Emissions Trading Schemes and CCS: the EU ETS

23 April 2015
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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

Threshold carbon price which can impact opex + capex
## ETS reforms

*Five proposals so far...*

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

Markets are fragmented and policies are start/stop

UK carbon price floor
NL coal tax
DE climate protection fee