



POSITION PAPER

Position Paper PP-36 – July 2011

Monitoring and Reporting of Greenhouse Gases Integration of EIGA opinion on CO₂ transfer into new Regulation

In October 2010, the European Industrial Gases Association (EIGA) developed an industry consensus (PP-32) on the topic of **Transferred CO₂**, as addressed in Section 5.7 of the Guidelines for Monitoring and Reporting of Greenhouse Gases ("the MRG"). EIGA has subsequently updated its position on **Transferred CO₂** to reflect the current work being undertaken by the Commission in drafting the text for the new regulation.

Current status on the revision of rules applying to CO₂ transfer

Section 5.7 of the MRG gives guidance for the reporting of emissions associated with the transfer of CO₂ offsite for other purposes and was amended in June 2010 in order to recognize CO₂ capture and storage operations, and subsequently reviewed to include new sectors and new greenhouse gases, in application of the review of the EU ETS directive. This activity was completed by Commission on the 15th December 2010.

Currently, the European Commission is drafting a Regulation, which will replace the MRG guidelines on January 1, 2013. According to article 14 of the EU ETS directive (2009/29/EC), this regulation shall be adopted by 31 December 31, 2011 (See Annex I).

In the period leading up to the Commission's decision in December 2010, EIGA presented its views to the European Commission and Member States and achieved a common positive understanding for its recommendations. As a follow-up to these discussions, EIGA met with the Commission in March 2011 and learnt that the Commission is sympathetic to the position of EIGA, which is focused on ensuring that the text of the new regulation includes no risk of potential market distortions due to transferred CO₂. With regard to the state of publication of this Position Paper, EIGA has reviewed the most current version of the draft regulation, and recognises that it reflects the Commission's support of EIGA's previous recommendations.

The intent of this Position Paper is to make stakeholders aware of these latest developments so that the current draft text and approach remain within the text for the final regulation.

Summary of Position on draft Regulation

In October 2010, EIGA's position on transferred CO₂ recommended a simplification of the MRG by limiting the list of potential applications qualifying for emissions subtraction for transferred CO₂ to include only capture, transport and storage installations. This approach has now been taken into account in the draft text for the regulation.

EIGA urges Member States and its key stakeholders to continue to support this approach in the draft Regulation in order to maintain consistent rules and application for transferred CO₂ across the EU. EIGA supports the approach adopted in the draft Regulation because it:

- specifically prohibits subtraction of emissions related to the transfer of CO₂ from the ETS to the non-ETS domain for short term storage and later use; and
- includes text to ensure that downstream CO₂ is accounted for as emitted at the production source.

This approach meets the objectives of the EU emissions trading scheme and will minimise the risk of **potential distortions resulting from:**

- **CO₂ leakage between ETS installation and non-ETS installation;**
- **potential abuse due to the lack of harmonization of rules between Member states;**
- **poor inventory integrity due to the transfer of CO₂ for short-term storage and later use.**

EIGA wishes to ensure that the regulation dealing with transferred CO₂ remains clear and consistent across the EU and minimizes any impact of potential market distortion. EIGA is positively encouraged that the Commission has taken into account the principles of this EIGA position in the initial drafting of the Regulation, and will continue to work with the various stakeholders to ensure that these principles and language are maintained throughout the consultation process during 2011 to support development of the regulation.

Annex I

COMMISSION DECISION amending Decision 2007/589/EC as regards the inclusion of monitoring and reporting guidelines for greenhouse gas emissions from new activities and gases. 2010/xx/EC as voted 15th December Climate change Committee.

5.7 Transferred CO₂

Subject to approval by the competent authority, the operator may subtract from the calculated level of emissions of the installation any CO₂ which is not emitted from the installation, but transferred out of the installation:

- as pure substance, or directly used and bound in products or as feedstock, unless other requirements as set out in Annexes XIX to XXII apply, or
- to another installation holding a greenhouse gas emissions permit, unless other requirements as set out in Annexes XVII or XVIII apply,

provided the subtraction is mirrored by a respective reduction for the activity and installation, which the respective Member State reports in its national inventory submission to the Secretariat of the United Nations Framework Convention on Climate Change. The respective amounts of CO₂ shall be reported for each installation CO₂ has been transferred to or received from as a memo item in the annual emission report of the transferring as well as the receiving installation.

