

How to measure the success of the ETS?

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Possible success indicators

- Operational emissions trading scheme within 27 Member States of the EU to reduce GHG emissions at lowest cost
- Price incentive to reduce global GHG emissions
- Price incentive to reduce EU GHG emissions

Situation pre-Kyoto period

- The ETS infrastructure is set-up amazingly quick
- Strong development of CDM projects combined with healthy demand for CERs
- Emission reductions by fuel switching in 2005, no long-term effects (hardly any impact on Kyoto period)
- Clear signals that ETS-1 is oversupplied, no more price incentives to reduce GHG emissions

Situation Kyoto period

- Some open issues on the infrastructure, but most likely not a bottleneck
- Most flexible space already sourced for 5 years; demand for Kyoto Credits in ETS-2 will soon dry up
- Unknown whether EU abatements are necessary, shortage largely filled with CER/ERU import
- Banking to ETS-3 will prevent a price collapse like in ETS-1

Situation post-Kyoto

- Question how a cap-and-trade system will fit in a new UN treaty
- AAU trading will flood the market with CERs and ERUs; impact on project development and ETS-3
- More demand for emission allowances outside the EU is required
- Package of incentives needed to trigger EU abatements

Conclusions

- Infrastructure needs to be reliable and simple
- Regime post 2012 needs to create demand for new GHG emissions reduction projects pipeline
- ETS price signal alone is too weak for long-term EU abatement projects

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Statkraft supports an EU-wide Renewable Energy Certificates (RECs) market besides the ETS to attract investment in clean energy development where it is most efficient

Statkraft is ready to expand its renewable energy portfolio with long-lasting environmental results

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