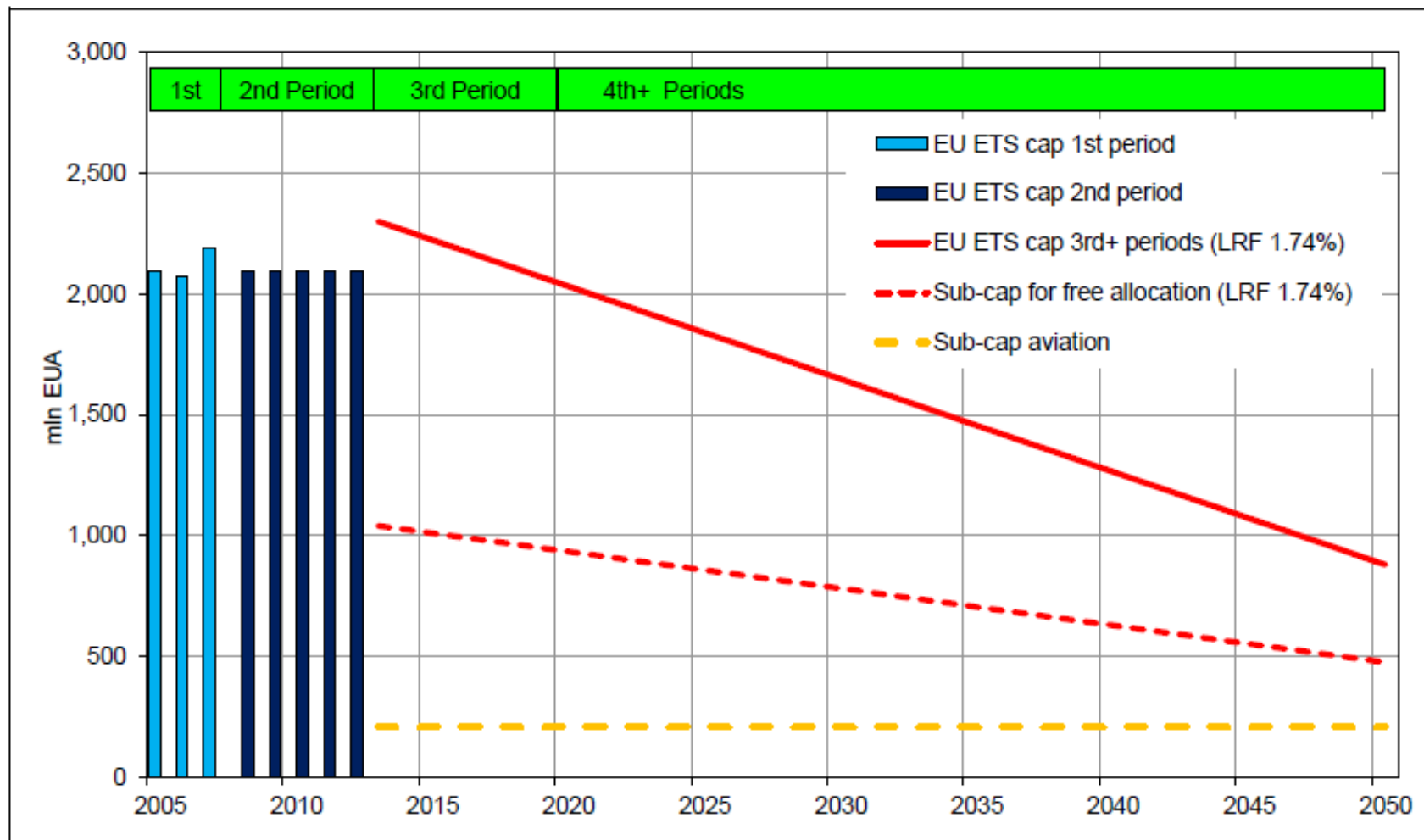


Fixing ETS by effective backloading?

Sam Van den plas
WWF European Policy Office
10/09/2012

Third meeting of the CEPS CMF Task
Force on “EU Emission Trading
System”

Aligning each trading phase



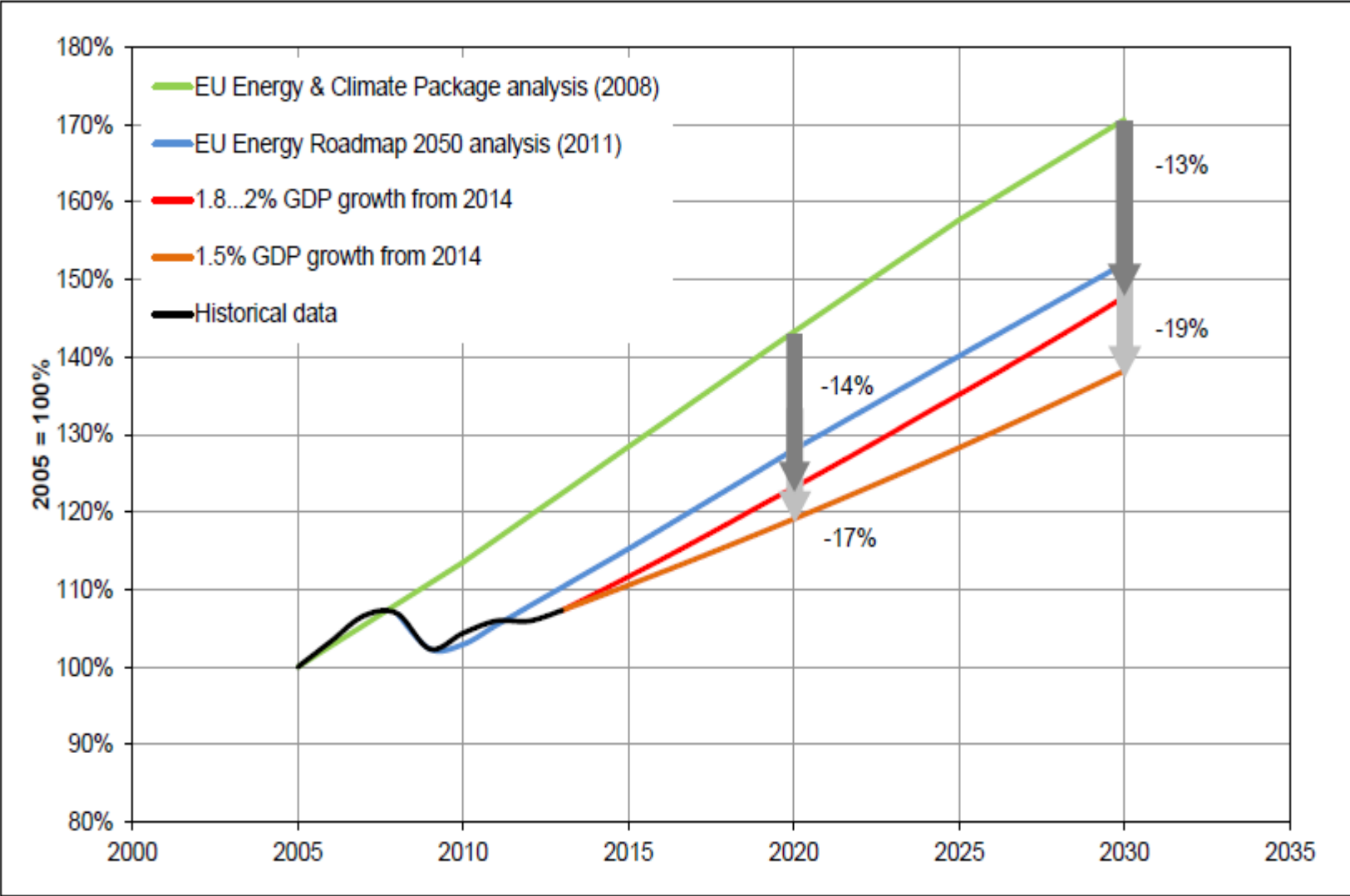
Source: CEC 2010b, EU 2009a, calculations by Öko-Institut

