

The EU Emission Trading Scheme is one of the pillars of greenhouse gas mitigation strategy of the EU. Launched in 2005, the EU ETS works on the “cap and trade” principle. This means there is a “cap”, or limit, on the total amount of certain greenhouse gases that can be emitted by the factories, power plants and other installations in the system. Within this cap, companies receive emission allowances which they can sell to or buy from one another as needed. The limit on the total number of allowances available ensures that they have a value.

It is assumed that Serbia will aim for maximum free allocation in the e-sector, in compliance with EU regulation. Most Eastern EU Member states in have opted for derogation and maximum free allocation in the electricity sector, including the Czech Republic and Poland. In case of accession in 2015, it is assumed that Serbia will have to comply with the time path for reduction of the share of free allocation (70% in 2013 decreasing to 0% in 2020). In 2015, it is assumed approximately 50% can be allocated free decreasing to 0% in 2020. In case of accession in 2020, no free allocation will be possible and 100% of allowances need to be purchased at auction or (secondary) market.

Source [serbia-energy.eu](http://serbia-energy.eu)