

EU ETS in 2014

*** 11th May 2015 ***



Key points:

- **The surplus fell by only 10mt to 2088mt, despite backloading.**
 - Industry was still in surplus in 2014.
 - Over-allocation to industry is responsible for 62% of the total surplus.
 - Usage of offsets almost doubled, as the deadline for cheap offsets hit.
- **Total emissions fell by 4.7% (by 93mt) - *data now 99.9% complete***
 - Industry emissions fell 0.4%, despite EU industrial production rising 0.8%.
 - Power and heat emissions fell 7.7% because of falling electricity consumption from milder weather, but also underlying falls.
 - Fallers:
 - UK due to coal/gas switching from carbon tax in summer
 - Germany due to fall in hard coal due to renewables and less underlying electricity demand.
 - France due to mild weather.
 - Risers:
 - Spain due to more coal generation as gas CHP subsidies reduction reduced generation
 - Netherlands emissions increased as new coal came on RWE's Eemshaven and GDF Rotterdam

EUETS surplus is stable despite backloading



Supply fell as back-loading reduced auctioned permits



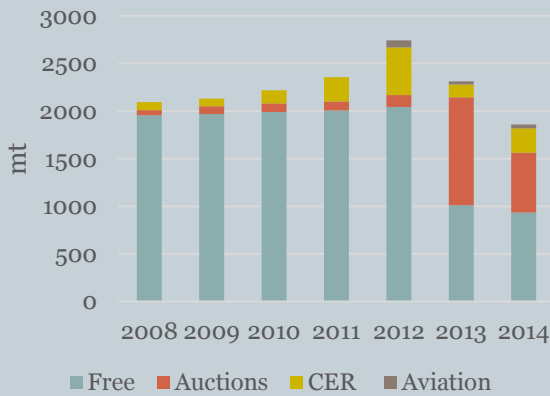
Emissions also fell in 2014, by 4.7%



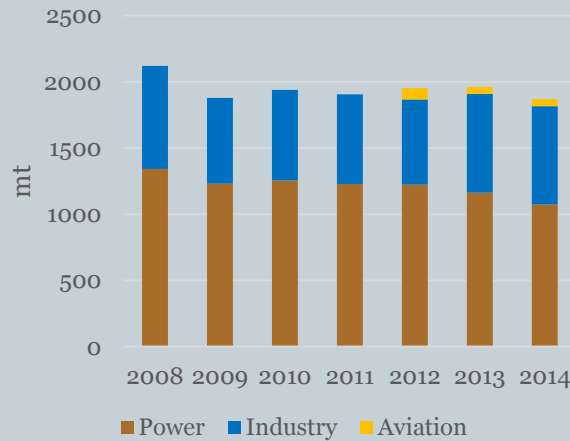
Although the surplus did not increase in 2014 due to back-loading, it fell by only 10mt.



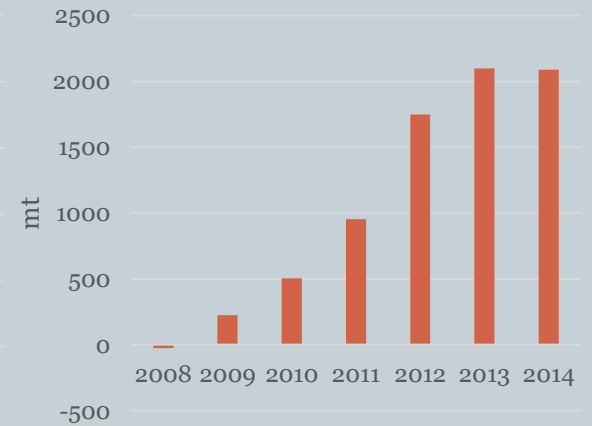
EUETS Supply



EUETS Emissions



EU ETS Surplus



Industry was STILL in Surplus in 2014*

Industry surplus increased in 2014; 62% of total surplus due to industry over-allocation

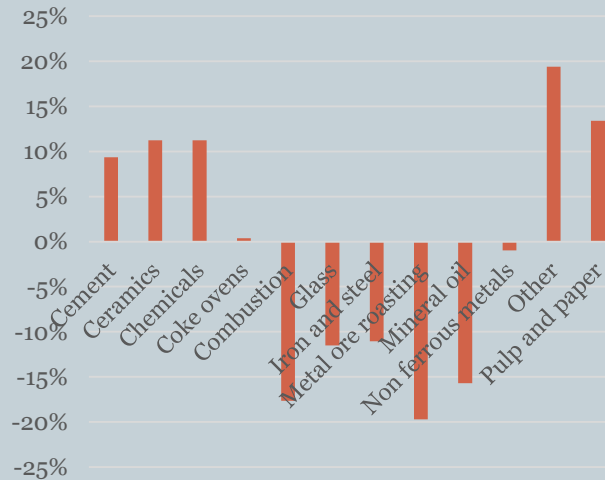
Cement, ceramics, chemicals and paper still given more free permits than CO2 emitted in 2014

Since 2008, 14% more free allocations given out than CO2 emitted; 26% if include CER entitlement.

