

Offsets and the EU ETS

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What is Sandbag Climate Campaign?

- Sandbag is a UK based not-for-profit campaigning organisation focused on the issue of emissions trading.
- Our view is that if emissions trading can be implemented correctly, it has the potential to deliver the deep cuts in carbon emissions the world so badly needs to prevent the worst impacts of climate change.



International Offsets and the EU 2009

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



July 2010

What does Sandbag do?

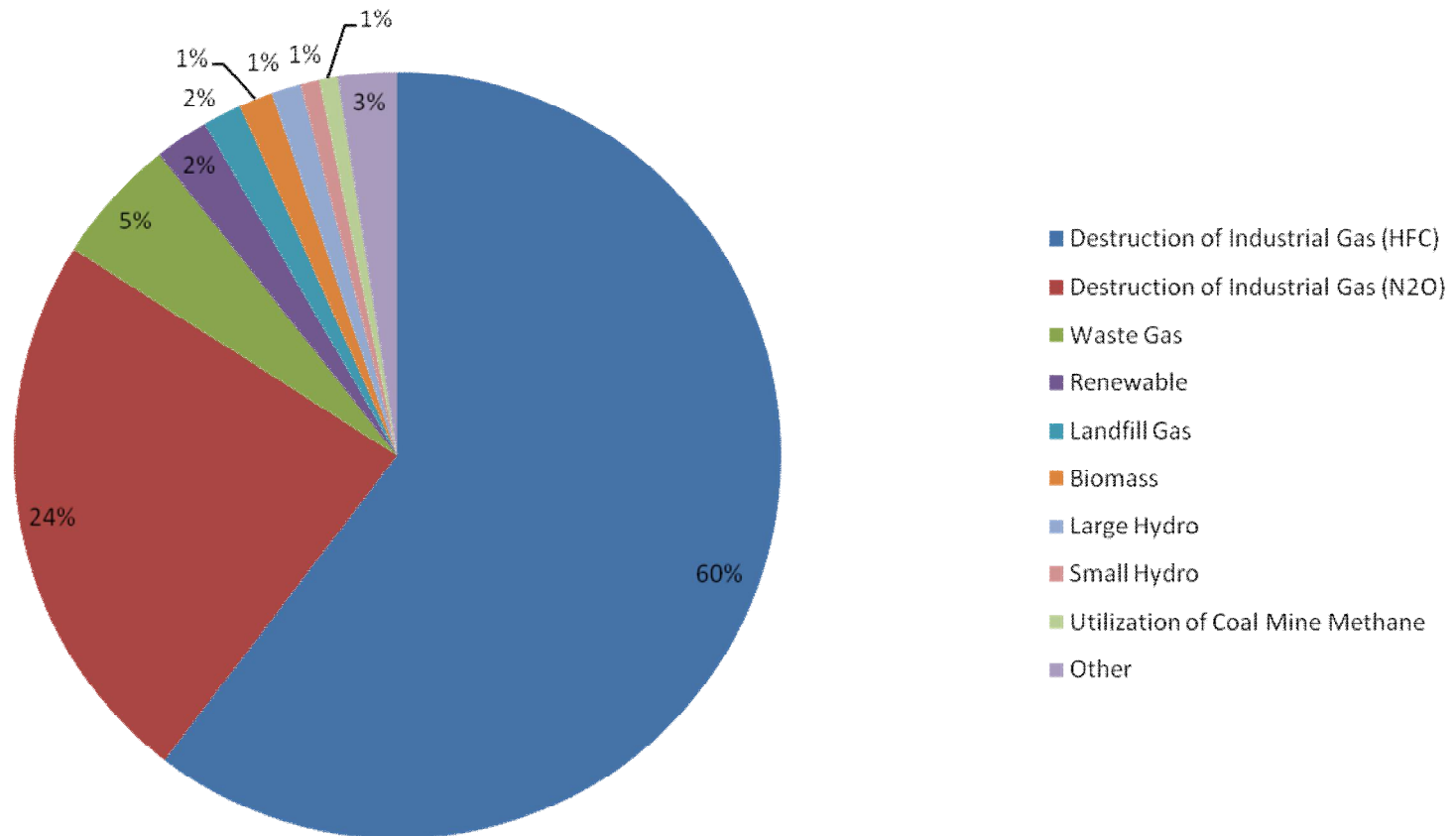
- Data analysis
- Report writing
- Public engagement
- Visualisation

