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An Introduction to CONCAWE: *What Does CONCAWE Accomplish?* *A Case Study*

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amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community

- ▶ Where did it all start?
- ▶ Draft revision of ETS Directive (2003 – 2009)
 - ▶ Provided framework & general principles
 - ▶ EU-wide GHG emissions reduction target: 20% by 2020
 - ▶ Reduction pathway (1.74% per year)
 - ▶ General principle of auctioning CO₂ allowances 2013-2020
 - Size of the allowances “cake” for EU refining (at 30 €/t CO₂)
= 150 Mt/a CO₂ x 30 €/t = 4.5 G€ per year x 8 years = **36 G€**
 - ▶ Free allowances (if any) granted through “ex ante sectoral benchmarks”
 - ▶ No free allowances for electricity-related emissions
 - ▶ Recognition that risk of carbon leakage and potential effect on international competitiveness of EU industry would need to be addressed
- ▶ Some key elements were still to be finalised
 - ▶ Which sectors are “exposed” to carbon leakage?
 - ▶ How should the benchmarks be determined?
 - ▶ How would benchmarks be applied to grant free allowances?



- ▶ Ad hoc support to Europaia and technical input from CONCAWE secretariat to:
 - ▶ Evaluate the level of exposure of the Industry and potential cost consequences
 - ▶ Prepare analysis and material to justify status of sector as exposed to international competition and carbon leakage
 - ▶ Steer industry studies (e.g. NERA, WoodMac)
- ▶ Develop a fit-for-purpose benchmarking methodology
 - ▶ Creation of a Special Task Force – RT/STF-1
 - ▶ Active members from 20 member companies (MCs)
 - ▶ First meeting in July 2008
 - ▶ **Still going strong after 24 face-to-face meetings & numerous conference calls!**
 - Roughly 1,000 mandays of MC effort in STF-1, i.e. about **1 M€** investment
 - At stake: roughly 70% free allowances out of the 36 G€ cake, i.e. about **25 G€**



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- ▶ Analysis of alternative approaches

- ▶ Review of earlier CONCAWE work on energy and CO₂ benchmarking

- ▶ t CO₂ per t crude?... ☹️

- ▶ t CO₂ per t refined product?.... ☹️

- ▶ t CO₂ per t "UEDC"?.... Better but still ☹️!

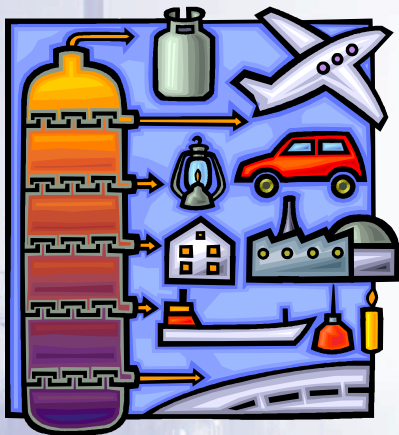
- ▶ Review of existing refinery performance indicators (Solomon)

- ▶ Evaluation of Solomon's proposed CWT concept 😊

- ▶ Recommendation to adopt the CWT concept

- ▶ Development of a detailed methodology in cooperation with Solomon

- ▶ Adapt the generic Solomon concept to EU ETS context



- ▶ Detailed fit-for-purpose methodology
 - ▶ Solomon report
 - ▶ Internal interim report (soon to be external...)
- ▶ Comprehensive data collection and CWT calculation template
- ▶ Collection and analysis of refinery data for 98 mainstream refineries and 15 “atypical” sites
 - ▶ Determination of the EU refining CO₂ performance curve
 - ▶ Determination of the refining benchmark
- ▶ Verification of a sample of the refinery population data (20 refineries)
 - ▶ Development of a rule book
 - ▶ Development of a verification protocol
 - ▶ Selection and steering of verifier



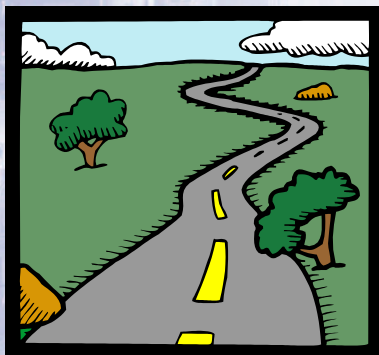
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- ▶ Assessment of options for open questions
 - ▶ Choice of baseline activity reference period
 - ▶ Treatment of capacity extensions and New Entrants
 - ▶ Treatment of atypical sites through “fall-back” options
- ▶ Assistance with review of EC guidance documents
- ▶ Facilitation of the official data collection process
 - ▶ Ongoing – 1Q11 to 3Q11
- ▶?

▶ **Are we there yet???**

- ▶ A year ago we thought we were!
- ▶ There have been 14 STF meetings since then....
- ▶ Are there even more devils lurking in the details?



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- ▶ Why?
 - ▶ Convince relevant stakeholders that this is the right way
 - ▶ Gain recognition and credibility as “constructive experts”
- ▶ What?
 - ▶ Express complex technical issues in an understandable way
 - ▶ Demonstrate the pros and cons of the different options
- ▶ To whom?
 - ▶ Internal – Europaia, MCs, NOIAs
 - ▶ Related sectors – Petrochemicals, Industrial Gases
 - ▶ External – Commission, MS authorities and their consultants
 - ▶ Visits to Poland, Italy, Netherlands, UK, France, Belgium, Germany, and counting....
 - ▶ Numerous meetings with Commission and Ecofys



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- ▶ An industry-wide, technically sound CO₂ benchmarking scheme
- ▶ A strong consensus around the methodology throughout the EU refining sector
- ▶ Trust, acceptance and credibility from the regulator
- ▶ A fair deal for refiners within the constraints of the EU ETS

And why was it successful?

- ▶ Recognition of the importance of the subject matter for the industry
- ▶ Urgency - tight regulatory deadlines
- ▶ CONCAWE is an effective vehicle for coordinated action and pooling of resources in these circumstances

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Thank you for your attention

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