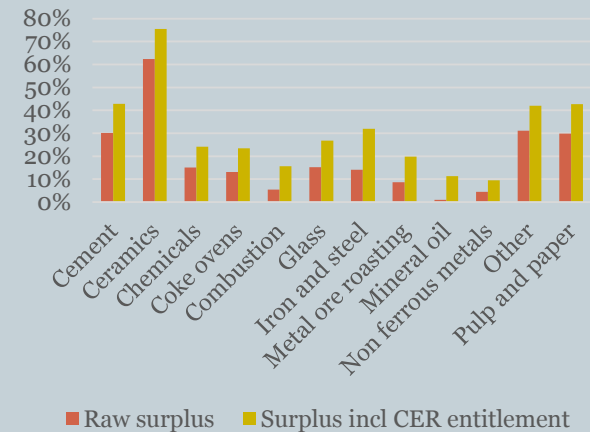
Cumulative Surplus**



2014 Industry Surplus***



2008-2014 Cumulative Industry Surplus



* when including estimated CER's submitted.

** Includes actual CER's submitted; CER's submitted is not available split by industry for 2013 and 2014, so this is pro rata the total.

*** Surplus free allocations, as % of emissions. Excludes CER's submitted, as this is not available.

All figures include adjustments for notified heat and waste gas transfers. Excludes all power installations, as defined on the last slide.

