



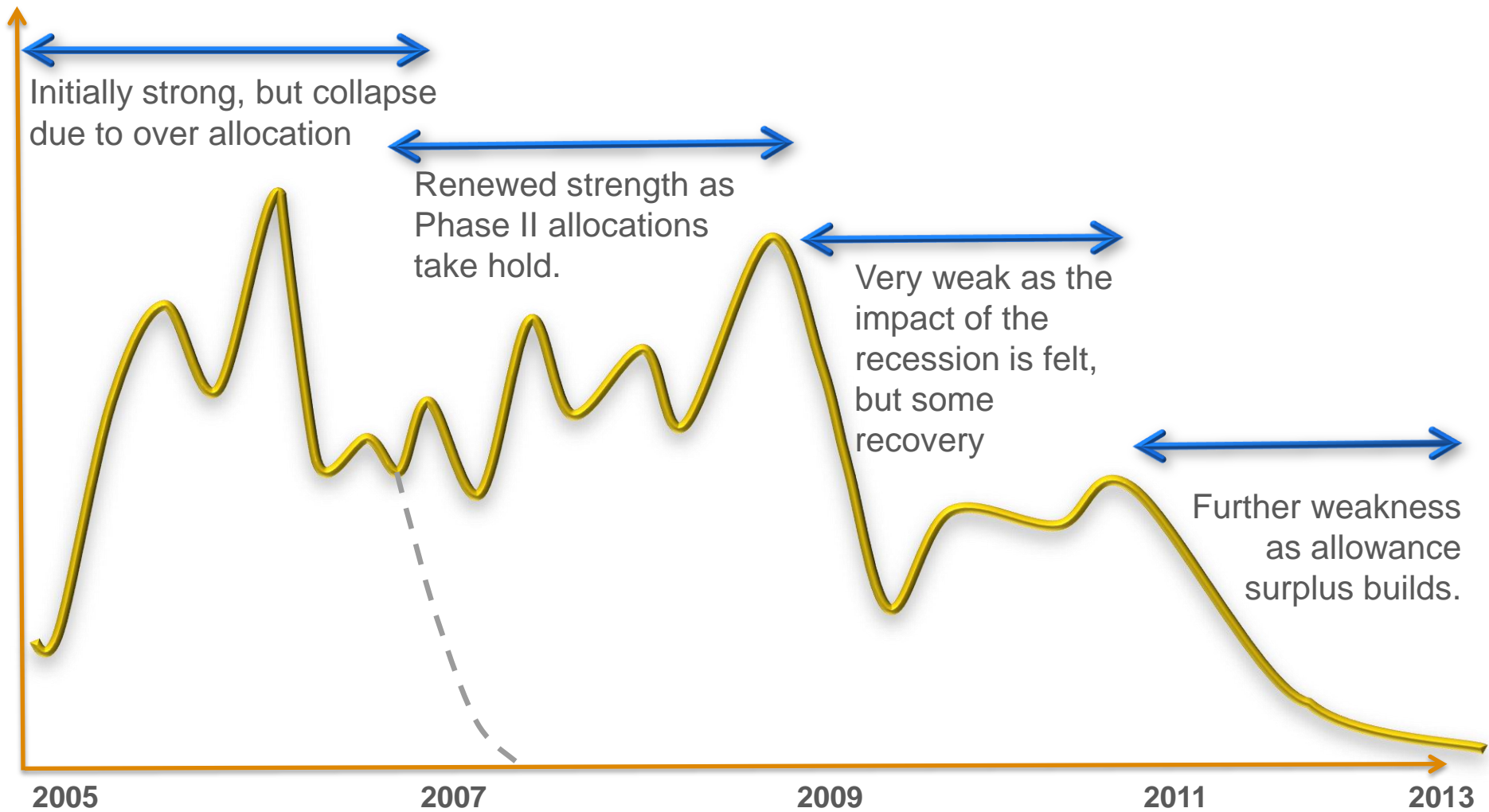
# What's going on with the CO<sub>2</sub> price in the EU ??

