



Research program COPEC II :
COordination of EU Policies on “Energy and CO₂”
with the EU ETS by 2030

What role for the EU ETS in the 2030 climate and energy package?

January 2017 – June 2018

CONTEXT

A NEW FRAMEWORK FOR CLIMATE AND ENERGY POLICIES FOR THE PERIOD 2021-2030

The “Winter Package”, published in November 2016 completes the European Commission’s proposals for the implementation of the 2030 European Union climate and energy framework, agreed on by the European Council in October 2014. These additional legislative pieces follow the release of a proposal for a revised directive on the EU ETS in July 2015 and for an Effort Sharing Regulation for non-ETS sectors in July 2016.

The “Winter Package” legislative proposals cover energy efficiency, renewable energy, the design of the electricity market, and the governance of the Energy Union.

Different elements are now to be considered for the implementation of climate and energy policies beyond 2020:

- The alignment of climate and energy policies on long term ambition;
- The interactions between emissions reduction targets, renewable energy targets and energy efficiency targets;
- The articulation between the EU ETS and other policy instruments;
- The conciliation between climate ambition on one side and economic, social and political acceptance on the other.

Program Objective

Based on the results of the COPEC I program which ran from September 2014 to December 2015, COPEC II aims to **prepare economic policymakers for the revision of the 2030 climate and energy package.**

Overall, the program aims to provide a **factual, independent and quantified analysis of climate and energy policies in articulation with the EU ETS** in order to examine the conditions for improving their environmental and economic efficiency.

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Three areas of research

COPEC II will center on three major issues of the decarbonization of energy and industry over the period 2021-2030:

1. Making long term ambition credible by:
 - Designing a 2050 roadmap;
 - Aligning energy and climate policies on long term ambition;
 - Enabling the ratcheting up of ambition.
2. Establishing a carbon-price signal through the EU ETS Phase IV reform which:
 - Reflects long term ambition in the functioning of the EU ETS;
 - Establishes a predictable and incentivizing carbon price signal;
 - Deals with the issue of carbon leakage.
3. Implementing an integrated, coherent and credible policy mix by:
 - Evaluating and managing interactions between the EU ETS and energy policies (RES and EE);
 - Defining the most efficient policy mix for long term decarbonization.

METHOD

- **Provide an overview of academic studies to decision makers:** I4CE mobilizes the most qualified academic experts on each topic of analysis;
- **Produce new economic and institutional analysis,** based on the expertise of I4CE, Enerdata and IFPEN;
- **Model different scenarios of implementation of climate and energy policies,** by Enerdata, with the support of the POLES model and other tools dedicated to carbon market analysis.

PROGRAM TEAM

I4CE – Institute for Climate Economics

I4CE – Institute for Climate Economics is an initiative of Caisse des Dépôts and Agence Française de Développement. The think tank provides independent expertise and analysis on economic issues linked to climate & energy policies in France and throughout the world. I4CE aims at helping public and private decision-makers to improve the way in which they understand, anticipate, and encourage the use of economic and financial resources to promote the transition to a low-carbon resilient economy. The Industry, Energy and Climate program of I4CE focuses on examining policies that aim to reduce greenhouse gas emissions in the industrial and energy sectors, such as carbon pricing, in Europe and worldwide. I4CE has one decade of expertise in analyzing especially the EU ETS functioning.



Enerdata

Enerdata is an energy intelligence and consulting company. Our experts help you tackle key energy and climate issues and make sound strategic and business decisions. We provide research, solutions, consulting and training to key energy players worldwide: oil and gas companies, electric utilities, equipment manufacturers, public authorities, policy makers, investors and consultancies. Incorporated in 1991, Enerdata leverages its experience and permanently invests in its globally recognized databases and forecasting models. Enerdata is an independent company, with headquarters in France and offices in the UK and Singapore.