Quantifying the EU ETS surplus

From 2012 onwards:

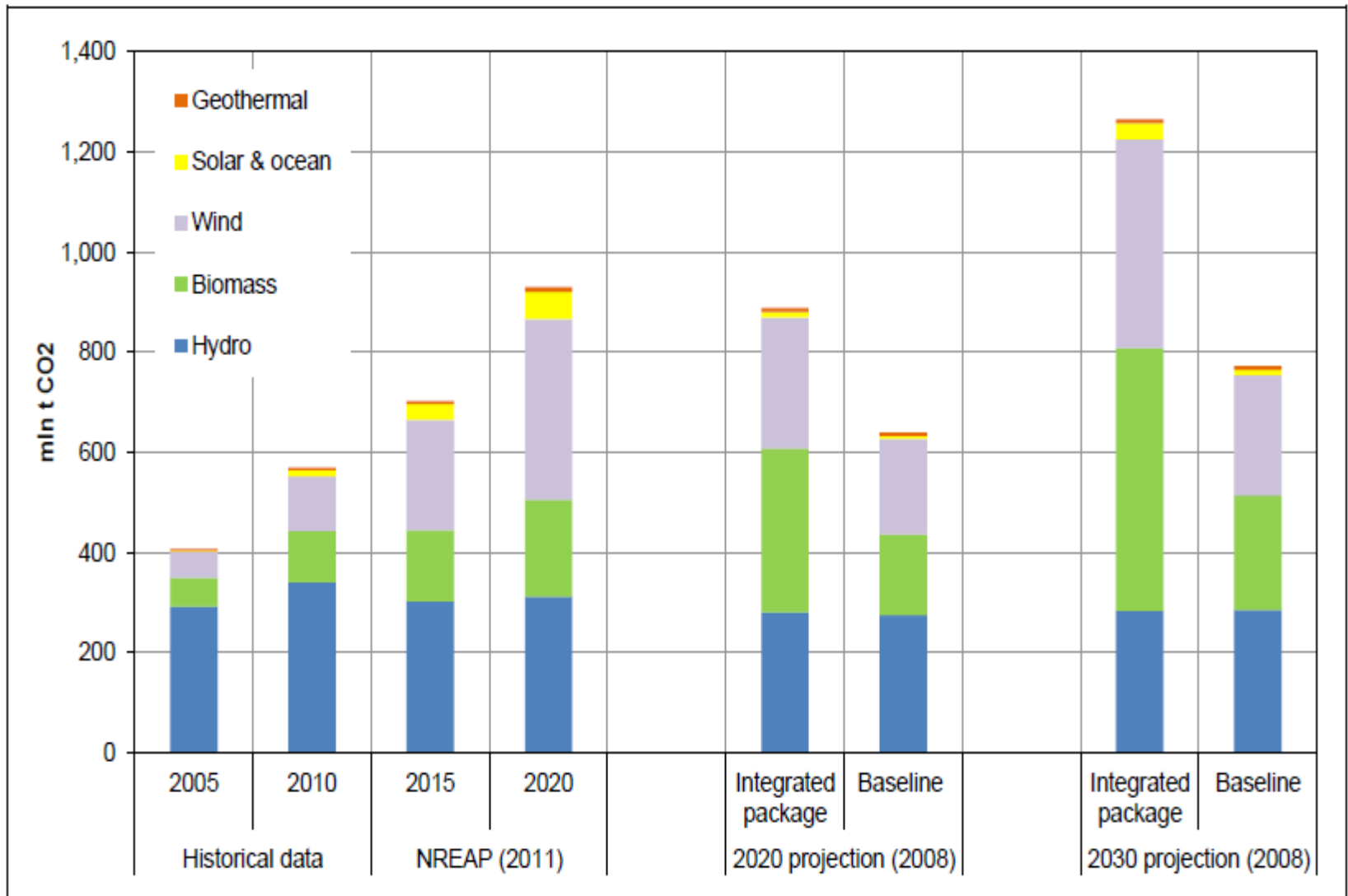
- Demand
 - economic growth
 - renewables and energy savings
 - extended scope
- Supply
 - decreasing free EUAs
 - increasing auctioned EUAs
 - offset credits (CDM/JI) – qual. and quant. restrictions
 - free allocation to new entrants

