

# CEPS – Carbon market Forum

First meeting of the CCMF Task Force on Post-2020 EU  
Climate Change Policy

## Session 3 - How to frame the debate: reactions on the Green Paper

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**24 April 2013**



Crédit photo : Arnaud Bouissou/MEDDE

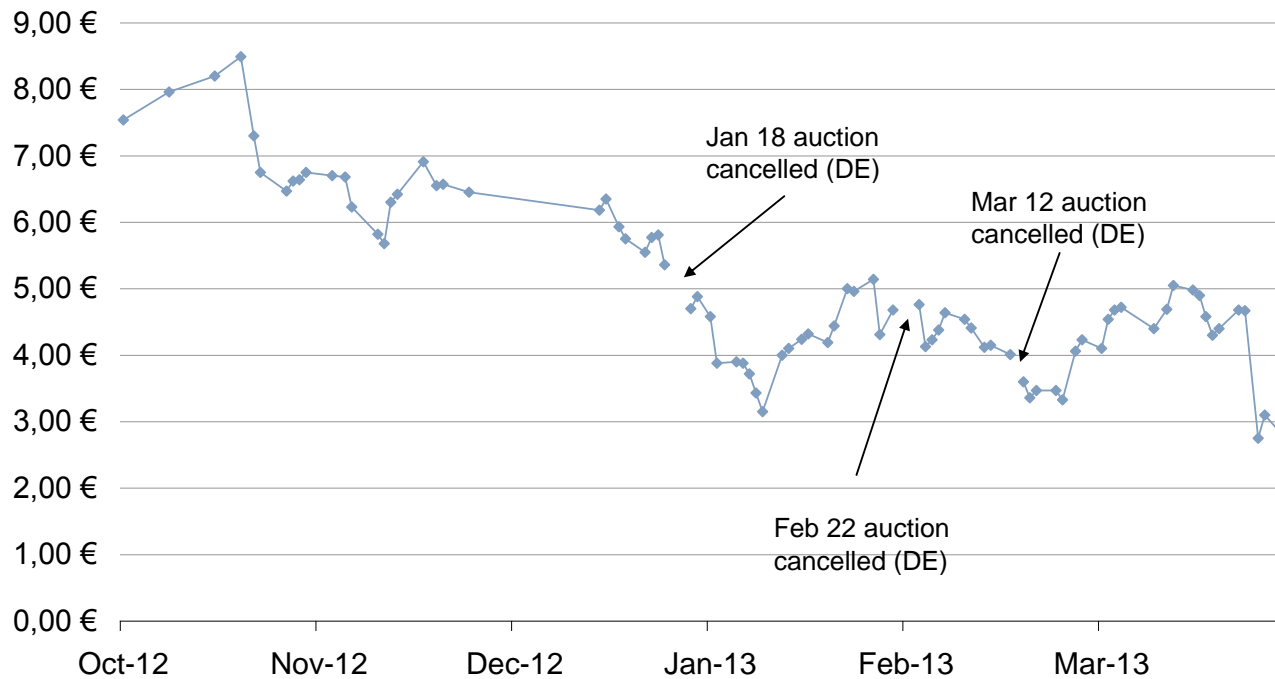
# Overview

- Why it is important to prepare for post 2020 now?
  - In order to strengthen the EU ETS
  - In order to support investment into low-carbon technologies
  - In order to prepare for the 2015 COP
- What should be the objective and timing?
  - -40% with respect to 1990 in 2030
  - Two step approach: agreeing on a 2030 objective in 2014 first, then work on the instruments to achieve this objective