## *Challenges facing the EU-ETS*

*David Hone  
Chief Climate Change Adviser  
Royal Dutch Shell plc*

*Chairman, IETA*

# A chequered price history



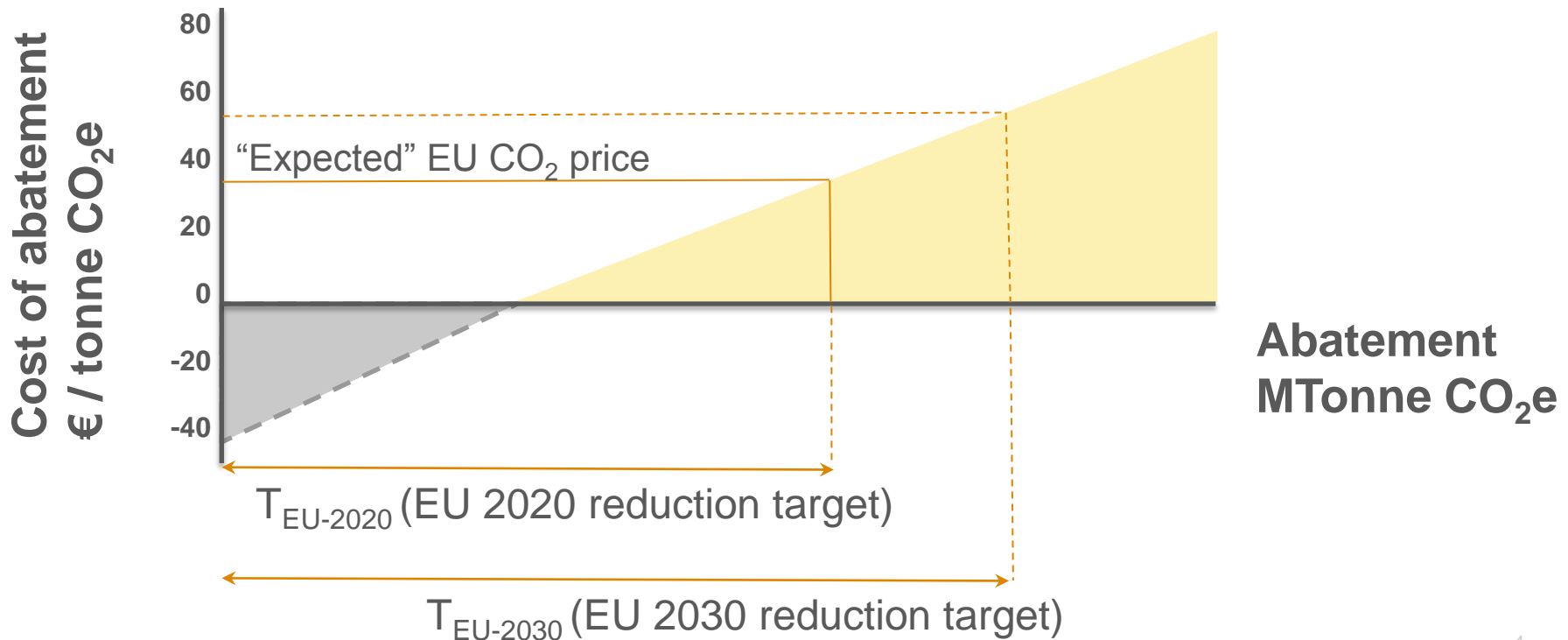
Both the Commission and Member States have contributed to the weakening impact of the ETS



