

Market Stability Reserve

15 April 2014

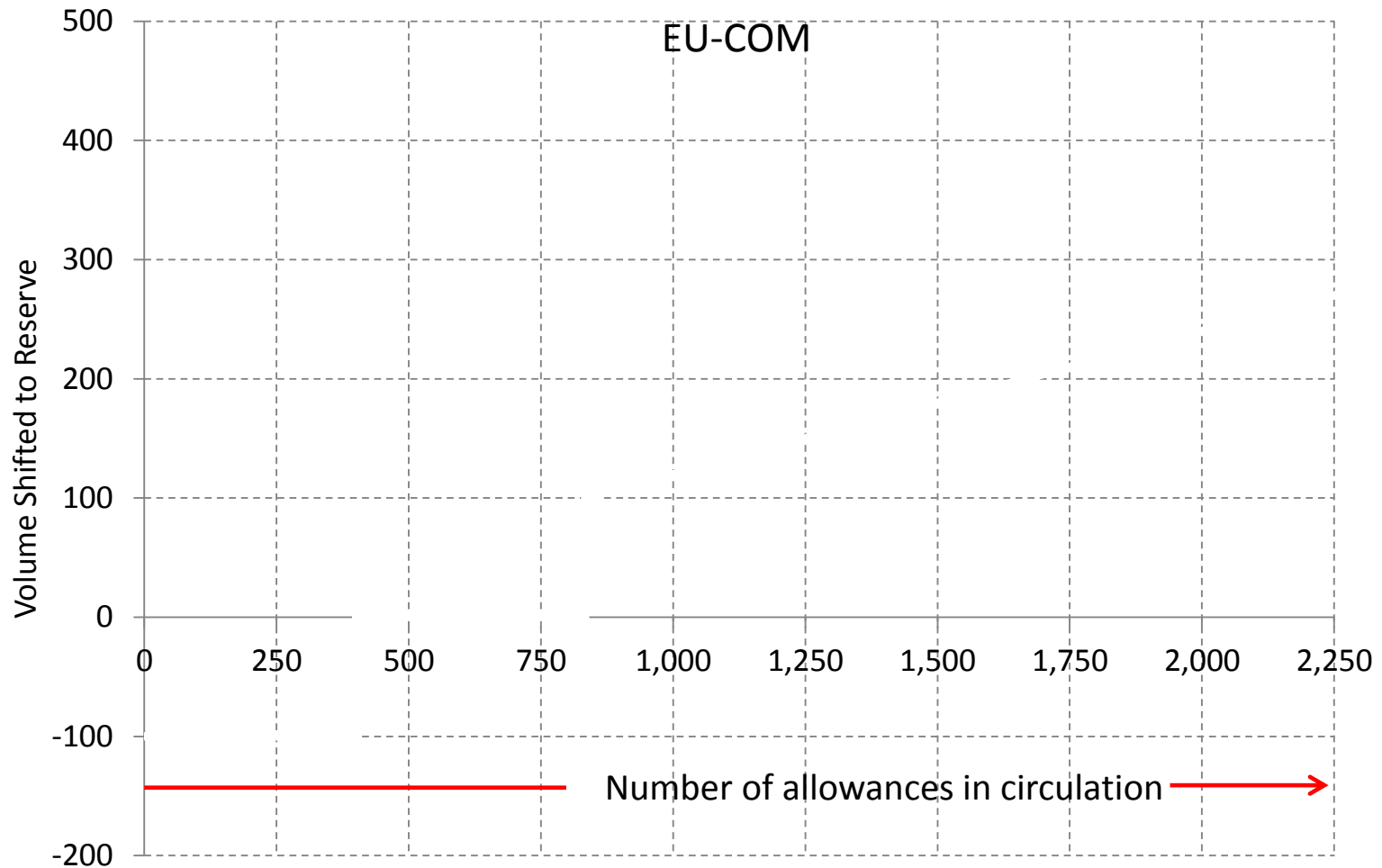
Dr. Ingo Tschach

