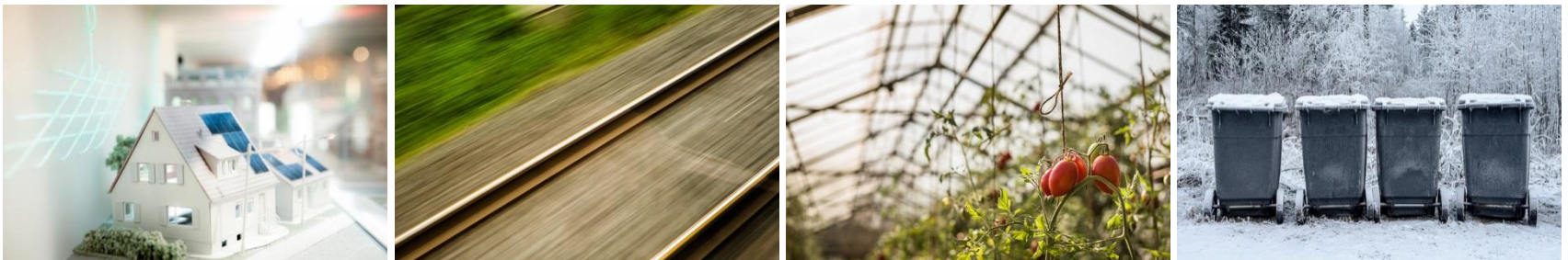


Indicators to inform the MSR review

Workshop *Preparing the review of the MSR*

Jakob Graichen

Brussels, 28 March 2019

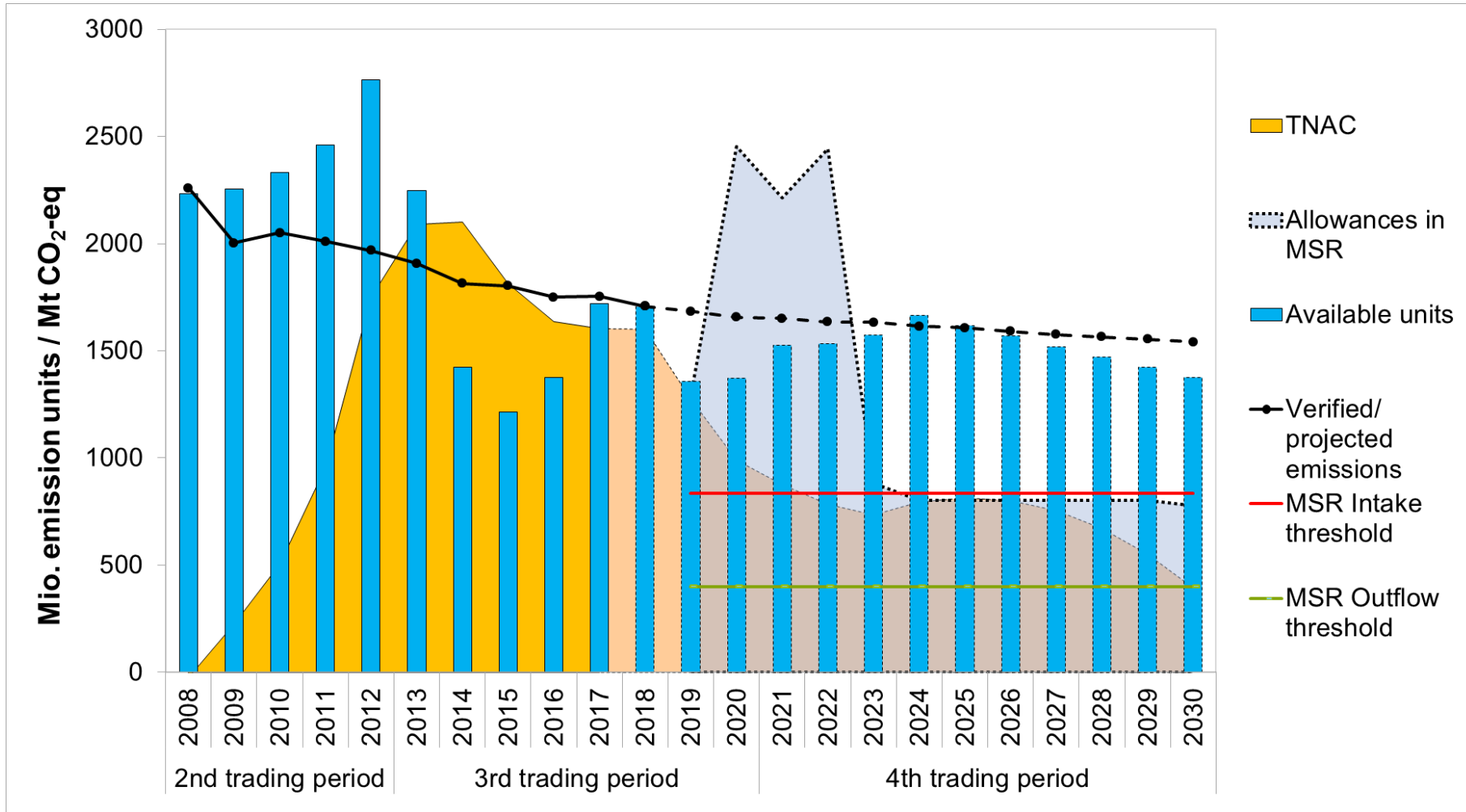


Background to the MSR review 2021

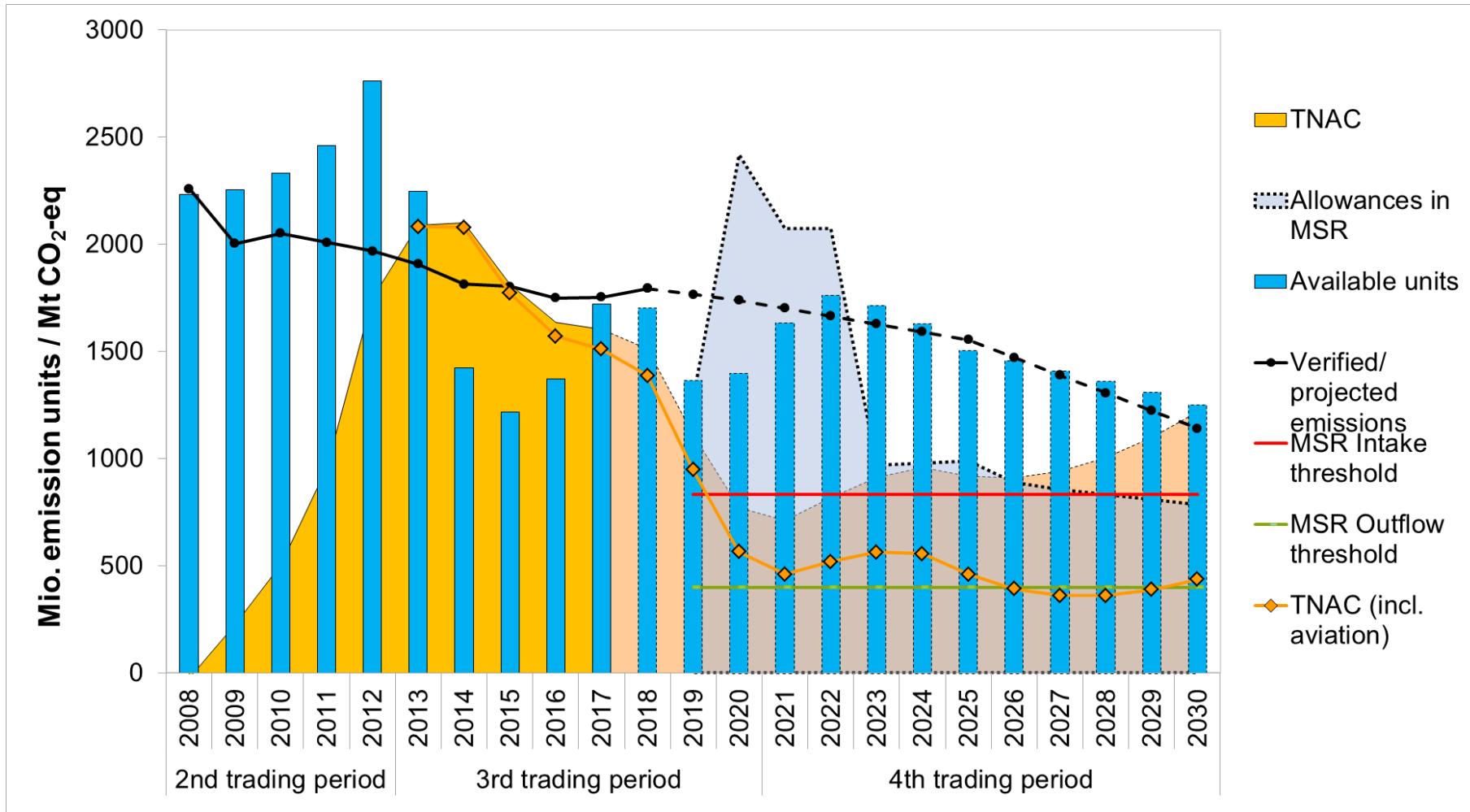
- Timing
 - Indicator development until 2021 of limited value
 - Scenarios until 2030 need to inform review
- Risk of new structural surplus in EU ETS
 - More ambitious renewables and efficiency targets
 - Coal phase-out in various Member States
 - Unforeseen events (e.g. economic crisis)
- Some parameters not ready for 2030 and beyond
 - Definition TNAC
 - Thresholds
- Possibly negative interaction with other policies

MSR:

Situation based on existing policies and measures



MSR: Situation if 30% RES/30% efficiency are achieved



Known issues that should be addressed by review (I)

- Structural imbalance
 - MSR successfully addresses current market imbalance due to backloading and double intake rate
 - MSR is not able to ensure scarcity under already agreed targets and policies (EU energy targets, national coal phase-out)
 - Any unexpected shocks could increase surplus even further
- Definition TNAC
 - Net demand from aviation not included in TNAC calculation
 - Cumulated demand 2013-2030: approx. 800 Mio EUA (current scope)
 - Scope of aviation ETS might change until 2030

Known issues that should be addressed by review (II)

- Thresholds
 - Remain constant while cap decreases by 28% from 2019 to 2030
 - Were based on hedging demand of power sector; coal phase-out reduces hedging demand
- Enhance synergies
 - Art. 12(4) allows voluntary cancellation of EUA due to closure of electricity generation capacity (i.e. coal phase-out)
 - Depending on timing and implementation (small) negative interaction possible

Indicators to inform the review

- TNAC development under different scenarios until 2030
 - Will the MSR be able to ensure scarcity if energy targets are met?
 - Will MSR be able to cope with EUA surplus due to coal phase-out?
 - TNAC with and without net demand from aviation under these scenarios?
 - TNAC and invalidation under different applications of Art. 12(4)
- Competitiveness, jobs & growth
 - Also assess positive impact on green industries
 - Auction revenues for MS (3.B): lower auctioning quantities but potentially higher revenues

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