# An ETS should provide a clear route forward, based on abatement opportunity economics

## EU-27 Abatement Chart

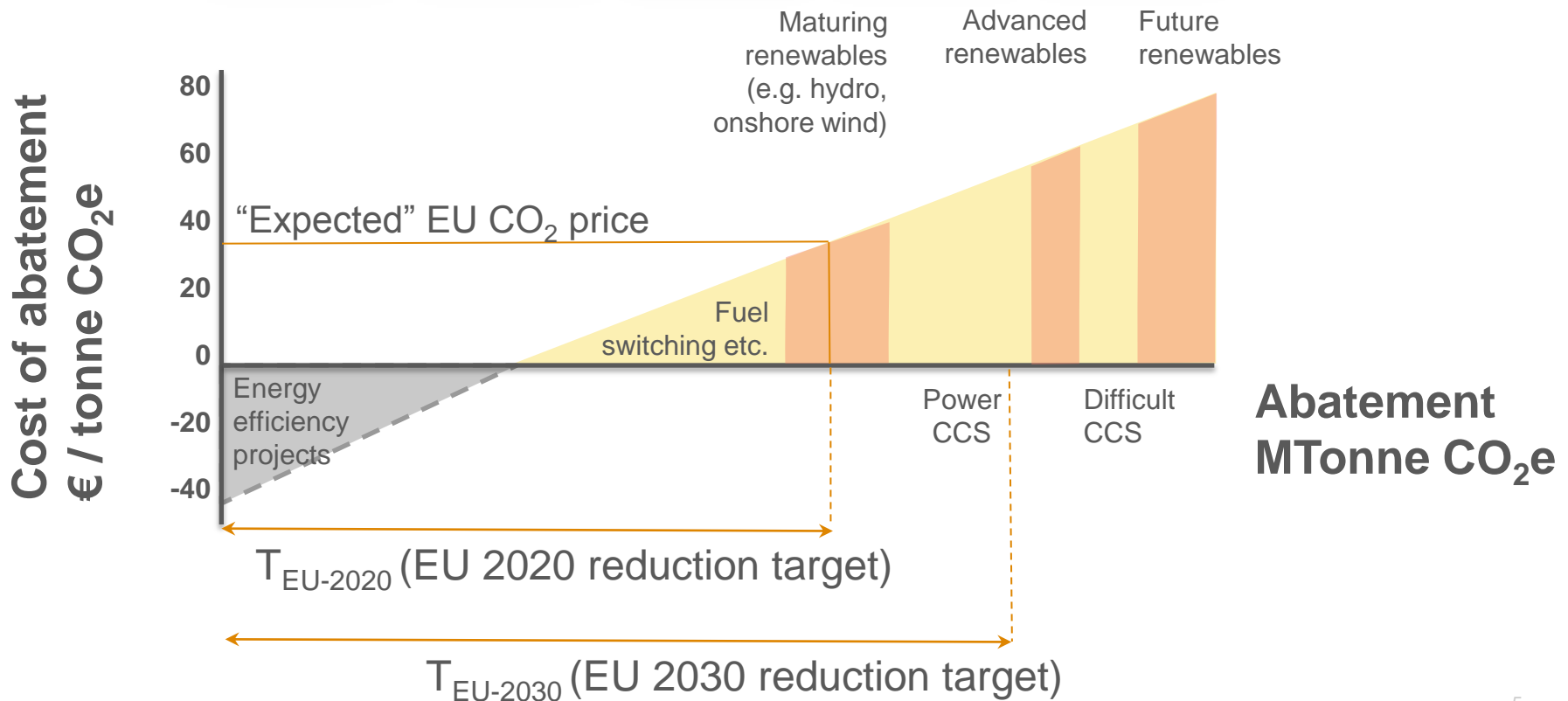
A carbon price drives project implementation from left to right across the abatement curve



Implementation could see fuel switching first, then mature renewables, followed by some CCS in the 2020s

