

Strategic challenges to the EU ETS in the long-term

Agenda

Date: September 27, 2019

Time: 09:30 - 12:30

Location: ERCST offices, Rue Archimède 61, 1000, Brussels

With the Phase 4 review, the European institutions attempted to make the EU ETS fit for life up till 2030. The work on implementing this review is coming to an end, with most of the secondary legislation being adopted in 2019; this work will likely be finalised in the first half of 2020.

However, the EU ETS will continue to internalise new developments, including actions by other countries and will need to adapt and address any issues that may emerge in order to remain relevant.

Broadly, a number of issues can be considered:

1. In the light of what we see as an impending increase of ambition in the EU climate commitment for 2050, including carbon neutrality, with inevitable implications for the 2030 EU ETS targets, what needs to be done to make the EU ETS resilient, relevant and acceptable?
2. What are implications of carbon neutrality by 2050 for the EU ETS post-2030, how relevant will the EU ETS be, and what do we need to do for it to remain relevant?

This will open the discussion on some very concrete issues which ERCST would like to discuss with you include, but are **not limited to** (we hope that new issues will emerge from our discussions):

- **Operationalising Article 30 of the EU ETS and dealing with carbon leakage issues in the long term**
 - How can efforts and levels of ambition in other jurisdictions be compared, and how should this be reflected in the EU ETS?
 - At what level should the European industry be protected in the Paris Agreement world with other countries taking action as well?
 - Free allocation is bound to run out at some point – what are valid alternatives? What could the role of border carbon adjustments be, if any?
- **How to react to international developments on carbon pricing, including the prospects of linking**
 - While the experience with allowing international credits into the EU ETS has been contentious, and are currently only allowed to a limited extent in the system, and will not be allowed anymore after 2020, the Paris Agreement world is a new world. With Article 6 being negotiated and hopefully finalised soon, how could the EU ETS, or the EU, interact or make use of it?
 - With other countries taking actions and implementing their own emission trading systems, we can ask the question how the EU ETS should, if at all, interact with them.

- **Inclusion of Carbon Dioxide Removals in the EU ETS**
 - The ability to undertake Carbon Dioxide Removals (e.g. CC(U)S) will become increasingly important if the targets of the Paris Agreement need to be reached, including net-zero emissions. Technologies for achieving negative emissions should be incentivised – what mechanisms can be used and how would such mechanisms interact with the EU ETS?
- **Inclusion of new sectors in the EU ETS**
 - Over time, especially with the prospect of an ambition increase and possibly a faster decreasing cap, the liquidity in the EU ETS will at some point not be enough to have a well-functioning market – the inclusion of new sectors could alleviate this problem in the mid-term.
 - The inclusion of (international) aviation, shipping and transport has been debated frequently over the last decade, and regained traction recently with President-elect Von der Leyen voicing her support for such a scenario.

This brainstorm session is part of a longer-term engagement and the first in a series on this topic.

09:15 **Coffee and registration**

09:30 **Welcome**
A. Marcu, Director, ERCST

09:40 **Presentation of ERCST views on strategic challenges to the EU ETS in the long-term, followed by a roundtable discussion**

ERCST will present its initial views, which should be seen as food for discussion, on some of the issues the EU ETS will have to deal with in the longer term. This will be followed by some initial icebreakers by invited speakers and a roundtable discussion with the participants. The goal is both to receive feedback on the presentation and hear the participants' views on what they think are important challenges and elements to address in the longer term.

Initial remarks by

- J. Odell, USC
- O. Imbault, Air Liquide
- M. Grubb, UCL
- M. Mannoichi, Confindustria
- C. Ambel, Transport & Environment
- M. Morazzo, ENEL

After the initial remarks the discussions will be opened up to all stakeholders present.

12:30 **Way forward and end of the meeting**
A. Marcu, Director, ERCST