Sandbags, offsets and the EU ETS

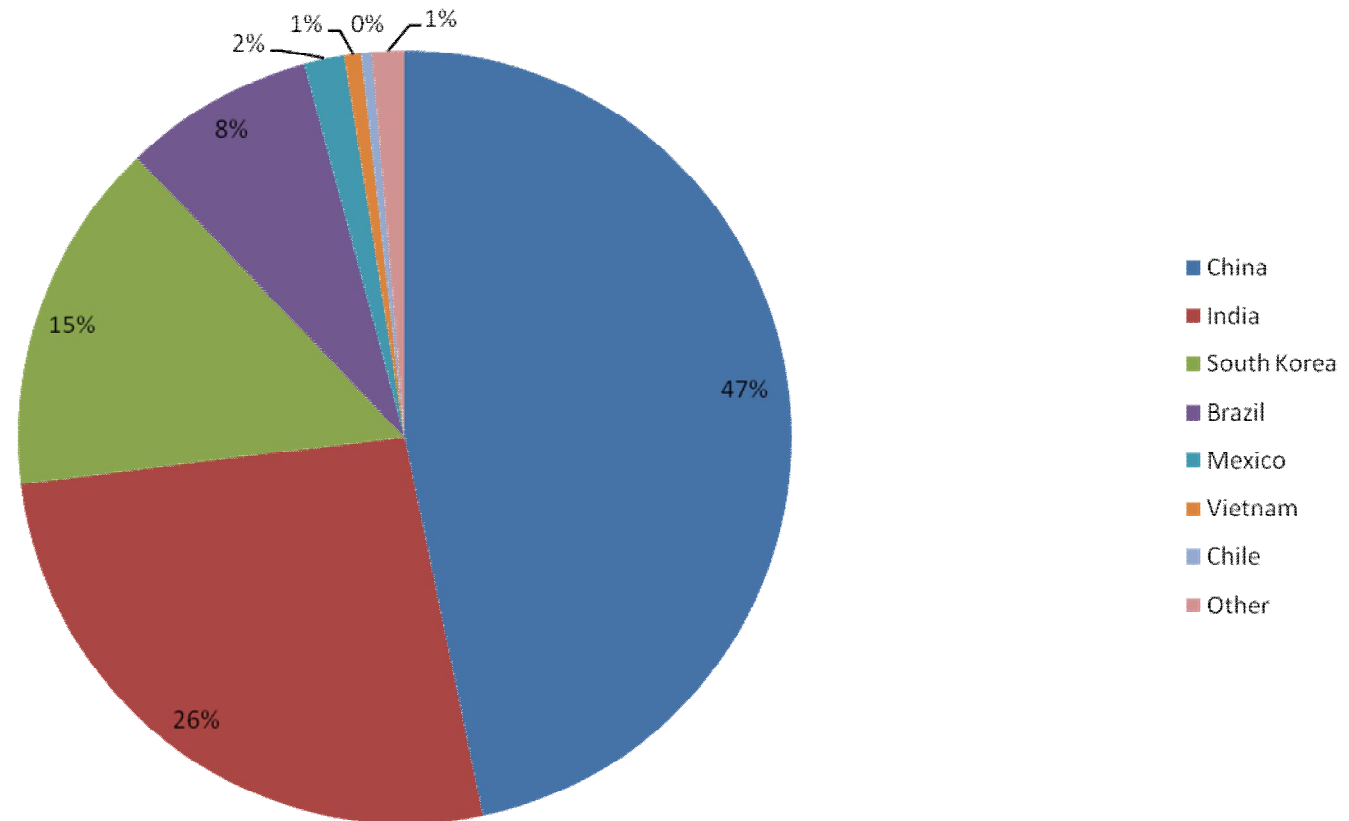
- EU ETS and Offsetting linked
- The use of international offsets is allowed in the ETS and is intended to keep costs low – act as a ‘safety valve’
- What this looks like is generally unknown
- Sandbag has brought this process to life through its reports and the accompanying interactive map
- All data taken from the EU CITL and the UNFCCC websites



