

PRESS RELEASE  
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## EMISSIONS TRADING: MUST DO BETTER WITH (AND FOR) COGENERATION!

The European Commission released official data on Monday 15 May 2006 for the first time on actual emissions from plants falling under the European Emission Trading Scheme (ETS), the EU's main policy plank for battling climate change. The data showed that over 63 million extra allowances were allocated to installations falling under the ETS over what was needed to cover verified 2005 allowances.

Despite this, installation level data shows that in some Member States highly energy efficient cogeneration installations had to buy emission allowances on the market to cover their positions. This situation must not be tolerated by policy makers or industry as it goes against the very spirit of the Emissions Trading Scheme which is purported to reward highly efficient installations while forcing large inefficient CO<sub>2</sub> emitting installations to make progress towards more environmentally friendly operation.

Cogeneration installations, provided they are properly designed, are the most efficient conversion technology and the very fact that such plants should have to turn to carbon traders to buy missing allocations points to the shortcomings and flaws of many of the national allocations plans that have been prepared by Member States Governments. It's a very bad situation where a cogeneration plant with an overall efficiency of over 80% needs to buy allowances while a power station with an efficiency of less than 40% does not.

While 2005 was the first year of the ETS and some trial and error was to be expected, COGEN Europe and its Members call on Member States to ensure that efficient cogeneration installations are not hit by an under-allocation of carbon allowances under the second phase of the ETS, which is due to begin in 2008, but for which the allocation plans are already on the drawing boards throughout Europe.

In order to help national administrations prepare their phase-2 national allocation plans, COGEN Europe has issued a Position Paper (to its members on 15 May and to the press today) highlighting the best practices found in some of the EU countries phase-1 national allocation plans, together with some detailed recommendations on how to make the scheme work towards greater efficiencies and lower emissions from the power sector and industry.

Climate change, together with energy issues, has been on the forefront of the European and national agendas in the past months. Cogeneration offers tremendous potential CO<sub>2</sub> and primary energy savings and is actively encouraged by the European Commission as a clean technology. With phase-2 national allocation plans, Member States have a great opportunity to embrace this proven technology and move towards a more sustainable energy system. It is of vital importance that industry gets the right signals, and the time to do that is now.

*CHP, Combined Heat and Power, or cogeneration is the simultaneous production of heat and electricity. This proven technology produces around 10% of Europe's electricity and heat requirements and has a significant growth potential, which will lead to an improved environment and greater economic competitiveness. It is a highly efficient energy solution that delivers substantial reductions in greenhouse gases and other pollutants and is the single largest solution to meeting the Kyoto Protocol on climate change for Europe.*

*COGEN Europe is Europe's umbrella organisation representing the interests of the cogeneration industry, users of the technology and promoting its benefits in the EU and the wider Europe. The association is backed by the key players in the industry including gas and electricity companies, ESCOs, equipment suppliers, consultancies, national promotion organisations, financial and other service companies.*