



Price signal for carbon and impact on decarbonisation

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ERCST

Roundtable on
Climate Change and
Sustainable Transition

Overview

1. Price trajectory of EU carbon price in the ETS
2. Who delivers emission reductions in the EU ETS?
3. Breakeven price points
4. Some concerns for compliance actors
5. Questions to trigger roundtable discussion

1. Price trajectory of EU carbon price in the ETS

Source: [ICE futures Europe](#)

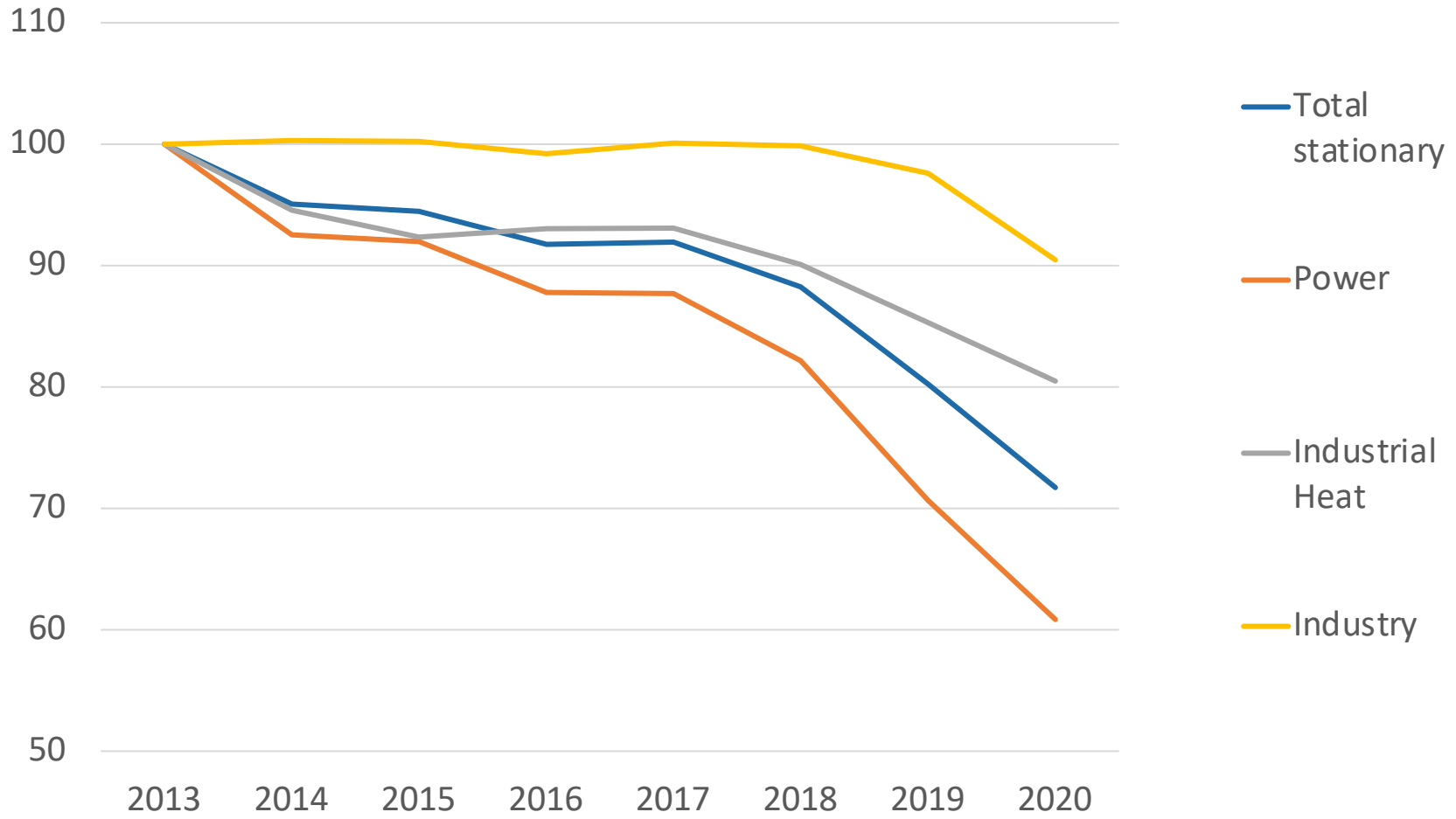


- **ESMA 1st preliminary report EU carbon market** (15 November 2021): “The **breakdown of open positions** between the various categories of counterparties does not appear to have significantly changed since 2018 and is broadly in line with the **expected functioning of the market**”.
- **ESMA** (in-depth analysis) **final report** expected in early 2022.

Source: [ESMA](#) (2021)

2. Who delivers emission reductions in the EU ETS?

Index of verified emissions



Source: BloombergNEF & ERCST

3. Breakeven price points

- **Price** at which ETS operators **will invest in technological** changes rather **internalise** EU cost.
- **Breakeven price point may differ** for each industry and technology.
 - Oxyfuel in cement sector 70-131 €/tons of CO₂ (Source Agora Energiewende)
 - Small scale industrial CCS 35 €/tons of CO₂ (Source Carbon Clean)
 - Green hydrogen 125 -150 €/tons of CO₂ (Andurand Capital)
- Role of the **policy maker**: framework to allow the market to generate the right **price signal that is shifting price** for installations.

4. Some concerns for compliance actors

- Unexpected **speed rise and volatility** of the carbon price.
- Regulatory **uncertainty** about the future.
- Large scale decarbonisation projects may require **stability and predictability**.
- Strategic behaviour may delay **investment decisions** on decarbonisation.
- The **role of financials entities** in the carbon market (not subjected to “climate commitments”) **vs installations**.
- The **carbon market as an increased profitable market** for investors and burden for compliance entities.
- Absence of **mechanisms preventing speculative trading** with emission allowances (Czech Senate Resolution 5 Nov 2021 sent to EP).

5. Questions to trigger roundtable discussion

- Is **speculation**, per se, an **unethical concept** or **inevitable** part of any market outside market abuse?
- Could **excessive speculation** undermine **ETS** abatement objectives?
- What should be the **role of the policy maker** and which **mechanism could he use**?

Thank you

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