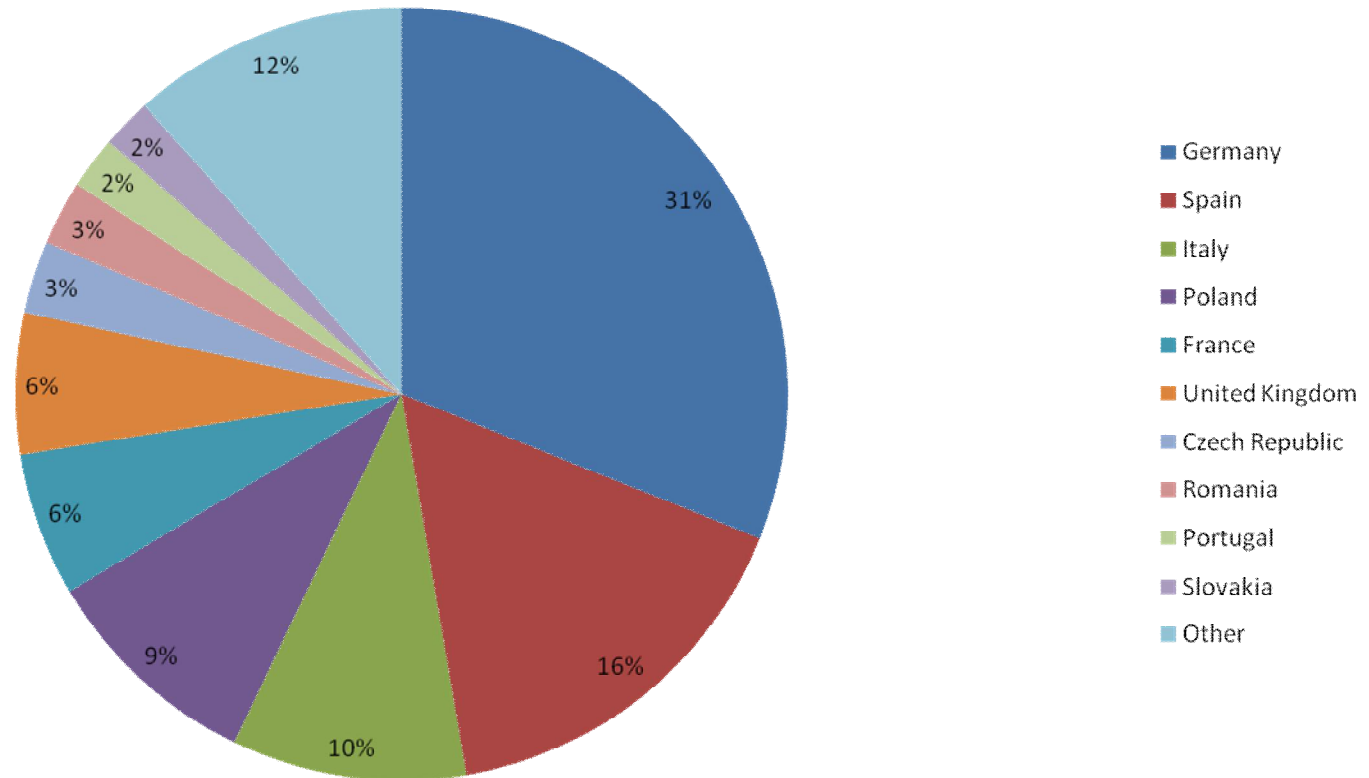
CERs surrendered into the EU ETS to date: 160 million



Origin of CERs surrendered to date



EU Member States surrendering to date

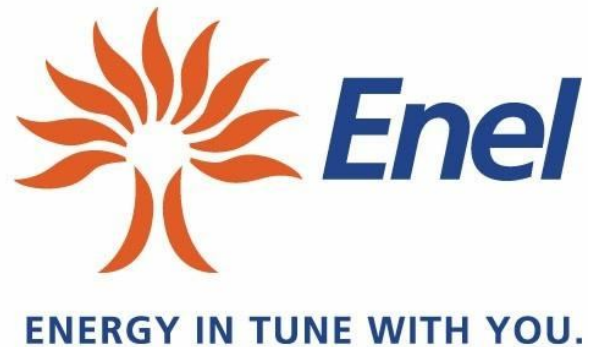


Overview of 2008 CER usage:

