ROYAL NORWEGIAN MINISTRY OF GOVERNMENT
ADMINISTRATION, REFORM AND CHURCH AFFAIRS

European Commission
Directorate-General for Competition
State Aid Registry
1049 Brussels
Belgium

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Public Consultation: The future Commission Guidelines for State aid in the context of the amended EU Emissions Trading Scheme	11/56	11 May 2011

Public Consultation: The future Commission Guidelines for State aid in the context of the amended EU Emissions Trading Scheme – Contribution from the Norwegian Government

The Norwegian Ministry of Government Administration, Reform and Church affaires has the overall responsibility for the sector crossing instruments in the government's competition policy, and is the coordinator of comments from central administrations in state aid regulatory processes at the European Commission and the EFTA Surveillance Authority.

Please find enclosed the contribution from Norwegian Government to the public consultation regarding the future Commission Guidelines for State aid in the context of the amended EU Emissions Trading Scheme.

The Norwegian Government would be pleased to elaborate further on any of the comments presented in the enclosed questionnaire and especially the principles of the Norwegian and Nordic power market, and the pass-through mechanisms for CO_2 emission costs in these markets.

Yours sincerely,

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QUESTIONNAIRE

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The Ministry of Government Administration, Reform and Church affaires has the overall responsibility for the sector crossing instruments in the government's competition policy, is the contact point for formal correspondence with the EFTA Surveillance Authority in state aid cases, and is the coordinator of comments from central administrations in state aid regulatory processes at the European Commission and the EFTA Surveillance Authority.

INTRODUCTORY REMARKS

Norway has ambitious goals for reduction of greenhouse gas emissions, and has set both national and global reduction targets. Climate change is a global challenge. In order to combat this threat, Norway actively supports the establishment of an ambitious global agreement consistent with the target of limiting temperature increase to 2 degrees Celcius compared to pre-industrial levels. A global price on carbon emissions would trigger cost-efficient emission reductions and investments in green technology worldwide.

However, the absence of a global climate agreement cannot be used as a pretext for inaction. National and regional initiatives for emission reductions are therefore essential until a global agreement is reached.

The EU Emissions Trading System (EU ETS) has been an important element in the Norwegian policy for reducing greenhouse gas emissions since its establishment in 2005. Norway has been part of the EU ETS from the start (2005-2008). From 2013, approximately 50 percent of total Norwegian emissions will be included in the EU ETS.

Since climate change is a global concern, the possibility of carbon leakages should be considered when designing regional climate policies. The risk of relocation of industries and thereby a potential less reduction in global emissions, should be considered. However, the magnitude of carbon leakage is uncertain. When considering the potential

risk of carbon leakage, one should bear in mind that investment decisions and processes leading to relocation of industries in general are a result of several stages and an assessment of a set of business conditions, not only the CO2-element.

According to the revised EU ETS-directive[1], sectors or subsectors which are determined to be exposed to significant risk of carbon leakage shall be allocated more free allowances. In addition, the state aid guidelines shall be made applicable so as to make it possible for Member States to compensate the industry's indirect emission costs relating to greenhouse gas emission passed on in the electricity price. It is, important however, that these measures do not undermine the environmental integrity of the trading scheme. In this context, the support permitted should be limited in order to minimize the negative effects on the economy and on the EU ETS.

A mechanism that compensates for the effect of the carbon price may undermine the effects of a price signal on carbon and thereby increase the overall costs of implementing a given emission cap. In addition, such a mechanism may have a negative impact on the ongoing climate negotiations.

Reference is also made to our comments under section D in the Commissions questionnaire concerning the estimation method for the carbon price element in the power price. There are substantial differences in the national power generation in Europe. The new state aid guidelines should be neutral in the sense that the guidelines acknowledge that the Norwegian power price is influenced by the carbon price, even though Norwegian power generation is nearly 100 percent hydro based. The price effect of the EU ETS on the Norwegian power price is due to the interconnectivity of the Norwegian power market with neighbouring markets. Power prices based on non-renewable sources spills over into power prices in Norway.