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

- In order to strengthen the EU ETS: price  
Auction Price € / t CO<sub>2</sub>

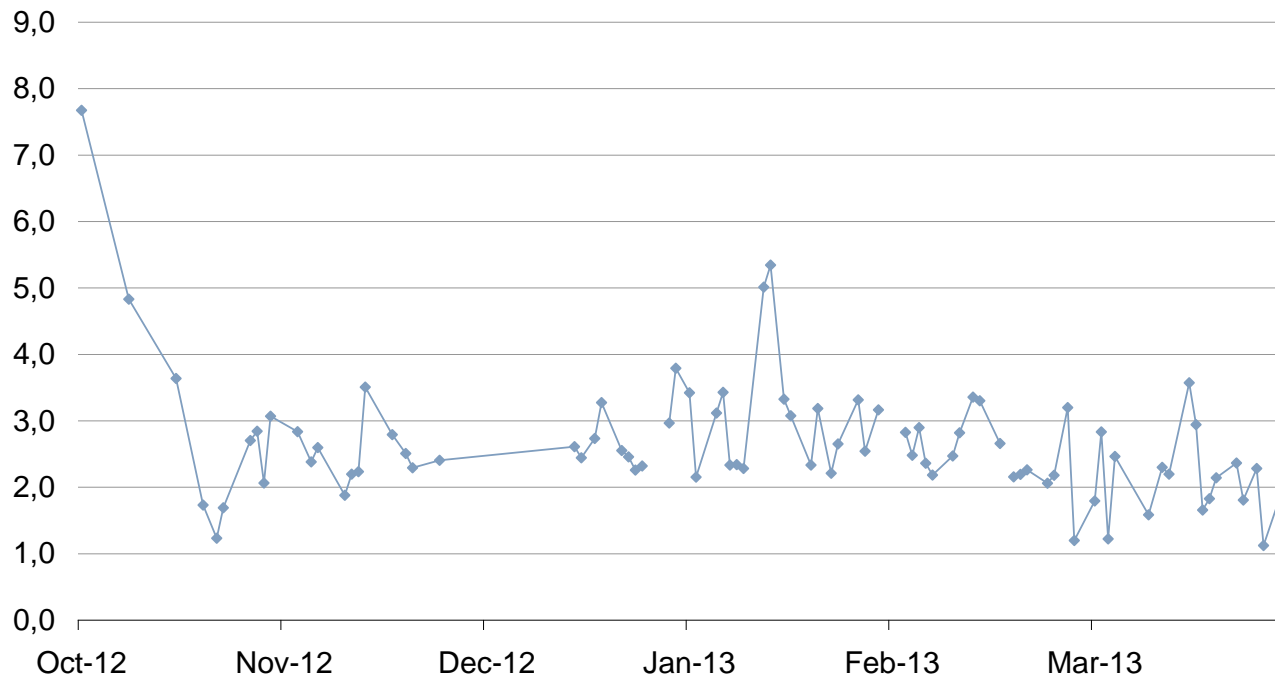


Source:  
EEX/ICE

- Apr 22 2013: fixing @ 2,77 €/t
- Nov 13 2012 – first EU auction – fixing @ 8,49 €/t
- July 2008: Spot market @ 30 €/t

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

- In order to strengthen the EU ETS: liquidity  
Cover ratio (Auctioned t CO<sub>2</sub> / Total bids t CO<sub>2</sub>)



