



## **Denmark's response to the Commission's public consultation on the revision of the rules for the adjustments to free allocation of emission allowances due to activity level changes**

Date  
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Denmark appreciates the opportunity to comment on the Commission's draft on the revision of the rules for the adjustments to free allocation of emission allowances due to activity level changes.

Denmark finds it important to maintain and improve the Emission Trading System as the key instrument for providing a market-based, cost-effective and technology-neutral greenhouse gas reduction in Europe.

In general, Denmark supports the revised provisions and considers them to be improved as the draft regulation sets rules for both increases and decreases in the allocation to follow the same procedure. This approach is more consistent than the procedure in the current trading period where compensation for production above the historical production was restricted to when installations had a physical change and submitted an application for capacity extension.

### *Staged approach*

Denmark supports a staged approach with small intervals. We believe the minimum interval should be reduced to less than 5 % as the related increase in administrative burdens would be small compared to the benefits for businesses.

### *Starting year*

As specified in the regulation, the assessment of the rolling average should start in 2021 in order to include any relevant production change occurring between the end of the baseline period (2018) and the start of the fourth trading period. Denmark supports this as it will take production investments already in place into account and prevent overcompensation if production is reduced.

### *Energy efficiency*

It is important that the rules for adjusting free allocation provide incentives for reductions in greenhouse gas emissions and energy efficient techniques. Denmark therefore welcomes the provisions in the regulation regarding energy efficiency measures which formalise the practice carried out during phase three.

### *Reporting deadline*

Article 11(2) of the Directive states that by 28 February of each year the competent authorities shall issue the quantity of allowances that are to be allocated for that year. Article 5(2) of the regulation requires the operators to annually submit activity level reports by 31 March. However, Article 5(2) of the regulation also states that



allocation of free emissions allowances shall not be made until the activity level report has been received. This results in a contradiction where the allocation deadline occurs earlier than the reporting deadline. This makes it impossible for Member States to comply with both the directive and the regulation. Denmark urges the Commission to find a solution to this specific aspect.