***Please note**: for Section B and D, comments are provided as general answers to the underlying questions under the sections. The Norwegian government has chosen not to comment separately on the questions under Section C at this stage of the process, but refer to the answers provided under Section B.*

SECTION A: ELIGIBLE SECTORS FOR SUPPORT FOR INDIRECT EMISSION COSTS & INABILITY TO PASS-THROUGH

A1 Sectors eligible for aid for indirect emission costs in ETS-3

1. Please specify the sectors (at NACE 4 level[2]) that, according to you and the requirements in the Directive, are exposed to a significant risk of carbon leakage due to costs relating to greenhouse gas emissions passed on in electricity prices which will stem from ETS-3.

   Answer

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[1] Directive 2009/29/EC of the European Parliament and of the Council of 23 April 2009 amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community

It is decisive that state aid to limit carbon leakage does not undermine the environmental integrity of the EU ETS. Further, it should not lead to subsidy competition within the EEA. Provided that the state aid rules shall allow Member States to compensate for the indirect carbon cost, the definition of sectors exposed to substantial carbon leakage should be based on strict criteria. In any case, it should be limited to sectors producing homogenous commodities, where the products are traded globally, prices are set globally, the enterprises are unable to pass on their CO_2-costs in the product prices, the transport costs are limited, the power costs amounts to a high share of total costs and where there are limited substitution possibilities. In order to, as far as possible, reduce the distortions of competition, the relevant product market should be considered in the choice of eligible sectors.

Burden sharing / efficiency of ETS-3

2. How do you reply to the view that granting compensation to some sectors of the economy and insulating them from the EU ETS indirect costs would be at the expense of other sectors of the EU economy, which would have to make stricter emission reduction efforts or be under a larger cost burden, in view of the overall EU cap on emissions?

   Answer
   The concept of the cap and trade system is that a uniform carbon price will lead to cost efficient emission reductions within EU/EEA. Financial support in order to compensate the passing through of the carbon price in the electricity price tends to distort the indirect market effects of a cap and trade system. Financial support will therefore further reduce the cost-efficiency of the cap and trade system. Such aid will tend to increase the overall energy consumption, and lead to a higher electricity price for other sectors and to a higher carbon price.

International context

3. To what extent are producers outside the EU also confronted with a cost for indirect emissions? Are you aware of the existence or imminent implementation (before 2013) of emission trading systems, or emission reduction mechanisms with similar effect on production costs as the EU ETS, in other parts of the world? Which emission reduction mechanisms, if any, should be viewed as having a similar effect on production costs as the EU ETS?

   Answer
   Not applicable.

A2 Inability to pass-through increased indirect emission costs due to ETS-3

Please answer the questions below for each of the sectors you have identified under question 1. For all the questions, you are invited to also compare the situation today (under ETS-2) with the future situation under ETS-3. Information and data on sectors should, in principle, be provided at NACE 4 level.

General cost structure

4. Is the sector in question capital intensive? Does the sector face (unrecoverable) sunk and exit costs? Please identify them and indicate how much they represent in terms of the industry's turnover and value added. How large are the fixed costs of operations? What investments are required to a new entrant and how much can they represent of the new entrant's turnover? Please indicate how much electricity costs contribute to the overall costs and, if appropriate, what percentage of which electricity sources is used in your industry.

Answer
Not applicable.

Existence of carbon leakage risk due to indirect emissions

5. Please explain, during the ETS-3, as from which level of CO_2 price would you consider that companies in your sector are faced with a real and significant carbon leakage risk due to indirect cost increase? Please substantiate your answer.

Answer
Not applicable.

6. Please present the main factors of relocation decisions and/or the decision to shift production to locations outside the EU in order of importance and explain which position the impact of CO_2 prices (especially on profitability) in this respect. Please substantiate your answer.

Answer
Processes leading up to a decision to relocate usually consist of a mix of factors that would differ from company to company. Generally, such decisions are based on the enterprises' long-term assessment of market trends and the price differentials of vital input factors (raw material input, logistics and wage costs) in potential alternative location areas. To the best of our knowledge, business decisions to relocate is proceeded by a number of stages that each may also be affected by expected future carbon prices, e.g. decisions concerning future investment measures, whether modernisation, maintenance and up-grading of existing plants or further green-field investments/capacity increases, could imply carbon leakages. However, the weight put on future carbon prices relative to other factors is unsure.

7. If (some) companies in the sector concerned were to relocate or to shift production locations outside the EU, please specify to what locations this would likely be. Would it be to countries with a low carbon factor or rather to countries with no CO_2 pricing mechanism? Please substantiate your answer.

Answer
Not applicable.

