



REUTERS/Mario Anzuoni

# MSR review – what about aviation?

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THOMSON REUTERS

# Oversupply calculation – the basis for MSR

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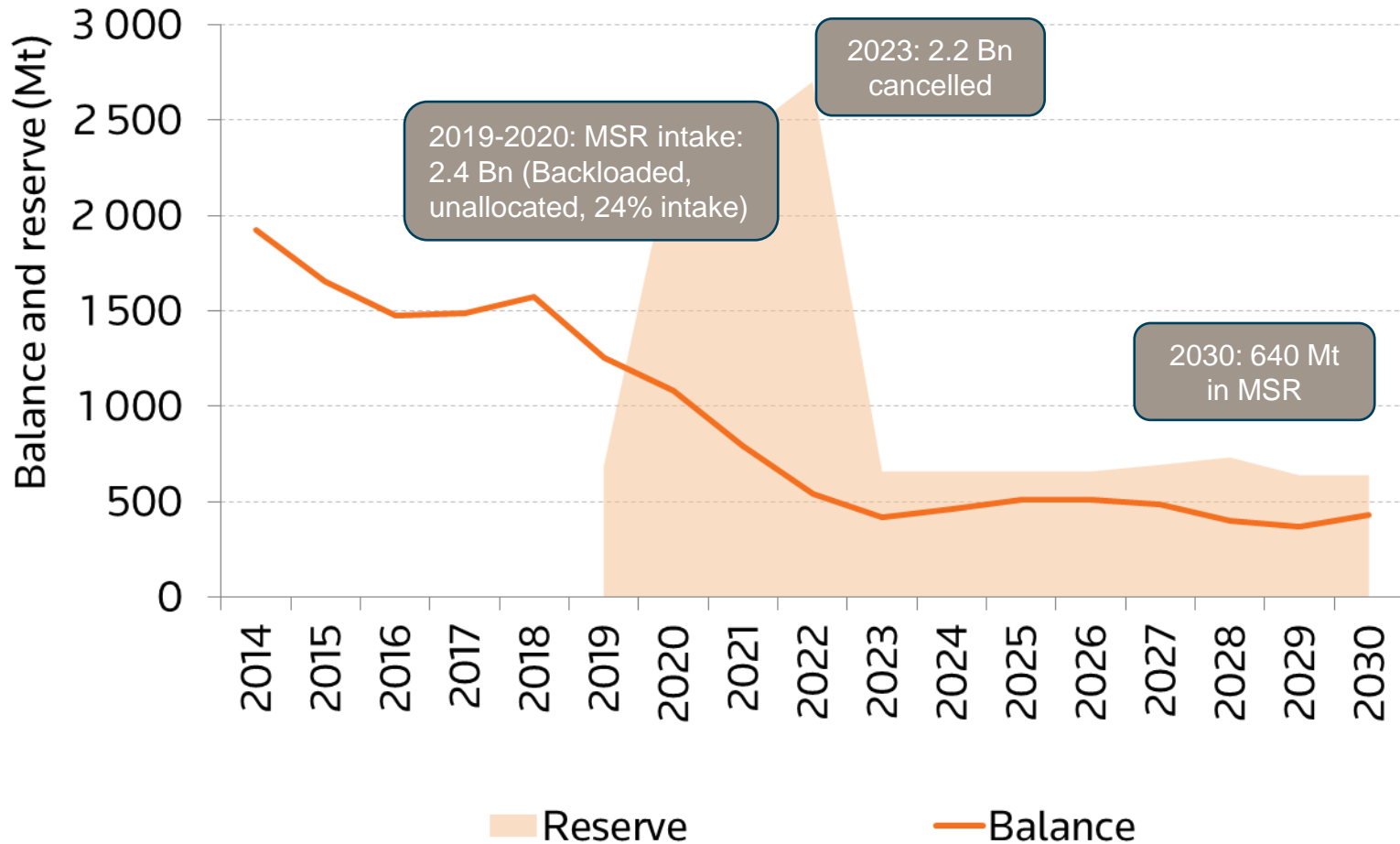
$$\begin{aligned} & \text{TNAC/Oversupply} \\ & = \\ & (\text{Allocation}_{\text{since 2008}} + \text{Credits}_{\text{used since 2008}}) \\ & - \\ & (\text{Verified emissions}_{\text{since 2008}} + \text{Cancelled allowances}_{\text{since 2008}}) \\ & - \\ & \text{Allowances in the MSR} \end{aligned}$$