GDP projections



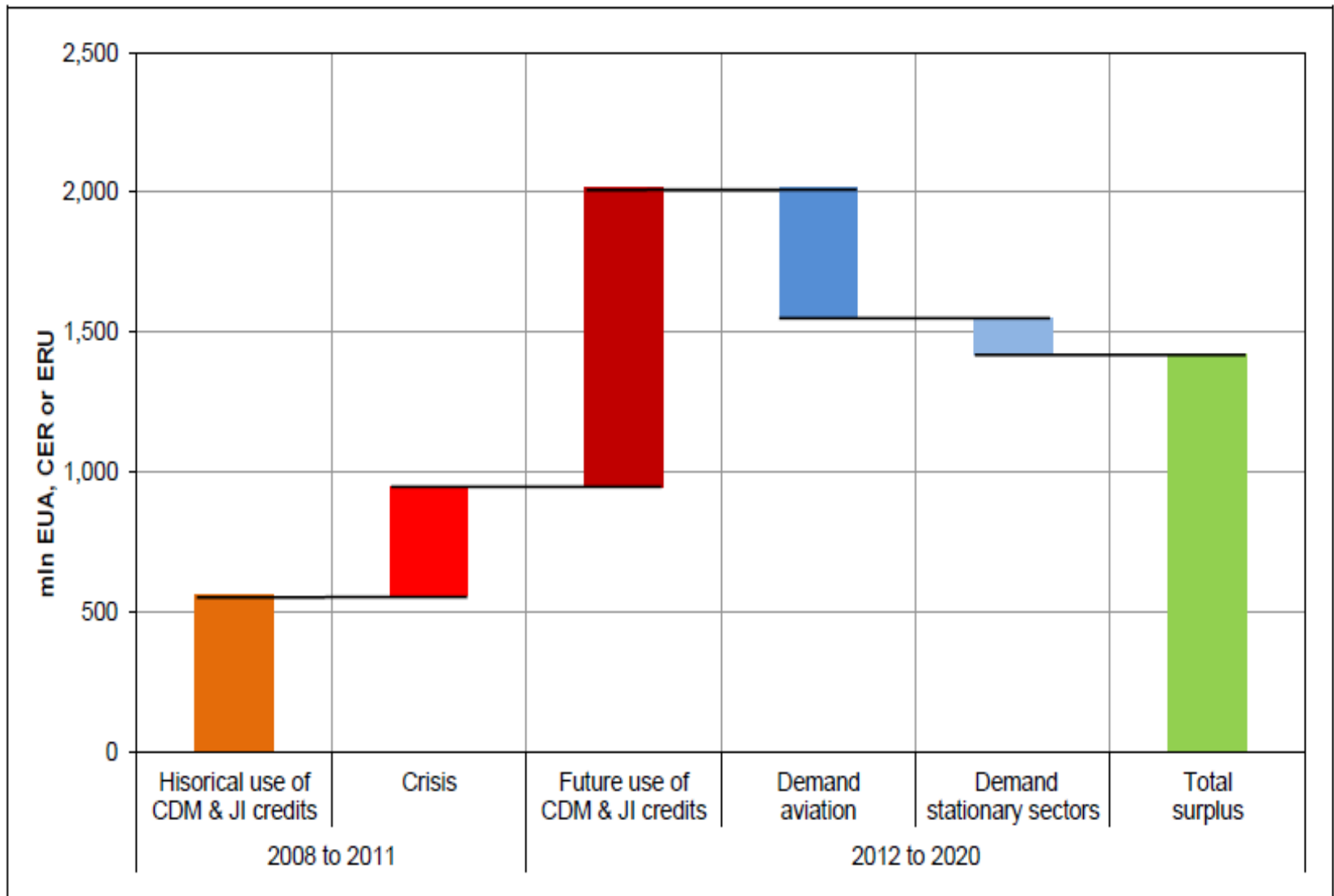
Source: Eurostat, European Commission, calculations by Öko-Institut

Renewables and CO2 abatement in ETS sectors



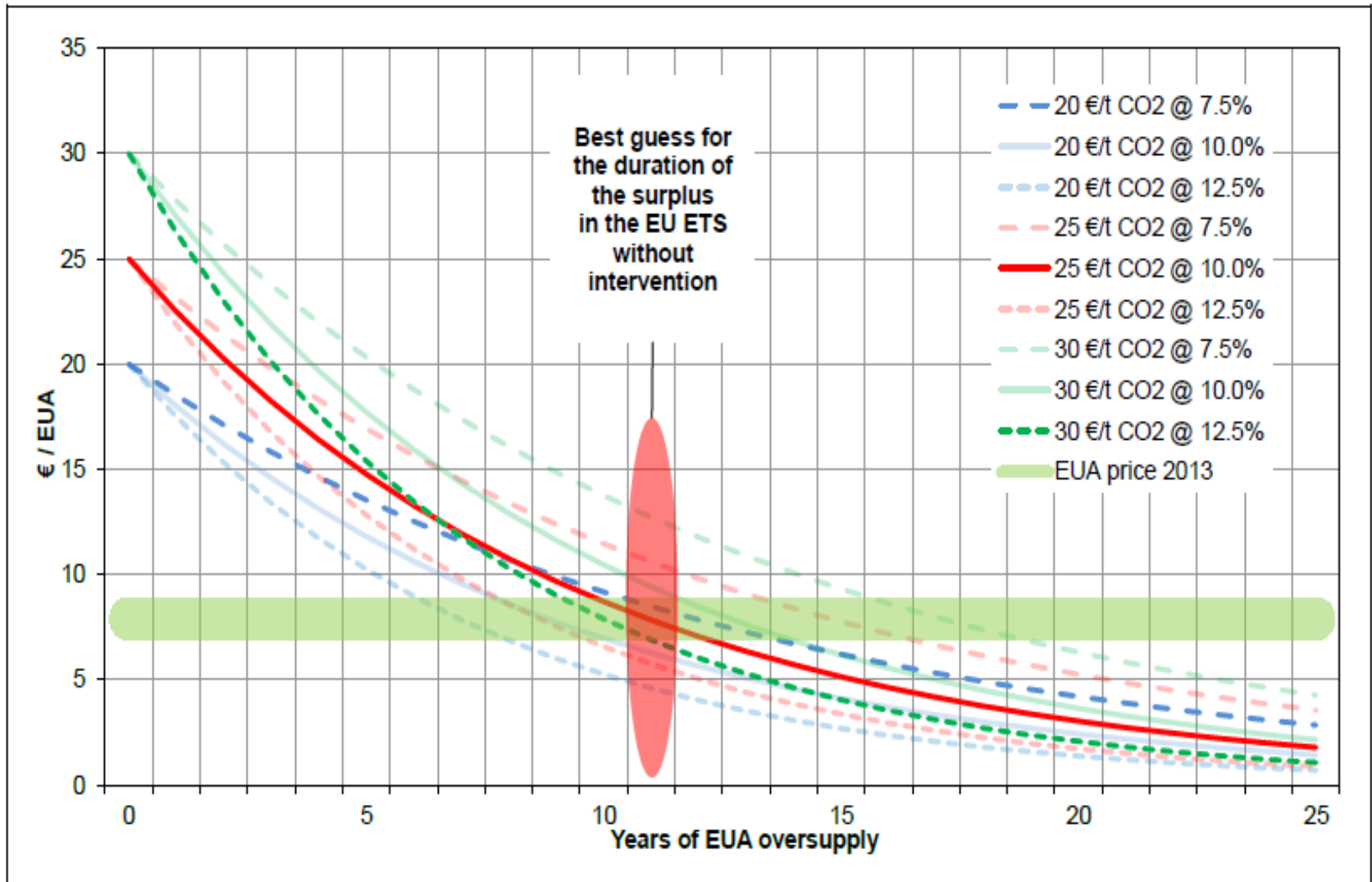
Source: Eurostat, European Commission, calculations by Öko-Institut