8. Please provide your views on the extent to which carbon leakage has already occurred as a result of the introduction of ETS 1 or ETS 2. Please substantiate your answer in concrete terms.

Answer
Not applicable.

Increase in indirect costs due to ETS-3

9. Please quantify the increase in costs which firms face due to electricity generation as they comply with ETS-3. In your reply, please differentiate between impact on fixed costs and variable costs. Please also compare the situation today (under ETS-2) with the future situation under ETS-3.

Answer
Not applicable.

Profit margin

10. Please indicate the sector's profit margin. In particular, please quantify the estimated impact of the increase in CO_2 costs related to electricity prices (comparing ETS-3 to ETS-2) on your profits (e.g. using 15 and 30 EUR/t CO_2 assumptions in ETS-3). Please specify on which segments of the sector's profits these indirect CO_2 costs have an impact, and explain your reply. Please indicate the same as regards the impact of CO_2 costs related to electricity prices on the sector operating costs and margins.

Answer
Not applicable.

11. As for direct CO2 costs, please quantify the total accumulated surplus of free allowances over actual emissions in the period 2008-2009 and estimated surplus for the rest of ETS-2nd Phase, if relevant.

Answer
Not applicable.

Transport costs

12. Please indicate which transport costs the sector incurs. How significant are they with respect to the turnover and value added of the sector? Is a significant share of production transported or are products sold close to the production site? How much transport costs are relevant for the use of intermediate goods? Please substantiate your answer.

Answer
Not applicable.

13. How relevant is the physical proximity of the plants to the markets where the intermediate goods are bought from and to those where the final goods are sold?

Answer
Not applicable.

14. Please explain how these transport costs impact on possibility to relocate or shift production locations outside EU.

Answer
Not applicable.

Product differentiation

15. Please indicate whether the products of the sector are homogeneous or differentiated based on quality, marketing and branding or content.

Answer
Cf answer to question no. 1.

Service differentiation

16. Please indicate whether services provided at local level by your company matter for your clients.

Answer
Not applicable.

17. Please indicate the share of your sales to clients in the same Member State, in other EU Member States, in non-EU States.

Answer
Not applicable.

Substitutability of final products

18. Please provide information on the substitutability between the sector's products from the point of view of the clients. Are products from non-EU sources to be considered as close substitutes? Please substantiate your answer.

Answer
Not applicable.

19. Please provide studies and reports that substantiate the claim that the level of EU production is - or is not - highly price elastic, i.e. that an increase in prices of the EU producers would lead to a significant reduction of EU production. Please also illustrate your claim with concrete observations from the (recent) past.

Answer
Not applicable.

20. Which non-EU countries would see the largest increase in production if the price of EU production were to rise due to ETS-3? Please substantiate your answer.

Answer
Not applicable.

Overall demand elasticity

21. Please provide information on the elasticity of overall demand with respect to price increases in the sector concerned.

Answer
Not applicable.

Market segmentation and industry structure

22. Please provide information on the characteristics of the market affected by the possible increase in CO_2 costs, including the market size (outside and within the

EU), the market share of the main companies in the relevant market, the degree of agglomeration and vertical or horizontal integration.

Answer
Not applicable.

Demand Growth

23. Please provide information on the expected rate of growth of demand for the product concerned over the next 10 years in total and by geographic macro-area.

Answer
Not applicable.

Import volumes & export volumes

24. Please indicate for the years 2005-2010, both at (i) world level and (ii) at the level of the EU (a) the total annual level of production (in volumes and values), (b) the total market size, (c) the total annual level of imports into the EU, (d) the total annual level of exports out of the EU. If possible, please also provide a breakdown by Member State and for the exports and imports a breakdown by the 10 main countries of destination and origin, respectively.

Answer
Not applicable.

25. Does the sector in question face any import restrictions, in the form, for example, of EU import duties or export tariffs?

Answer
Not applicable.

Extra- EU trade intensity

26. Please indicate the ratio between total of value of EU exports to non-EU and value of imports from non- EU and the total market size for the EU in the period 2005-2010. Please indicate within which regions are the products of the sector traded.

Answer
Not applicable.

Changing patterns of world trade

27. Please indicate any changing patterns of world trade in the sector.

Answer
Not applicable.

Substitutability of inputs

28. Please indicate whether the sector can reduce the energy intensity of the production processes by inputting other factors of production.

Answer
Cf answer to question no. 1.