Source:  
EEX/ICE

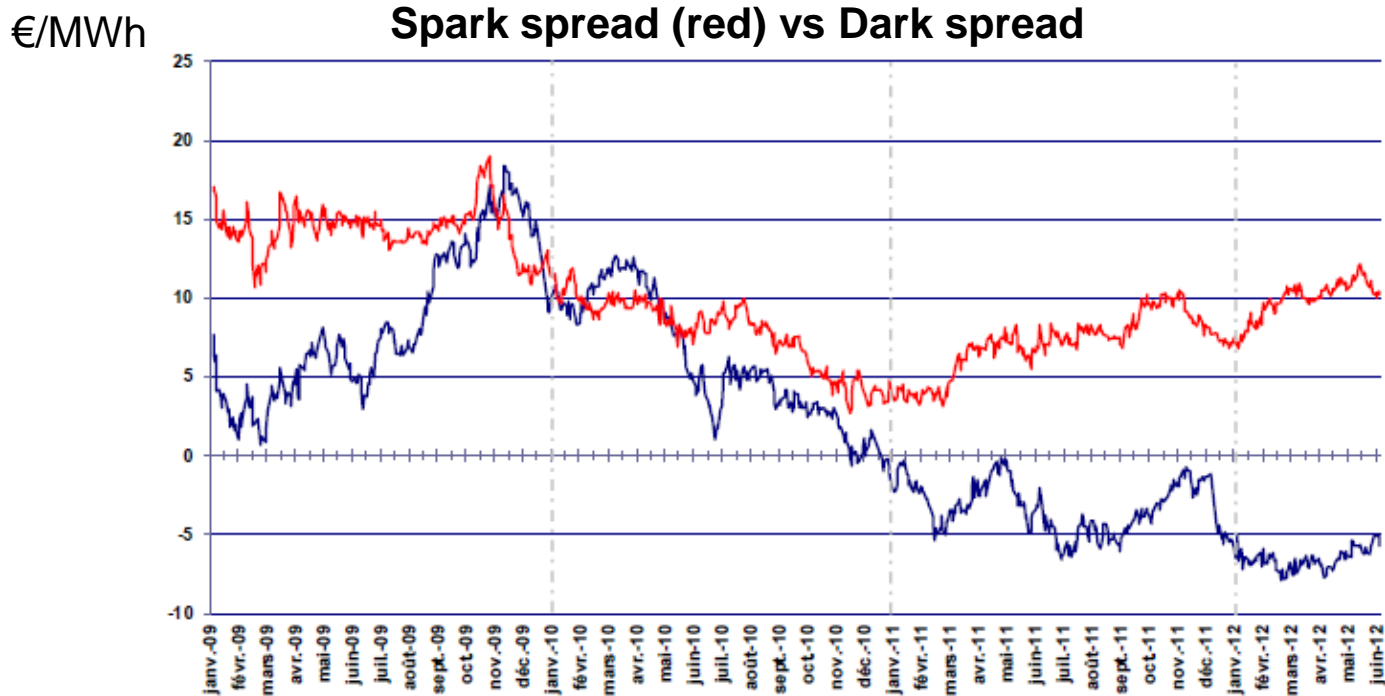
- Deutsche Bank shut its carbon desk in Jan 2013. Credit Agricole, MF Global and Cantor have already withdrawn
- Barclays, JP Morgan and Morgan Stanley have also pared back operations

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

- In order to strengthen the EU ETS: political signal after the vote on backloading
- Backloading is not dead, but structural reforms and a 2030 objective are needed
- 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

