

# CEPS – Carbon market Forum

The New EU Climate and Energy Package:  
Passing the test?

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Crédit photo : Arnaud Bouissou/MEDDE

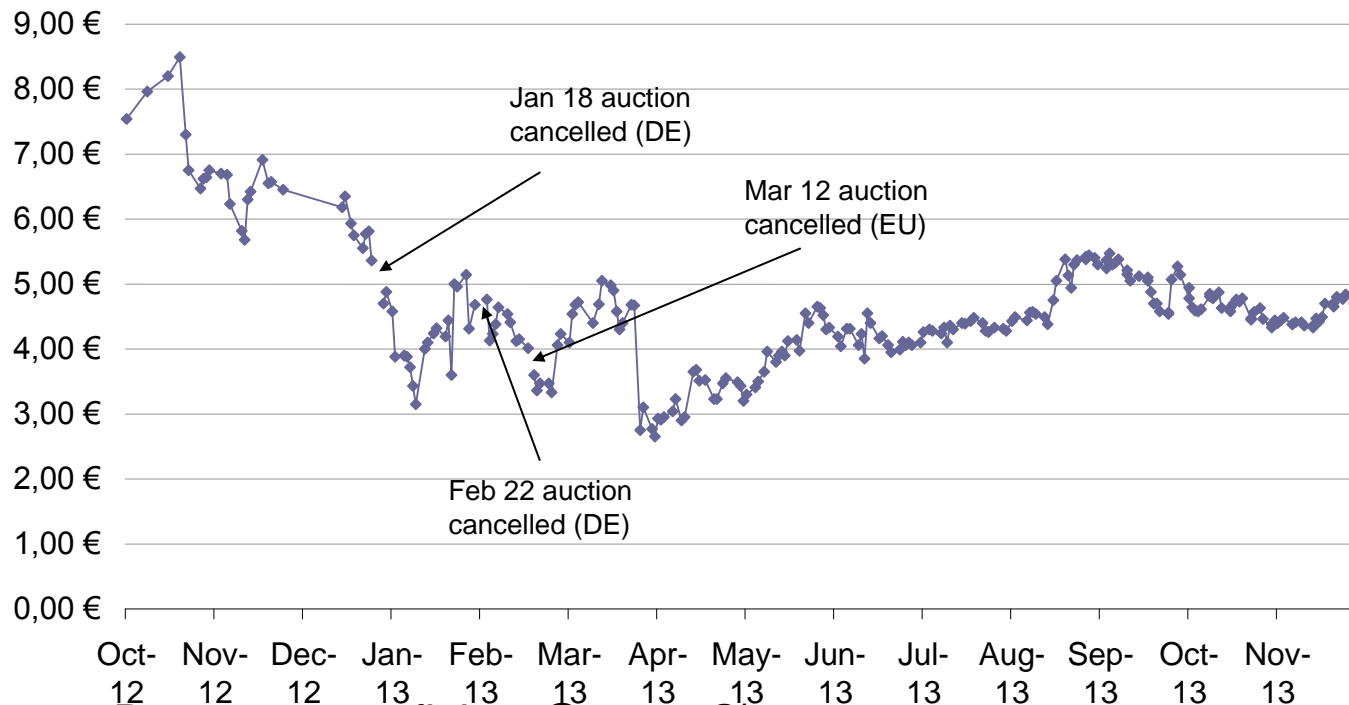
# Overview

- Why it is important to prepare for post 2020 now?
  - In order to provide a long-term signal to stakeholders and investors to fully engage the European energy transition
  - In order to revitalize the European carbon market
  - In order to demonstrate a credible European commitment in the fight against climate change (especially in the perspective of an international agreement in 2015 - COP 21)
- Competitiveness
  - The ambitious goal of reducing emissions must be accompanied by credible control devices against carbon leakage
  - What are the solutions proposed/not proposed by the Commission?