Market penetration rate for new technologies

29. Please indicate the adaptability of a sector to new lower-carbon technologies and production processes. Please substantiate your answer based on the existing capital infrastructure of the sector, the maturity of the new technology (and costs) and the nature of the new technology (incremental or step-change). What is the market penetration rate for such technologies? Please substantiate your answer.

Answer
Not applicable.

Global price setting mechanism

30. Please specify to what extent EU producers in the sector should be viewed as price takers. Are the products of the sector commodities, sold in global exchanges? What percentage of the sector (in volume and value) is sold in global exchanges? How does this global price mechanism function? Please specify the premiums on top of potential prices at global exchanges. Please substantiate your answer.

Answer
Cf answer to question no. 1.

SECTION B: LEVEL OF SUPPORT

The ETS Directive, which enabled the transition from ETS-2 to ETS-3, allows for compensation of costs due to indirect emissions for the increase that results from the implementation of ETS-3 (due to tightening of the cap leading to expected increased CO_2 prices). The Directive stipulates that financial support should maintain an incentive to reduce electricity consumption and stimulate a shift in demand from "grey" to "green" electricity.

31. How such an incentive could be maintained? Please substantiate your answer
32. What level of aid reduction would help preserving an adequate incentive to reduce electricity consumption? Please substantiate your answer.

33. Do you consider that requiring an own contribution would give an indirect incentive to electricity producers to invest in less environmentally damaging generating technologies? Please substantiate your answer.

34. How would you ensure that the support does not lead to aid dependency? Would degressiveness in the level of support help preparing for a gradual phasing-out of the support over time in line with the temporary character of the support? Please substantiate your answer.

Answer:

The pronounced purpose of the guidelines is to allow the Member States to adopt financial support to mitigate cost increases related to the transmission of carbon prices passed on in electricity prices of sectors with significant risk of carbon leakage. This purpose is in its nature conflicting with the goal of maintaining an incentive to reduce electricity consumption within these sectors.

According to the revised ETS Directive, the state aid measures shall be based on ex-ante benchmarks of the indirect emissions of CO_2 per unit of production. For each sector or subsector, the benchmark shall be calculated as the product of the electricity consumption per unit of production corresponding to the most efficient available technologies and the CO_2 emissions of the relevant European electricity production mix.

Such an efficiency benchmark per unit of production will maintain incentives to increase electricity efficiency per unit produced. However, compensating aid to energy intensive sectors will lower the marginal cost of production, hence increasing the total volume produced in these sectors. Consequently, such aid will tend to increase energy consumption within the sectors in question compared to a situation without such compensation.

Electricity consumers do not control the source of the electricity they buy. Thus, the financial support cannot be designed to directly stimulate a shift in the demand from covered sectors from grey to green electricity.

When deciding upon the allowed level of support and the use of benchmarks, the above mentioned elements should also be considered.

SECTION C: BENCHMARKS

The ETS Directive[3] foresees that aid for indirect emissions shall be based on ex-ante benchmarks of the indirect emissions of CO_2 per unit of production. The ex-ante benchmarks shall be calculated for a given sector or subsector as the product of the electricity consumption per unit of production corresponding to the most efficient available technologies and of the CO_2 emissions of the relevant European electricity production mix. In the non-paper addressed to the European Parliament and the Council, the Commission stated that, in order to calculate the maximum aid amount, benchmarks would be introduced linked to best performing technique. The Commission will undertake a study to determine the efficiency benchmarks for the relevant sectors.

35. What factors are in your view relevant to define a benchmark for your sector in order to incentivise energy efficiency investments by beneficiaries?

    Answer:
    Not applicable.

36. Please specify the electricity consumption per unit of production that should correspond to the most efficient available technologies for a certain sector. Please substantiate your answer with data and sources.

    Answer
    Not applicable.

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[3] Article 10a(6) of the ETS Directive.

37. What is the level of your company's electricity efficiency? In your reply, please compare it with other companies from your sector, notably with countries outside of the EU?

Answer
Not applicable.

SECTION D: CO2 EMISSION FACTOR

The CO2 emission factor corresponds to the CO_2 emissions per MWh of electricity generated. The question is what CO2 factor to use as a basis for calculating the compensation. In the non-paper to the EP and the Council, the Commission stated that the actual CO_2 factor can in principle be identified from self-generation and electricity supply contracts that explicitly specify the level of pass through of the EUA price per MWh. Where electricity is purchased on the grid (on the exchange or forward market), the average CO_2 intensity in the EU's total electricity production could be used[4].

