



CEPS CARBON MARKET FORUM (CCMF)

DRAFT AGENDA

SPEAKERS ARE BEING CONFIRMED

Third meeting of the CCMF Task Force on “EU Emission Trading System”

Date: September 10, 2012

Time: 10:30 am – 16:15 pm

Place: CEPS Offices, 1 Place du Congres, Brussels

Chair: T. Ribera, former Secretary of State for Climate Change

Rapporteur: A. Marcu & C. Egenhofer, CEPS

9:45 **Welcome**

A. Marcu

10:10 **Agenda for the meeting**

T. Ribera

10:20 Introduction: How does backloading fit in? – Results of the CEPS Task Force on “EU ETS Pricing”

C. Egenhofer

10:40 **Session 1: Presentation of EC Package of July 25**

The EC has present a package of documents on July 25 that include

- A proposal to amend the EU ETS Directive and clarify the prerogative of the EC to make changes to the auctioning profile within a trading period through the Climate Change Committee,
- An amendment to the Auctioning Regulation that does not include number
- A Staff Working Document that outlines, in some detail, the rationale behind back loading as well as at least three different options on how to implement such action.
- A call for public consultation that closes on October the 3rd. The call for consultation is focused on the auction time profile and does not seem to involve a discussion on whether back loading is an appropriate option.

This section is intended to provide an opportunity to present the different elements of the package and have an opportunity for the participants to gain a better understanding behind some of the issues that are unclear.

Mr. Zapfel’s presentation of the EC package will be followed by interventions from the participants that should bring up issues in the package that require further clarification or elaboration.

- P. Zapfel, EC confirmed

11:55 **Coffee break**

12:10 **Session 2: Under what conditions is back-loading effective?**

Back-loading was expected as part of a broader package that was to consider short-term measures in coordination with longer term “structural” type changes to the EU ETS, including options such 2030 targets, a set aside, etc.

This session should examine if

- A “short-term” measure, such as back-loading, can it be effective on its own, or does it require a broader set of measures as part of a package to make it work?
- Are there any specific requirements/characteristics for how the measure is designed in order for it to work effectively?
- Does it only work in certain circumstances, especially as related to linking to other ETS and what would be the consequences if linked?

- T. Chruszczow, Government of Poland
- S. van den Plas, WWF Europe confirmed
- S. Ruiz, IETA confirmed

13:30 Lunch

14:30 Session 3: Back-loading options

- Market Reaction
 - JF Steels, Mercuria Energy Trading

- What “design” elements will influence the outcome of back-loading?
- Evaluation of the three options
- Alternative options
 - J. Hein, BDI
 - G. Bertolino, ENEL confirmed
 - W. Trio, CAN Europe confirmed

16:15 **End of meeting**



Background Briefing

The meeting is the second in a series of meetings of a “CEPS Carbon Market Forum Task Force on “EU Emissions Trading System”, chaired by Teresa Ribera, former Secretary of State for Climate Change of Spain.

The first meeting of the Task Force was held on May 29, 2012 in Brussels but in order to keep the discussion free and uninhibited no notes were circulated from that meeting.

The Task Force is meant to initially focus on building consensus on the issues facing the ETS in the broader sense and also try to understand if short term fixes, which are necessary, are also sufficient to address the issues that continue to emerge in the carbon markets in the EU.

Some ideas expressed in the initial brainstorming sessions in March, as well as in the First meeting of the Task Force on May 29th are reflected in the Agenda for this meeting, which has been broadened.

Fighting climate change, stimulating sustainable economic growth and maintaining the European Union’s standing globally will require an improved policy and regulatory framework in the years to come.

Recent discussions on climate change have highlighted the importance of infrastructure, innovation and technology support, as well as the need for consistency of short and long-term measures and objectives. All this within the context of carbon pricing continuing to be a central element of EU climate change policy. However, at the same time, the political reality shows that the EU ETS is not delivering a pricing signal that the policy makers would find triggers the transformational movement they had expected.

