

## Preparing the review of the Market Stability Reserve Agenda

**Date:** March 28, 2019

**Time:** 13:30-16:30 (light lunch will be served at 13:00)

**Location:** University Foundation, rue d'Egmont 11, Brussels

According to the Decision (2015/1814) on the Market Stability Reserve, the MSR was put in place to:

1. Tackle the structural supply-demand imbalances of allowances, thereby addressing the current surplus of allowances; and
2. Make the EU ETS more resilient in relation to supply-demand imbalances, including enhancing the ETS synergy with other climate and energy policies.

In addition to these explicit goals, the MSR Decision reads that in its review and analysis, the Commission should pay attention to a number of additional criteria, including:

- whether the current rules are appropriate with the goal to tackle the structural supply-demand imbalances, taking into account all relevant factors affecting supply and demand;
- the ability of the MSR to insulate the ETS from the effects of policy overlaps, as well as from other expected-unexpected shocks;
- the impacts of the MSR on economic growth, jobs, the Union's industrial competitiveness and on the risk of carbon leakage;
- the need for regulatory stability and ensuring long-term predictability.

Against the backdrop of these far-reaching goals and purposes, the performance of the MSR is critical to the well-functioning of the EU ETS. The MSR reviews, scheduled in 2021 and 2026, will be key to assess the adequacy of its parameters in achieving these objectives.

This meeting is part of an ongoing effort by ERCST to stimulate a discussion among stakeholders on the issues surrounding the Market Stability Reserve and its upcoming review of 2021. After the meetings held in October and February, this event is the third initiative organised by ERCST as part of this effort. The meeting will focus on identifying the goals and functions of the MSR, and how they could be assessed in light of the 2021 review. ERCST will present its views on the potential elements and structure of the MSR review, which will help to identify the issues that need to be discussed.

**The ERCST discussions on the MSR will continue with a series of meetings throughout 2019, with the planned release of the final paper on the MSR review in Q4 2019. Currently the following meetings are envisaged:**

- **May 7, 2019**
- **June 12, 2019**
- **September 19, 2019**
- **Launch of ERCST paper on the MSR review: November 2019**

- 13:00                    **Light lunch and registration**
- 13:30                    **Welcome**
- A. Marcu, Director of ERCST
- 13:40 – 14:00        **Remarks by the European Commission**
- P. Zapfel, Head of Unit DG Clima, European Commission
- 14:00 – 14:30        **Presentation of ERCST views on the review of the MSR**

ERCST will present its views on the MSR review, highlighting some of the issues to be discussed during the day regarding the potential structure of the 2021 review, and the parameters to be monitored. The presentation will try to shed light on some of the measures of success of the reserve, putting forward ideas and suggestions on the elements to be included in the MSR review.

- A. Marcu, Director of ERCST
- JY. Caneill, Senior Advisor of ERCST

*Roundtable discussion with participants*

- 14:30 – 15:30        **Panel 1: Goals and functions of the MSR in the context of the 2021 review**

This session will focus on what the goals and functions of the MSR are, as stipulated by the MSR Decision. Participants will analyse whether the objectives included in the Decision are appropriate, if they suffice for the MSR to positively impact the functioning of the EU ETS, and if the list of goals and functions should be expanded in the future.

This discussion will lay the ground for future conversations to take place during the next ERCST meetings on the MSR and the 2021 review. Potential goals and functions identified by participants in this meeting will represent the starting point for future work and meetings.

To stimulate debate on the goals and functions, some of the questions that could be addressed include:

- How do we define success for the MSR – what are the measures of success?
- What should a review of the MSR entail? – which elements up for review?
- How can the review provide with an assessment of the MSR functioning for the period 2019-2021, while also addressing the longer-term role of the MSR in the EU ETS framework?

- P. Chauveau, Solvay
- F. Branger, France
- D. Agostini, ENEL
- J. Michalak, IETA

15:30 – 16:30

## Panel 2: Indicators to monitor towards the MSR Review

In light of the MSR Decision, ERCST identifies three key issues related to the MSR functioning which should be assessed by the 2021 review. These are:

1. The impact of the MSR on the current market imbalance;
2. The contribution of the MSR in tackling any imbalance that might emerge as a result of new events, including the effects of policy overlaps;
3. The relationship of the reserve with competitiveness, jobs and growth.

Additional issues might be identified and included to this the list through the discussion of Panel 1 on the MSR goal and functions.

The aim of this session is to initiate a debate on how discussions on the goals and functions identified should be framed, and how they can be operationalised towards 2021. Participants will be asked to provide insights on possible indicators to follow regularly through certain data, so as to better assess the performance of the MSR with regard to the given dimensions. For each element, the discussion will seek to indicate some parameters that should be measured and/or evaluated, and how can they be measured and/or evaluated. The discussion is meant to provide a framework for future in depth analyses to be carried out over the course of the next ERCST meetings.

- M. Mazzoni, ICIS
- W. Acworth, ICAP
- J. Graichen, Öko-Institut

16:30

## Concluding remarks and next steps