Four methods are conceived hereinafter. The first three methods propose to use the actual CO_2 factor from self-generation and electricity supply contracts and present different possibilities for the case where electricity is purchased on the grid. The fourth proposes to use a uniform CO2 factor in all cases.

Answer

With reference to the previous Norwegian technical comments on the design of the guidelines (non-paper and follow-up meeting[5]), a method for calculating the pass through of CO2-prices in the Nordic region should reflect the specific features of the price setting mechanisms in a hydro-dominated power market.

On this background, none of the proposed methods in section D could be directly applied to the Nordic countries without the risk of under- or overestimating the effect of CO2 costs on power prices. However, based on the four presented alternatives, we find that Method 1 is the best starting point for further calculations of the pass through effects on power prices in the Nordic market:

Hydropower amounts to more than 50 % of the electricity generated in the Nordic countries, and for Norway nearly 100 %. The existence of water reservoirs allows for storage of water, which gives the producer an opportunity to use the water for production when it is most economic. As a result, the price of hydro resources (the value of water) is not simply the technical marginal cost of hydro power production, but the opportunity cost of the stored water.

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[4] The average CO_2 intensity in the EU's total electricity production is also referred in the formula in the non-paper for the maximum amount of aid that a Member State could provide for an installation.

[5] Cf e-mail to Carles Esteva Mosso from Marie Nygren of 24 June 2010, and the meeting 21 October2010 with DG COMPs team (Manuel Godinho de Matos, Evi Papantoniou among others

The existence of interconnectors between the Nordic countries, and between the Continent and the Nordic region, implies that hydropower production can be replaced by thermal capacity in the Nordic market or import from the Continent. In the same way, increased hydro production could replace Nordic thermal production or be exported to the Continent. Nordic water values and prices will consequently reflect the cost of replacing the last unit of hydro generation with production from these areas; generally the cost of thermal generation is expected to balance the market. When the marginal costs for fossil fuel increase, for example due to increases in CO2 costs, the reservoir water value will increase as well.

These general mechanisms of price formation in the Nordic market are well supported both through empirical evidence and model simulations.

The system price in the Nordic electricity market is a price which balances sales and purchases in the Nordic exchange area while not considering any transmission constraints. When there are no constraints in the grid between the bidding areas in the Nordic area, the actual price in the whole Nordic area is equal to the system price. The system price is normally set by the price of thermal generation, which includes CO2 costs.

However, when transmission constraints exist, the market is divided into different price areas. Today, the Nordic market consists of 9 price areas. Thermal generation will be situated in some of these price areas while others might contain just hydropower. If one thermal generation power plant, which includes pass-on of CO2 costs, sets the system price, the area price in regions without thermal generation might still be influenced by the price of the marginal thermal generation power plant. Hence, the area price can be strongly influenced by the price of thermal generation, which includes pass on of CO2 costs even though hydropower is the price setting technology.

The use of Method 1 for calculating the pass through factor in the Nordic countries thus needs to be adjusted for the occurrence and characteristics of different price areas in the region over time. Furthermore, variations in the pass through factor between different hydrological years and seasons could be substantial, due to shifts in the relevant marginal price setting technology. The potentially large, but unforeseen variation, in the hydro system, combined with the complexity of identifying the marginal price setting technology in the hydro based system, implies that an ex-ante approach could significantly over- or underestimates the effect of CO2 cost on power prices in the Nordic region. Thus, it is the Norwegian view that the marginal pass-through of CO2-costs in the electricity prices could be more accurate determined ex post, using available power market models. With a set of relevant power market statistics (hydrology, capacities, prices and cost structure) and CO2 data as input, actual pass-on in the electricity prices can be estimated on a year by year basis. Advanced power market models suited for these purposes are regularly in use. The models are also regularly updated by regulators, system operators and other actors of the Nordic power market. A combination of Method 1 with a model-based approach ex post would significantly reduce the risk of under- or overcompensation of CO2-costs.