Supply demand balance 2008-2020



Source: Calculations by Öko-Institut

Duration of surplus



Source: Calculations by Öko-Institut



Where to go from here?



Where are we heading?

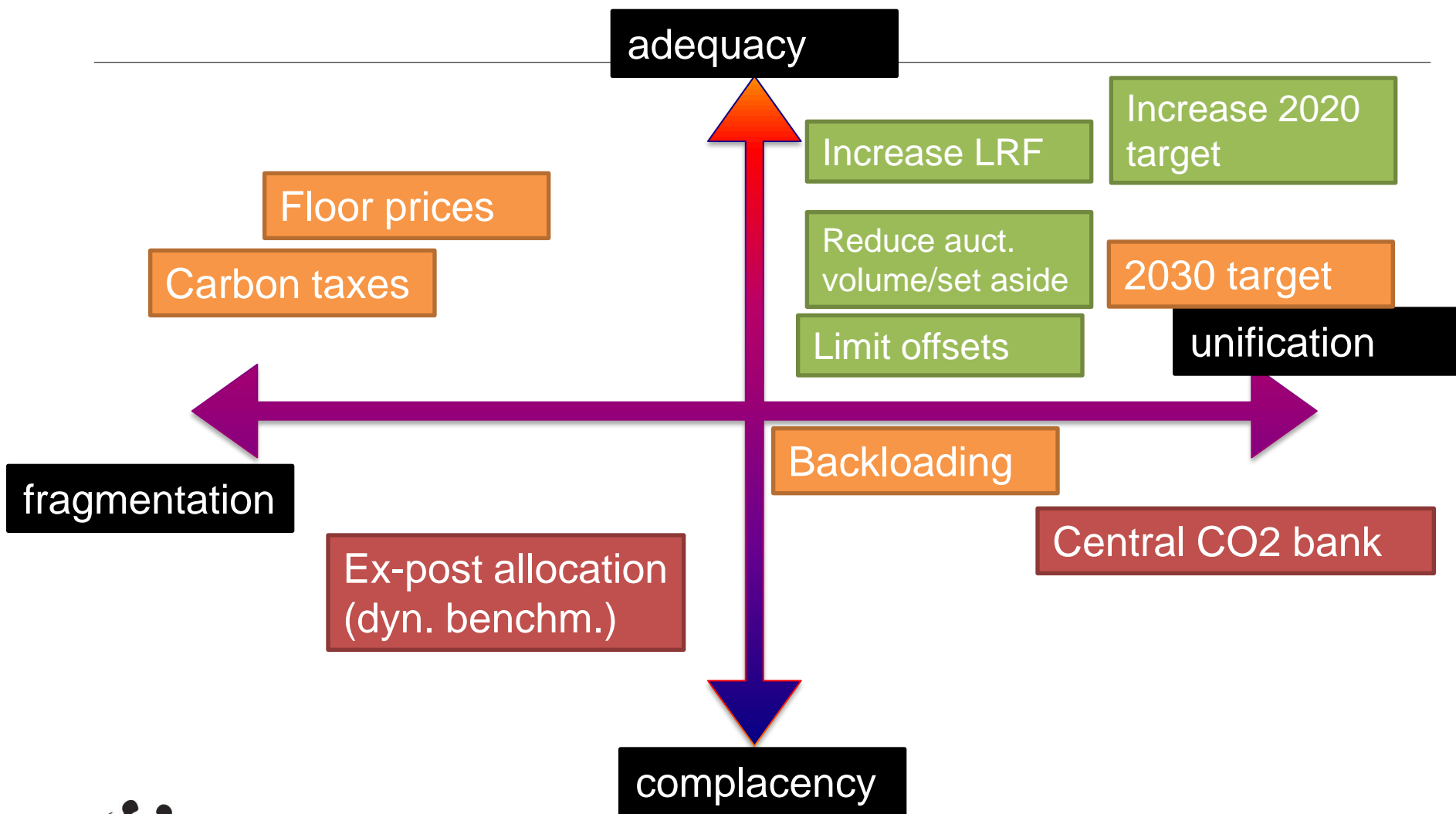
Solving the ETS paradox: predictable policy instrument in unpredictable economic environment

Options:

- Fragmentation vs. unification
- Adequacy vs. complacency



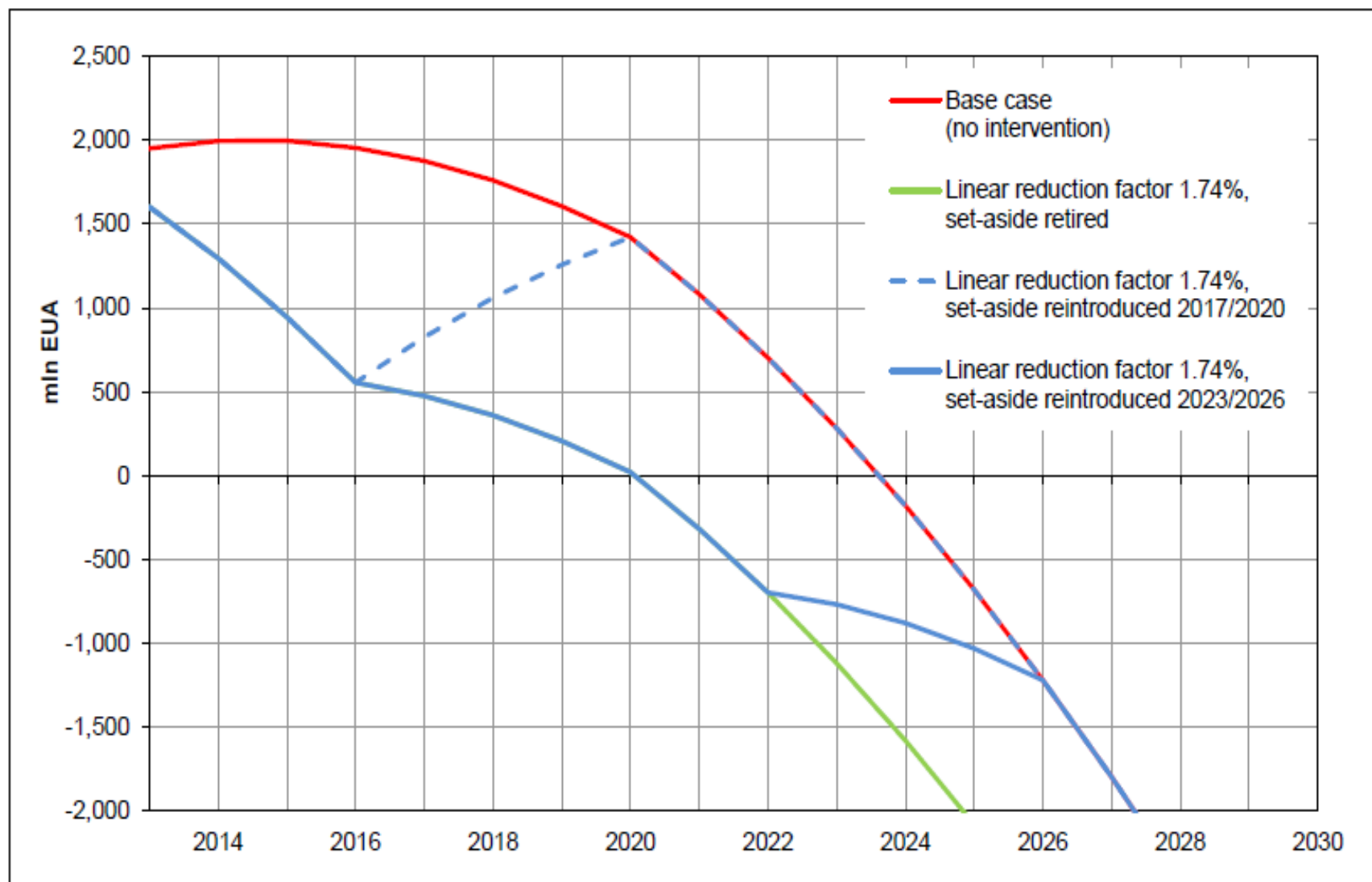
Where are we heading?