IFPEN

IFP Energies Nouvelles is a public-sector research and training center. It has an international scope, covering the fields of energy, transport and the environment. From research to industry, technological innovation is central to all its activities. As part of the public interest mission IFPEN focuses on: providing solutions to take up the challenges facing society in terms of energy and the climate, promoting the emergence of a sustainable energy mix; creating wealth and jobs by supporting French and European economic activity, and the competitiveness of related industrial sectors.





Deliverables

A KICK-OFF MEETING IN JANUARY 2017

The aim of this kick-off meeting is to define and validate scenarios and assumptions with our partners and sponsors, with a particular focus on the understanding of Enerdata's POLES model.

WORKSHOPS FROM FEBRUARY TO NOVEMBER 2017

These workshops will bring together partners, associate experts and sponsors to look into the first results and share viewpoints.

1 Measures to deal with carbon leakage concerns in the EU ETS

FEBRUARY 2017

- **Analysis of measures to deal with carbon leakage:** allocation of free allowances according to different allocation scenarios and alternative approaches (carbon inclusion mechanism), with a focus on a few industrial sectors: aluminum, cement, refining. **The case study on the refining sector is produced in partnership with IFPEN.**

2 The EU ETS reform to reflect long-term ambition and establish a carbon price signal

APRIL 2017

- Analysis of **options currently on the table to increase ambition in the EU ETS;** changing the implementation parameters of the market stability reserve, cancelling allowances, setting a price corridor, and reducing the emissions cap through an increase of the linear reduction factor.
- Analysis of **different EU ETS scenarios using the POLES model** to study the impact of these reforms on the emissions reductions and on the price of allowances.

3 Interactions between the EU ETS and EE policies taking into account the Effort Sharing Regulation (ESR)

SEPTEMBER 2017

- Analysis of the **legislative proposals for energy efficiency** in the Winter Package.
- Scenario-based analysis of the **interactions between energy efficiency targets and emissions reductions targets** (in ETS and ESR sectors), and **of the management of these interactions.**
- Analysis of a **policy mix** which could overcome the barriers to the deployment of energy efficiency solutions.

4 Interactions between the EU ETS and RES policies

NOVEMBER 2017

- Analysis of the legislative proposals for renewables and for the electricity market design in the Winter Package.
- Scenario-based analysis of **the interactions between renewable energy targets and emissions reductions targets**, and of **the management of these interactions.**
- Analysis of a **policy mix** conducive to the deployment of renewable sources of energy.

PUBLICATIONS

- At each workshop attendees can expect to receive:
 - the material of the presentations,
 - the working documents, reports and studies presented.
- A report on the **EU ETS reform**, in May 2017, which analyses the results of the workshops 1 and 2.
- A report on the **interactions** between the EU ETS and EE and RES policies, in January 2018, which analyses the results of the workshops 3 and 4.

COMMUNICATION AND PROMOTION OF THE REPORT

At least two events will be organized to promote the results of the program and to contribute to the European and international debate (other presentations will potentially be held as webinars):

- **promotion of the results in different networks involved in the implementation of carbon pricing policies:** IETA, CPLC, Carbon Expo, etc.
- a **“side-event” at COP 23** in November 2017 in Bonn.
- a **presentation of the results on the EU ETS reform** to have a dialogue with the different stakeholders (European Commission, industrial and energy companies, Member States).
- a **presentation of the results on the interactions** between the EU ETS and RES and EE policies.
- a **final conference on the preparation of the EU national determined contribution (NDC)** in anticipation of the facilitative dialogue in 2018.

PROJECT REALISATION

- **Participation of sponsors:** the contribution requested from sponsors is 30,000 euros to fund the program for 18 months.
- **Planning:** the research program will be carried out between January 2017 and June 2018.
- **Team:** the team responsible for carrying out the program will bring together skills from I4CE – Institute for Climate Economics, Enerdata, IFPEN and a network of academic researchers and associate experts. The research effort will include economic analysis and modeling.

CONTACT

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