The aviation sector is excluded from the TNAC calculation:

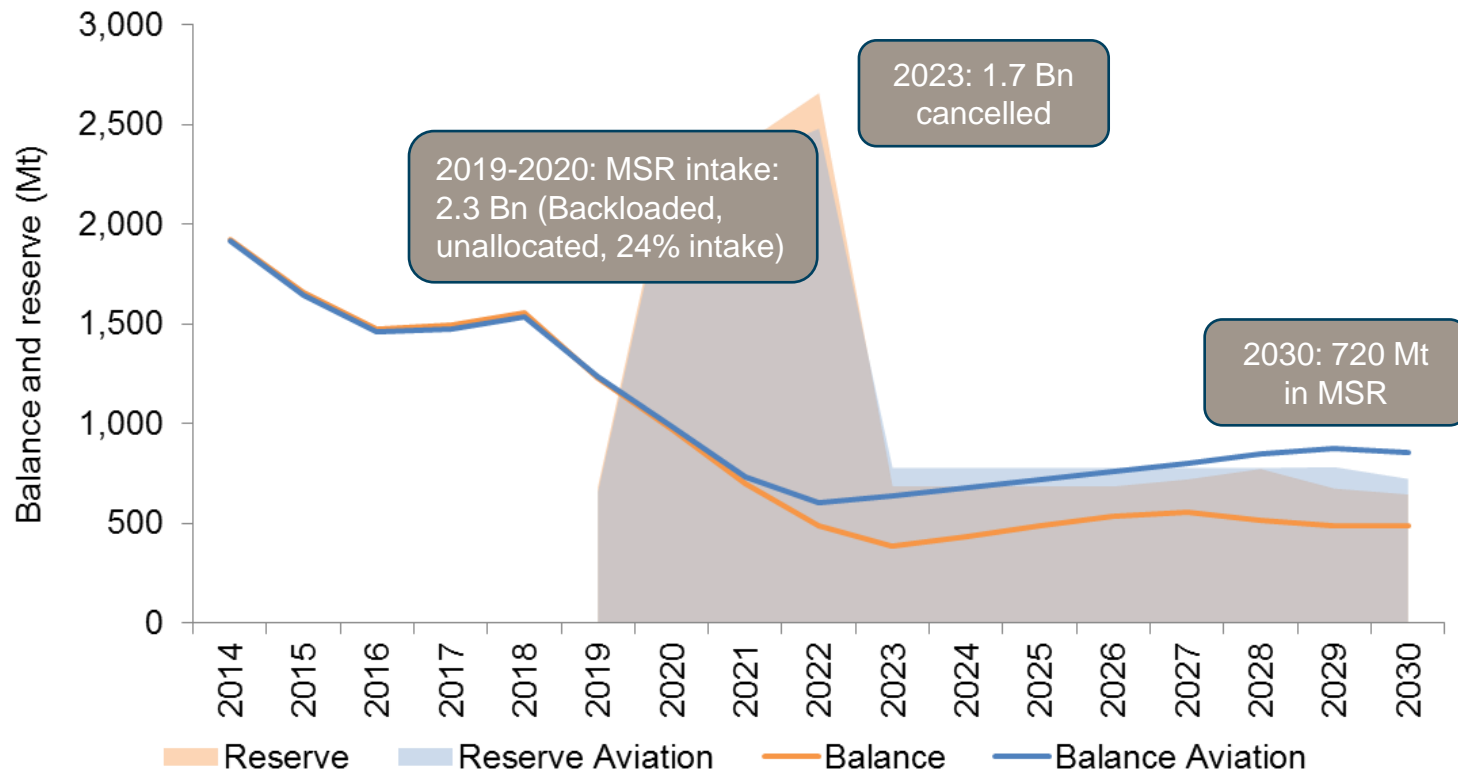
- Sector is a net demander of EUAs
- Estimated demand over phase 4: 35 Mt/yr on average
- Estimated cumulated demand 2012-2030: 500 Mt