Head of Market Analysis



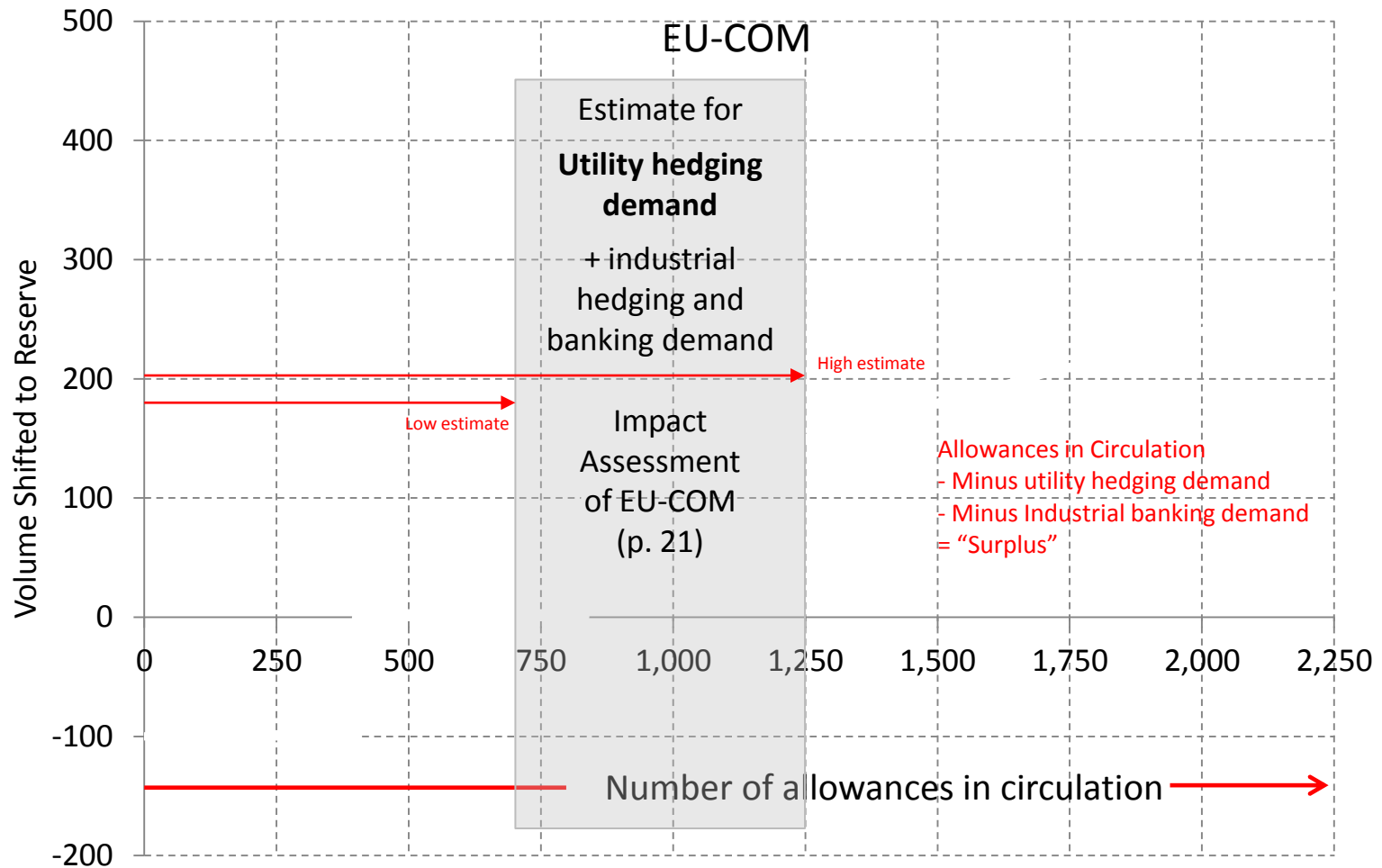
Volume effects of the “Market Stability Reserve”