Effective backloading

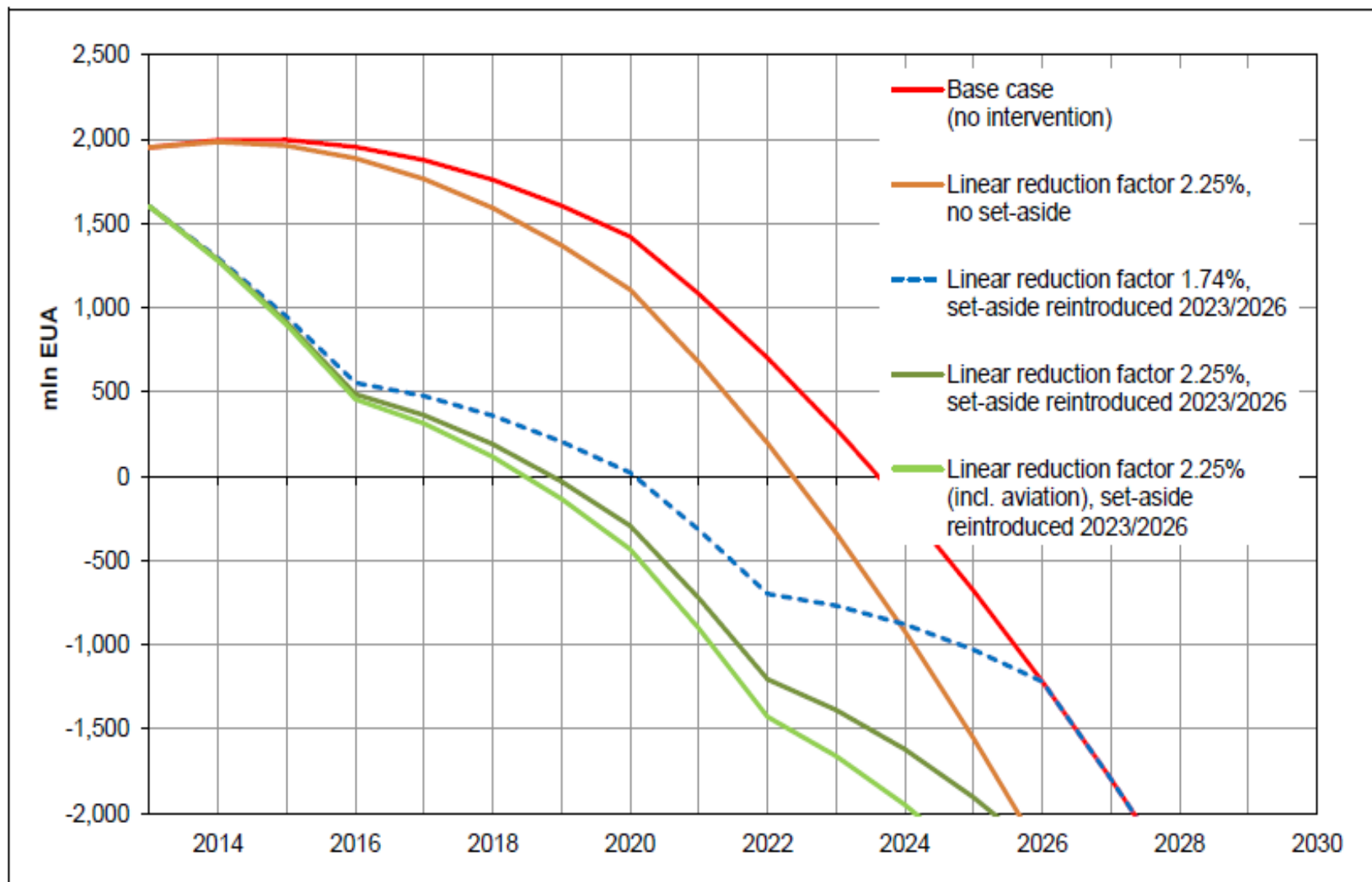


Timing backloading



Source: Calculations by Öko-Institut

Complementing backloading



Source: Calculations by Öko-Institut

Effective and sustainable backloading

Conclusions:

1. Backloading should be implemented as early as possible
2. The respective amount of allowances should not re-enter the market for the duration of at least a decade
3. Backloading should be combined with a tightened cap of the EU ETS by a significantly increased linear reduction factor

Further reading

Greenpeace and WWF recommendations to strengthen the EU ETS (June 2012):

http://awsassets.panda.org/downloads/gp_wwf_policy_briefing_strengthening_ets.pdf

Öko-Institut report “Strengthening the European Union Emissions Trading Scheme and raising climate ambition“:

http://awsassets.panda.org/downloads/greenpeace_wwf_2012_study_emissionshandel_en.pdf



Thank you

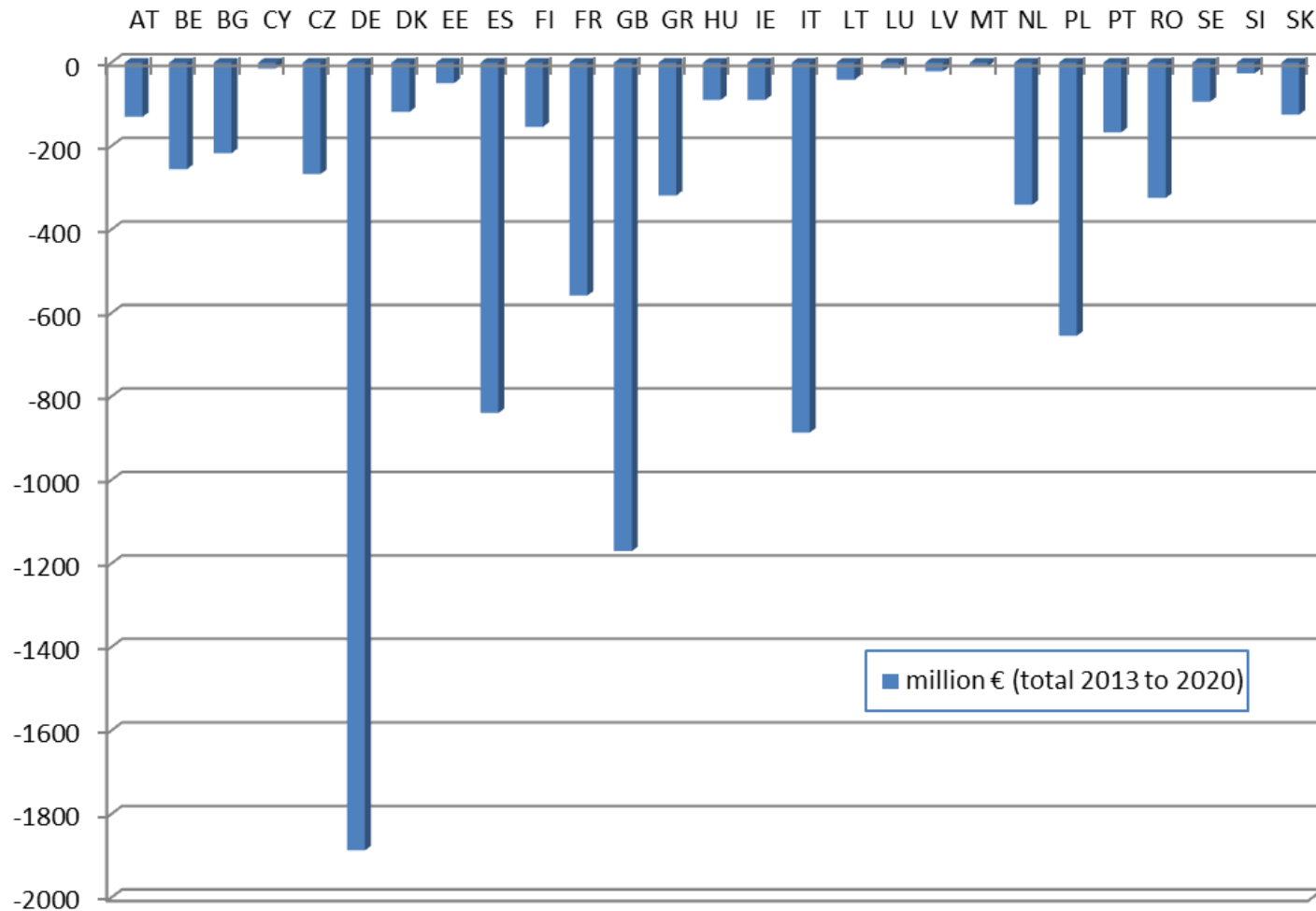
- www.panda.eu
- svandenplas@wwf.eu
- Twitter: @samWWF



