



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
CLIMATE ACTION
Directorate B - European & International Carbon Markets

NIMs baseline data collection template for the free allocation calculation post 2012

Complementary Instructions

25th August 2011

Guidance document n.3¹ published by DG Climate Action following the Climate Change Committee endorsement on 14th April 2011 represents the handbook for filling in the NIMs data collection template v. 4.2¹, endorsed on the same day: it is highly recommended to read carefully that guidance before going through the following document.

The following Complementary Instructions are meant to complement the explanation contained in the template itself or in the Guidance n. 3, in order to address some specific cases.

¹ Available at http://ec.europa.eu/clima/policies/ets/benchmarking_en.htm

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Technical connections of an installation (Sheet A)

Question: Table A.IV.a of the template allows for filling in a maximum number of ten technically connected installations. Whenever the number of technically connected installations is bigger than ten, how should the table be filled in?

Answer: The table should be filled in aggregating the technical connections based on the categories 'Type of entities'. For the category 'Installation outside the ETS', the carbon leakage exposure is also relevant: in that case if the technical connection concerns both CL exposed and non CL exposed non ETS installations or entities, two separate rows should be filled in, based on the carbon leakage exposure, in order to make possible cross checks with other sections of the template.

Definition of product benchmark sub-installations and relation with annex 1 activity (Sheet A)

Question: Table A.III.1 gives an error message in case a selected product benchmark sub-installation does not correspond to the activities listed in table A.I.4.(a) based on one of the automatic checks performed by the template. Actually, this case might occur in reality (for example in case of stand alone installations only producing intermediate products, like spray dried powder): how should the tables be filled in?

Cf added on 4th August 2011

Answer: In case the annex 1 activities carried out by the installation and the sub-installations defined do not match according to the automatic control checks of the data collection template, an error message appears in table A.III.1 column M: the error message has no consequences on the correct functioning and calculations in the template. The operator can therefore, fill in the template disregarding this error message.

Emissions reporting (Sheet D)

Question: In section D.I.2 the input of aggregated emissions data seems mandatory (i.e. bright yellow) for each year between 2005 to 2010, independently from the choice of the baseline period made by the operator. Is this intended?

Answer: No, it is not intended it is a bug. Emission data are only requested for the years of the chosen baseline period, unless the Competent Authority would explicitly ask for all the years to be reported. As it does not undermine the correct functioning of the template, this obligation to report all emissions data for all years should be ignored .

It is *not recommended* to change the conditional formatting of the template to "solve" this bug. The reason is that the competent authorities will receive a tool from the Commission which will enable them to check if any relevant modifications have been made to the template. This tool would automatically find a "manipulation" ..

Capacity change - calculation of initial activity level (HAL_{ini}) (Sheets F and G)

Question: In case one or more significant capacity increases within the period from 1/1/2005 to 30/6/2011 occurred, Article 9.9 of the CIMs applies and the HAL shall be calculated as the sum of the HAL related to the initial installed capacity before the change and the one related to the changed capacity, as described in Guidance Document n. 2 section 6.4.

In case the start of changed operation occurs within the chosen baseline period, how should tables from (j) to (n) of sheet F and tables from (g) to (k) of sheet G be filled in?

Answer: In case the operator knows the activity levels related to the initial capacity, tables F(j) and G(k) can be filled in with the real production data.

In case the operator cannot provide real production data related to the initial capacity, Guidance document n. 2 states that

'For the period prior to the start of changed operation [...] (including the calendar year of the start of changed operation) [...] the activity level attributed to the initial capacity (AL_{initial}) should be estimated by the initial capacity (C_{initial}) times the historical capacity utilisation (HCUF_{initial}):'

$$AL_{initial} = C_{initial} \cdot HCUF_{initial}$$

In order to ensure that the template delivers the correct result, tables F(j) and G(k) should always be filled in, reporting the real production values before the first significant capacity increase and the calculated one from the year of changed operation onward using the above formula (including the calendar year of the start of changed operation).

In this way, the median of the production levels related to the initial installed capacity is correctly calculated.

Question: In case one or more significant capacity increases within the period from 1/1/2005 to 30/6/2011 occurred, Article 9.9 of the CIMs applies and the HAL shall be calculated as the sum of the HAL related to the initial installed capacity before the change and the one related to the changed capacity, as described in Guidance Document n. 2 section 6.4.

In case the baseline period chosen is 2005-2008 and the start of changed operation occurred after 31/01/2009 or later, how should tables from (j) to (n) of sheet F and tables from (g) to (k) of sheet G be filled?

Answer: Given that the initial installed capacity is determined as the average of the 2 highest monthly production volumes before the start of changed operation, it could be that one or both values are recorded in 2009. In this case, in order to make the template function properly, those monthly figures should be filled in table A.III.3.a, in the 2008 column. In this way, the average value representing the $C_{initial}$ correctly takes into account the highest monthly production volumes before the start of changed operation. This particular circumstance shall be brought to the attention of the verifier and the relevant CAs through a comment in the sheet J_Comments, section II, and in the methodology report accompanying the data collection template.

