

2013

2015

2020

2025

2030

2035

2040

2045

2050

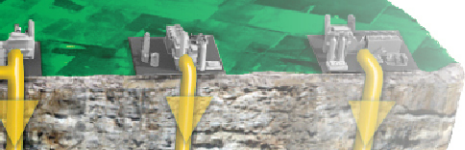
Emissions Trading Schemes and CCS: the EU ETS

23 April 2015

Jesse Scot

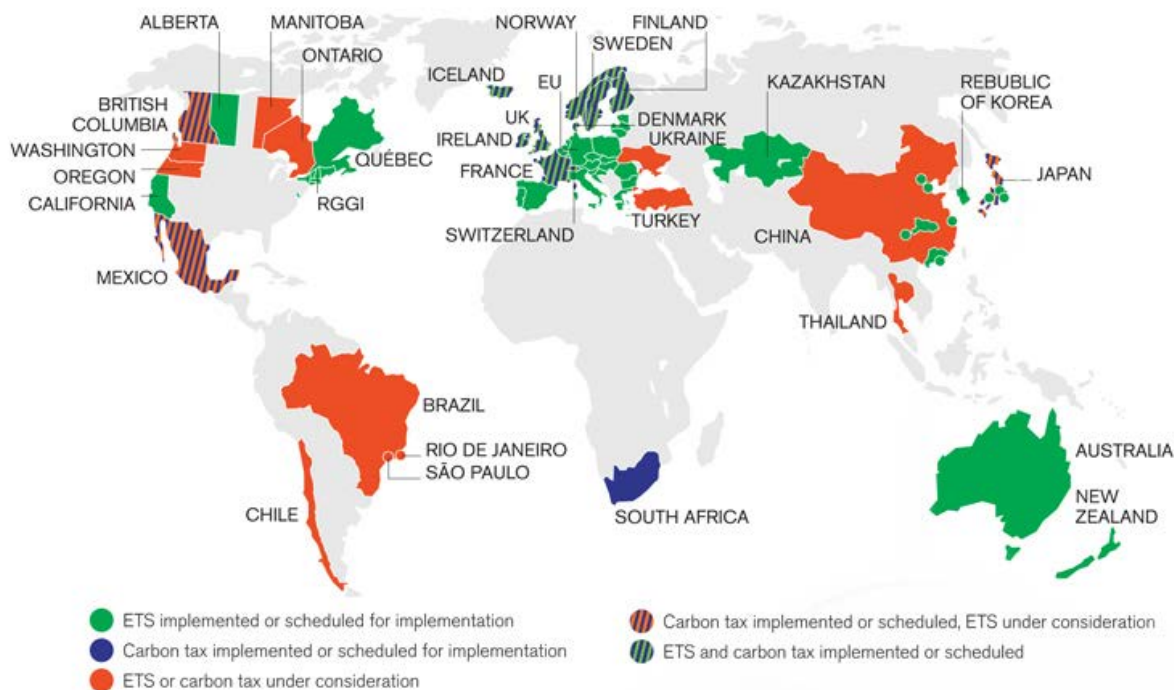
Coal, Gas and Power Markets Division

IEA

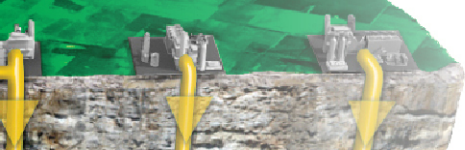


Emissions trading is a global success

World Bank Group report

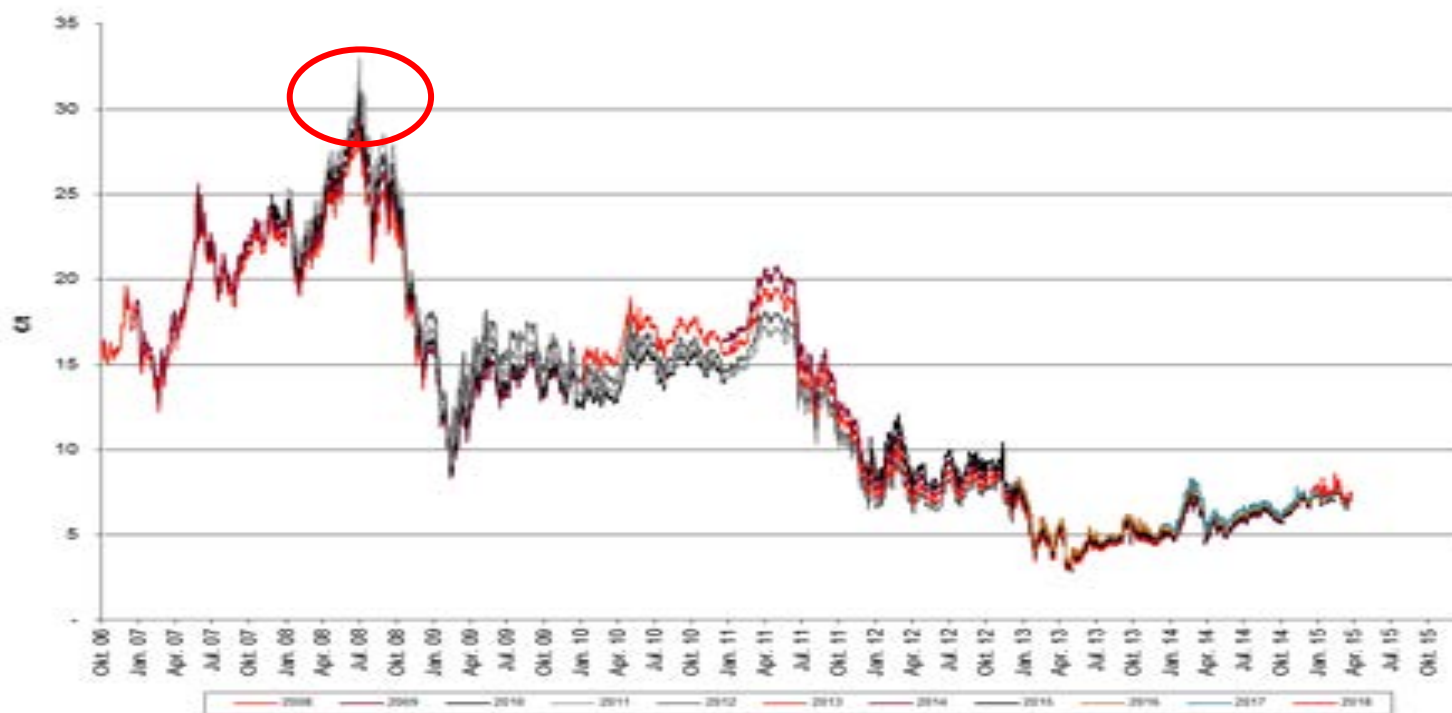


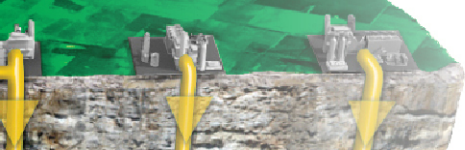
- Globally 39 national and 23 sub-national jurisdictions have implemented or are scheduled to implement carbon pricing instruments, including emissions trading systems and taxes.
- The world's emissions trading schemes are valued at about \$30 billion.



EU ETS prices 2006-15

Far below projections





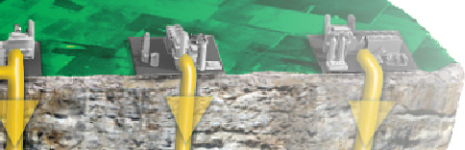
Brussels view on ETS problems and reforms

