



# The EU ETS reform – mission accomplished?

## Panel discussion

17th IEA-IETA-EPRI Annual Workshop on Greenhouse Gas Emission Trading  
Paris, 11<sup>th</sup> October 2017

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# Overview: The EU ETS reform – mission accomplished?

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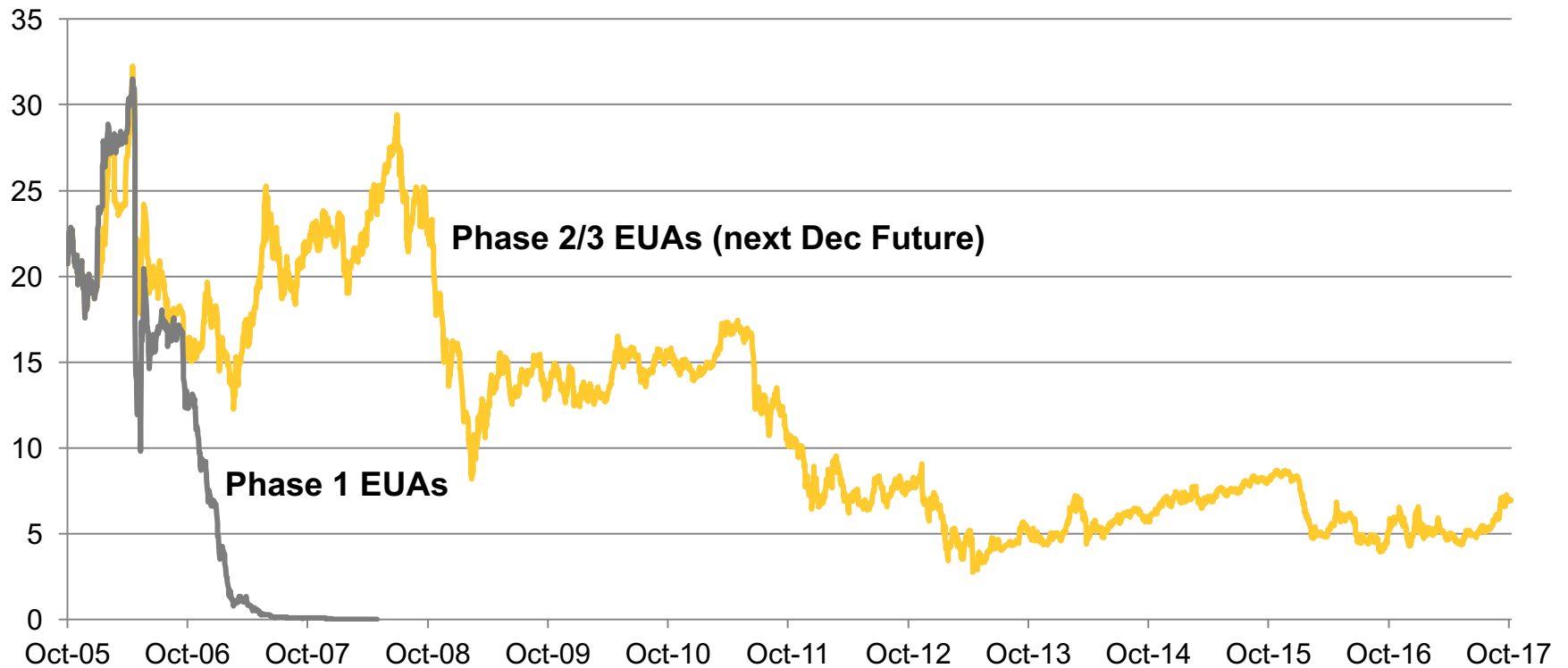
**A** The EU ETS @ 12: Slogan or cornerstone of the EU's Climate Policy

**B** State of Play: Reform of the EU ETS and phase 4 rules

**C** Let the EU ETS work: Impact of overlapping and conflicting policies

# The EU ETS @ 12: Slogan or cornerstone of the EU's Climate Policy

## EUA Price in EUR per tonne



source: Bloomberg, Commerzbank

# Commerzbank supports and advises on carbon risk management, procurement and strategic purchases and on phase 4 strategy

- › We would recommend reviewing the following areas or any other needs of our clients

## General carbon strategy



General insight into status and developments of international climate negotiations, local/regional developments, compliance obligations and positions under existing ETS, phase 4 strategy

## Administration and compliance



Installations covered by an ETS need to surrender allowances and offsets in line with their actual (verified) emissions. In case of a surplus, companies can bank or sell the allowances. In case of a deficit, companies need to purchase allowances to be able to surrender sufficient allowances. A detailed preparation and implementation is therefore required to avoid unnecessary costs and reduce the cost of compliance.

