

## EU ETS outlook in Phase 4: Assessment of policy options for EU climate policy & ‘Preparing for the MSR review’

**Date:** November 18, 2019

**Time:** 13:00 - 16:00

**Location:** Room Cattier, University Foundation, 11 rue d’Egmont, 1000 Brussels

This meeting is jointly organised by ERCST and Sitra (Finnish Innovation Fund) and aims at analysing the outlook for the EU ETS during Phase 4 (2021-2030). The intention is to promote a discussion among stakeholders on the future of the European carbon market, trying to assess what potential reforms might be needed to strengthen the EU ETS framework.

The key questions we will try to answer are:

- is the EU ETS ‘fit for life’?
- will it continue playing a key role in the EU decarbonisation strategy?
- what reforms might be needed for it to remain a ‘cornerstone’ of the EU climate action?

To provide more clarity on these issues, the meeting will be divided in two parts, where two publications by ERCST and Sitra will be presented:

1. **Paper presentation by the Sitra ‘The role of the EU ETS in increasing EU climate ambition: Assessment of policy options’;**
2. **ERCST paper launch ‘Preparing the review of the Market Stability Reserve (MSR)’.**

The first session will focus on some key policy options that might be taken during the EU ETS Phase 4, in order to align the EU ETS framework with the Paris Agreement targets. The discussion will be based on Sitra’s publication ‘The role of the EU ETS in increasing EU climate ambition: Assessment of policy options’.

The second session will focus on the review of the MSR scheduled in 2021, with the launch of ERCST paper ‘Preparing the review of the MSR’. This paper aims at providing an independent contribution to the policy debate, and outlines what elements the MSR review should include, how it should be structured, and what indicators and data should be monitored towards 2021.

12:00 – 13:00                      **Lunch**

13:00                                      **Welcome and introduction**

- A. Marcu, Executive Director, ERCST
- M. Pantsar, Director, Finnish Innovation Fund (Sitra)

13:00 – 13:30      **Presentation of Sitra paper ‘The role of the EU ETS in increasing EU climate ambition: Assessment of policy options’**

This session will analyse some potential measures that might be taken during the EU ETS Phase 4, in order to strengthen the EU ETS resilience towards 2030. This discussion will be centred on a recent publication by Sitra, where the **implications of the 1.5 degree warming target on the EU ETS** are analysed.

This study examines how the emission target of the EU ETS needs to be altered when the overall EU emission reduction target is increased from 40% to 55-60% compared to 1990 levels by 2030, and looks at potential reforms to the EU ETS framework that might be needed to achieve the new potential targets.

- O. Haanperä, Finnish Innovation Fund (Sitra)
- V. Graichen, Öko Institut

*Reaction from J. Serrano, European Commission*

13:30 – 14:30      **Roundtable discussion**

- V. Niinistö, Member of the European Parliament
- S. Van den Plas, Carbon Market Watch
- A.M. Géron, Fortum
- R.S. Mysterud, Norsk Hydro

14:30 – 15:00      **Launch of ERCST paper ‘Preparing the review of the MSR’**

This session will focus on **one specific policy option to strengthen the EU ETS framework in the years 2021-2030: the review of the Market Stability Reserve**. The MSR became operational in 2019 and is designed, as a main function, to provide flexibility on the auctions supply by adjusting the supply of allowances to be auctioned.

The MSR aims at improving the system’s resilience to shocks, by addressing both the built-up surplus in the market as well as potential new sources of supply-demand imbalance that might emerge in the future. To check whether the MSR is on track to meet its goals, a first review of the MSR is scheduled in 2021. This review should assess both the MSR performance up to 2021, and the outlook of the Reserve towards 2030.

**ERCST** organised several meetings on this topic throughout 2019, and **will present in this session its final paper ‘Preparing the review of the MSR’**. The aim of the paper to identify the goals and functions of the MSR, and ways for the 2021 review to analyse the performance of the MSR via relevant indicators. This includes a discussion on the potential elements and structure of the review, which should help identifying the key issues that need to be monitored towards 2021.

- A. Marcu, ERCST
- J.Y. Caneill, ERCST
- F. Cecchetti, ERCST

*Reaction from R. Vermeeren, European Commission*

15:00 – 16:00

**Roundtable discussion**

- A. Bolle, Statkraft
- C. Vailles, I4CE
- J. Michalak, IETA
- D. Dybka, Climate expert
- G. Perino, University of Hamburg

16:00

**Concluding remarks on next steps and end of the meeting**