

# **Carbon Leakage**

## **A view from the Electricity Sector**

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# Basic principles

- Need for clear rules
- What does trade exposed mean?
- To what extent is cost pass through possible?
- Both must be defined by clear, transparent and objective criteria
- Must be a stringent test of significance

# Availability of free allowances

- Again – need for clear rules
- Quantum of free allowances available for demonstrated trade exposed sector
- Certainty needed **over time** for “auctioning sector” of the number of allowances available
- Allowances for power sector ( & free allowances) must relate to 2005 emissions on which cap is based

# The power sector is energy intensive and trade exposed!

- Major input to electricity is energy – coal, water, nuclear, wind
- Coal-fired generation emits 1 tonne per MW generated
- Non-EU exports to EU 17.9 TWh in 2007
- Will rise to 104 TWh in 2015
  - equivalent to 21 large power stations