the same time frame as III EU ETS trading period (2014-2020)
- ▶ **Lack of international agreement**
- ▶ **New Roadmaps still on the table...**



EU ETS as a new trigger for economy development?

- ▶ **Climate change policy could help to faster the economic development**
- ▶ **But also can cause distortions in current economic performance (high emission intensive sectors of the economy)**
- ▶ **Need for developement of policy areas related to climate change**
- ▶ **Need for analyse how to use EU ETS within climate change policy as a key element of a modern economic growth (sustainable development)**
- ▶ **Improvements for EU ETS should be done in complex manner**



Thank you!

Robert Jeszke

Head of Strategy and Analysis Unit

The National Centre for Emission Management (KOBiZE)

e-mail: robert.jeszke@kobize.pl

ph. +48 22 56 96 570

