

# The 2030 Climate Target Plan

## Impact Assessment and role of the EU ETS

### Webinar

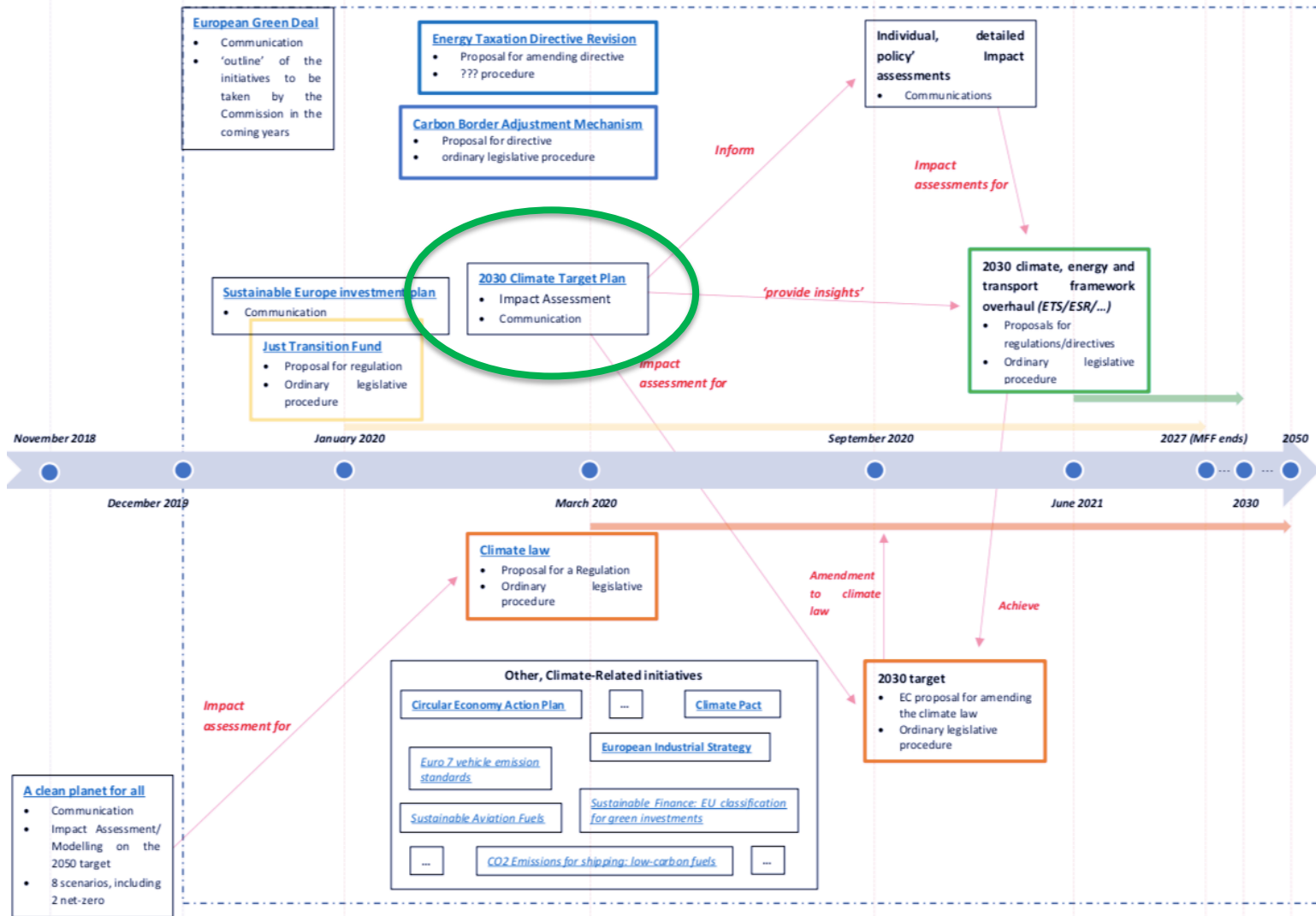
April 7, 2020

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**Domien Vangenechten**, ERCST  
**Dariusz Dybka**, ERCST

