



Climate policy developments at the EU level and impact on the ETS

ERCST and Sitra event “Going beyond the EU NDC & Impact on the EU ETS”

Helsinki 13.3.2020

Kari Kankaanpää
Senior Manager, Climate Affairs
Fortum

Join the
change

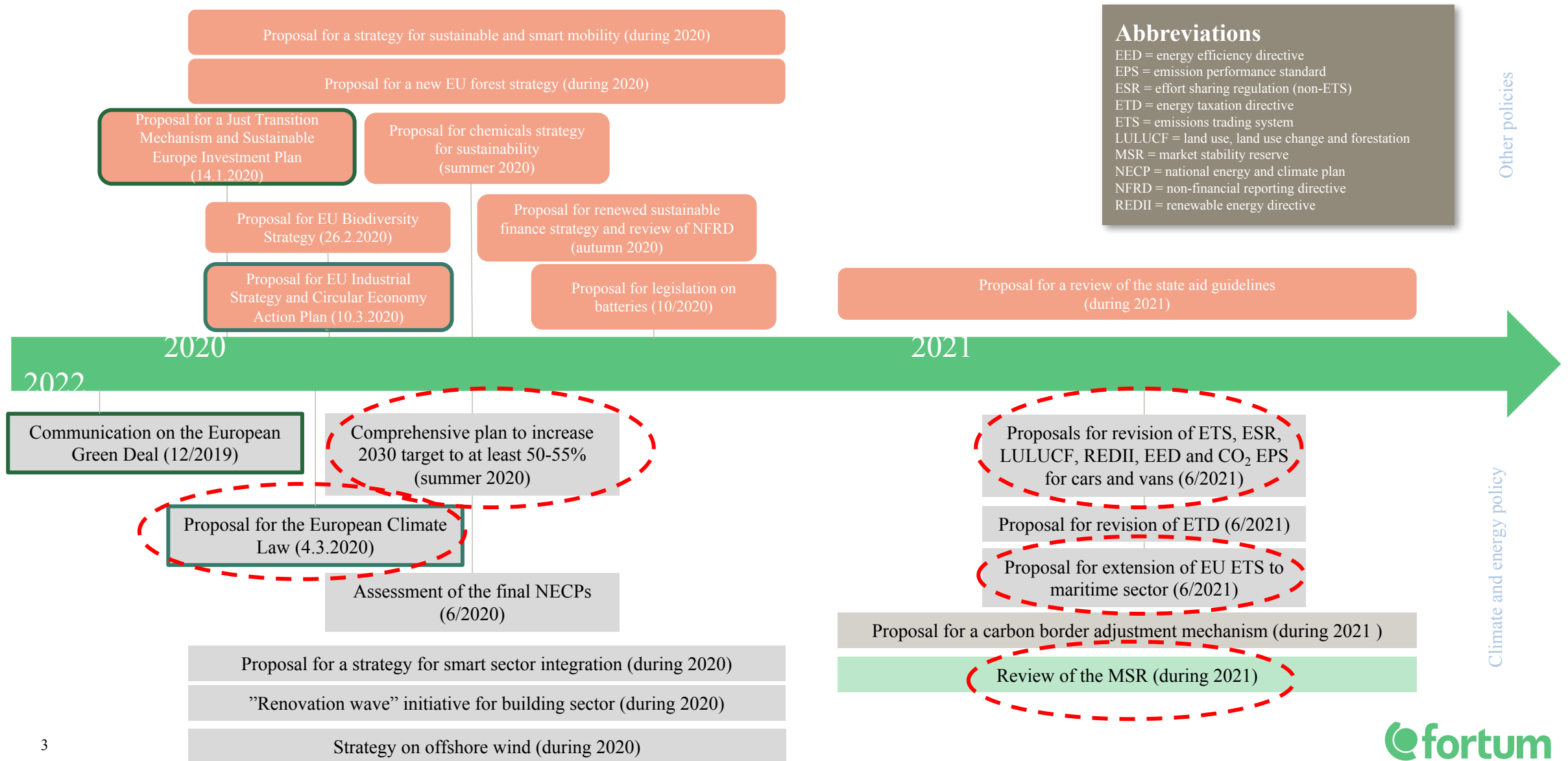
fortum

My three main points – how EU ETS ought to be reviewed ?

