

State of the negotiations

France

Ministère de la Transition Écologique et Solidaire

29/05/2017



Calendar

- ❑ 30 May: trilogue
- ❑ 1 June, 20 June: technical meetings
- ❑ 19 June: Environment Council (ESR et LULUCF)



What needs to be negotiated?

- Political decisions
 - Strengthening the ETS via cancellations
 - Share of auctions/free allocations
 - Solidarity mechanisms: 10c and Mod Fund
- Secondary political choices
 - Innovation fund size and funding source
 - NER funding source
 - Indirect costs compensation
- Semi-technical subjects
 - Free allocation to non-exposed sectors
- Consensual subjects
 - Dynamic allocation
 - Benchmarks review



The balance of the Council general approach

- Strengthening of the EU ETS in the short-term and long-term:
 - Double MSR feeding rate
 - Starting in 2024, allowances in the MSR above the volume of auctions is invalidated
- Protection against a risk of carbon leakage
 - Up to 2% of free allocation can be used for free allocation instead
 - Binary approach to carbon leakage
 - Benchmarks minimal improvement lowered to 0,2%/year (from 0,5%/year)
- Solidarity mechanism for the transition of MS
 - More flexibility on the use of Mod. Fund and 10c.
- France strongly supports the general approach of the Environment Council, which provides a balance between environmental ambition, protecting the industry and flexibility on the solidarity mechanisms, which led a majority of MS to find a satisfactory outcome.

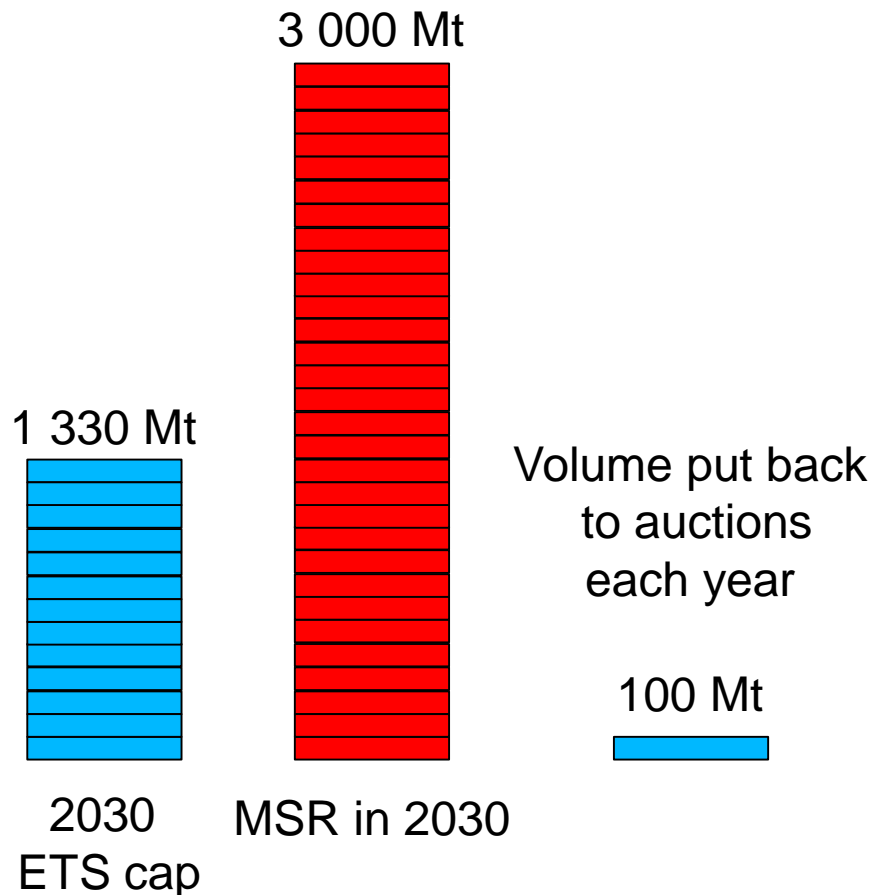
The ETS needs long-term strengthening

- The general approach of the Council shows that a majority of Member states believe the ETS needs long-term strengthening. We should limit the volume of the MSR to 1 year of auctions and cancel everything above.
 - Without definitive cancellations, allowances from 2008-2012 would come back to the market until the 2060's. In term of time-shift, it's as if we were claiming emission reductions made in the 1960's.
 - It would correspond to cancelling 1-2 years worth of ETS emissions. It can then be communicated upon and valorized in the context of the Paris agreement.
 - Keeping 1 year worth of auctions in the MSR ensures that these cancellations won't change the supply before post-2030.
 - Cancelling allowances gives a strong political signal and limits the uncertainty of future counter-decisions that would bring back the allowances to the market, which would be detrimental for price signal, political certainty and environmental integrity.

The EU ETS needs long-term strengthening

- The EU ETS needs long-term strengthening. We should limit the volume of the MSR to 1 year of auctions and cancel everything above.

In 2030, the MSR might hold up to 3 billion allowances



If 100 Mt is added to auctions each year after 2030, when will the last 100Mt get back to the market?