- In 2008 some 82 million CERs were used for compliance in the ETS (€897m - €1bn)
- This accounts for 4% of all emissions in 2009
- 60% of all CERs surrendered originate from HFC project



2008 Example:



- 12 ENEL/Endesa installations surrendered 10 million CERs
- 99.7% HFC CERs
 - 0.3% renewable CERs
 - ENEL invests in HFC



Overview of 2009 CER usage:

- In 2009 some 78 million CERs were used for compliance in the ETS (€861m - €1.1)
- This accounts for 4.2% of all emissions in 2009
- 59% of all CERs surrendered originate from HFC project

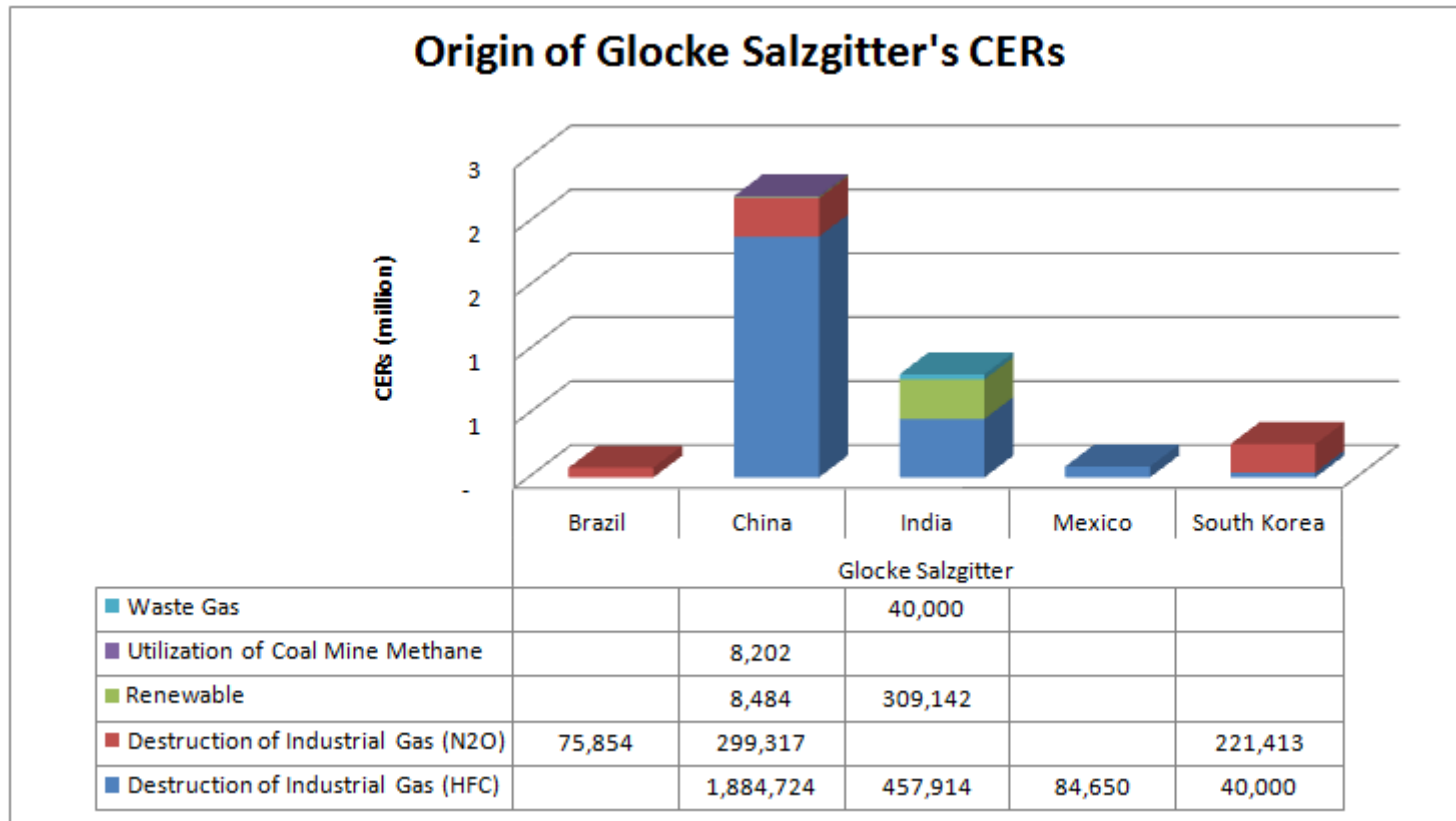


2009 Example:

- The biggest single 2009 user of CERs was Salzgitter's 'Glocke Salzgitter' steel plant, Germany
 - 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