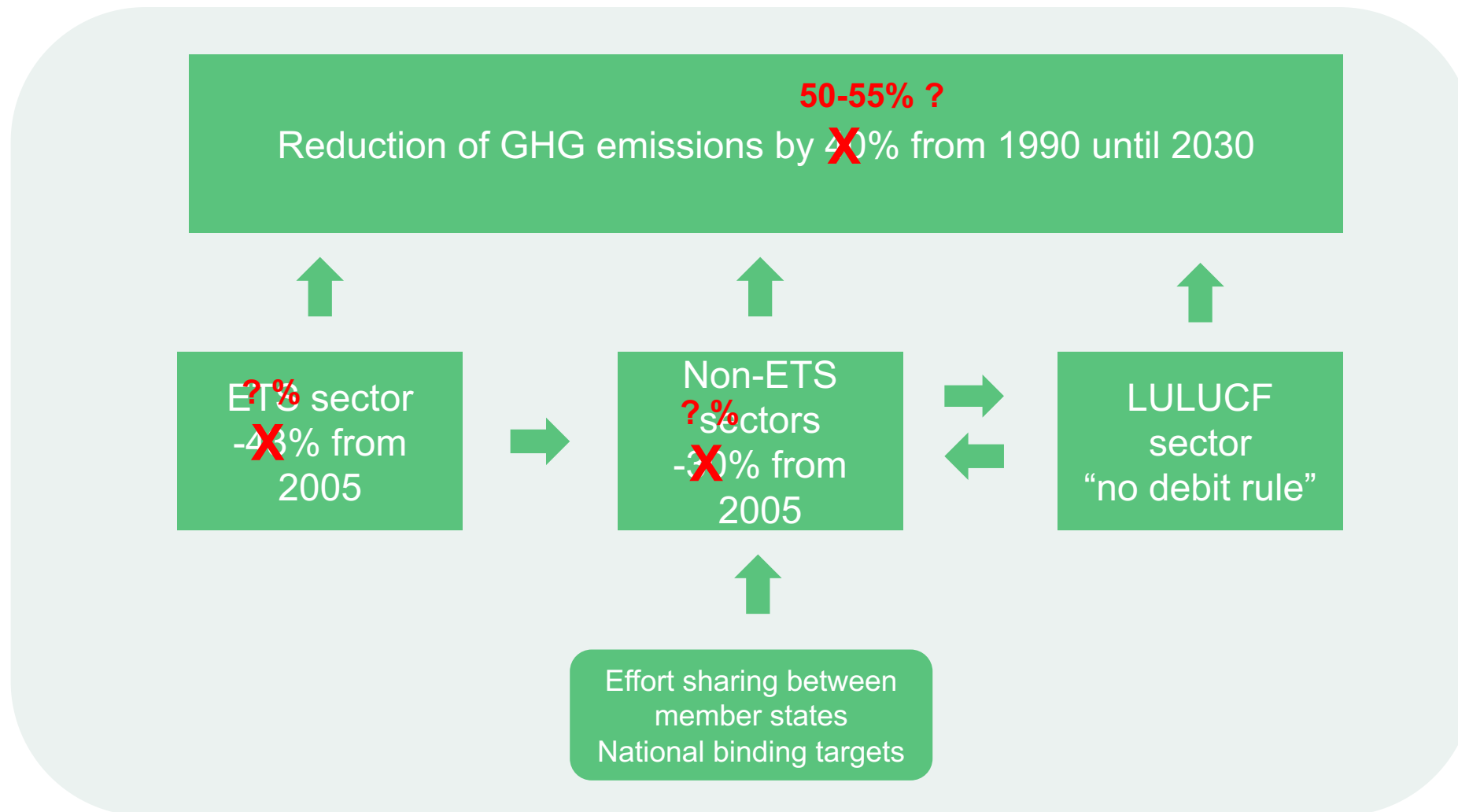
- Keep the next ETS revision simple
 - adjust LRF and MSR
- Extend the ETS to new sectors
 - heating & cooling a potential extension
- Mitigate the impacts of national policy overlaps on ETS
 - voluntary cancellation of allowances to be made obligatory in the ETS revision