In the case of transfer to another installation, the receiving installation must add to its calculated level of emissions the received CO₂, unless other requirements as set out in Annexes to XXII apply.

Draft COMMISSION REGULATION

of [...]

laying down provisions for the implementation of Article 14 of Directive 2003/87/EC of the European Parliament and of the Council establishing rules for the monitoring and reporting of greenhouse gas emissions

Article 33

Transferred CO₂

1. The operator shall subtract from the emissions of the installation any amount of CO₂ which is not emitted from the installation, but transferred out of the installation to

- a capture installation for the purpose of transport and long-term geological storage in a storage site permitted under Directive 2009/31/EC;
- a transport network with the purpose of long-term geological storage in a storage site permitted under Directive 2009/31/EC; or
- a storage site permitted under Directive 2009/31/EC for the purpose of long-term geological storage.

2. The installation that has transferred the CO₂ as referred to in paragraph 1 shall identify the receiving installation in its annual emission report by stating the receiving installation's installation identification code as defined by the Regulation pursuant to Article 19 of Directive 2003/87/EC. The receiving installation shall identify the transferring installation by using the same approach.

3. If the amounts of transferred CO₂ are determined both at the transferring and at the receiving installation, the requirements of Article 32(3) apply.

4. Where part of the transferred CO₂ was generated from

Respective transferring as well as receiving installations shall be notified by Member States to the Commission pursuant to Article 21 of Directive 2003/87/EC. In case of transfer to an installation falling under that Directive, the transferring installation shall identify the receiving installation in its annual emission report by stating the receiving installation's installation identification code as defined by the Regulation pursuant to Article 19 of that Directive. The receiving installation shall identify the transferring installation through the same approach.

Potential cases of transferred CO₂ out of an installation include, inter alia:

- pure CO₂ used for the carbonation of beverages;
- pure CO₂ used as dry ice for cooling purposes;
- pure CO₂ used as fire extinguishing agent, refrigerant or as laboratory gas;
- pure CO₂ used for grains disinfestations;
- pure CO₂ used as solvent in the food or chemical industry;
- CO₂ used and bound in products or feedstocks in the chemical, pulp industry (e.g. for urea or precipitated carbonates);
- carbonates bound in spray-dried absorption product (SDAP) from semi-dry scrubbing of flue gases;
- CO₂ transferred to capture installations;
- CO₂ from capture installations transferred to transport networks;
- CO₂ from transport networks transferred to storage sites.

Unless other requirements in the activity specific Annexes apply, the mass of annually transferred CO₂ or carbonate shall be determined with a maximum uncertainty of less than 1,5 % either directly by using volume or mass flow meters, weighing or indirectly from the mass of the respective product (e.g. carbonates or urea) where relevant and if appropriate.

In case the amounts of transferred CO₂ are measured both at the transferring and at the receiving installation, the amounts of respectively transferred and received CO₂ shall be identical. If the deviation between measured values is in a range, which can be explained by the uncertainty of the measurement systems, the arithmetic average of both measured values shall be used in both the transferring and receiving installations' emission reports. The emission report shall include a statement that this value has been aligned with the value of the respectively transferring or receiving installation. The measured value shall be included as memo item.

In case the deviation between the measured values cannot be explained by the uncertainty range of the measurement systems, the operators of the installations involved shall

biomass, or whenever an installation is only partially covered by Directive 2003/87/EC, the operator shall subtract from the emissions of the transferring installation only the respective fraction of mass of transferred CO₂ which originates fossil carbon in activities covered by Annex I of Directive 2003/87/EC. Respective attribution methods shall be conservative.

align the measured values by applying conservative adjustments (i.e. avoiding under-estimation of emissions). This alignment shall be verified by the verifiers of the transferring and receiving installations, and be subject to approval by the competent authority.

In instances, in which part of the transferred CO₂ was generated from biomass, or whenever an installation is only partially covered by Directive 2003/87/EC, the operator shall subtract only the respective fraction of mass of transferred CO₂ which originates from fossil fuels and materials in activities covered by the Directive. Respective attribution methods shall be conservative and are subject to approval by the competent authority.

In case a measurement approach is applied at the transferring installation, the total amount of transferred/received CO₂ resulting from biomass use shall be reported as a memo-item by both the transferring and receiving installation. The receiving installation shall not be required to conduct its own measurements for this purpose, but report the amount of biomass CO₂ as obtained by the transferring installation.

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