CEPS Task Force, 28 Oct 2011

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

Stig Schjølset, Head of EU Carbon Analysis

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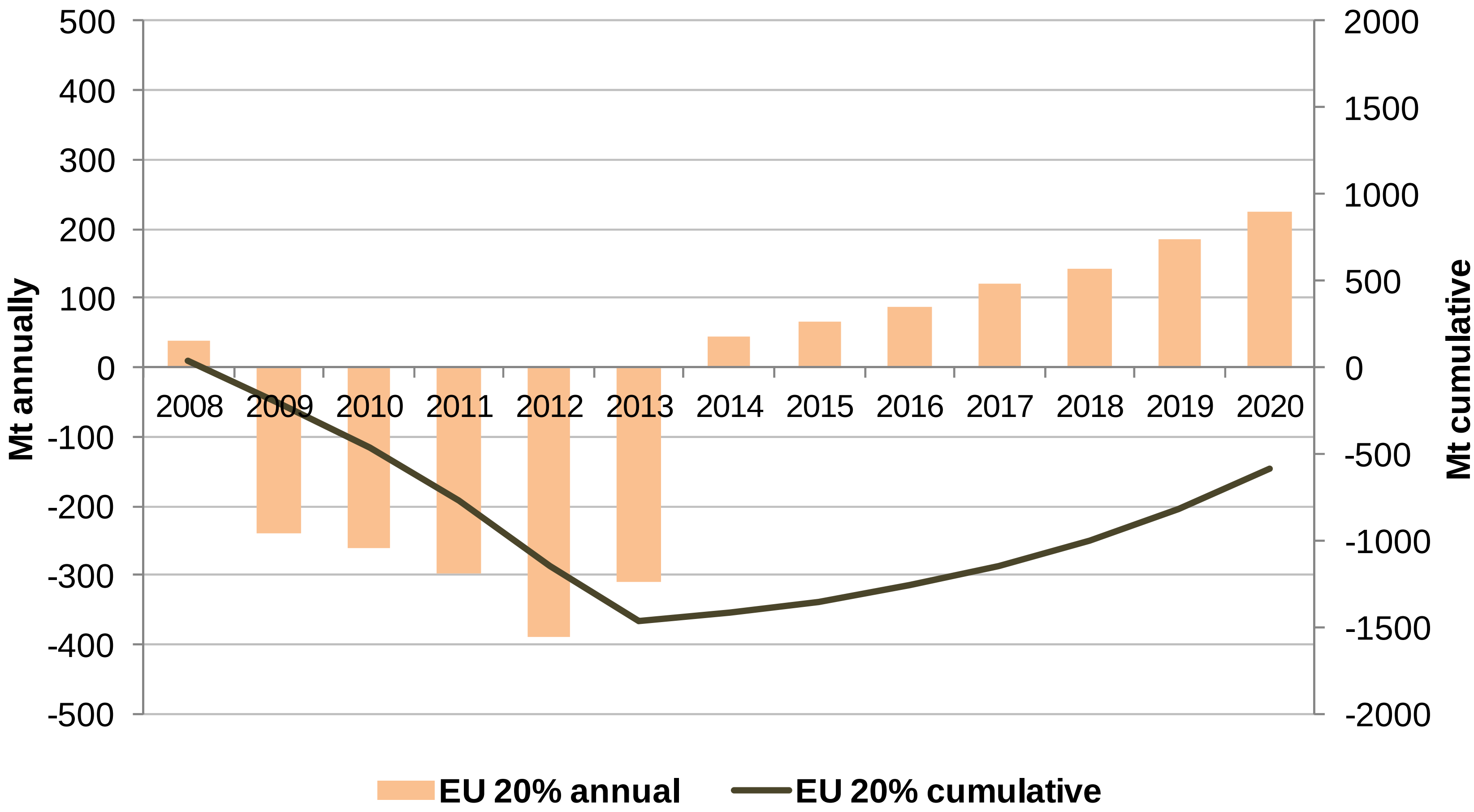
Providing the "right" price signal?



How to get the ”right” price signal?

Cange the allocation	Price management
• Adopt a target beyond 20% • Set-aside of phase 3 allowances • New ”use restrictions” on credits	• Price floor/ceiling (AUS, NZ, CA) • Minimum auction price (CA) • ”Strategic reserve” (CA)
• Early decison on phase 4 cap	• Carbon bank (and price target)

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!

stig.schjolset@thomsonreuters.com