European Green Deal – a major revision of climate legislation



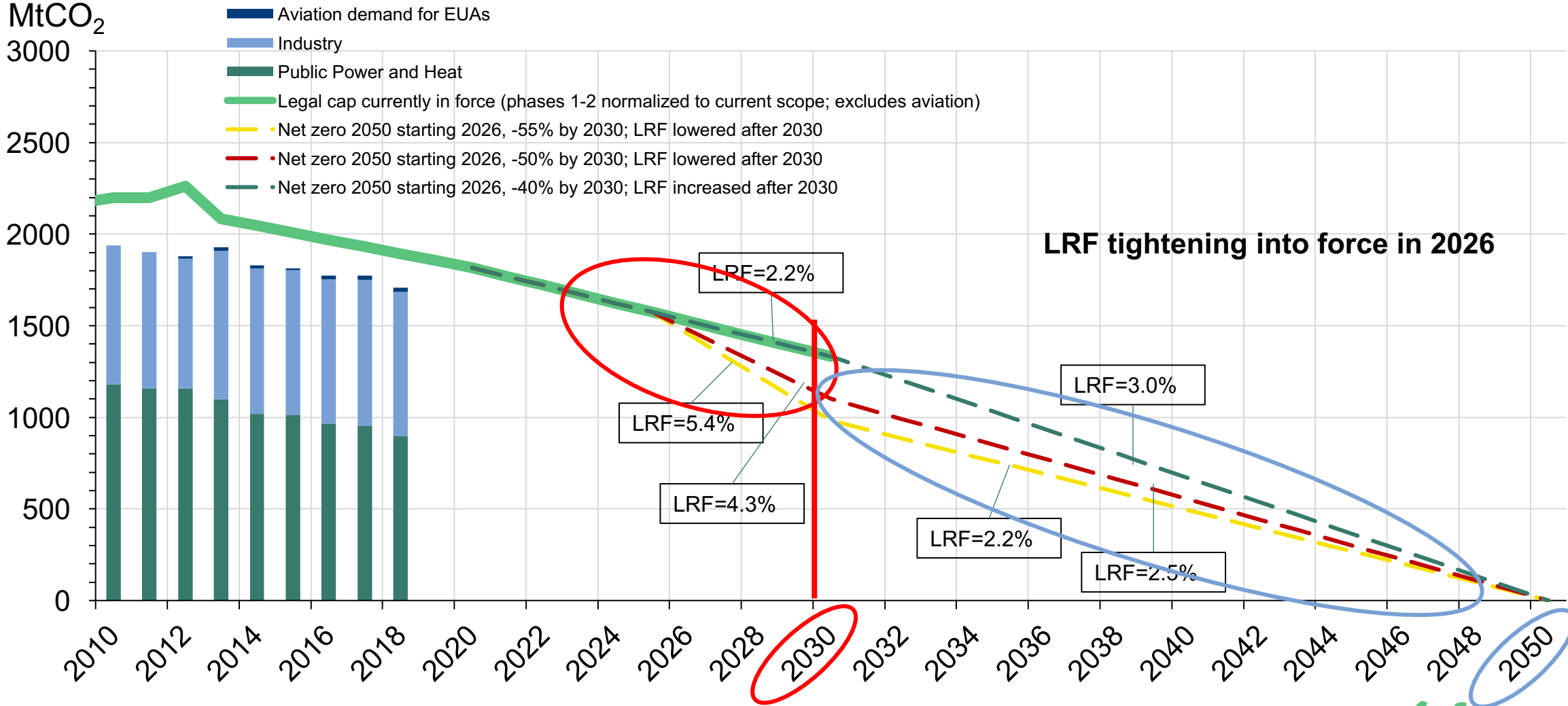
Key decision forward is the allocation of increasing ambition



Additional emission reduction effort due to tightening of the 2030 target to be focused on ETS sector

What would the increase of 2030 target mean for the ETS?

One LRF to be defined until 2030 and second for 2030-2050



Heating & cooling - a potential sector for ETS extension

Existing policy instruments diverse and suboptimal

- Heating & cooling ~50% of EU final energy use
 - 90% decentralised + 10% district heating
 - 75% based on fossil fuels (gas and coal)
 - Heating partly in ETS (CHP, district heating, electric H&C), partly in non-ETS (decentralised heating)
- Large low-cost emission reduction potential
 - Emissions from decentralised heating ~630 MtCO₂/a
 - Diverse national policies result in suboptimal emission reduction
 - ETS hardly could realise reduction alone, but put additional pressure and improve cost efficiency
- Upstream EU wide approach as a solution
 - ETS compliance obligation for fuel suppliers
- Increasing energy costs to be compensated for households (energy poverty, just transition)



Avoidance of overlapping policies and mitigation of their impact on the ETS crucial

- EU ETS caps the cumulative emissions of the system exactly like a carbon budget
- Reduction of emissions in one country tends to lead to emissions rebounding somewhere else in the system
 - The waterbed effect still exists to a large extent in the ETS
 - MSR to be made more dynamic: now it operates on a yearly basis, but e.g. the power market is optimised on a continuous basis
- Mitigation of the impact of overlapping policies on the ETS needed and can be done using the existing instruments
 - Assessment of policy overlap in NECPs based on the Governance Regulation
 - Voluntary cancellation of allowances based on article 12.4 of the ETS Directive to be made obligatory in the ETS revision



Repetitio est mater studiorum...

My three main points – how EU ETS ought to be reviewed ?

- Keep the next ETS revision simple
 - adjust LRF and MSR
- Extend the ETS to new sectors
 - heating & cooling a potential extension
- Mitigate the impacts of national policy overlaps on ETS
 - voluntary cancellation of allowances to be made obligatory in the ETS revision





Thank you!

Kari Kankaanpää

kari.t.kankaanpaa@fortum.com

+358 50 453 2330

@KankaKari

Join the
change

fortum