# Why it is important to prepare for post 2020 now?

- In order to provide a long-term signal

Auction Price € / t CO<sub>2</sub>



- Dec 17 2013: fixing @ 4,70 €/t
- Nov 13 2012 – first EU auction – fixing @ 8,49 €/t
- July 2008: Spot market @ 30 €/t

Source:  
EEX/ICE

# Why it is important to prepare for post 2020 now?

- In order to revitalize the European carbon market
- Thomson Reuters – Point Carbon headlines:
  - Feb 2012: “Carbon plunges 12 pct as hopes for quick CO2 fix fade”
  - Nov 2012: “EU carbon slips 3.4 pct as backloading optimism wanes”
  - March 2013: ” EU carbon jumps 13 pct as support builds for ETS fix”
  - 3 Apr 2013: “EU carbon at 5-wk high on fix optimism, sales pause”
  - 12 Apr 2013: “EUAs climb 10 pct to above 4.80 euros on Parliament optimism”
  - 16 Apr: “EU carbon collapses after MEPs reject CO2 backloading”
- Evidence of a political commitment toward the EU ETS as the cornerstone of EU’s climate policy needs to be displayed

# Competitiveness

- The ambitious goal of reducing emissions must be accompanied by credible control devices against carbon leakage
  - The -40% target for 2030 is necessary to give the right signals...
  - ...and concerns related to carbon leakage must be addressed if this target is to be accepted by the stakeholders

**-40% target /1990**

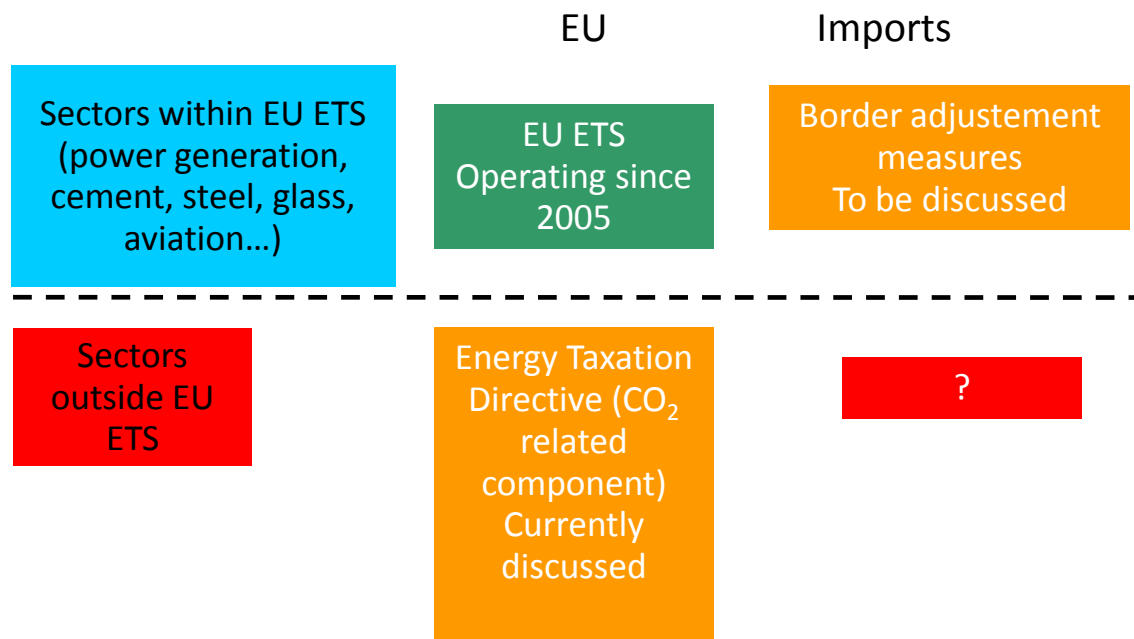


**Acceptability of the -40% target**



# Competitiveness

- What are the solutions proposed/not proposed by the Commission?
  - A more focused approach to free allocation;
  - A more dynamic allocation that would incentivize growth (impact assessment accompanying the Commission's proposal);
  - Not proposed - Border adjustment measures: especially in sectors where they would be most easily and successfully implemented, such as cement production.



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