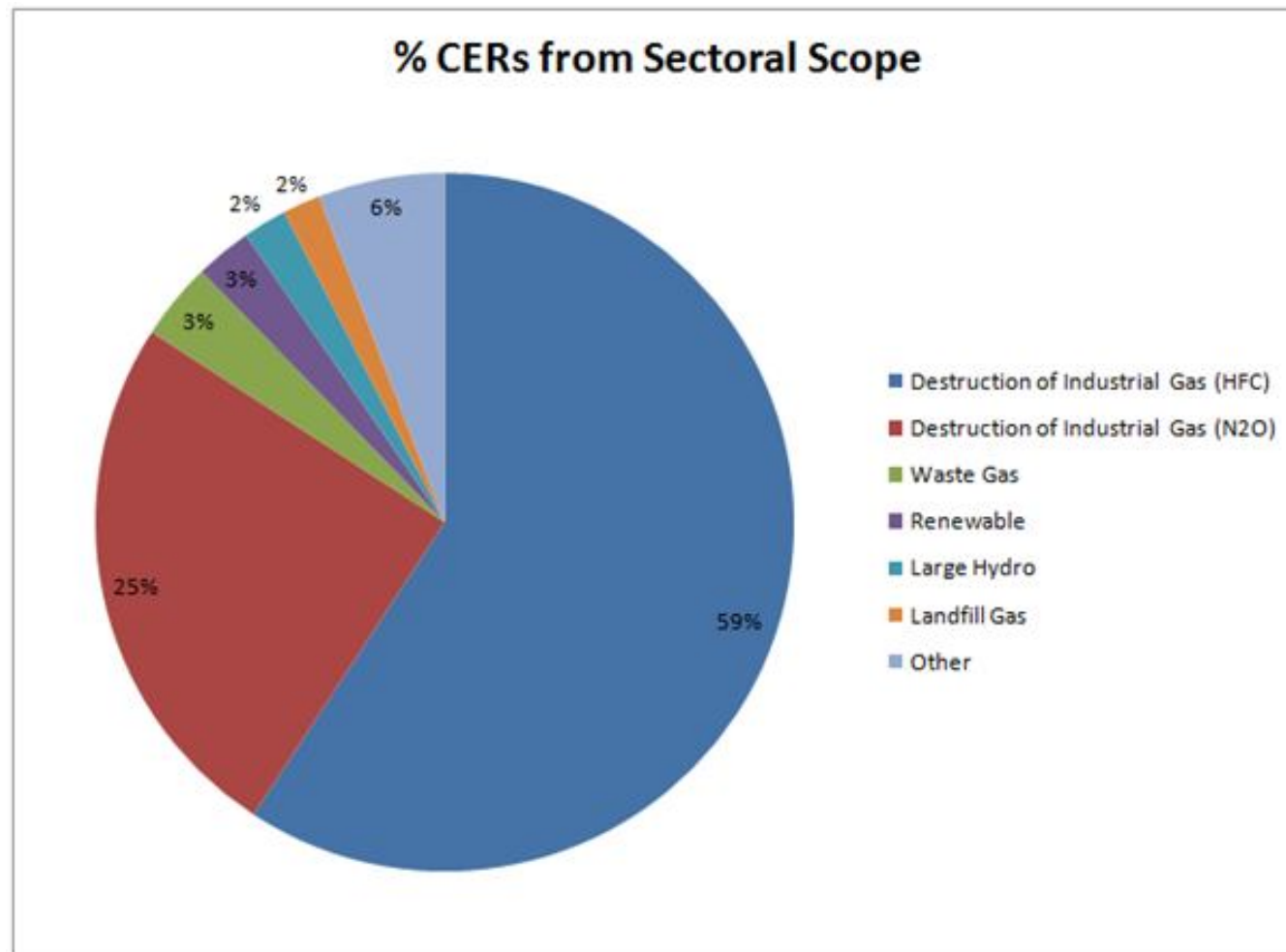


Interesting features of the data

- The EU ETS is dominated by a small number of players: HFC and China
- 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 in 2009



