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REPUBLIC OF TÜRKİYE
MINISTRY OF ENVIRONMENT,
URBANIZATION AND CLIMATE CHANGE

Advancing ETS Readiness in Türkiye – Technical work on ETS benchmarks

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MRV & Allocation The annual adjustment mechanism New entrants & cessation rules

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Agenda

- 1 Foundations: plans, reports and the data chain**
Why MRV and allocation connect · MP & MMP · AER & ALR · verification
- 2 From data to free allocation**
The free-allocation formula and the Historical Activity Level
- 3 The annual adjustment mechanism**
The $\pm 15\%$ rule, worked examples and the annual cycle
- 4 New entrants and the New Entrant Reserve**
Who qualifies, the NER and how allocation is granted
- 5 Cessation and partial cessation**
Closures, Phase 3 → 4 partial cessation, notifying changes

Why MRV and allocation must talk to each other

The link Free allocation is computed from data produced by the MRV system

Two purposes Emissions data -> surrender; activity data -> allocation

One discipline Both rely on approved plans, monitored data and independent verification

Dynamic Allocation is no longer fixed - it follows verified activity each year

Why it matters Errors in monitoring become errors in allocation, in both directions

Two parallel annual cycles

Emissions side Monitor emissions -> Annual Emissions Report -> surrender allowances

Activity side Monitor activity -> Activity Level Report -> adjust allocation

Shared One monitoring & verification system serves both

Cadence Both reports are annual and independently verified

Outcome Emissions decide what you owe; activity decides what you receive

Two parallel annual cycles



Both reports independently verified - same MRR + FAR + AVR infrastructure

Two different plans - do not confuse them

Plan	What it governs	Notes
Emissions Monitoring Plan	How emissions are monitored	Part of the GHG permit; under the MRR
Monitoring Methodology Plan (MMP)	How allocation data (activity, heat, energy) are monitored	Approved by the CA; under the FAR
Purpose	Emissions -> reporting & surrender	Activity & flows -> free allocation
Legal base	MRR (EU) 2018/2066	FAR (EU) 2019/331, Art. 8



The Monitoring Plan (MP)

What	The plan describes the methodology that an operator applies to monitor and report its greenhouse gas emissions.
Content	Identification of the activity, a list of emission sources and source streams, monitoring methodologies, measurement systems, data management and controls, responsibilities and competencies
Approval	Submitted to and approved by the competent authority (MRR Art. 12)
Changes	Significant changes need CA approval; minor changes notified (MRR Art. 15)
Companion	Shares metering & source streams with the Monitoring Methodology Plan (MMP)



The Monitoring Methodology Plan (MMP)

What The plan describing how allocation-relevant data are determined

Content	Methods for activity levels, measurable-heat flows, fuel/energy, sub-installation attribution, data sources, controls
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Approval Submitted to and approved by the competent authority (FAR Art. 8)

Changes	Significant changes need CA approval; minor changes notified (FAR Art. 9)
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Companion Built on the same source streams as the emissions monitoring plan

The Annual Emissions Report (AER)

What The verified report of the installation's CO₂e emissions for the year

Rulebook	Prepared under the emissions Monitoring Plan and the MRR
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Verification	Independently verified by an accredited verifier (AVR)
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Use	Basis for surrendering allowances - what the installation owes
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Timing	Submitted early in the following year (by 31 March)
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The Activity Level Report (ALR)

What	Annual report of each sub-installation's activity level for the year
Examples	Tonnes of product, TJ of measurable heat, fuel energy, process data
Rulebook	Prepared under the MMP; submitted under Impl. Reg. (EU) 2019/1842
Verification	Independently verified by an accredited verifier (AVR, GD4)
Use	Basis for the annual allocation adjustment - what you receive
Timing	Submitted by 31 March each year for the previous year

Verification and accreditation → refer to Module 4

Who verifies An independent verifier accredited by a National Accreditation Body

Standard	Operates under the AVR (EU) 2018/2067 and ISO 14065 / 17029
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What is checked Both the AER (emissions) and the ALR (activity levels)

Outcome	A verification opinion; errors must be corrected before submission
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Authority role The CA may still review and correct verified figures

The data chain: from plan to allocation

1 PdM/MMP Approved method for collecting emissions and allocation data

2 Data Metered/monitored activity, heat, energy

3 Reports ALR (activity) and AER (emissions)

4 Verify Accredited verifier under the AVR

5 Allocation Competent authority sets/adjusts free allocation



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Recap: the free-allocation formula

