

EU ETS Market Stability Reserve

Timing & end of period cross over

CEPS Carbon Market Forum
Bruxelles, April 10 th, 2014

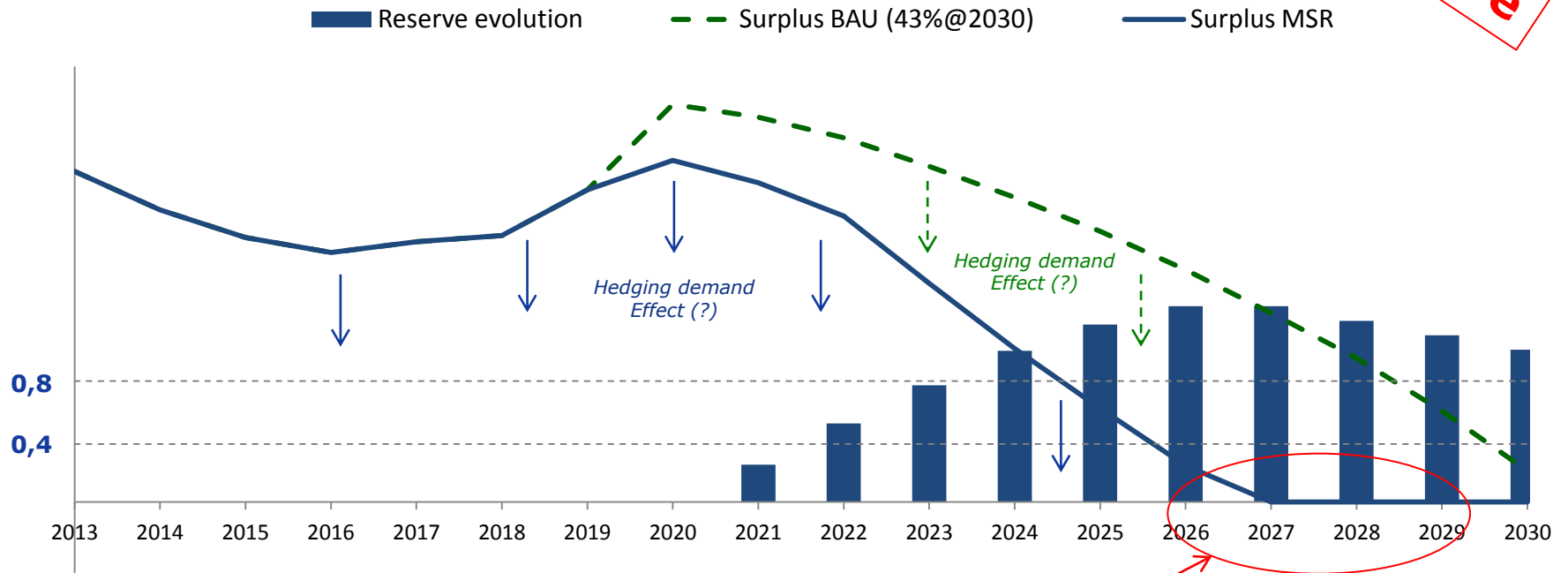
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Market balance looking forward

MSR simulation vs. BAU scenario

Illustrative

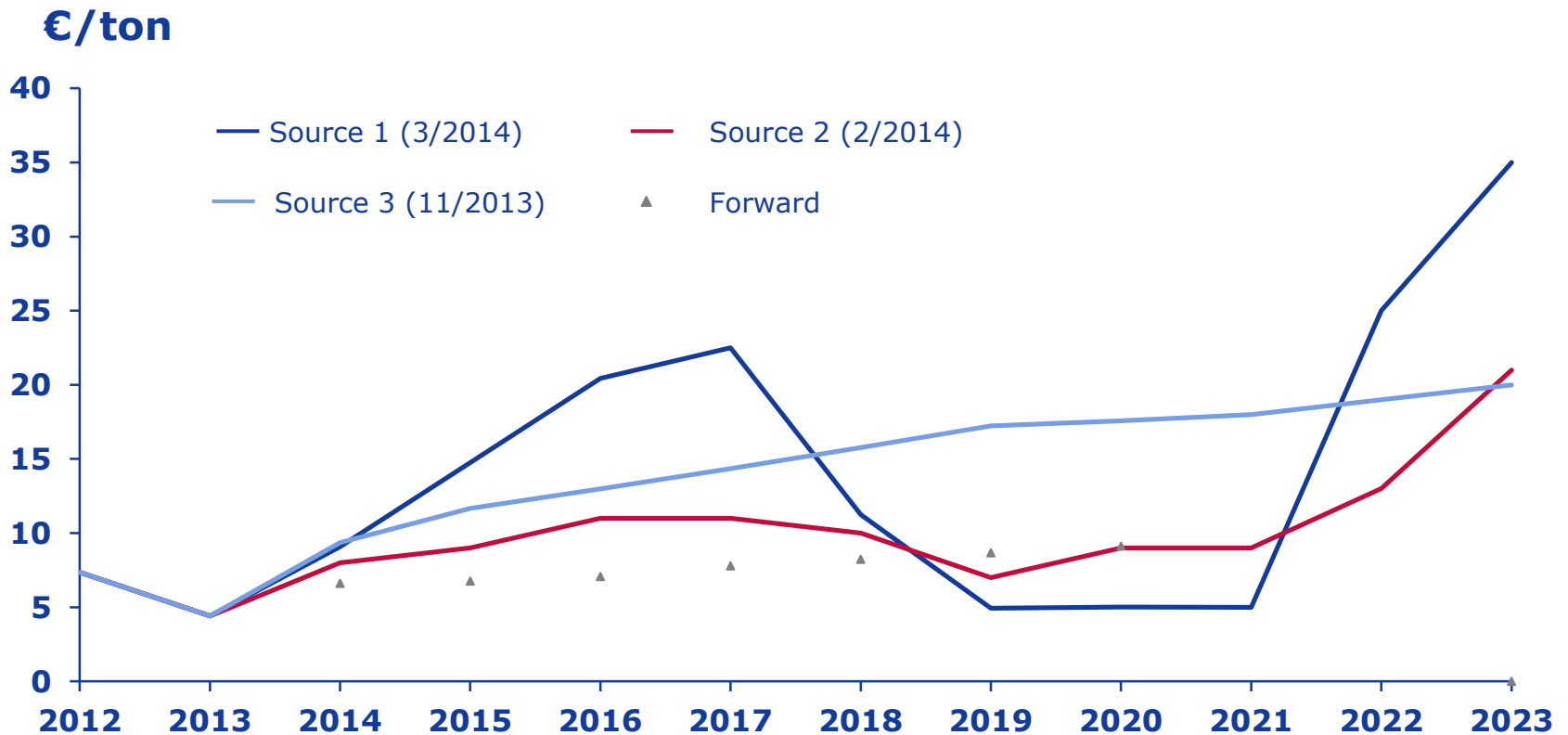
Gt CO₂



The MSR acts on cumulative surplus improving market balance in the medium term

Price impacts

The few braving the waves..



The consensus appears to be low

Parameters

- Start – up of the MSR
- Reserve accumulation rate
- Timing of the reinjection of back-loaded allowances

Conclusions

- The current timing of the MSR appears to be dictated by political factors inherited from the past
- The supply balance anomaly may have important short-medium term effects
- Consolidating the timing in order to ensure greater smoothness is desirable
- Starting the MSR earlier appears to be the cleanest solution