3 different problems, requiring 3 different solutions

Short-term: Surplus of >2.6bn EUAs by 2020
Solution: permanent cancellation

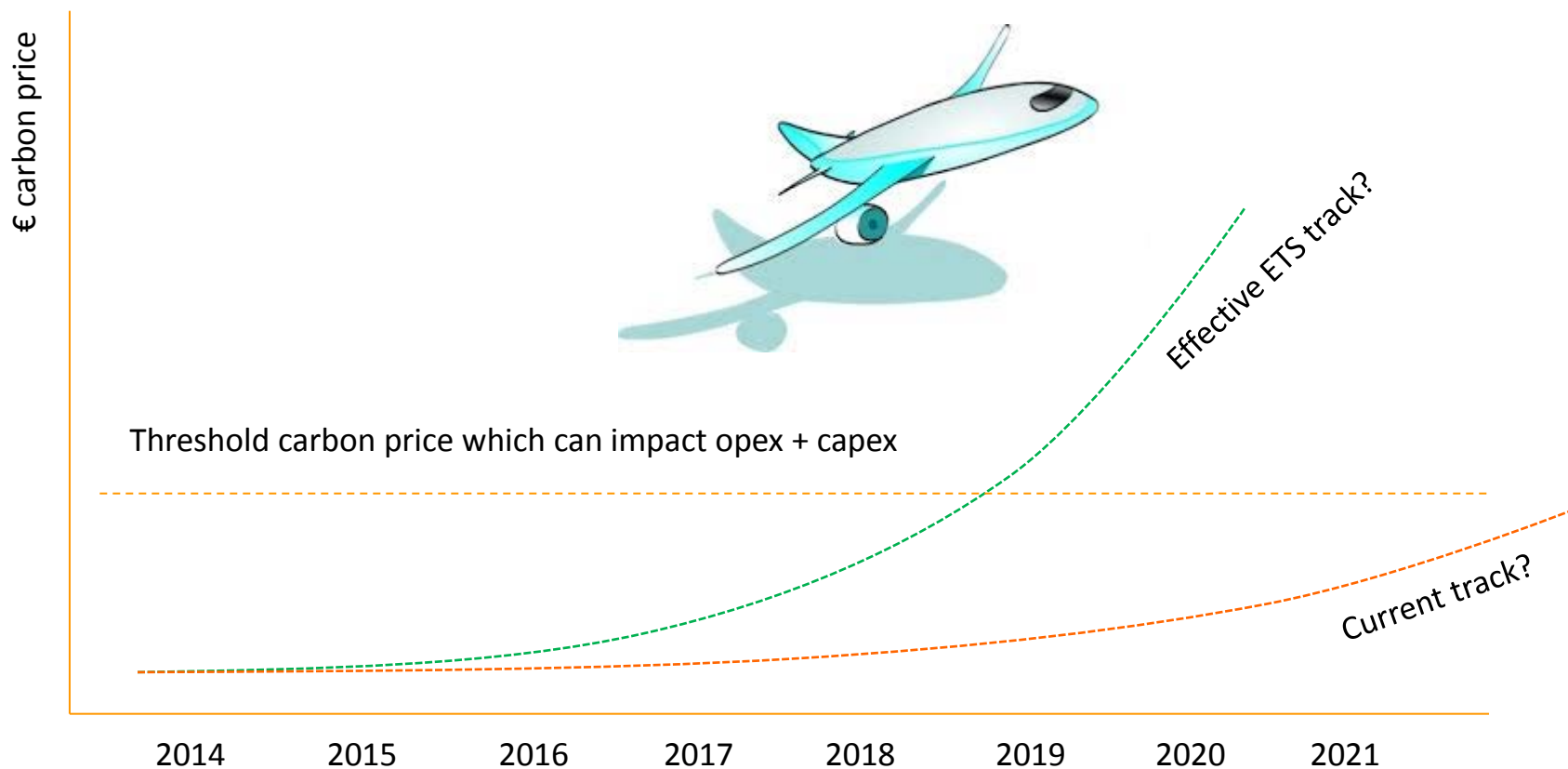
Medium-term: Fixed supply and demand shocks result in price volatility
Solution: market stability mechanism

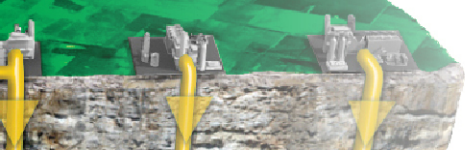
Long-term: The ETS cap is not coherent with the EU 2050 goal
Solution: strengthen the linear factor