Allowances in Circulation and Volume Shifted to MSR



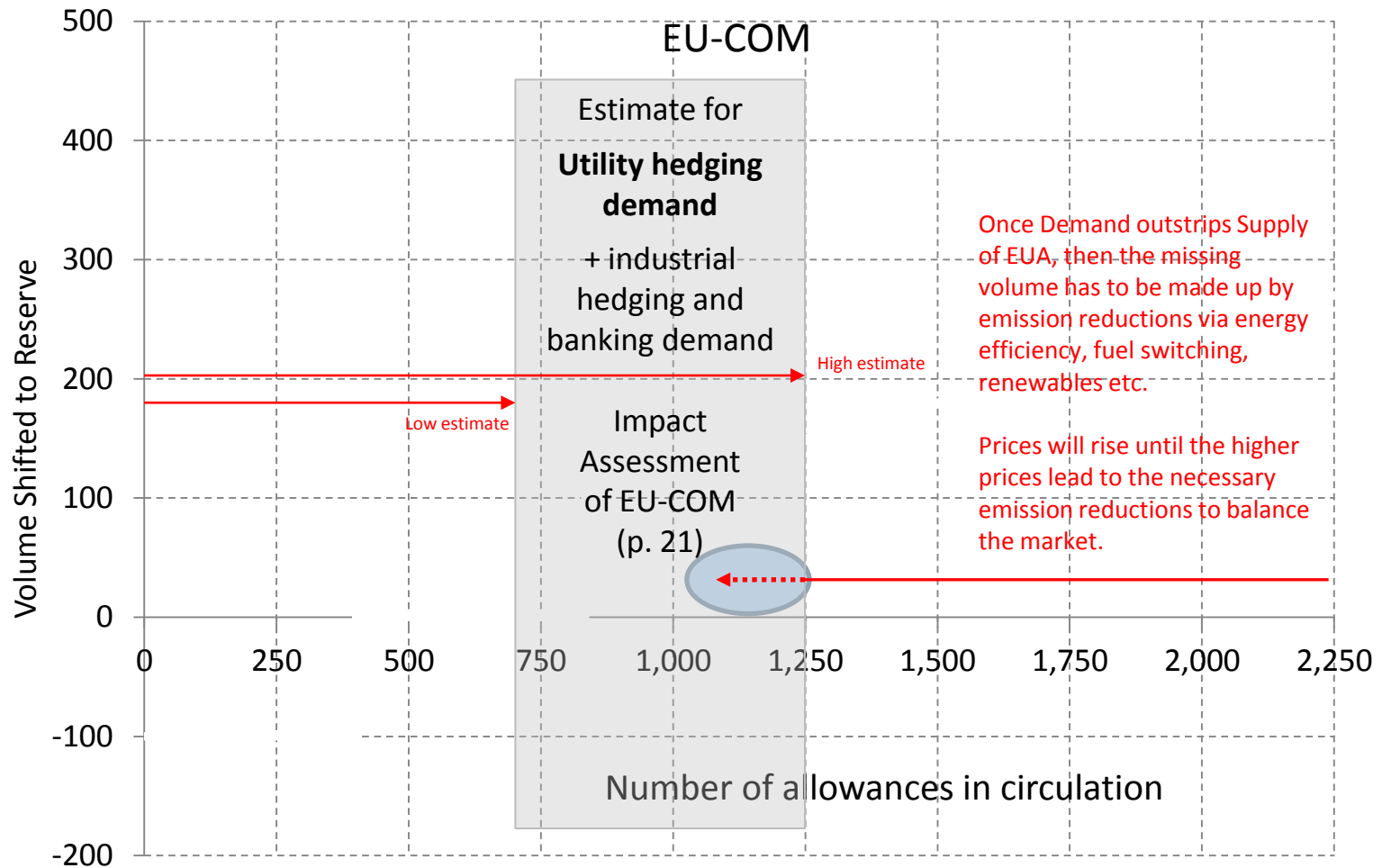
