

Free allocation in Phase IV (2021-2030) of the EU ETS :

A compromise was finally found on November 9th 2017

	Parameters	EU COMMISSION'S PROPOSAL	EU PARLIAMENT'S AMENDMENTS	EU COUNCIL GENERAL APPROACH	TRILOGUE COMPROMISE
Supply of free allowances	LRF 2021-2030	2.20%	2.20% and possibility to increase the LRF after 2024 to 2.4%	2.20%	2.20% and possibility to further increase it in the future
	Funds fed with allowances from the FA share	400 million for the Innovation Fund	400 million for the New Entrants Reserve + 1% of allowances for a fund to compensate for indirect costs	400 million for the Innovation Fund	325 million for the Innovation Fund
	Increase of FA share to avoid triggering CSCF	No adjustment	Reduction of up to 5 percentage points of the share of allowances to be auctioned by Member States over 2021-2030	Reduction of up to 2 percentage points of the share of allowances to be auctioned by Member States over 2021-2030	Reduction of up to 3 percentage points of the share of allowances to be auctioned by Member States over 2021-2030
Demand for free allowances	Proportion of benchmarked-based allocation freely allocated	100% for sectors on CL list; 30% for sectors not on CL list	100% for sectors on CL list; 30% for district heating; 0% for others	100% for sectors on CL list; 30% for sectors not on CL list	100% for sectors on CL list; 30% for sectors not on CL list
	Annual benchmarks decrease rate (upper/lower limits)	1%/year (1.50%/0.5%)	Based on actual improvement rates (1.75%/0.25%)	Based on actual improvement rates (1.5%/0.2%)	Based on actual improvement rates (1.6%/0.2%)
	Free allocation for electricity generation with waste gas	/	Full carbon content of waste gas used for electricity production taken into account in benchmark calculations	/	/
	Eligibility to CL list (limit for qualitative assessment)	Intensity of trade * emissions intensity > 0.2 (0.18)	Intensity of trade * emissions intensity > 0.2 (0.12)	Intensity of trade * emissions intensity > 0.2 (0.16)	Intensity of trade * emissions intensity > 0.2 (0.16)
Other	Application of CSCF	To every sector	Only to sectors with an intensity of trade with third countries below 15% or a carbon intensity below 7Kg CO2/Euro GVA.	To every sector	To every sector

FA = free allocation; CL = carbon leakage; CSCF = cross-sectoral correction factor