While these are issues that have been to some extent debated, there is still no consensus on them. What seems to emerge is a consensus that short-term fixes only are a necessary, but not sufficient element, to reach the desired level of decarbonisation that we aim for by 2050.

As such, the question that is emerging is what shape should a strategy beyond 2020 take? Should there be a new package of measures for the coming decade(s)? Are new targets needed? Is the EU ETS, in its current shape, sufficient to reach those goals? If the case is made that the answer is no, why not? What role and shape will the green growth and green economy agenda take? How does it all connect to the international negotiations?

Annotated Agenda

Session 1: EU Climate Policy & EU ETS:

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- Objectives – are there different views, what are they and why?
- Instruments – what instruments and in what policy mix
- Achievements – what was achieved in climate change and what has been the role of the EU ETS
- Challenges – what are the challenges that have emerged, have they affected results and credibility of the approaches used

The objective of this session is to frame the current discussion.

There is a perception that the EU ETS is not delivering its objectives. At the same time there is lack of consensus of whether the EU ETS has only the explicit objective in the Directive, or the implicit transformational objective as well.

Currently, and for many to 2020, low carbon prices seem here to stay. This fuels the debate on the effectiveness of the EU ETS as an instrument climate change policy.

Is the price signal an indication that the EU ETS is not delivering or normal market behavior?

A good starting point is to go back to basics of the EU climate change policy, ETS and carbon markets and ask the question - "how do we define success?"

The EU ETS has played a critical role, and a central one, but it has not been without its challenges over the years. It has been presented as a central plank of the EU climate change policy. Has it fulfilled its role so far, what have been its successes that we need to be reminded off? What have been its challenges and do they reflect issues with the system or are do they leave the credibility of the system intact?

What other instruments have been part of the Climate and Energy package, how have they correlated with the ETS, have things gone according to plan? If not, what have been the challenges, foreseen or unforeseen?

Session 2: EU climate change policy and the ETS: the wider context

Consistency of short and long-term EU climate change targets and objectives

- What is short term, what is long term?
- What role of the carbon price in the short and long-term
- Providing signals beyond 2020: what and how
- What is needed to ensure coordination/reconciliation/consistency?

Beyond the carbon price: targeted policies to accompany the ETS

- Climate policy set at EU level, energy at MS level. Are they consistent and complementary or in opposition?
- What do we need, what can be done to ensure consistency?
- Technology and innovation policy accompanying the ETS
- Technology and technology transfer

While the previous session will try to examine the nature of any problems that the ETS, as a climate change policy instrument, may exhibit, this session will try to examine "what is missing". In essence, what are the perceived, or root causes?

Most of the disagreements will stem from the perspective taken, i.e. short-term versus long term. Hence, we want to make this explicit and get towards a consensus that there is a need for consistency between short-term and long-term objectives, and how this is a reflection of policy and politics, as well as driven by corporate views on profitability.

This session will also address the internal market. In a way it is reminder of the economics as well as of the narrow relationship of the ETS with the internal market. At the same time, it should highlight that 'non-action' at EU level will trigger member state reactions with predictable consequences for the internal market. This should also highlight the tension between a 'centralized'



climate policy and a decentralized energy policy with a view of identifying possible instruments to deal with this tension.

Another issue that should be addressed in this session will be the implications of broader and new energy developments and technology developments, e.g. gas market trends, technologies such as renewables or smart grids or the stabilisation of GHG emission from cars and vans.

Session 3: What is needed to move the EU ETS debate forward?

The objective of the final section is to some degree to draw upon, and build on, the discussions in the first two sessions. It is intended to generate a debate and ideas of how to move forward and what are the issues that need to be addressed through a vigorous debate.

The EU has some very ambitious goals to 2050, and has a set of instruments that are part of the Energy and Climate package.

It is identifying issues and causes, which were discussed in the previous. But we seem to be largely stuck in a debate about short term cures when we do not really know if this a short term, long term, or is it a structural problem - or a combination thereof?

What does it take to move forward? What are the issues that need to be addressed? How can we move forward, within the context of a common market, and develop and implement low carbon strategies, with a low carbon price in the EU?