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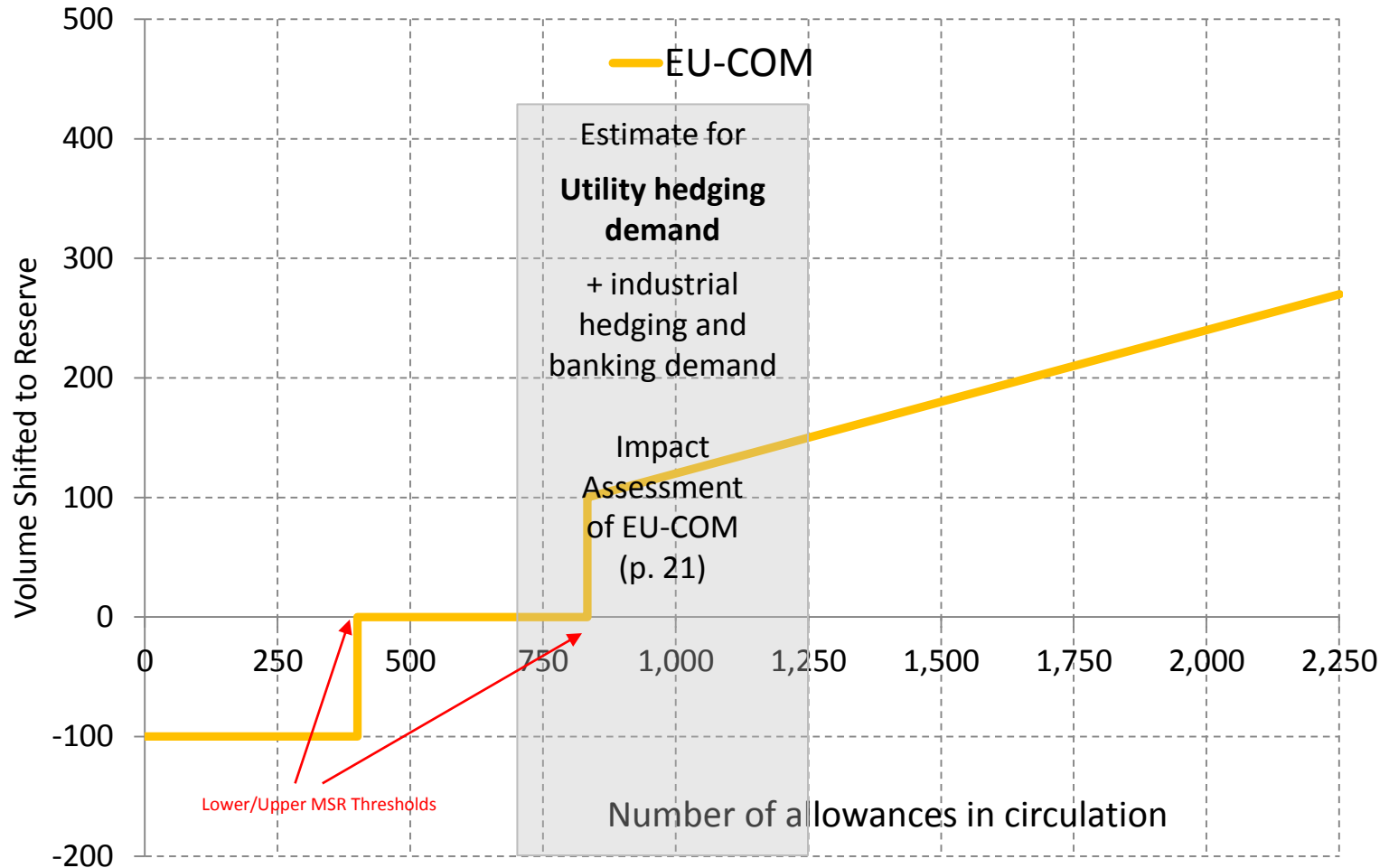