Concerning the calculation of the HAL and tables F(j) and G(k), real production data should always be filled in for the period from 2005 to 2008, in order to calculate HAL_{ini} as the median of the production volumes before the capacity change.

Question: Which is the relevant reference date for the determination of the initial/added capacity?

Answer: For the determination of the number of free allowances in case of significant capacity changes, the initial installed capacity refers to the period prior to the start of changed operation. This interpretation of the initial installed capacity should be used when filling in the NIMs data collection template.

To determine whether or not a capacity change can be regarded as significant, instead, the added or reduced capacity is compared with the initial installed capacity prior to the date of the physical change. Documentation on this calculation should be provided via the methodology report template.

Question: The operator of an installation including one or more product benchmark sub-installations chooses years 2009-2010 as baseline period. In case the installations had

significant changes in 2005-2008, should the operator declare those changes? If yes, how?

Answer: According to the Commission Decision 2011/278/EC, capacity data from 2005 to 2008 shall always be reported for product benchmark sub-installations: this can be done through section A.III.3.(a) and (b). In case significant changes took place within this period, those need to be declared by the operator, even when the operator chooses 2009-2010 as baseline period. In that case, those changes cannot be declared thought the data collection template itself, as this would lead to incorrect calculation in the summary sheet of the preliminary amount of allowances allocated for free. Therefore information on significant capacity changes in this case should be declared via the methodology report.

List of products (Sheet G)

Question: In sections G.I.3, G.I.4, G.I.5, G.I.6, when filling the column “Product name or service type” of table (l), the respective field of the table (m) is not automatically filled. How could we correctly fill those tables?

Answer: Once the “Product name or service type” are defined in tables (l), they are associated with an order given by numbers in column D of the excel sheet. That number will uniquely identify the specific “Product name or service type” even if it is not automatically reported. The numbering will ensure the correspondence within the two tables: tables (m) should be filled following the numbering attributed to the “Product name or service type” in the (l) tables.

Update of the carbon leakage Decision

Question: The Decision revising the carbon leakage list has been approved by the Climate Change Committee, but it has not yet been adopted. How to manage this situation?

Answer: The Commission has distributed an updated version of the template that takes into account of the modified carbon leakage exposure of the product benchmarks. This updated version can be identified by the reference filename which is displayed under the table of contents on the cover page. Where this filename contains a date equal or higher than 25 May 2011, this is the latest version of the template.

For what concerns the changes to the carbon leakage list relating to other sub-installations than those with product benchmarks, it is highly recommended to make the split into sub-installations taking into account the updated list.

Note that it is *not recommended* to change anything (such as carbon leakage status in the list of sub-installations) manually in the template. Competent authorities will receive a tool from the Commission which will enable them to check if any relevant modifications

have been made to the template. This tool would automatically report a “manipulation” if the carbon leakage status of a sub-installation type has been changed.

Supplementary information (Sheet J)

Question: Section J.II does not allow filling in any information. How is it possible to handle this problem?

Answer:

Section J.II provides for some space where operators can add any information they consider relevant and which cannot be properly entered in other sections of the template. It is an *unintended* fact that the whole section is protected against entries. However, the cells of this section are not linked to any other cell of the template. Therefore, operators may be allowed to unprotect this sheet (and only this sheet). The tool mentioned above used for checking the integrity of the template will accommodate the fact that this is a special sheet where changes are allowed.

'Household rule' application (Sheet K)

Question: Is the formula on line 566 of sheet K calculating the free allocation related to the application of Article 10.3 of the CIMs correct? It seems to be different from the corresponding formula in guidance paper 6, p. 28. Wouldn't be correct to change the highlighted minus sign to a ";"?

```
G566 = IF(ISNUMBER($Q566);IF(CNTR_Eligible10a; ROUND  
    (MAX(CNTR_HouseholdsEmissions*G$545 - EUconst_HeatBMvalue*  
        CNTR_HouseholdsHAL;0) *IF($R566;1;G$544);0); EUconst_NotEligible);""")
```

Answer:

Yes, the formula in the template is correct. The formula precisely reflects the legal text, i.e. Article 10(3) of the CIMs that states:

*'To the extent that measurable heat is exported to private households and the preliminary annual number of emission allowances [...] is lower than the median annual historical emissions related to the production of measurable heat exported to private households by that sub-installation in the period from 1 January 2005 to 31 December 2008, the preliminary annual number of emission allowances for 2013 shall be **adjusted by the difference**'*

The 'difference' is correctly reflected in the formula where, only if the 'difference' is positive, an allocation is added for this difference.

The above mentioned change to this formula cannot be accepted as it would NOT reflect the legal text. Instead, it would lead to double counting of the household related heat benchmark allocation.

For a more detailed discussion see the Annex.

