

International Conference on Ex-Post Evaluation of Emission Trading

Tuesday, 20 June 2023

15:10 – 17:30 | Session “Social impacts and acceptability of emission trading”

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Title: Evaluation of the impact of the EU ETS revenues and derogation under Article 10c on investment and infrastructure in Poland

Abstract:

This report is a final report on Polish national case studies performed in the 4i-TRACTION project. It is based on the early final outcomes of the task 2.3 ‘Evaluation of 4i dimensions at the national level – case study analysis’ performed for the case ‘Evaluation of the impact of the EU ETS revenues and derogation 10c on investment and infrastructure in Poland’. This case study investigates the effects of two forms of funds in the EU Emissions Trading System (EU ETS), derogation under Article 10c and auction revenues, on Poland's infrastructure development and investment levels in relation to the country's goals for the energy transition and sustainable development. The first of the two channels is represented by auction earnings, and, in accordance with the Directive's rules, 50% (or equivalent) of these funds must be used for energy transition initiatives. The ability to disclose a wide range of activities that did not adhere to the additionality principle was made available by the widely defined catalogue and non-earmarked income. However, several of the actions recorded by Poland cast doubt on the Directive's compliance. The derogation mechanism, which represents the other source of funds examined, was not futureproof since the generating market was consolidated despite promises that this would not harm competition. Its stated goal was to diversify the energy mix as well, but a study of reported investments, the majority of which were focused on upgrading conventional production capacity, shows that this goal was already disregarded during the approval stage. Main findings: It was appropriate to give up derogation under Article 10c for the fourth phase of the EU ETS given that Poland had used it ineffectively. The Modernization Fund received none of the money made accessible by Article 10c, which instead was added to Poland's auction pool. Changes should be made to the way these funds are used because auction pool revenues were also used inefficiently. Considering the above, the distribution of auction revenues should be improved to become more effective. The proposed Energy Transformation Fund, which would be funded exclusively by ETS auction proceeds and would be used to make investments and support initiatives for the energy transition, must be introduced in order to achieve this goal. By designating these funds, more openness and hence more control would be possible. Also, sufficient focus should be placed on attracting private investment in support of the goals of the energy transition

Webpage and programme [here](#).

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