



## CEPS CARBON MARKET FORUM (CCMF)

### AGENDA

ALL SPEAKERS ARE BEING CONFIRMED

#### **Fourth meeting of the CCMF Task Force on “EU Emission Trading System”**

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Date: October 22, 2012

Time: 10:00 am – 16:30 pm

Place: Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, Berlin, Germany

**Chair: T. Ribera, Vice President, Isofoton, former Secretary of State for Climate Change of Spain**

**Rapporteur: A. Marcu & C. Egenhofer, CEPS**

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10:00 **Welcome**

**A. Marcu**

10:05 **Agenda for the meeting**

**T. Ribera**

10:15 **Session 1: Where is the current EU ETS debate?**

**B. Goeke, Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, Germany** **confirmed**

10:30 **Session 2: Presentation of backloading consultation**

This initial discussion will focus on the rationale for back loading, details of execution as well as the reception by market participants, notably under what conditions back loading is welcome. There will be an initial presentation of the CEPS paper, as well as other submissions to the consultation, which will be then be followed by short stakeholder comments and open discussion.

**A. Marcu, CEPS**

#### **Reactions**

- **M. Henkenmans, Dutch Ministry of Economic Affairs**
- **Tbd, UK**

This part of the session will present and discuss the view from Member States, presenting rationale for positions, view of different stakeholders, etc

- **J. F. Steels, Mercuria Energy** **confirmed**
- **P. Chauveau, Solvay** **confirmed**
- **Klaus Bernhard Hofmann, SCHOTT AG**

The second part of the session will provide the views of practitioners from the business community, including traders.

12:00 **Coffee break**

12:15 **Session 3: The cost of non-EU ETS**

- **C. de Perthuis, Chair Economie du Climat** **confirmed**

- **E. Lanzi, OECD**

**confirmed**

### **Commentary**

- **W. Weber, BASF**
- **Jean-Paul Peers, Siemens**

This session will open the debate on the role of the ETS, notably on whether the ETS is the most efficient instruments and under what conditions this is so. One presentation will focus on the costs of reaching climate change goals through the EU ETS, while a second presentation will examine the cost of other measure that Members States could adopt to reach those same objectives.

**13:30 Lunch**

### **14:30 Session 4: Structural review of the EU ETS: a second step?**

#### **Short overview of structural measures: an introduction**

**Christian Egenhofer, CEPS**

1. What complementary policies are needed to make the EU ETS

- **K. Bolesta, Govt. of Poland** **confirmed**
- **Bill Kyte, EON** **confirmed**

2. Structural changes that will provide flexibility to the EU ETS to adapt to changing circumstances

- **S. Schleicher, Wegener Center for Climate, Vienna** **confirmed**
- **G. Bertolino, ENEL** **confirmed**
- **R. van der Meer, Heidelberg Cement** **confirmed**
- **Wolfgang Dirschauer, Vattenfall GmbH** **confirmed**

This final session will look beyond back loading and discuss the need and the potential nature of structural measures to address real, or perceived shortcomings of the ETS. In addition, it will examine the measures that would help adapt the EU ETS to meet some of the local characteristics in different member states.

**16:30 End of meeting**

### **Background Briefing**

The meeting is the fourth 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, with subsequent meetings taking place in Warsaw in July and Brussels in September.

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.

All this debate is taking place within the context of a debate on "short term" measures to ensure good market functioning and address the current supply/demand imbalance. The July 25, 2012 proposals from the EC outline package that would allow for back loading allowances during the third trading period of the EU ETS. A call for submissions has been made and this meeting takes place just after the deadline for submissions.

To many observers, and stakeholders, this is only a necessary, but not a sufficient first step in addressing the issues around the EU ETS. Another package from the EC is expected before the New Year to launch the debate on the how to introduce a mechanism to insure flexibility in the ETS and look into other measures that may be needed, and possible, to address concerns raised by some member states that the ETS does not recognize the nature of the problems they are facing in using the ETS to reach EU ETS climate change goals.

## **Annotated Agenda**

### **Session 1 : Where is the current EU ETS debate?**

This session will focus on an overview from the host government on the current debate on the EU ETS, and the interaction with EU, and national, climate change and energy policy

### **Session 2: EU Climate Policy & EU ETS:**

- Contents of the July 25, 2012 package on back loading
- What are the general outcomes of the consultation
- Views on the future direction of the back loading debate

The objective of this session is to ensure that there is an opportunity to debate the backloading proposal immediately after the closing of the consultation and understand what are the general directions emerging from the submissions. In addition, some progress would have taken place until then in the two processes of amending the Directive and amending the Auctioning regulation, both in the Climate Change Committee and in the EU Parliament.

### **Session 3: The cost of non EU ETS**

The current debate on EU ETS stems from a desire to ensure that it remains the cornerstone of the EU policy on climate change. Current low prices and the criticism it has faced over the last while, make some to want to point out again that the EU ETS is more than a promise, that it has delivered, and at a price lower than what the alternative policies and measure with respect to energy efficiency and renewables would have delivered.

Two aspects will be presented. One presentation will analyze, in some areas, the cost of reaching the current situation with respect to greenhouse gas emissions in the EU ETS, looking backwards to the 2008-2012 period. The model will analyze the prospective costs going forward into the third trading period.

The second presentation will provide the same analysis with respect to single alternative policies and measures.

Two discussants will provide a business look at the conclusions.

### **Session 4: Structural review of the EU ETS: a second step?**

Some of the issues that are expected to be discussed in this session will include changes to the scope of the EU ETS, and targeted policies to accompany the ETS

- Inclusion of other sectors in the EU 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

The second part of the session will focus on measure that could be implemented to address the current lack of flexibility of the EU ETS, especially on the supply side, in adapting to changing conditions.

Given the rapidly changing economic conditions and the resulting abrupt change in emissions profile, as well as the overlap with other EU policies, the result has been a large over supply that is expected to last well into third trading period, and beyond.

The proposed back loading will not address this issue, as well as other likely such occurrences in the future. What is needed are measure to introduce a mechanism for flexibility in the ETS.

CEPS, through the report of the Task Force on EU ETS Price, which had completed its work last spring, has done work in this area which will be presented at the start of the session.

A number of respondents, from various stakeholders, will provide their views on a number of questions

- What are the issues that we are trying to address in the long term
- What are the parameters that ought to be considered in analyzing the various options
- What options would best address the issue and why