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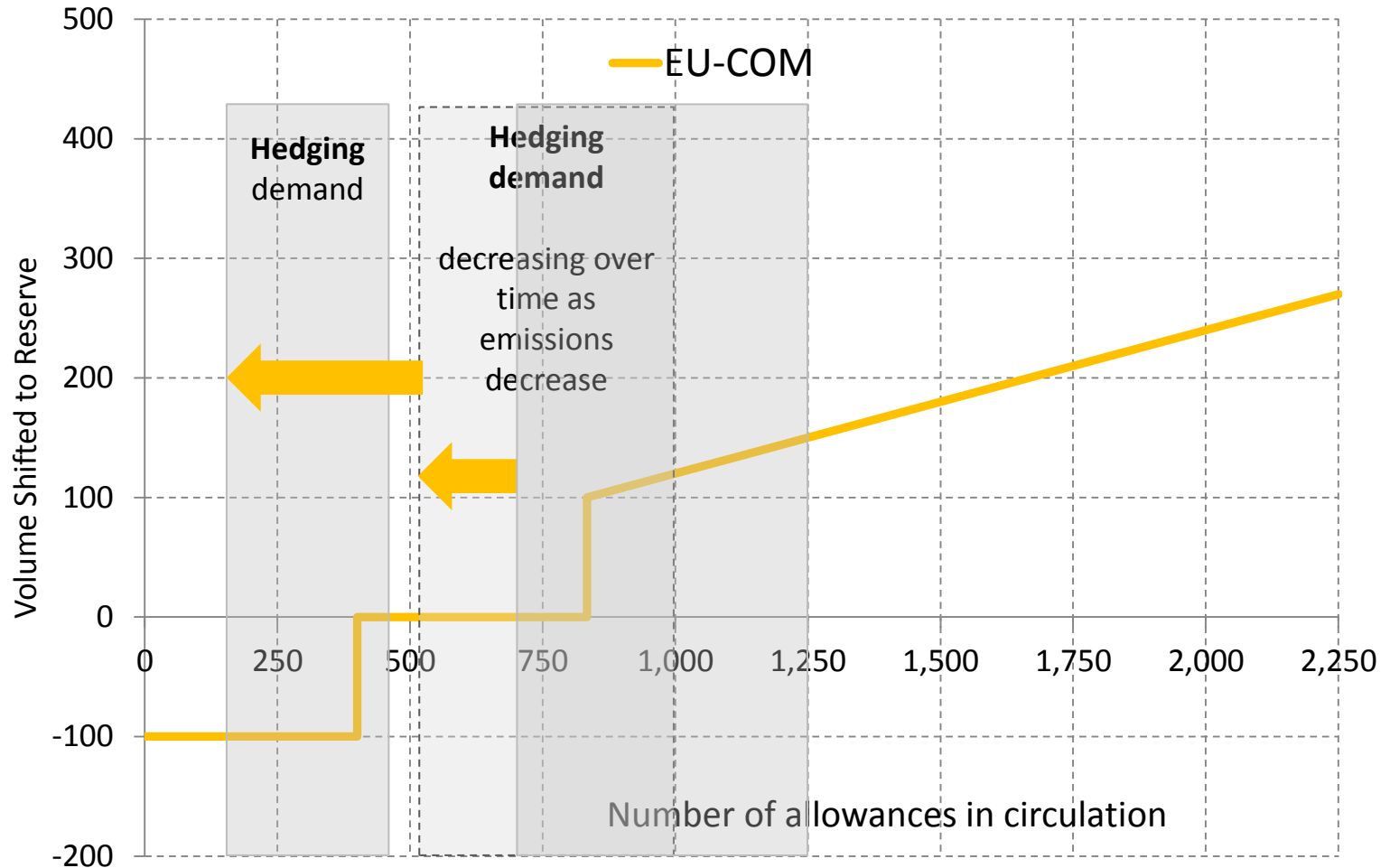
Utility hedging will trigger the “MSR”

