



CEPS CARBON MARKET FORUM (CCMF)

DRAFT AGENDA

Second meeting of the CCMF Task Force on "EU Emission Trading System"

Date: July 4, 2012

Time: 9.00 - 17.30 pm

Place: Ministry of Environment of Poland, Warsaw, 52-54 Wawelska Street

Chair: Teresa Ribera, former Secretary of State for Climate Change

Rapporteur: A. Marcu & C. Egenhofer, CEPS

9:00 Welcome

Marcin Korolec, Minister of Environment, Poland

9:10 CMF Task on EU ETS

A. Marcu

9:20 **Agenda for the meeting**

T. Ribera

9:30 **EU Climate Policy & EU ETS**

Climate change is one of the most important policy fields of the EU, not only to lead global efforts to fight climate change but also to meet ambitious goals of its economic growth strategy and to maintain the Union's standing globally. In order to fulfill its commitment, the EU has adopted a wide range of sector-specific and cross-sectoral measures. The EU Emissions Trading System (ETS) is the central pillar of a EU package of regulatory measures to address climate change, energy security and competitiveness, and notably to achieve EU's 2050 GHG emissions reduction target. In this context, an efficient and effective EU ETS is the precondition for the EU to achieve its short and long-term climate and other policy goals.

- **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?
What is missing?
- **Challenges** – what are the challenges that have emerged, have they affected results and credibility of the approaches used

- G. Bertolino ENEL
- Daria KULCZYCKA LEWIATAN - Polish Confederation of Private Employers
- Tomasz CHRUSZCZOW Ministry of Environment, Government of Poland

11:00 Coffee break

11:15 **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?

- Helen Bray, Shell
- Gregorz Peszko, EBRD
- Krzysztof Blusz, , demosEurope, Poland

Beyond the carbon price: targeted policies to accompany the ETS



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:

-
- 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?