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

- In order to support investment into low-carbon technologies



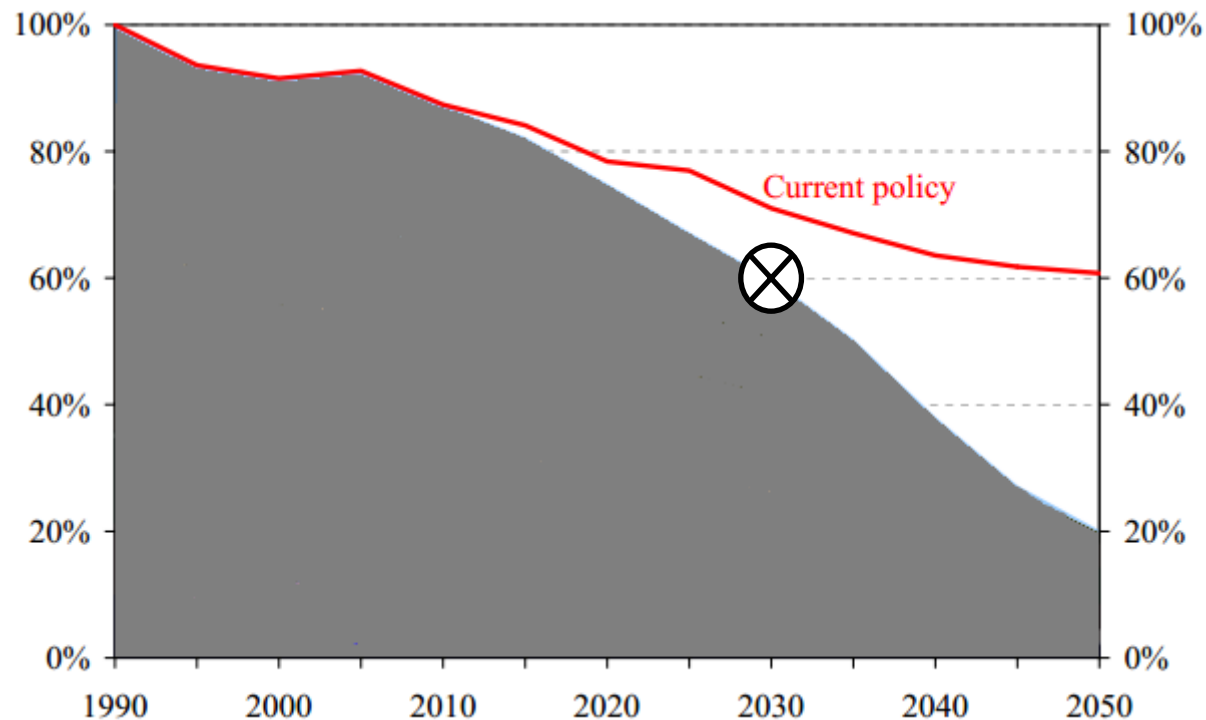
- Spreads are equal @ CO<sub>2</sub> price > 40-50 €/t
- CCS: 30-100 €/t (40 €/t on average for coal generation, 80 €/t for GCC, excl. transport – Source: Commission) A specific mechanism could be needed
- **Long-term visibility to public and private stakeholders is needed to support investment into low-carbon technologies**