Allowances in Circulation and Volume Shifted to MSR



Reserve coming back when emissions are very low

Allowances in Circulation and Volume Shifted to MSR

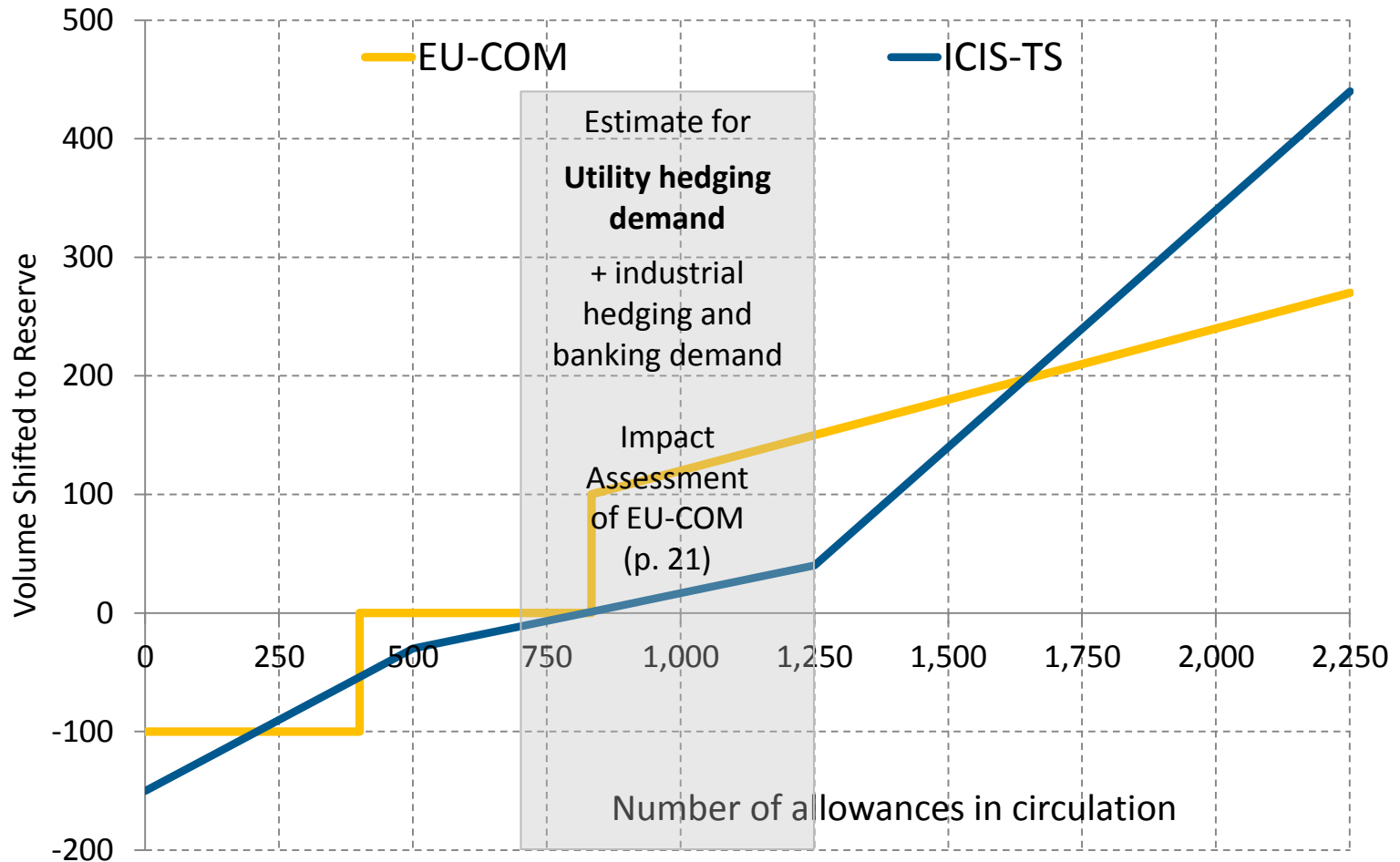


Important issues for Market Stability Reserve

- ❖ Consider price-insensitive utility hedging demand (industry as well)
- ❖ What happens if values are not chosen correctly (or behaviour changes over time)
- ❖ How can the impact of incorrect assumptions be minimized?
- ❖ Treatment of backloading volumes important to avoid excessive price fluctuation
- ❖ Forward looking measures in case of structural supply volatility (e.g. NER leftover), i.e. can these effects be „stabilized“ ex ante by directly shifting into the reserve?