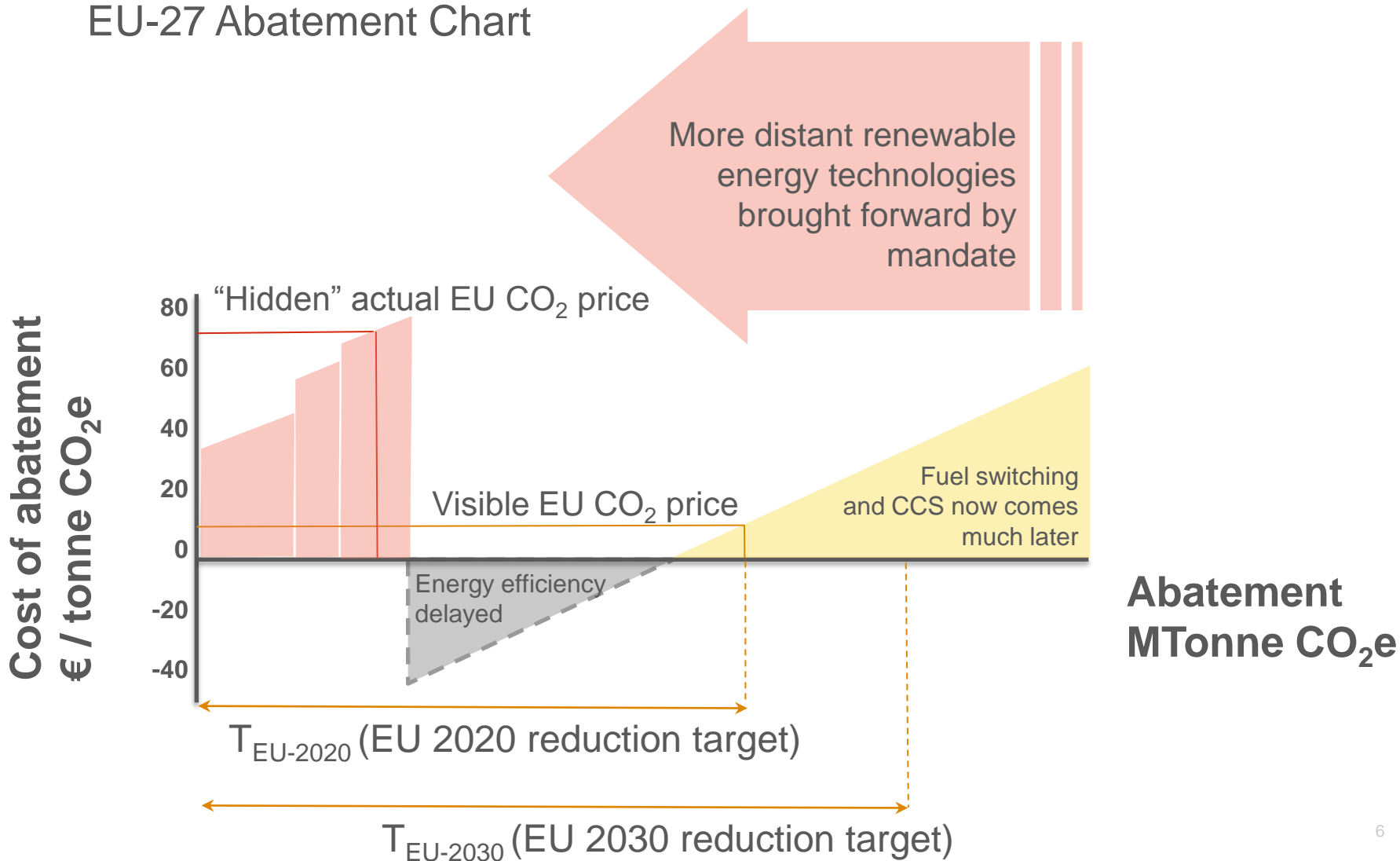
### EU-27 Abatement Chart

A carbon price drives project implementation from left to right across the abatement curve