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

- In order to prepare for the 2015 COP
- The 2015 COP has to deliver a global agreement
  - OECD/IEA 2012, “Tracking Clean Energy Progress” report : "The current trend of increasing emissions is unbroken with no stabilisation of GHG concentrations in sight."
  - Kyoto now applies to only around 14% of the world's emissions
  - In the context of the international negotiations on a framework for climate action, the EU must demonstrate its leadership when it comes to addressing climate change
- “Europe cannot come empty handed to the 2015 talks” (Connie Hedegaard, 17 April 2013)

# What should be the objective and timing?

- -40% with respect to 1990 in 2030
  - This is consistent with the milestones set out in the EU roadmap for moving to a competitive low carbon economy in 2050 (EC, EP & Council - 2011)
  - -40% in 2030 is lined up with a cost-effective pathway to the goal of the roadmap of -80% in 2050 (and -60% in 2040)

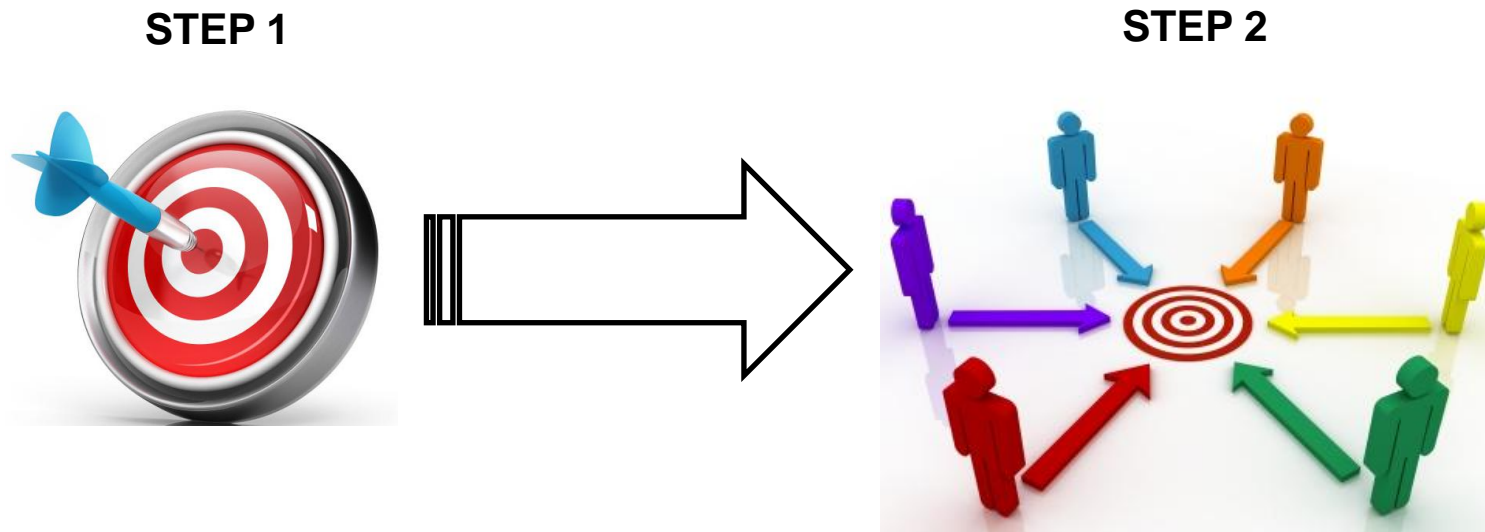


Source: EC



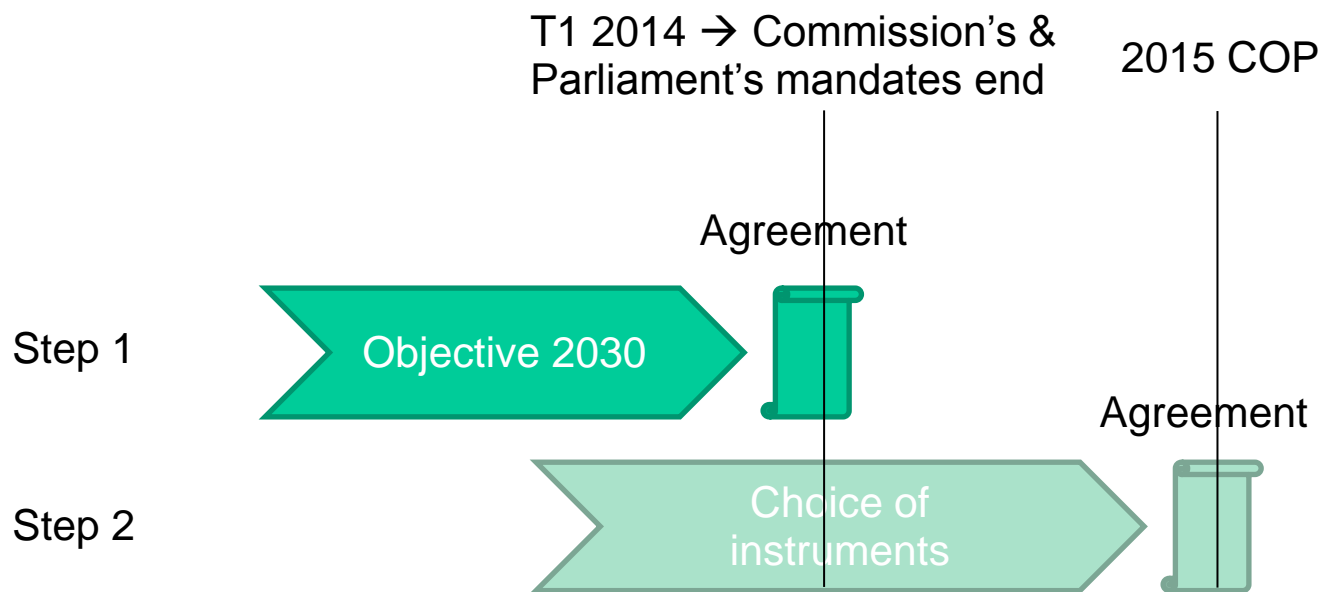
# What should be the objective and timing?

- Two step approach: agreeing on a 2030 objective in 2014 first, then work on the instruments to achieve this objective
  - France suggests a pragmatic two-step approach (like in 2008 for the 2020 objective)
  - First set an overall -40% target for 2030 under the current Commission and Parliament (no later than the first half of 2014)
  - In parallel carry out an analysis on the different instruments to achieve this -40% in 2030 target



# What should be the objective and timing?

- Two step approach: agreeing on a 2030 objective in 2014 first, then work on the instruments to achieve this objective
  - Taking into consideration the political environment



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