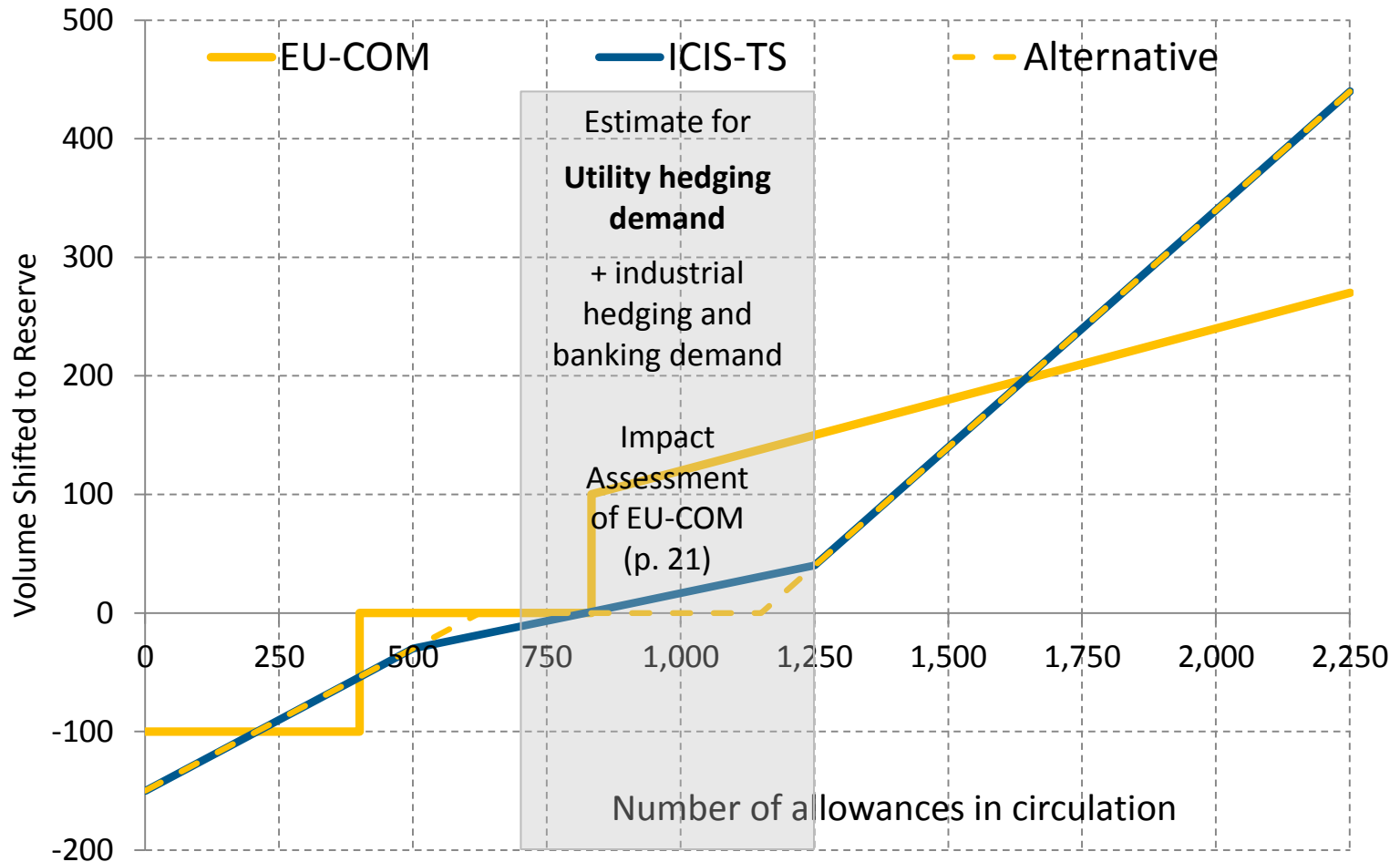
Alternative structure of “MSR”

Allowances in Circulation and Volume Shifted to MSR



Alternative structure of “MSR”

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Thank you!

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