

## **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 Ribeira, 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 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 in May are reflected in the Agenda for the 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 it 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?

## Agenda

### Session 1: EU Climate Policy & EU ETS:

- Objectives
- Instruments
- Achievements
- Challenges

The objective of this session is to frame the current discussion. There are perceived “problems” are they real?

When in trouble, the starting point is to go back to the basics of the EU climate change policy, ETS and carbon markets (“how define success?”).

We wanted to spend some time on the many accomplishments before going into the key challenges and the possible options.

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: What is missing:

- Connecting the Short Term & Long Term
- Reconciling EU Level & Member State Interventions
- Technology support
- Infrastructure

Some of the questions that may be asked during this session could be

- What is ST, what is LT?
- Climate policy set at EU level, energy at MS level
- Are they coordinated and complementary or in opposition?
- What do we need, what can be done to ensure coordination/reconciliation/consistency?

While session will work towards examining whether “we have a problem”, this session will try to examine “what is missing”. In essence, what are the perceived, or real root causes of such a problem?

Most of the disagreement will come in the discussion will stem 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 (which the current situation does not exhibit).

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 discussion in the first two sessions. It is intended to generate a debate and ideas of how to move forward.

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, has discussed them in previous sessions, and there is no consensus here - which ones are real and which are not.

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, is it a structural problem - or a combination thereof? What we seem to be is stuck in discussing short-term solutions when we seem to be faced with what requires more come complex solutions.

What does it take to move forward? What are the issues that need to be addressed , what is needed to catalyze a move forward a open a real debate ?