ANNEX Assessment of the household formula

Approach A (guidance document):

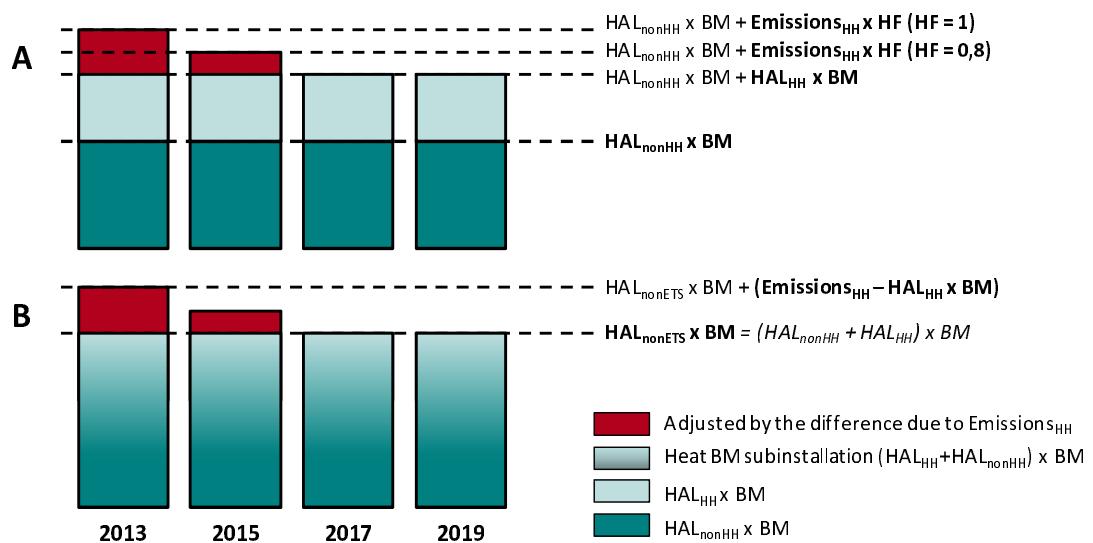
$$\text{Preliminary allocation} = \text{HAL}_{\text{nonHH}} \times \text{BM}_H + \max(\text{Emissions}_{\text{HH}} \times \text{HF}; \text{HAL}_{\text{HH}} \times \text{BM}_H)$$

Approach B (NIMs template's approach):

$$\text{Preliminary allocation} = \text{HAL}_{\text{nonETS}} \times \text{BM}_H + \max(\text{Emissions}_{\text{HH}} \times \text{HF} - \text{HAL}_{\text{HH}} \times \text{BM}_H; 0)$$

- BM_H : heat benchmark (62.3 EUA/TJ)
- $\text{HAL}_{\text{nonETS}}$: historic activity level of heat exported to nonETS entities ($=\text{HAL}_{\text{nonHH}} + \text{HAL}_{\text{HH}}$)
- HAL_{HH} : historic activity level of heat exported to private households
- $\text{HAL}_{\text{nonHH}}$: historic activity level of heat exported to nonETS entities which are not private households
- $\text{Emissions}_{\text{HH}}$: the median annual historical emissions related to the production of measurable heat exported to private households
- HF : household factor

Mathematically, both approaches lead to the same result (before applying Carbon Leakage factor):



Case 1: $\text{Emissions}_{\text{HH}} \times \text{HF} > \text{HAL}_{\text{HH}} \times \text{BM}_H$

Approach A:

$$\begin{aligned} \text{Preliminary allocation} &= \text{HAL}_{\text{nonHH}} \times \text{BM}_H + \text{Emissions}_{\text{HH}} \times \text{HF} \\ &= \text{HAL}_{\text{nonHH}} \times \text{BM}_H + \text{Emissions}_{\text{HH}} \times \text{HF} \end{aligned}$$

Approach B (NIMs template's approach):

$$\begin{aligned}\text{Preliminary allocation} &= \text{HAL}_{\text{nonHH}} \times \text{BM}_H + \text{HAL}_{\text{HH}} \times \text{BM}_H + \text{Emissions}_{\text{HH}} \times \text{HF} - \text{HAL}_{\text{HH}} \times \text{BM}_H \\ &= \text{HAL}_{\text{nonHH}} \times \text{BM}_H + \text{Emissions}_{\text{HH}} \times \text{HF}\end{aligned}$$

→ Approach A = Approach B

Case 2: $\text{Emissions}_{\text{HH}} \times \text{HF} < \text{HAL}_{\text{HH}} \times \text{BM}_H$:

Approach A:

$$\begin{aligned}\text{Preliminary allocation} &= \text{HAL}_{\text{nonHH}} \times \text{BM}_H + \text{HAL}_{\text{HH}} \times \text{BM}_H \\ &= \text{HAL}_{\text{nonETS}} \times \text{BM}_H\end{aligned}$$

Approach B (NIMs template's approach):

$$\begin{aligned}\text{Preliminary allocation} &= \text{HAL}_{\text{nonHH}} \times \text{BM}_H + \text{HAL}_{\text{HH}} \times \text{BM}_H + 0 \\ &= \text{HAL}_{\text{nonETS}} \times \text{BM}_H\end{aligned}$$

→ Approach A = Approach B

In both cases approaches A and B lead to the same result.