## Infrastructure and operations



Based on available information on expected emissions, we will support you in your analysis of calculating the expected exposure and explain the possibilities to cover this exposure.

## Trading strategy

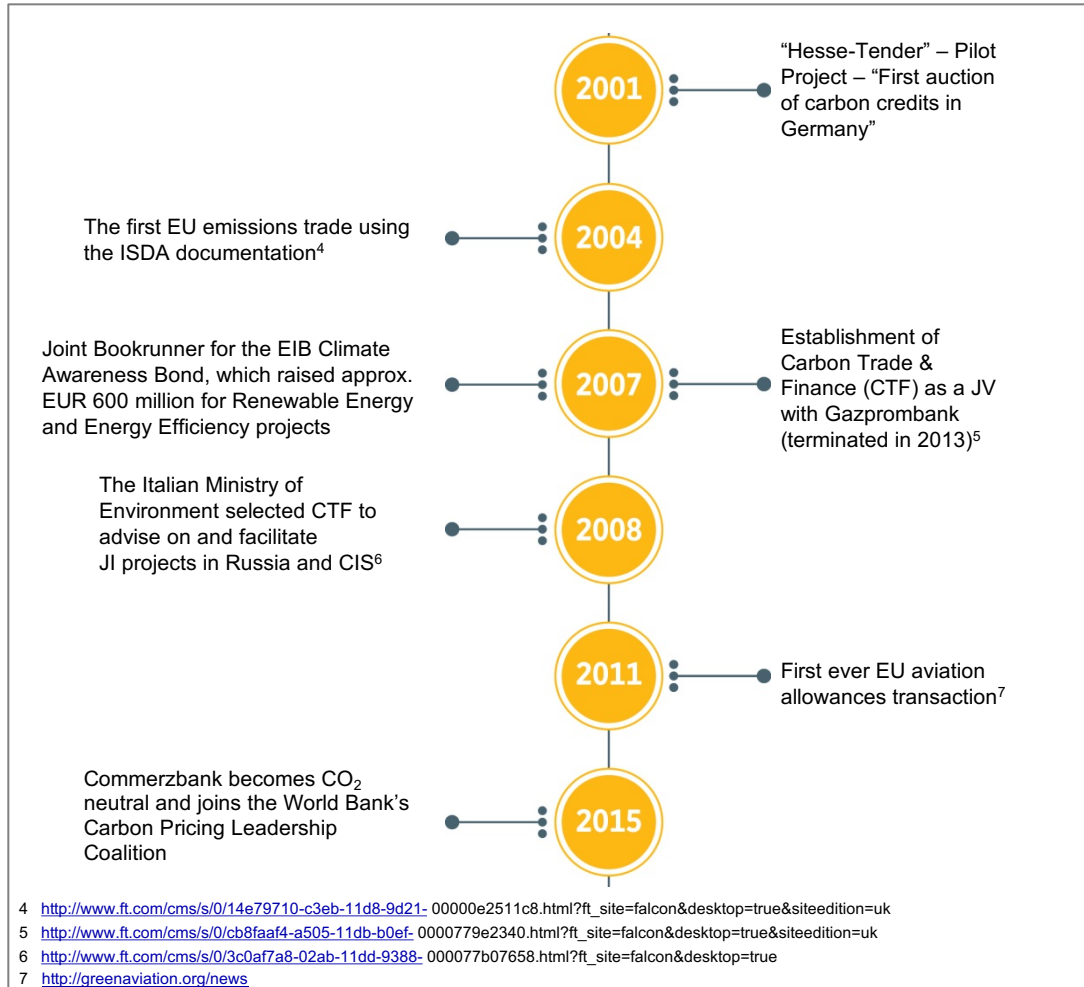


Companies need to decide how active the trading strategy and procurement of carbon offsets should be:

- › Passive strategy where deficit will be covered shortly before the surrender deadline.
- › Tactical and active carbon trading strategy taking into account market conditions and opportunities.
- › Hedging programme (for example monthly or quarterly “build up”) tailored to specifics of the airline and similar to fuel hedging strategies.
- › Integrated commodity risk management approach (i.e. joint fuel/carbon-hedge programme).

