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NOTE

from:	General Secretariat
to:	Delegations
Subject:	Implementation of Commission Decision on the use of 300 million allowances from the New Entrants' Reserve of the Emissions Trading System for the demonstration of carbon capture and storage and innovative renewable energy technologies ('NER 300 process') - Information from the Commission

Delegations will find attached a note from the Commission on the above topic, to be dealt with under "other business" at the Council (Environment) meeting on 14 October 2010.

Implementation of Commission Decision on the use of 300 million allowances from the New Entrants' Reserve of the Emissions Trading System for the demonstration of carbon capture and storage and innovative renewable energy technologies ('NER 300')

The European Commission is shortly to adopt the Decision on implementation of Article 10a(8) of the Emissions Trading Directive 2003/87/EC, which sets aside 300 million allowances in the New Entrants' Reserve of the Emissions Trading System for stimulating the construction and operation of large-scale commercial demonstration projects that aim at the environmentally safe capture and geological storage (CCS) of CO₂, as well as demonstration projects of innovative renewable energy technologies.

At current market prices for emissions allowances, the programme is worth around €4.5 billion, making the NER 300 the world's largest programme of investment in low carbon and renewable energy demonstration projects. According to the terms of the implementing Decision, the initiative will provide substantial financial support for at least eight projects involving carbon capture and storage (CCS) technologies and at least 34 projects involving innovative renewable energy technologies, conditional on funds available. The aim is to drive low carbon economic development in Europe, creating new 'green' jobs and contributing to the achievement of the EU's ambitious climate change goals.

The Commission is also scheduled to conclude a Co-operation Agreement with the European Investment Bank (EIB) on the tasks the EIB will conduct under the Decision. The Bank will be responsible for conducting due diligence assessment of project proposals submitted by Member States, and for monetising allowances, managing the revenues generated, and passing funds to Member States for disbursement to the successful projects.

A first call for project proposals will be launched in the coming days, covering the funds generated from the first 200 million allowances. Project sponsors will be invited to submit applications to the Member States within three months of the launch of the call. The Member States will then submit to the EIB those eligible applications that they wish to support, within six months of the launch of the call. The EIB will conduct a financial and technical due diligence assessment on the submitted projects, rank them according to Article 8 of the Decision, and make recommendations to the Commission for award decisions 9 months after submission. After consulting individual Member States concerned and the Climate Change Committee, the Commission will make award decisions addressed to the relevant Member States.