Formula Allocation = HAL x BM x CLEF x CBAM factor (per sub-installation, then summed)

HAL	Historical Activity Level - the activity that drives the amount
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BM	Benchmark value (per product, or per TJ for heat/fuel)
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CLEF	Carbon-leakage exposure factor
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CBAM factor	Phase-out of free allocation for CBAM sectors
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The variable	Of these, the activity level (HAL) is what changes year to year
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Historical Activity Level (HAL)

Definition The median activity over a defined baseline period (FAR Art. 15)

Baseline	Set at the start of each allocation period from verified data (BDR)
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Per sub-installation	A HAL is set for each product/heat/fuel/process sub-installation
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Then	Annual activity (from the ALR) is compared with this level
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Result If activity drifts far enough, allocation is recalculated

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Why allocation is adjusted every year

Phase 3 Allocation fixed ex-ante; changed only on closure or big capacity change

Problem	Shrinking plants were over-allocated; growing plants under-allocated
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Phase 4 fix Allocation follows production through annual activity reporting

Mechanism	A sustained change above a threshold triggers recalculation
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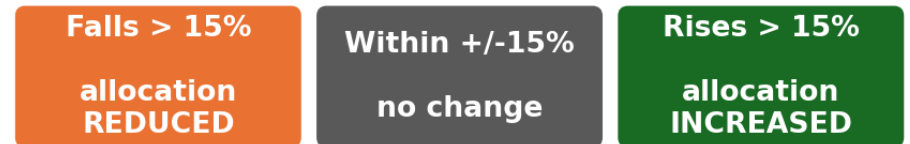
Benefit Free allocation tracks reality and stays within the cap

The +/-15% rule

Compare	2-year rolling average activity vs the level used for allocation
Within +/-15%	No change to allocation
Rise > 15%	Allocation increased for the following years
Fall > 15%	Allocation reduced for the following years
Further steps	Each new +/-15% step triggers a further adjustment
Smoothing	The 2-year average avoids reacting to a single odd year

The annual adjustment: the +/-15% rule

Compare the 2-year rolling average activity with the level used for allocation



A further +/-15% step triggers another adjustment

Worked example - activity rises

Baseline (HAL) 100,000 t/yr used for current allocation

Years N-1, N	118,000 and 124,000 t produced
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2-year average	121,000 t -> +21% vs 100,000
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Trigger	Above +15% -> allocation increased
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New basis	Allocation recalculated on the higher activity level
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Effect	A growing plant receives more free allowances
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Worked example - activity falls

Baseline (HAL) 100,000 t/yr used for current allocation

Years N-1, N	86,000 and 80,000 t produced
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2-year average	83,000 t -> -17% vs 100,000
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Trigger	Below -15% -> allocation reduced
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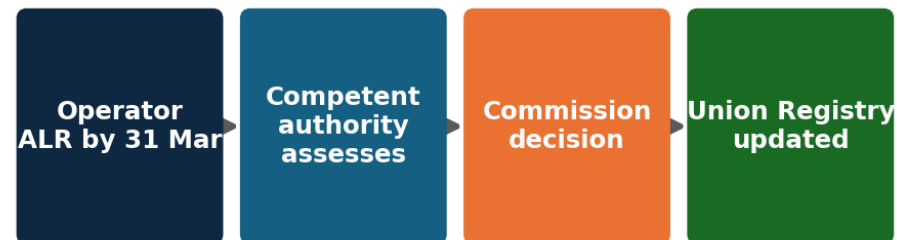
New basis	Allocation recalculated on the lower activity level
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Effect	A shrinking plant receives fewer free allowances
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How the adjustment is processed

Operator	Submits the verified ALR (by 31 March)
Competent authority	Assesses the data and the threshold test
Commission	Reviews; may request supplementary information/documentation on the application submitted; may reject; adopts a decision (FAR Art. 23)
Union Registry	Updated allocation entered and issued

Note The CA must be informed of any change affecting allocation



The annual cycle ETS1 - who does what, when

When	Who	What
By 31 March	Operator	Submit verified ALR (and AER) for the previous year
Spring	Competent authority	Assess data; apply the +/-15% threshold test
Mid-year	Commission	Decide on any allocation change; update the Registry
By the deadline	Operator	Receive adjusted free allocation; surrender for emissions
Ongoing	Operator	Notify the CA of capacity/operation changes

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What is a new entrant?

