**Designing Carbon Contracts for Difference**

***This meeting is under Chatham House Rules, some speakers are still TBC***

**\*\*\* Draft Agenda \*\*\***

**Date**: 28.04.2022

**Time:** 10.00 a.m. – 12.00 p.m.

**Location:** Hybrid meeting in person (Rue Archimède 61) [and on zoom.](https://us02web.zoom.us/webinar/register/WN_e02sRokpSCy1DBlzyWoGQQ)

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| This new work stream aims to bring together stakeholders, including policymakers and industry on a regular basis to discuss substantive issues around this topic, informed by original intellectual input from ERCST.  CCfDs are discussed as one of the most promising alternatives to foster the deployment of low-carbon industrial technologies. However, it is still uncertain how CCfDs can be part of the policy mix towards decarbonization.  As part of the Fit for 55 package the European Commission proposed specific amendments to the Innovation Fund. In the revision of the EU-ETS Directive, the Commission proposed to extend the scope of the Innovation Fund allowing to provide support through competitive tendering mechanisms such as CCfDs, whereby up to 100% of the relevant costs of the projects may be supported.  In January 2022 the European Commission adopted new Guidelines on State aid for Environmental protection and Energy. (CEEAG). These guidelines provide guidance on how the Commission will assess the compatibility of measures subject to notification requirement under Article 107 (3) TFUE. The new guidelines have broadened the categories of investments and technologies that Member States can support and have introduced new aid instruments such as Contracts for Difference signaling the increasingly important role this instrument is called to play in the decarbonization.  Although the political direction of travel has been set, there are still several questions that deserve further discussion.  There is a broad consensus in the EU to speed up decarbonization and reinforce the system through which carbon pricing delivers the biggest chunk of emission reductions. Certain low-carbon technologies require a high carbon price and currently EU ETS prices are not yet high enough to trigger this switch in hard-to-abate sectors. This can be partially explained by the fact that the ETS price signal first gives an incentive to deploy solutions that are already close to the market or undergo certain fuel-switching. The EU-ETS is designed to stimulate the lowest-cost emission reductions first, and its price signal therefore is less likely to directly support pre-commercial demonstration of promising technologies.  Even though carbon prices are not high enough, this should not necessarily translate in public coffers shouldering an undefined financial burden for an indetermined period. This risks to translate into an increase of Member States intervention in markets and even more worryingly into a transfer of risk from industry to Member States. Apart from that, the impact that such an instrument may have on the EU-ETS is not clear and analyzed sufficiently enough, which should serve as a caveat against a rushed implementation.  This meeting will start with a presentation by ERCST presenting the results of a survey carried out among relevant stakeholders aimed to:   1. Feel stakeholders’ pulse with regards to CCfDs’ rationale and purpose. 2. Provide further guidance on CCfDs’ key design and implementation features.   Please access the survey here: <https://ec.europa.eu/eusurvey/runner/CCfDs>  ERCST’s presentation will also provide an overview of the vision outlined by several member states, with particular emphasis on [Germany](https://www.bmuv.de/download/eckpunkte-pilotprogramm-fuer-klimaschutzvertraege), [France](https://www.entreprises.gouv.fr/fr/industrie/consultation-publique-sur-la-decarbonation-de-lindustrie) and the [UK.](https://www.gov.uk/government/publications/carbon-capture-usage-and-storage-ccus-business-models)  This will be followed by a panel discussion geared towards assessing and commenting on the survey’s results. |

**10:00 Welcome**

* A. Marcu, Director of ERCST

**10:10 Presentation of the survey results and views from different countries**

* A. Fernández, ERCST

**10.20 Introductory remarks**

* J. Schiele, European Commission

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| After ERCST’s presentation of the survey’s results, we would like to encourage panelists to focus on the following questions:   * Should CCfDs be considered as a subsidy or as a hedging mechanism against EU carbon price fluctuations? * What are the key elements that should be considered when defining a strike and a reference price for a CCfDs scheme? * What are the key elements that should be considered when designing a competitive bidding for CCfDs? * Where should the funding for CCfDs come from? |

**Stakeholders’ views and reactions to the survey’s result.**

* R. van der Meer, Cembureau
* A. Di Stefano, ENI
* H. Bray, Carbon engineering
* F. Branger, French Ministry of Environment
* P.D. Hauser, Agora Energiewende
* C. Baer, Europex

**11:30** **Debate**

**11:55 Concluding remarks and end of meeting.**