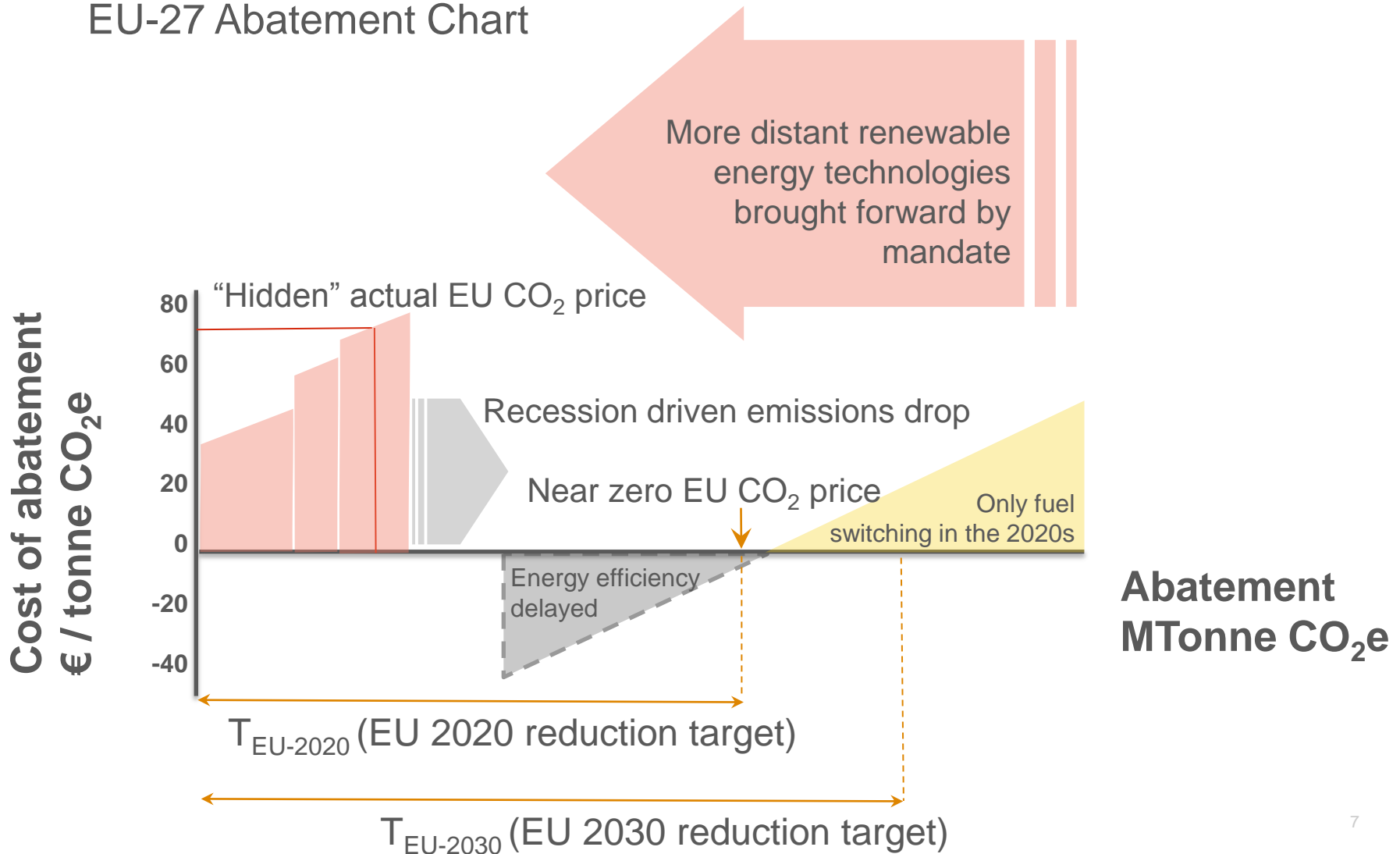
# Mandated renewable energy has distorted emissions mitigation economics across the EU