The Norwegian Government would be pleased to elaborate further on the principles of the Norwegian and Nordic power market and the pass-through mechanisms if needed. We would also like to make reference to the report[6] "Carbon Price Transfer in Norway –

[6] http://www5.nho.no/download/ThemaCarbonPriceTransfer.pdf

The effect of the EU-ETS on Norwegian Power prices". The report gives a review of the price setting mechanisms in the Nordic region, as well as presenting relevant methods for calculating the pass through cost of CO2. However, at this stage, Norway has no opinion on the estimated level of the pass-through factor presented in the report or all the assumptions made in the report.

38. Do you consider that one of the methods presented below should be used in all cases, including in case of self-generation and in case of electricity supply contract that explicitly specifies the level of pass through? Please substantiate your answer.

Answer:
Cf general answer above.

Method 1: Where electricity is purchased on the grid, the CO_2 factor of the marginal plant setting the electricity price for the installation concerned is used

39. Do you consider that using the annual weighted average of the CO_2 factor of the marginal power production in the relevant electricity market, which supplies the beneficiary is the appropriate method? Please substantiate your answer.

Answer:
Cf general answer above.

40. Are national regulators always able to identify the marginal plant in the relevant price setting area? Do you consider that due to confidentiality issues or to lack of transparency of the market or of data, they may not be able to define it? Please substantiate your answer.

Answer:
Cf general answer above.

41. Would national regulators be able to identify the marginal plant when the price setting areas do not correspond to the borders of each Member State, some being supra-national and sub-national? How would national regulators address the need to revise the price setting areas periodically, as the interconnection and generation infrastructure evolve?

Answer:
Cf general answer above.

42. Do you consider that this method may result in over-compensation or in under-compensation? If so, under which circumstances? In your reply, please take into account of the following scenarios:
    a. the introduction of CO_2 pricing will in some cases result in reversals of the merit order, for instance, when a gas plant is the marginal plant without CO_2 pricing, but a coal plant becomes the marginal plant once CO_2 costs are considered.
    b. in price setting areas that do not correspond to the borders of a Member State, if the CO_2 factor is based on the marginal plant in another Member State instead of the installation's price setting area within the country, companies in one price setting area may face conditions leading to over-compensation, whereas companies in other price setting area may not get enough compensation.

c. when a coal/gas fired power plant is used as an alternative back up for renewable energy production.

Answer:
Cf general answer above.

43. Do you think that this method would have the effect of incentivising grey electricity? In particular, in the absence of perfectly competitive markets, this method may give incentives to electricity producers to influence the choice of marginal plant for the one that has the highest CO_2 factor (the dirtiest) and therefore justify compensation on the basis of artificially higher CO_2 costs. Please substantiate your answer.

Answer:
Cf general answer above.

44. Do you consider that this method involves an excessive administrative burden, since national regulatory authorities will have to provide the necessary data? If so, what alternative would you consider more appropriate?

Answer:
Cf general answer above.

Method 2: Where electricity is purchased on the grid, the average CO_2 emission factor for the EU is used

45. Do you consider that using the average CO_2 emission factor at EU level is the appropriate method? Please substantiate your answer. Please indicate whether you consider that another EU-wide factor should be used, and substantiate why you believe it would be more appropriate.

Answer:
Cf general answer above.

46. Do you consider that this method may involve over-compensation in some Member States with greener electricity and under-compensation in Member States with grey electricity? Please substantiate your answer.

Answer:
Cf general answer above.

47. Do you consider that this method has the advantage of simplicity, compared to Method 1?

Answer:
Cf general answer above.

Method 3: Where electricity is purchased on the grid, the CO2 emission factor for the average plant in a geographical pricing area concerned is used

48. Do you agree that a method based on average CO2 intensity of a plant in the geographical pricing area of the companies receiving aid, reflecting if possible consumption patterns of those companies (share of base-load and peak consumption) would be appropriate? Would such method more closely reflect needs of the companies than method 2? Please substantiate your answer.

Answer:
Cf general answer above.

Method 4: The average CO_2 emission factor for the EU is used, irrespective of the actual terms of supply of electricity for the installation concerned.

49. Please respond to the view that an average CO_2 emission factor for the EU, irrespective of the actual terms of supply of electricity for the installation concerned, would best preserve the incentives for purchasers of electricity to switch to green electricity and to make use of the opportunities granted by the single EU market for electricity.

Answer:
Cf general answer above.

SECTION E: OTHER ISSUES

The Norwegian Government would be pleased to elaborate further on any of the comments presented in this questionnaire and especially, if needed, concerning the principles of the Norwegian and Nordic power market and the pass-through mechanisms in these markets.