Getting to the goal on ETS

Reforms need to impact on capex and opex

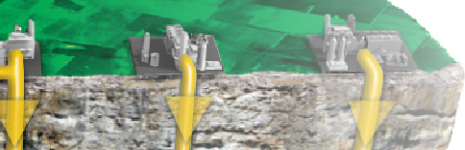




ETS reforms

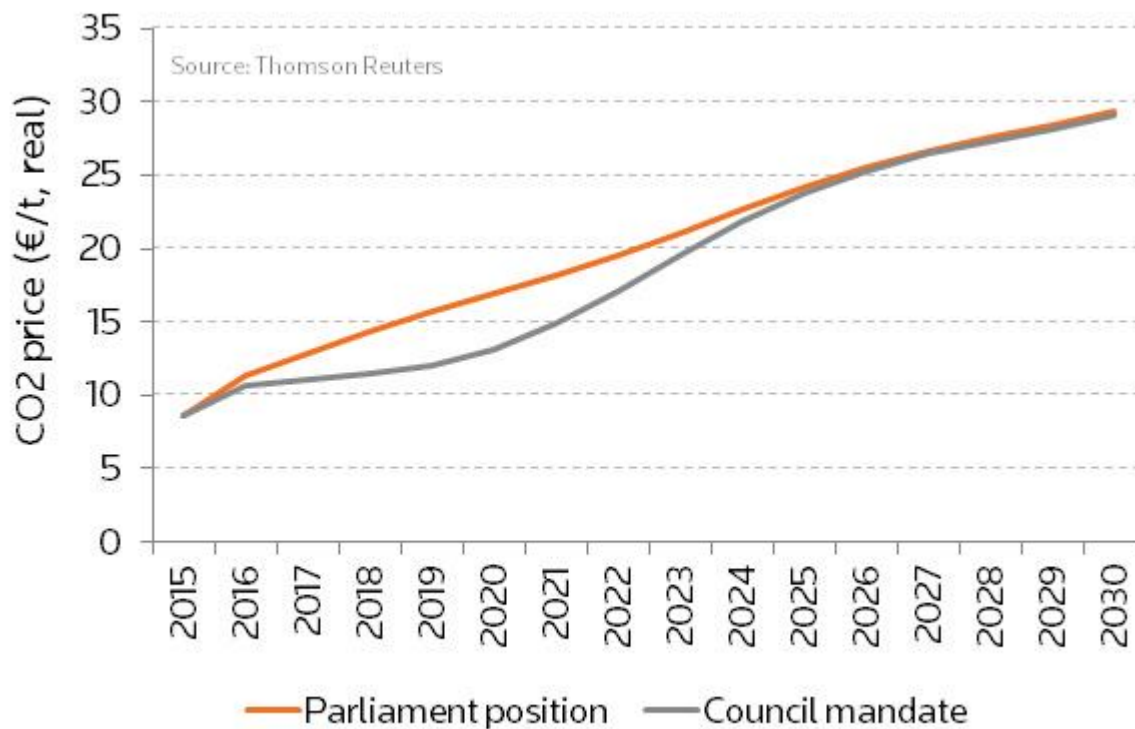
Five proposals so far...

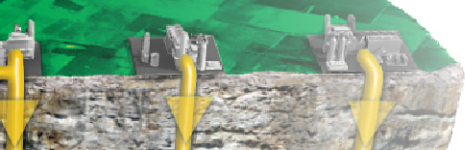
	Process	Impact	Status	In force
1.	Back-loading	<i>Cosmetic fix, helps market confidence</i>	<i>Done</i>	<i>2014-18</i>
2.	Market stability reserve	<i>Useful re price volatility, slow impact on surplus</i>	<i>In Co-Decision</i>	<i>2019? 2021?</i>
3.	‘Set-aside’ cancellation	<i>Could solve surplus, no impact on linear factor</i>	<i>Political debate</i>	<i>n/a</i>
4.	Linear factor revision	<i>Crucial, but only slow impact on surplus</i>	<i>2030 package</i>	<i>2021</i>
5.	Extension to more sectors	<i>Would help secure ETS, could solve surplus and linear factor</i>	<i>For study</i>	<i>After 2021</i>



The Market Stability Reserve

Prices are still below €30 in 2030...





Outside the ETS

National policies to supplement ETS weakness

ENERGY MARKET INTEGRATION
AND (MORE) PREDICTABLE POLICIES



EU ETS

MARKETS ARE FRAGMENTED AND
POLICIES ARE START/STOP



UK carbon price floor
NL coal tax
DE climate protection fee