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 offsets

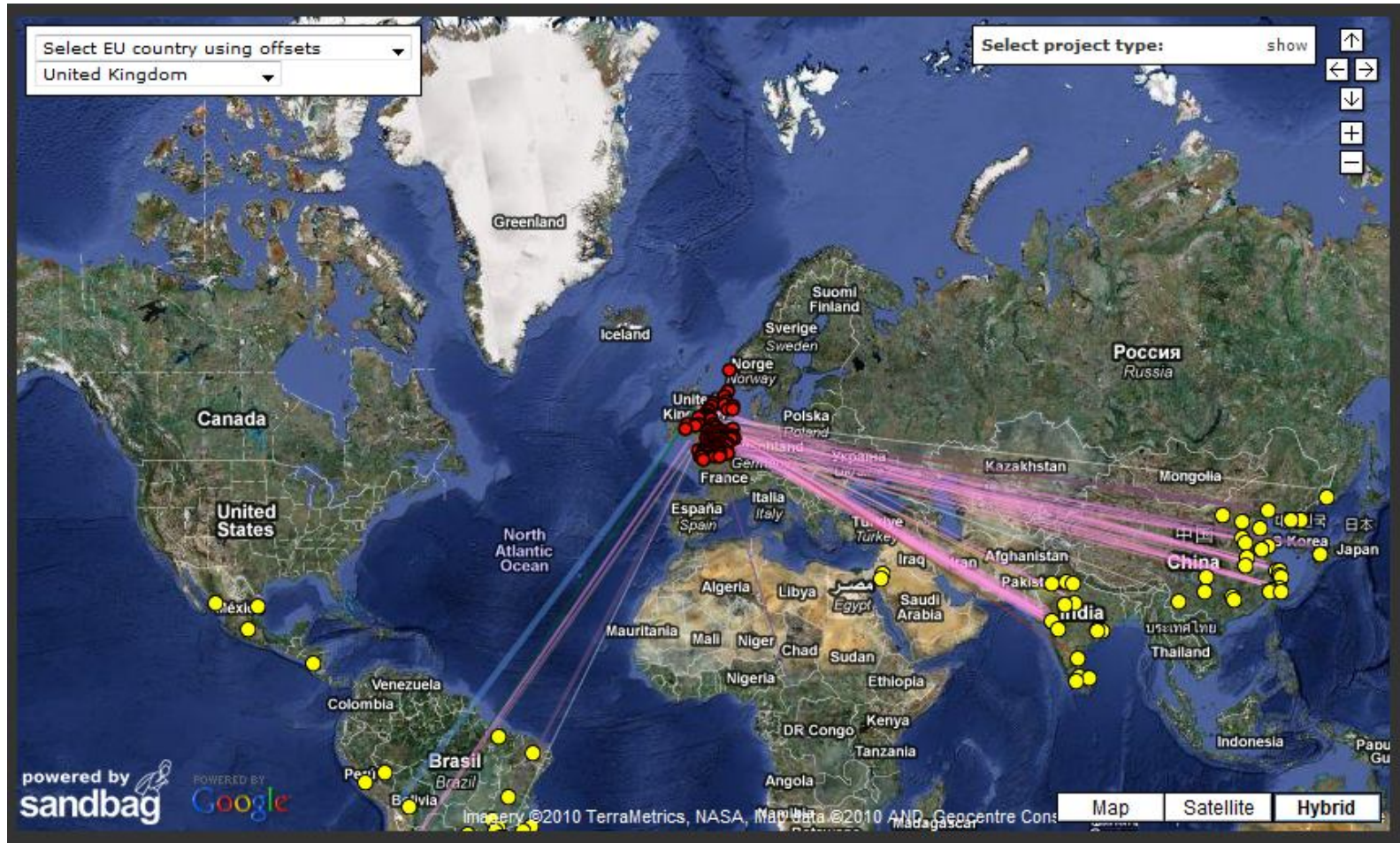


EU subsidising rivals

- 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



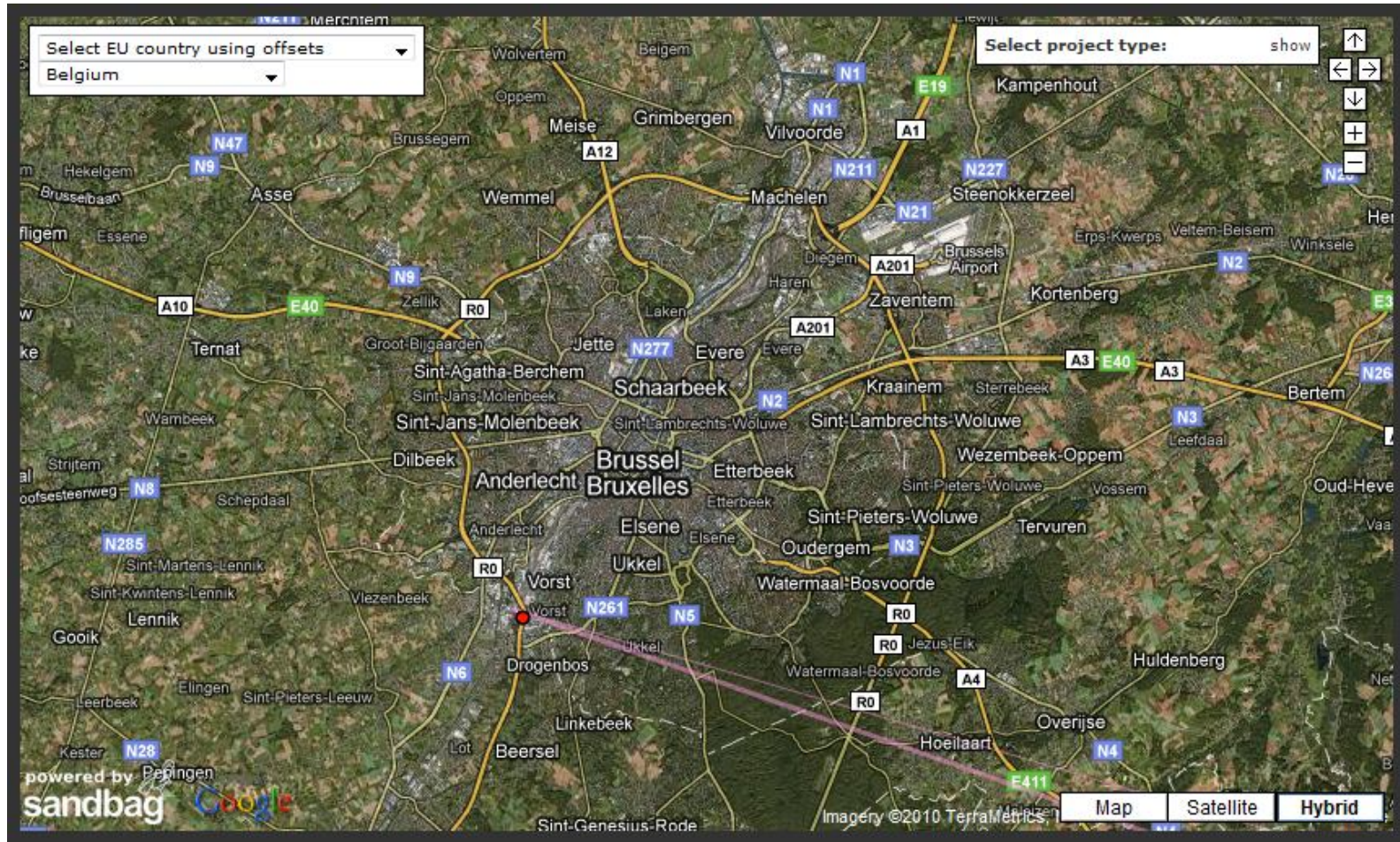
Interactive Map



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 dropdown menu labeled 'Select project type:' with a 'show' button and navigation arrows. The main area is a satellite map of Belgium with a red dot marking the location of Drogenbos. A pop-up window is centered over this location, displaying the following information:

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

Below the table, there is a text prompt: '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 imagery is credited to '©2010 TerraMetrics'.



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.



Thank you for your attention!

Further questions?

Data requests?

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END