Knowledge of the eligibility criteria of carbon offsets, the structure and liquidity in the primary and secondary offset market are crucial to minimise costs of compliance.

# Commerzbank's Commodity Solutions team support companies in their carbon procurement and strategy



Commerzbank has been active in the carbon market since its inception and has remained an active contributor to the development of the market over the last 15 years<sup>1)</sup>

We were advisor ("Sachverständiger") to the German Bundestag on phase two of the EU ETS and worked with the Italian Ministry of the Environment, Land and Sea on the Kyoto compliance strategies.

We developed CDM and JI projects and established off take-contracts for compliance buyers and IFIs. Furthermore, we advised a development bank on the purchase of a large portfolio of "high grade" CERs generated from CDM projects and executed the transaction.

We have an active dialogue with multinationals and SMEs, industrial companies, utilities and trading houses supporting and advising them in carbon trading, risk management and procurement strategies.

**Ingo Ramming**

Managing Director

Co-Head Commodity Solutions Group

Corporates & Markets EMC Commodities

email: [Ingo.Ramming@commerzbank.com](mailto:Ingo.Ramming@commerzbank.com)

Tel: +44 (0) 20 7475 3586

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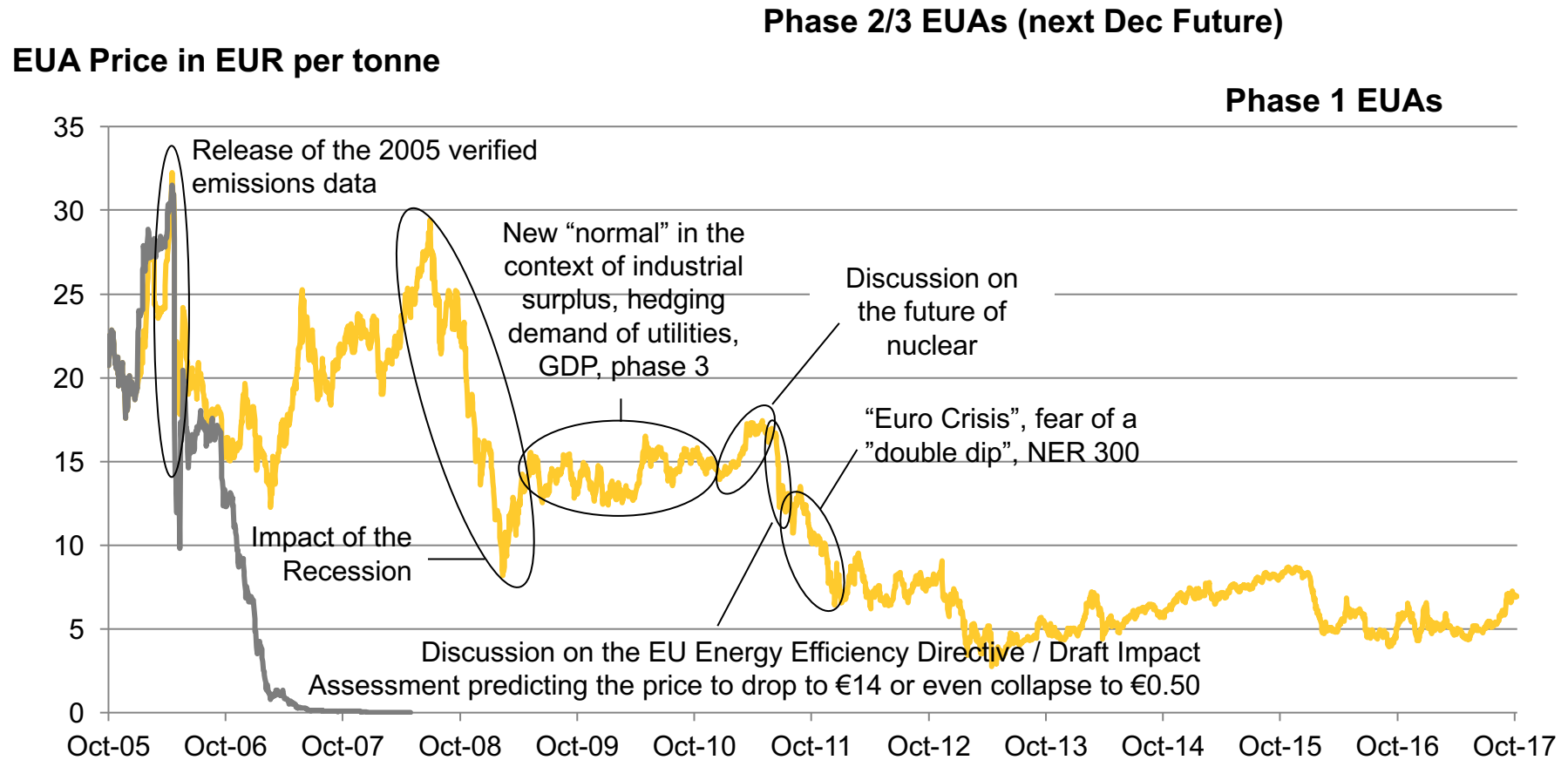
DLZ Gebäude 2, Händlerhaus  
Mainzer Landstraße 153  
60327 Frankfurt am Main  
Tel.: +49 69 136 44440