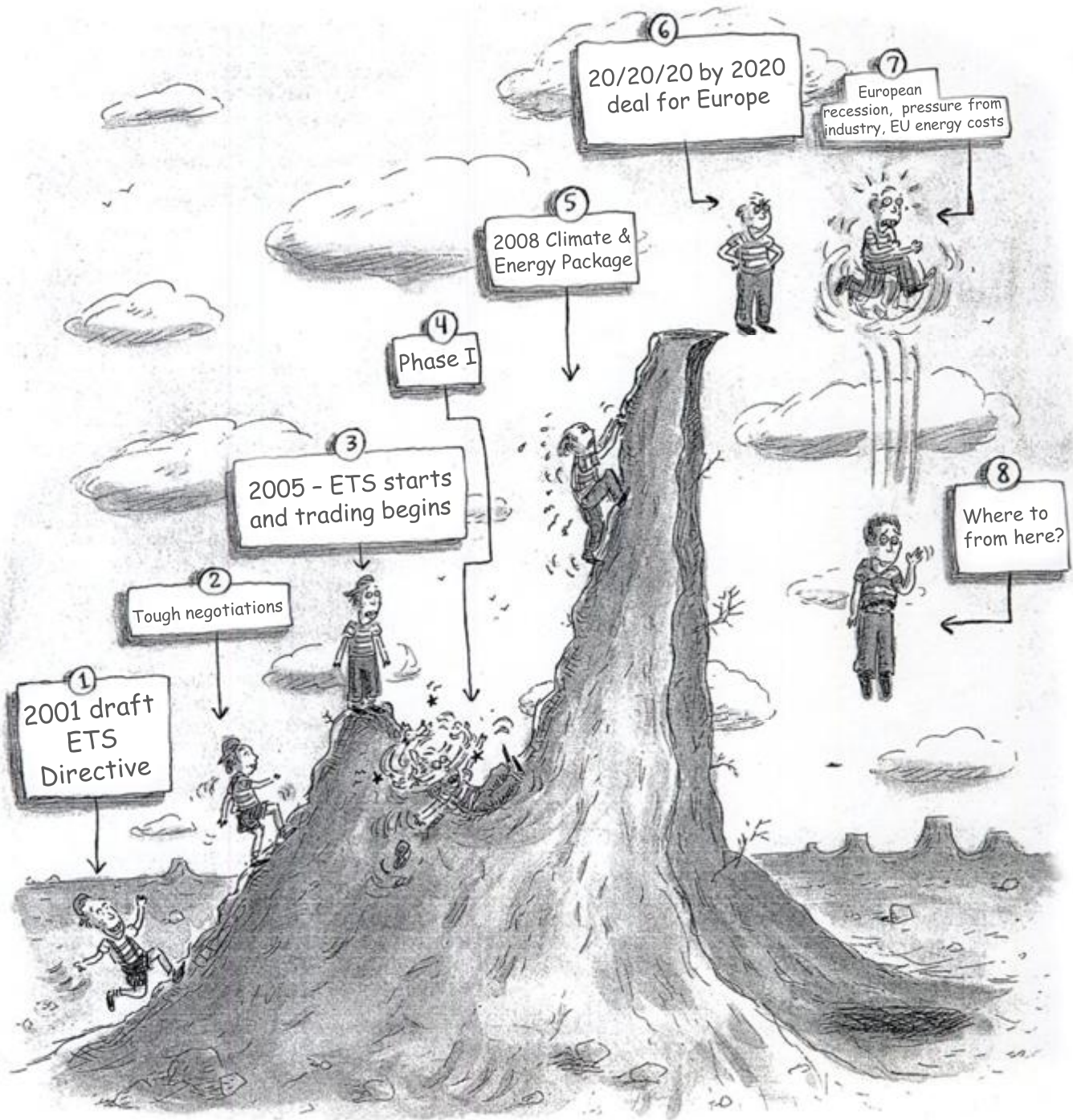
## EU-27 Abatement Chart



# The recession has further exacerbated the situation

## EU-27 Abatement Chart









# David Hone

Climate Change Advisor for Shell

Hello and welcome to my blog. There's lots said about why climate change now confronts us, and what it means, but the real issue is what to do about it. Plenty is said about that too, but there's not enough discussion on the practical aspects of implementation. Focusing on energy, that's what my blog sets out to achieve.



I have always worked in the energy sector and have had a long-term interest in environmental issues. My earliest foray into "journalism" was an article in our school science magazine...

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[An update on climate legislation >>](#)

31st January 2013

## The real price of CO2 in the EU

The EU Emissions Trading System (ETS) is facing tough times. Last week saw the price fall to below €3 after the European Parliament's Industry & Energy (ITRE) Committee voted against the Commission proposal to amend the ETS Directive to allow for backloading of ETS allowances (a compromise mechanism which will shift the auction profile in Phase III to remove allowances in the short term). At such a price level the system isn't really functioning, rather it is little more than a short term compliance accounting system for reporting on CO2 emissions.

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