EUETS summary table

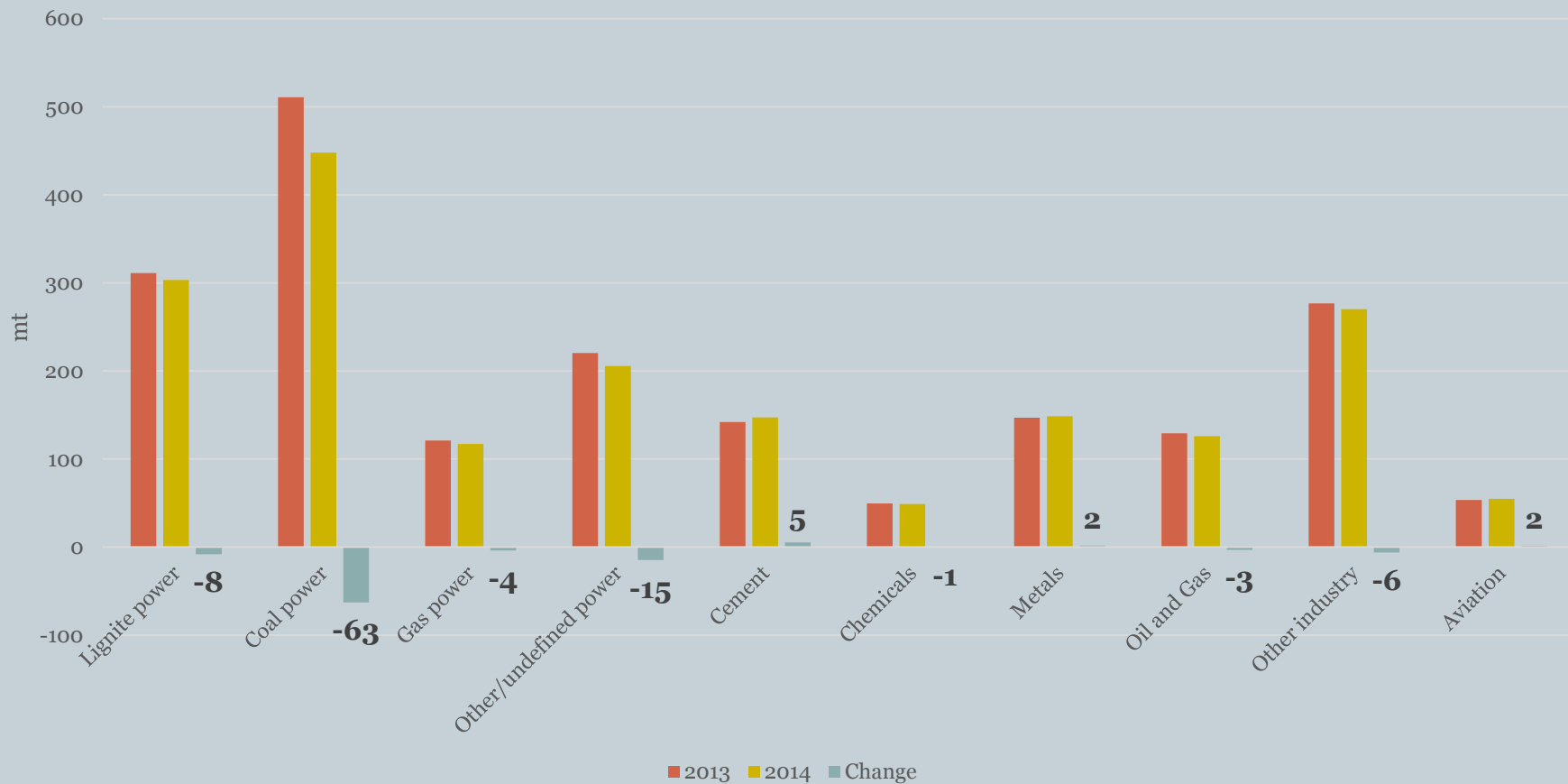


	Supply					Demand				Total Surplus	
	Free alloc	Auctions	Aviation	CER (inc aviation)	Total Supply	Power emissions	Industry emissions	Aviation emissions	Total emissions	Annual	Cumulative
	EUETL	EUETL	Sandbag	EUETL; regis		EUETL	EUETL	EUETL	EUETL		
2008	1958	53	0	83	2094	1342	778		2120	-26	-26
2009	1970	79	0	82	2131	1232	648		1880	251	225
2010	1989	92	0	137	2218	1254	685		1939	279	505
2011	2008	93	0	254	2355	1229	675		1904	450	955
2012	2045	125	73	501	2744	1224	643	84	1951	793	1748
2013	1011	1136	32	133	2312	1163	744	53	1961	350	2098
2014	934	628	42	256	1860	1074	741	55	1870	-10	2088