### **London**

Commerzbank AG  
London Branch  
30 Gresham Street, London  
EC2V 7PG  
Tel.: +44 20 7623 8000

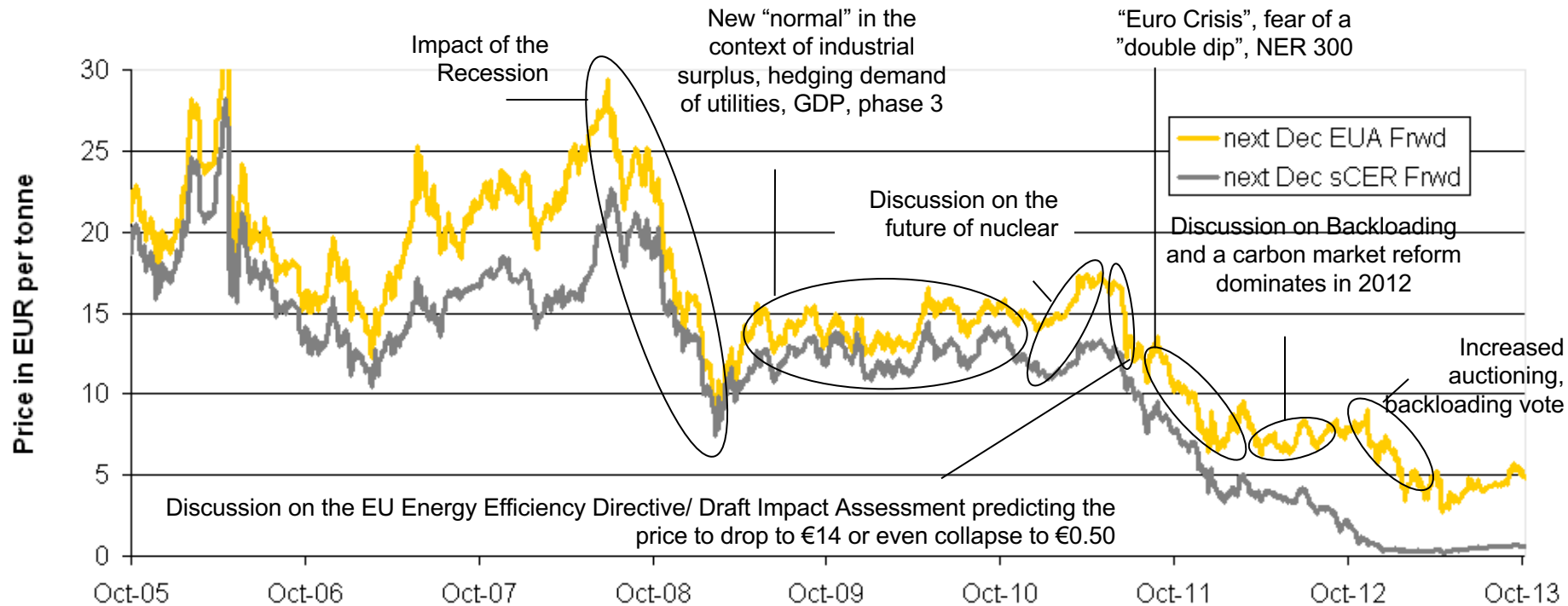


# The EU ETS @ 12: Slogan or cornerstone of the EU's Climate Policy



source: Bloomberg, Commerzbank

# Carbon politics, developments in the Eurozone and global growth will continue to drive prices in the EU Emissions Trading Scheme



Source: Commerzbank Corporates & Markets