

## Preparing the review of the Market Stability Reserve Agenda

**Date:** July 2, 2019

**Time:** 14:30-17:00

**Location:** ERCST office, rue Archimède 61, 1000, Brussels

The MSR has started to operate in 2019, and the first review is scheduled in 2021. In this review, the track-record and impacts of the MSR will be analysed. Based on this analysis, and a discussion on what the MSR is ought to achieve, a decision will have to be made on whether or not to change the MSR parameters, and if so, how.

ERCST held a first roundtable on the review of the MSR on March 28<sup>th</sup>, following earlier discussions held in February 2019 and October 2018. The meeting of March 28<sup>th</sup> focused on identifying the goals and functions of the MSR, and ways for the 2021 review to analyse the performance of the MSR via relevant indicators.

We will continue these discussions on July 2<sup>nd</sup>, building on some of the issues which emerged during the last roundtable. The meeting will take into account the outcomes of the European Commission's publication of the new data on the total number of allowances in circulation (TNAC), which was released on May 15<sup>th</sup>. 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:**

- July 2, 2019
- October 8, 2019
- Launch of ERCST paper on the MSR review: November 19, 2019

14:30                      **Coffee and registration**

15:00 – 15:10            **Welcome**

- A. Marcu, Director of ERCST

15:10 – 15:30            **Presentation of ERCST on the review of the MSR**

ERCST will present its view on some key elements which emerged during the last meeting held on March 28<sup>th</sup>, regarding the 2021 MSR review. The presentation will discuss the potential structure for the MSR review, while trying to shed light on some of the measures of success of the MSR.

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

15:30 – 16:00

## **Analysis of the EC publication on the TNAC**

ERCST will react to the report published by the European Commission on the total number of allowances in circulation in 2018, which was released on May 15<sup>th</sup>. The analysis of the EC report will be followed by a roundtable discussion with participants, where stakeholders will be asked to share their views and feedback.

16:00 – 17:00

## **Roundtable discussion with stakeholders**

Speakers will be asked to react to ERCST presentation and provide insights on their existing assessments of the MSR functioning in the context of the MSR review, with a look at the future-proofing of the reserve and taking into account the publication of the TNAC for 2018 by the European Commission. Some of the questions to be discussed during this roundtable include:

- Is the MSR contributing to improve the intertemporal efficiency of the EU ETS, while helping the EU ETS to send a credible long-term price signal to investors?
- How can we define the EU ETS market balance, and how should this definition be framed in the structuring of the MSR review?
- What could be defined as a *reasonable amount of time* for the MSR to react to market imbalances?
- Should the MSR be seen as the main instrument to fix future market imbalances of the EU ETS? What is the scope of the MSR, and what are its measures of success?
- How should the MSR relate with market volatility, and how can the 2021 review assess the ability of the reserve to cope with it?
- In case the MSR review shows the need for reform, is the current governance framework able to adjust the MSR parameters in a timely manner? What are the thresholds for change?
- Should the MSR review help increasing stakeholders' confidence in the EU ETS?

### *Ice-breakers*

- D. Agostini, Enel
- S. Van den Plas, Carbon Market Watch
- O. Imbault, Air Liquide
- R. Trotignon, Climate Economics Chair

17:00

## **Concluding remarks and next steps**