Backup slides



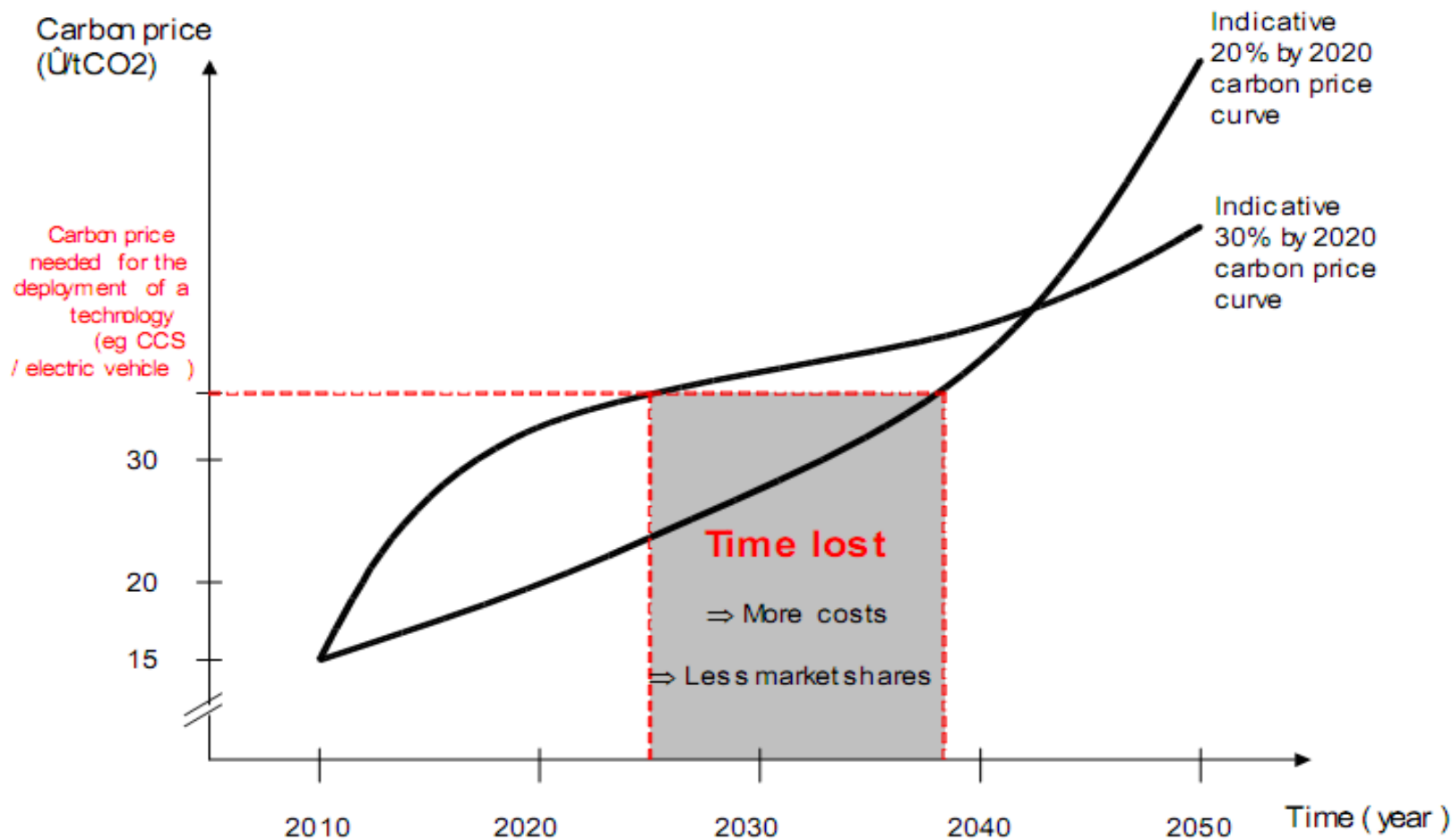
Decrease of auctioning revenues with EUAs -1€/t



Calculations made using the ARRA model, Oeko-institut 2010.



Promoting reductions of greenhouse gas emissions in a cost-effective and economically efficient manner?

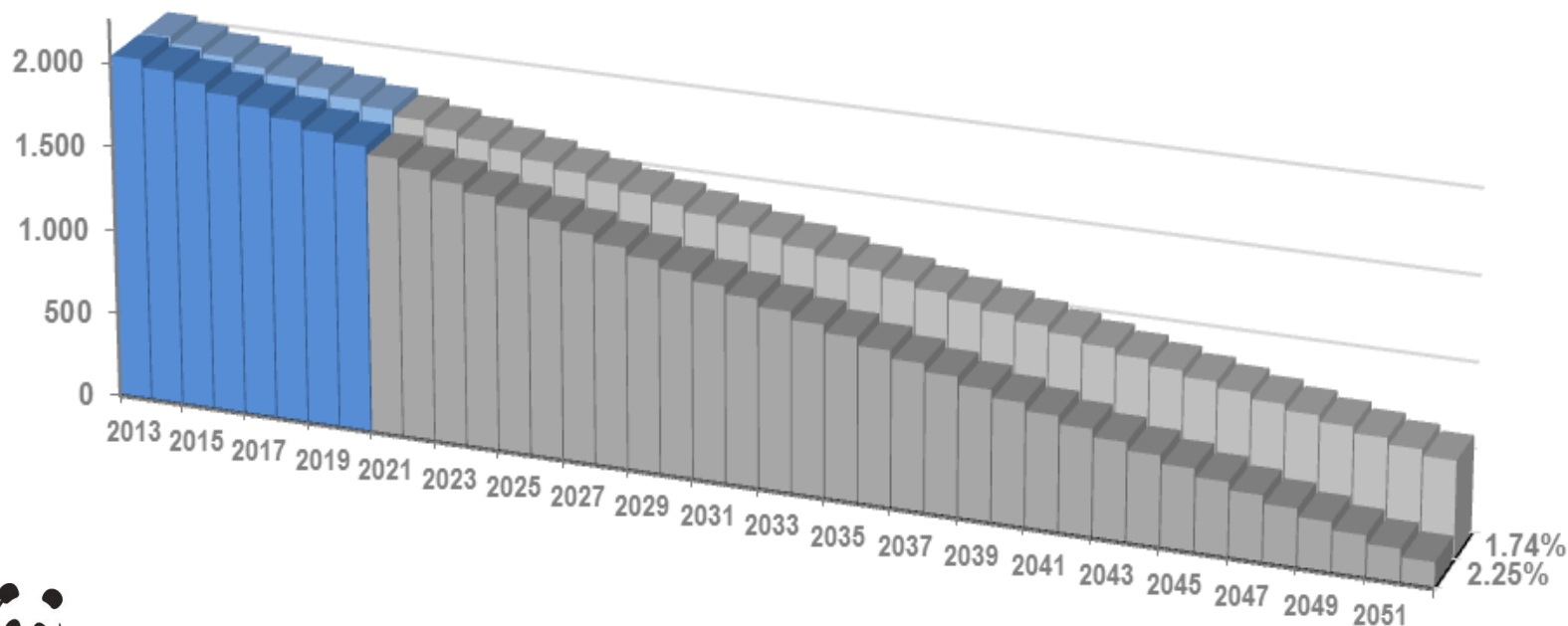


Amendments to the Energy Efficiency Directive (3/3)