Emissions by Sector



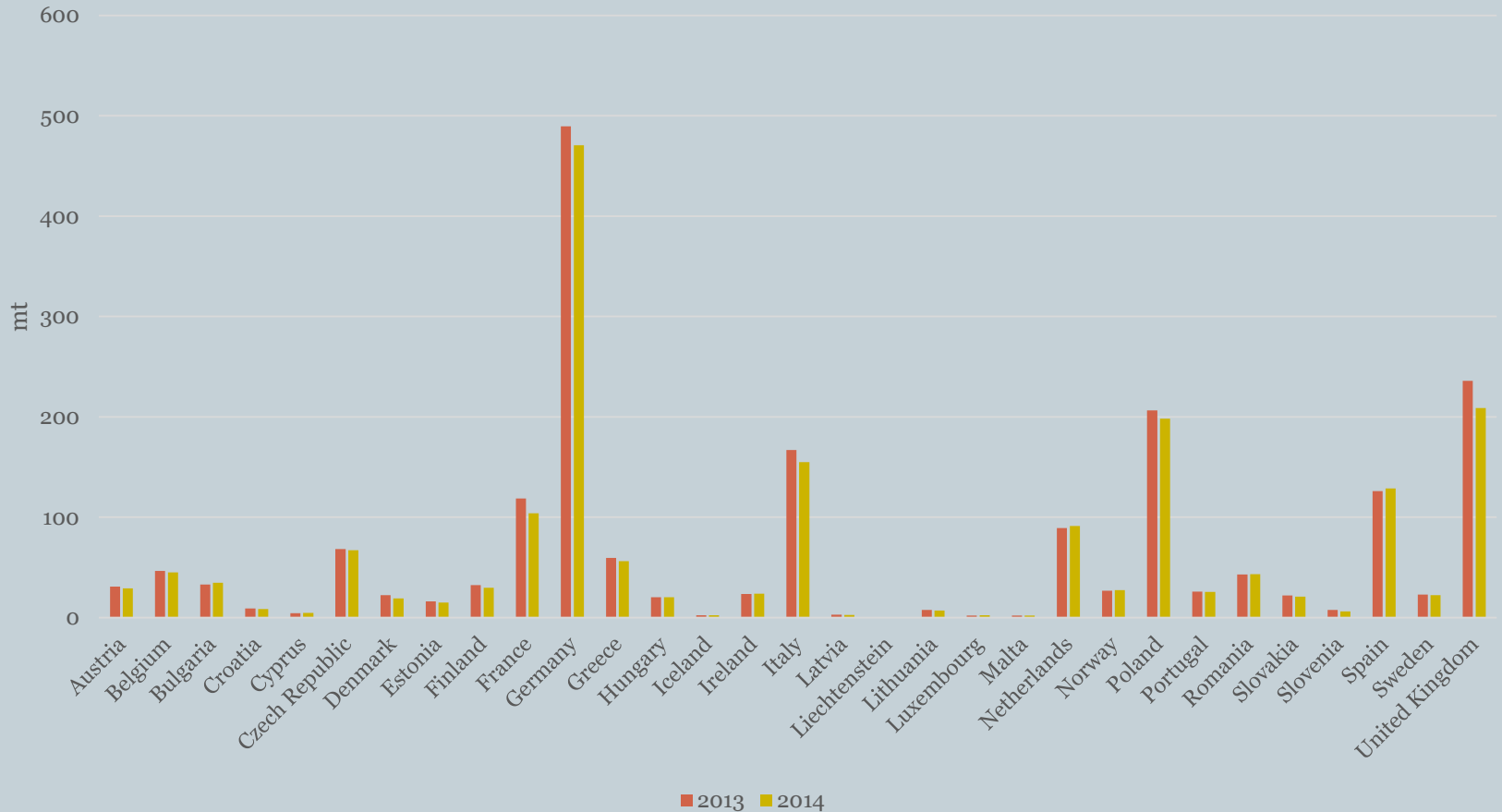
Emissions by Subsector



Emissions by Country



Emissions by Country

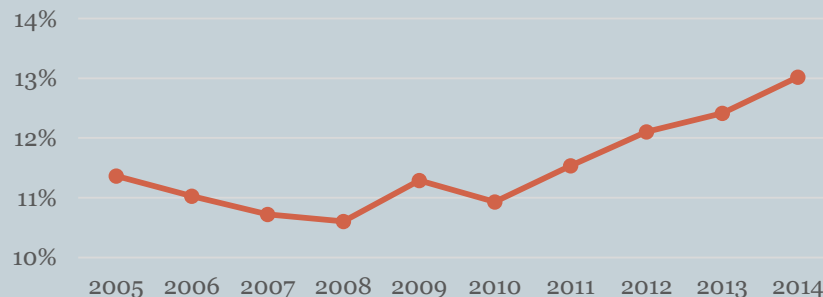


Top Emitters



Installation	Country	2014 emissions	% y-o-y chg	2014 rank	Change vs 2013
PGE GiEK S.A. Oddział Elektrownia Bełchatów	Poland	36,886,458	-1%	1	-
Kraftwerk Neurath	Germany	32,439,101	-2%	2	-
Kraftwerk Niederaußem	Germany	27,244,773	-8%	3	-
Kraftwerk Jänschwalde	Germany	24,196,146	-5%	4	-
Kraftwerk Weisweiler	Germany	16,852,497	-10%	5	+1
Drax Power Station	UK	16,595,193	-18%	6	-1
CENTRALE TERMOELETRICA DI BRINDISI SUD	Italy	11,972,979	1%	7	+1
Kraftwerk Lippendorf	Germany	11,904,182	1%	8	+1
DEH S.A. TPS AGIOS DIMITRIOS	Greece	11,810,688	-10%	9	-2
Kraftwerk Schwarze Pumpe	Germany	11,582,879	3%	10	+1

German lignite emissions as % of overall EU power emissions



10 year of the EU ETS: Who are the biggest emitters in 2014? The same as in 2005!
Will it be the same in 10 years' time?!

Top 6 in 2005	Top 6 in 2014
1 Bełchatów	1 Bełchatów
2 Niederaußem	2 Neurath
3 Jänschwalde	3 Niederaußem
4 Drax	4 Jänschwalde
5 Weisweiler	5 Weisweiler
6 Neurath	6 Drax

Definitions

- **Power and Heat sector**

- Sandbag uses NACE codes, which we believe provide a better representation of what are power and heat installation, than does the “combustion” sector, which most analysts use. We also include additional installations which have no allocations.
- Specifically, Installations assigned to NACErev2 codes 35.00, 35.10, 35.11, 35.12, 35.13, 35.14 & 35.30 have been flagged as Power installations; additional CITL combustion sector installations have also been flagged as Power installations if have no free alloc PhaseIII but do have emissions 2013 (any NACErev2 code)

- **Industry**

- Industry is everything that is not power.
- The category mapping as per the table, right:

EU ETS definition	Sandbag mapping
Cement and Lime	Cement
Ceramics	Other
Chemicals	Chemicals
Coke ovens	Metals
Combustion	Other
Glass	Other
Iron and steel	Metals
Metal ore roasting	Metals
Mineral oil	Oil & gas
Non ferrous metals	Metals
Other	Other
Pulp and paper	Other

- **Fuel type**

- Sandbag has mapped Power and Heat installations by fuel, with 80% coverage.

- **Missing data**

- Only 0.1% of data is considered missing and has been added manually.