# Market balance – the MSR at work

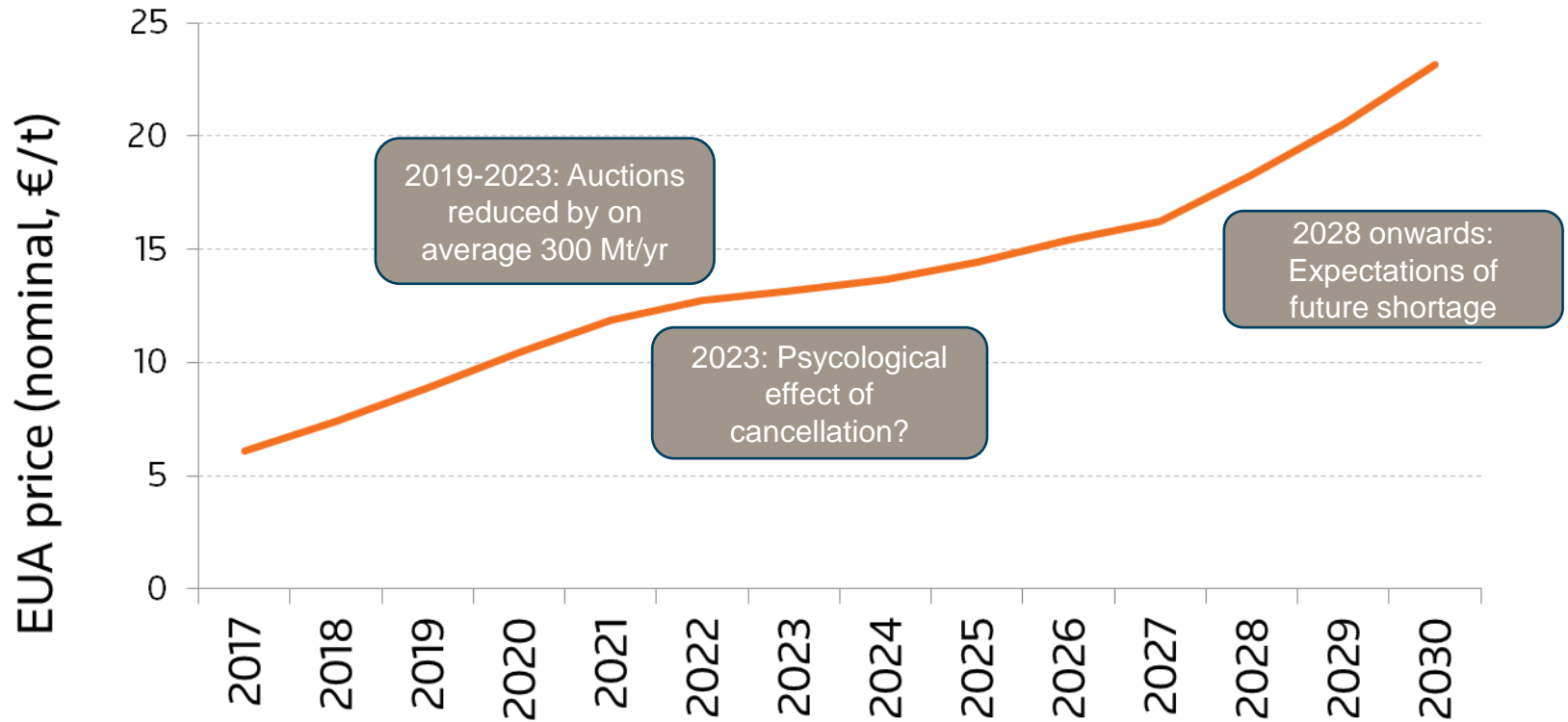


# Market balance – aviation included in TNAC

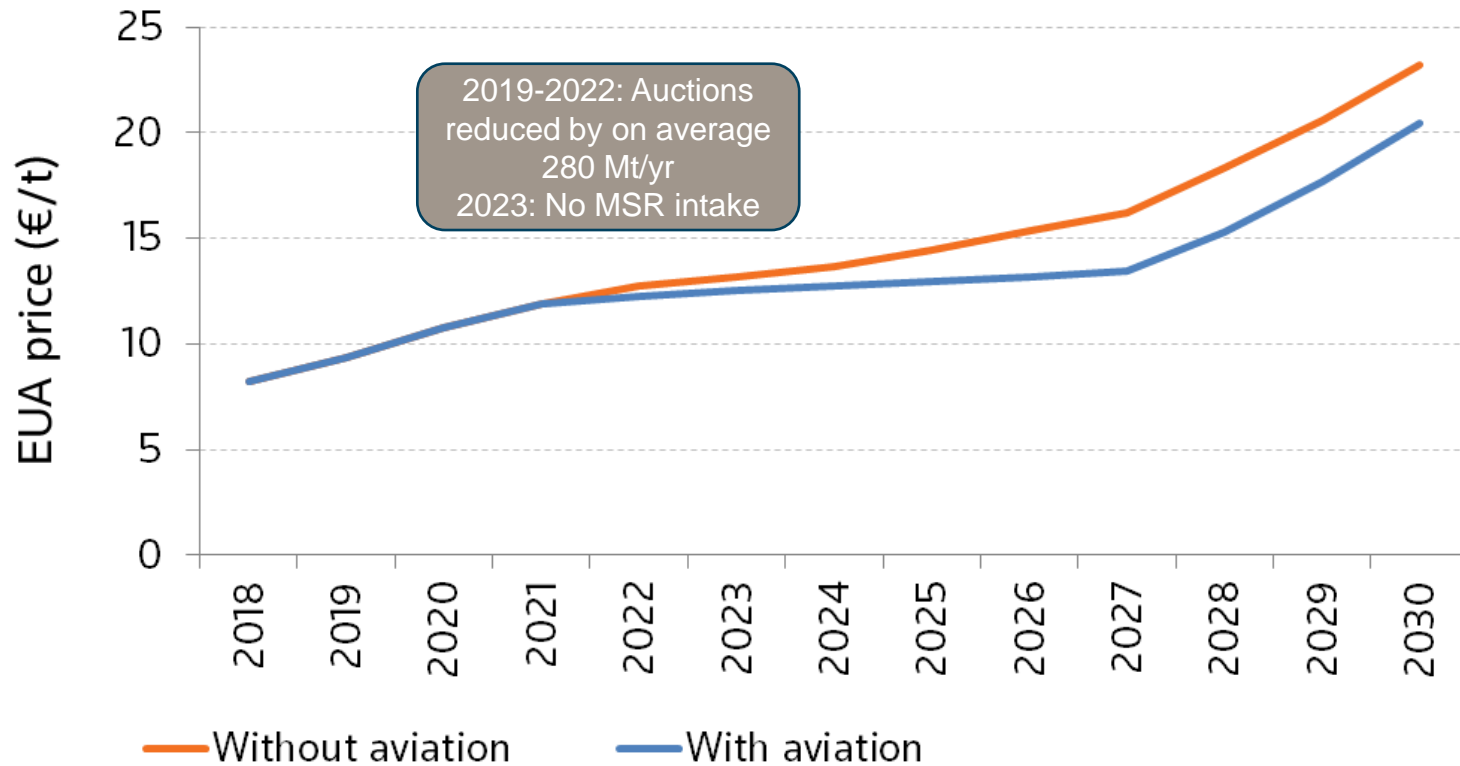


# Carbon price forecast *without* aviation sector in TNAC

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# Carbon price forecast *with* aviation sector in TNAC



## Considerations for the MSR review

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- Oversupply calculation strictly not correct without accounting for the aviation sector
- Be conscious that over time, the MSR operations will become very sensitive to aviation demand
- What to do?
  - Include aviation in the TNAC calculation
  - Or, be open about expectations for future demand from aviation

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**Thank you for the attention!**

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