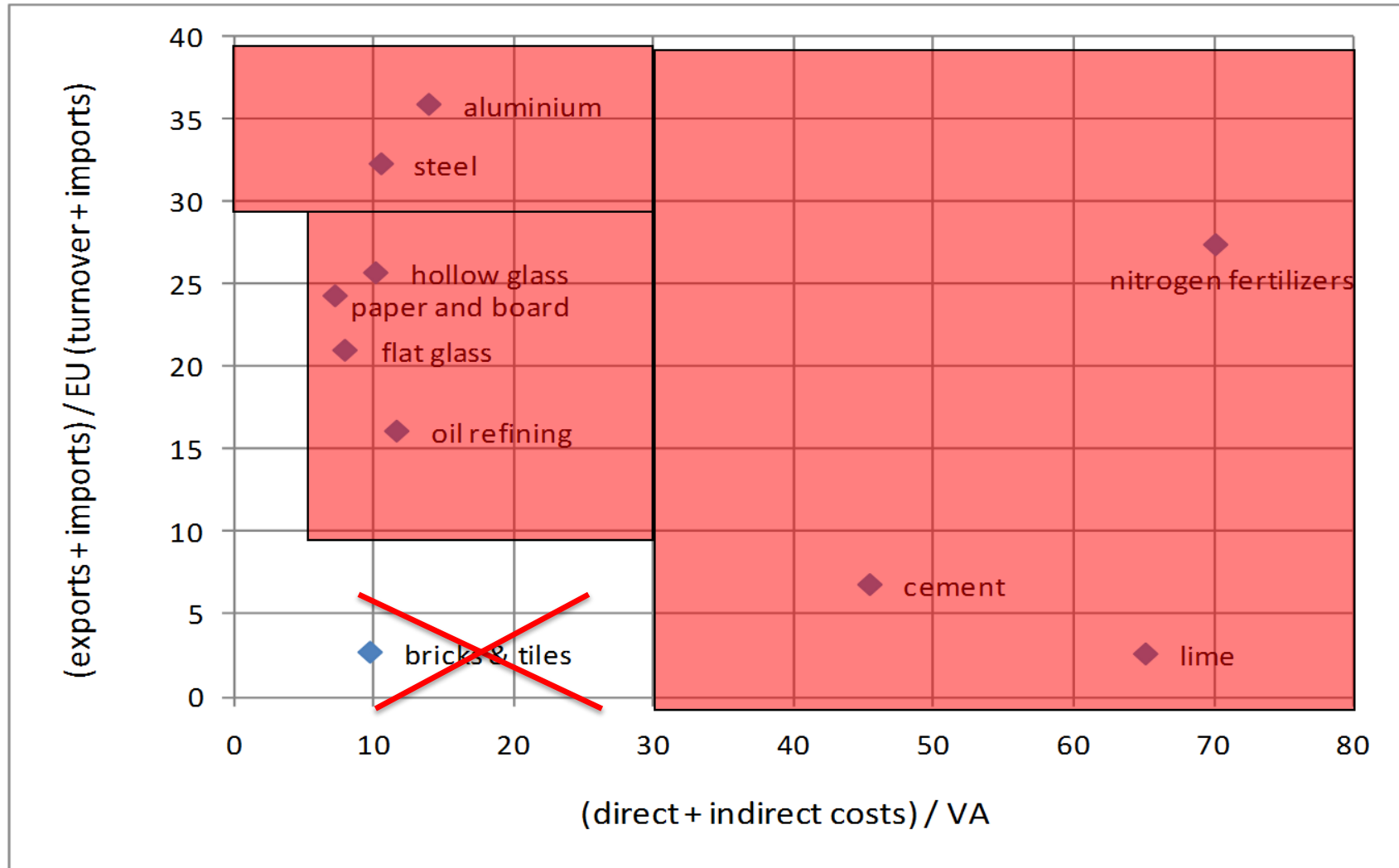
Impact of Amendment 354 ENVI

- Existing law = 1.74% annual linear reduction
- Proposal in this amendment = 2.25% annual reduction from 2014 onwards

Extra reduction 2013-2052 = 8,558 million tonnes in period 3-7



Situation of key industrial sectors vis-à-vis EU ETS criteria (© Quirion)



The EU ETS surplus: a rich past...

	2nd trading period				Total
	2008	2009	2010	2011	2008-2011
	mIn EUA, CER, ERU or t CO2				
Free allocation	1,961	1,976	1,998	2,001	7,938
Auctions and sales	45	79	92	83	300
CDM & JI	83	81	137	255	556
Total available units	2,090	2,137	2,227	2,340	8,793
Verified emissions	2,123	1,882	1,939	1,903	7,846
Surplus	-33	255	289	436	947
<i>Cumulated surplus</i>	-33	222	510	947	

Source: Calculations by Öko-Institut



Supply demand balance 2008-2020

	2nd period		3rd period	Total	
	Historical data	Projection			
	2008-2011	2012	2013-2020	2008-2020	
	mln EUA, CER, ERU or t CO ₂ e				% of demand
Free allocation ^a	7,938	2,184	9,304	19,425	68.8%
Auctions and sales ^b	300	105	8,013	8,418	29.8%
CDM and JI credits	556	278	789	1,622	5.7%
Left-over NER II	-	185	-	185	0.7%
Total available units	8,793	2,752	18,106	29,650	105.0%
Emissions ^c	7,846	2,131	18,251	28,229	100.0%
Surplus	947	620	-146	1,422	5.0%
<i>Cumulated surplus</i>	947	1,567	1,422		
Notes: ^a Including free allocation from NER in the 3rd period. - ^b Including auctions from NER in the 3rd period (NER 300 auctions). - ^c Verified emissions for 2008-2011, baseline emissions from 2012-2020.					

Source: Calculations by Öko-Institut