Does the EU ETS produce the "right" price signal?

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Providing the "right" price signal?

- EU 20% annual
- EU 20% cumulative
How to get the "right" price signal?

<table>
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<th>Change the allocation</th>
<th>Price management</th>
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<td>• Adopt a target beyond 20%</td>
<td>• Price floor/ceiling (AUS, NZ, CA)</td>
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<td>• Set-aside of phase 3 allowances</td>
<td>• Minimum auction price (CA)</td>
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<td>• New &quot;use restrictions&quot; on credits</td>
<td>• &quot;Strategic reserve&quot; (CA)</td>
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<td>• Early decision on phase 4 cap</td>
<td>• Carbon bank (and price target)</td>
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POINT CARBON
Set-aside vs target beyond 20%  

• In principle the same as changing the cap, but:
  – In order to change the cap, an amendment of the EU ETS directive is needed (full co-decision, 2-3 year timeline)
  – A set-aside could potentially be created in an amendment of the Auctioning Regulation (comitology)
  – Reducing the auctioning volume by 100-140 Mt/year would be in line with a 25% reduction target

• However, an amendment of the EU ETS directive is needed to eventually cancel the set-aside

• Is it politically feasible?
Thank you for the attention!

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