Definition An installation that starts an ETS activity after the baseline data collection (FAR Art. 5)

Also An installation newly covered by the EU ETS

Key date Allocation runs from the 'start of normal operation'

Normal operation The first day of a continuous 90-day operating period (FAR Art. 2)

Not a new entrant A mere capacity increase - handled via the +/-15% activity rule

The New Entrant Reserve (NER)

What	A pool of allowances set aside for new entrants (Art. 10a(7))
Source	A share of the EU-wide cap reserved at the start of the period
Rule	Allocated first come, first served, as applications arrive
Limit	Until the reserve is exhausted for the period
Why	Lets new low-carbon capacity enter without re-opening allocation

Allocation to new entrants

Application New entrant applies with verified data (FAR Art. 5)

HAL	Activity level determined from the first operating data (FAR Art. 17)
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Calculation Benchmark x activity, per sub-installation (FAR Art. 18)

Process emissions	x 0.97 to 2027, then x 0.91 from 2028
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First year Pro-rated to actual activity in the start year

Then	Joins the normal annual +/-15% adjustment
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Cessation of operations

Cessation The installation stops operating (FAR Art. 23 / national rules)

Effect	Free allocation stops from the year after cessation
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Permit The GHG permit may be withdrawn

Temporary stop	Allocation can continue if operation is intended to resume
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Notify The operator must inform the competent authority

Partial cessation: Phase 3 -> Phase 4

Phase 3 Fixed steps: at 50% / 75% / 90% drops, allocation cut in bands

Drawback Cliff-edges and gaming around the thresholds

Phase 4 Partial cessation as a separate trigger was abolished

Replaced by The continuous annual +/-15% activity adjustment

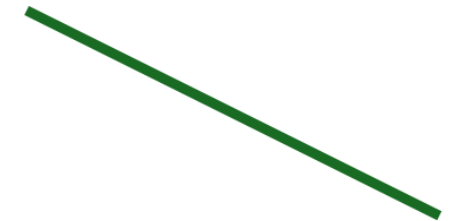
Result Allocation now follows activity smoothly, in both directions

Partial cessation: Phase 3 vs Phase 4

Phase 3 — fixed steps Phase 4 — continuous (+/-15%)



50% / 75% / 90% thresholds



allocation follows activity smoothly

Key takeaways

Two plans Emissions Monitoring Plan (MRR) vs Monitoring Methodology Plan (FAR)

Two reports AER drives surrender; ALR drives allocation - both verified

Dynamic Allocation follows activity via the annual +/-15% adjustment

New entrants Enter via the New Entrant Reserve, first come first served

Cessation Stops allocation; partial cessation replaced by the +/-15% rule

One discipline Same MRV/verification backbone as ETS2 and CBAM



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Interactive Q&A



➔ <https://partici.fi/23503622>



Back-up slides

Changes to allocation - notify and decide

Trigger Any change in operation that affects allocation (FAR Art. 23)

Step 1	Operator notifies the competent authority
Step 2	CA assesses and sends revised amounts to the Commission
Step 3	Commission may reject; then adopts a decision
Step 4	The Union Registry is updated
Renunciation	An operator may also renounce free allocation (FAR Art. 24)

Roles in the MRV-allocation interface

Actor	Responsibility
Operator	Maintains plans (MP & MMP); submits verified AER and ALR; notifies changes
Verifier	Independently verifies emissions and activity data under the AVR
National Accreditation Body	Accredits and supervises verifiers
Competent authority	Approves plans; assesses reports; applies adjustment; issues permits
Commission	Decides on allocation changes; operates the Union Registry

References / legal basis

Instrument	Scope used in this module
Directive 2003/87/EC	EU ETS Directive (as amended by Dir. (EU) 2023/959) - Art. 10a, 12, 19
FAR (EU) 2019/331	Free Allocation Regulation - Art. 5, 8-9, 15-18, 23-24
Impl. Reg. (EU) 2019/1842	Activity level changes & annual allocation adjustment
MRR (EU) 2018/2066	Monitoring & Reporting Regulation - emissions monitoring & AER
AVR (EU) 2018/2067	Accreditation & Verification Regulation
FAR Guidance GD3-GD5	Data collection, verification of reports, MMP monitoring & reporting