# Structure of the webinar

- 10:05 – 11:00      **2030 Climate Target Impact Assessment (discussion and Q&A)**  
*Introduction* from T. van Ierland, DG Clima  
*Contributions*
- S. van den Plas, Carbon Market Watch
  - G. Zachmann, Bruegel
  - J. Hein, BDI
  - M. Burny, PGE
- 11:00 – 12:00      **EU ETS contribution in achieving the 2030 targets (followed by Q&A)**  
*Introduction* from H. Bergman, DG Clima  
Presentation and contributions
- R. Jeszke, KOBIZE
  - E. Jackson, Bloomberg NEF
  - D. Agostini, Enel
- 12:05                **Concluding remarks and next steps**

**House rules:** raise hand for questions | mute microphones | put video on if possible



## Background: process

- **Inception Impact Assessment (2030)**
  - Feedback until April 15
- **Public consultations - questionnaire**
  - 12 weeks until 23 June
  - General Part I
  - Part II for experts (deep into sectoral measures)

## Some comments on the IIA

- A very broad document with a lot of elements included for assessment
- Unclear which scenarios will actually be assessed and how they will be 'built'
- What is being assessed:
  - More balanced reduction pathway
  - How to increase ambition under a number of constraints
- However, there is no reference to how to assess the 'right' level of ambition

## Some comments on the IIA

- Timing issue: climate law negotiations and amendment proposal vs. climate and energy framework proposals
- Clarity on post-2030 world (climate-neutrality vs. carbon-neutrality; role of ETS?) – not covered
- There is reference to the international context, but there is no recognition of a “divergent ambition scenario”
- Focus negative emissions is on nature-based solutions, not technological (e.g. CCUS)?

## Some comments on the IIA

- No direct reference to key element of the impact of a market for low-carbon products
- A lot is assessed, but how do you really assess ‘overall societal welfare’?
- International socio-economic impacts to be assessed?





## Role of the EU ETS: key policy choices

- IIA mentions the 'level' of policy-choices to be assessed at this stage:
  - Extension of sectors covered by the EU ETS
  - Increased reduction targets
- Important to distinguish between the initial, 'key' policy choices and (secondary) specific design choices of measures
- In ERCST's view, there are four key decisions to be made – *inherently, these will influence the specific design of measures through first-level consequences.*

# Role of the EU ETS: 4 key policy choices to be made

Overall question: what happens beyond 2030?

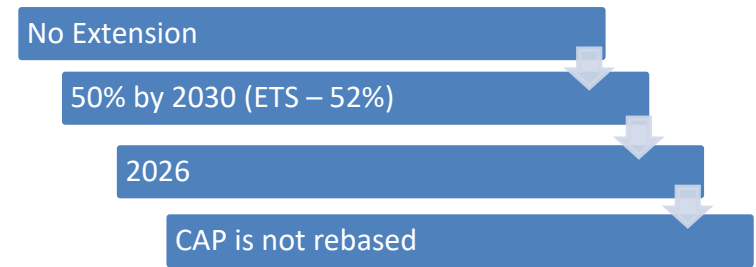
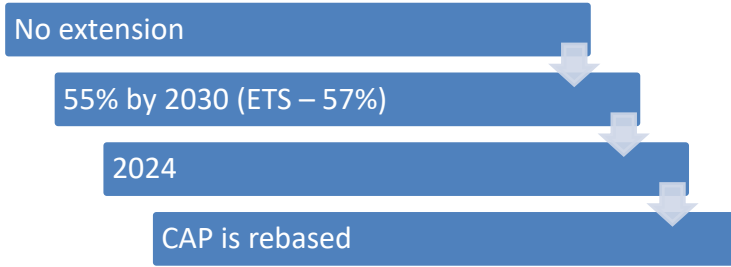
Extension to other sectors?

How high is the 2030 Target?

What is the start year?

Will the CAP be 'rebased'?

# Role of the EU ETS: impact of key choices on design of specific measures



## Market Stability Reserve:

- Risk of oversupply rising again after 2023 limited
- Strengthening MSR intake rate not a priority?

## Market Stability Reserve:

- Risk of oversupply rising again after 2023 substantial
- Strengthening of MSR paramount ?

## Free Allocation:

- Current split Free Allocation / Auctioning cannot be maintained without application of CSCF
- Introduction of BCA becomes more urgent?

## Free Allocation:

- CSCF will likely not get triggered during Phase 4
- More time / less urgency to introduce alternative such as BCA

## Modernisation Fund

- Much higher ambition but much smaller pie (*total amount of EUAs*)
- Where will the additional allowances come from?

## Modernisation Fund

- Higher ambition but the pie does not change drastically.

*Examples for illustration*