CARBON PRICES:
Perspectives for the development of the EU Emissions Trading Scheme (EU ETS) by 2030

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What perspectives?

1. Carbon pricing: an important tool to develop a low-carbon economy
2. Importance of setting complementary tools
3. A reformed European carbon market: the market stability reserve
4. The European carbon market review for phase IV: work in progress
Perspective 1: Carbon pricing - an important tool to develop a low-carbon economy

“The ambitious target adopted by Europe to reduce greenhouse gas emissions by 40% between 1990 and 2030 goes hand in hand with an efficient carbon pricing” – Ségolène Royal at the Environmental Council, 26 October 2015

- In France, increasing importance of carbon in the tax system:
  - Pathway to 56€ per tonne of CO2 in 2020 and 100€ in 2030;
  - Recycled to fund the tax credit for competitiveness and employment (CICE) and could help finance the energy transition.

- More and more companies ask for a carbon price to incentivise their green investments.

- Ségolène Royal proposed 5 instruments for an efficient carbon pricing:
  - A corridor for carbon price to give visibility and guide investments
  - Expand carbon pricing to all sectors
  - Increase green investments notably through requirements for institutional investors to report on their exposure to climate risks in their portfolio and to increase the green part of their portfolio
  - Stop support to fossil fuels
  - Introduce carbon pricing in the agreement of the COP 21 – does not mean imposing a single price for all or a unique way to fix a carbon price.
Perspective 2: Complementary tools to carbon price are necessary

- The carbon market is key for climate transition and reorientation of investments but can not do everything all alone.

- Need for a combination of policies and measures:
  - Carbon pricing to reduce emissions
  - Development of new technologies
  - Renewable energy
  - Energy efficiency

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<th>GHG Emission reduction</th>
<th>Renewable Energy</th>
<th>Energy Efficiency</th>
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<td>2020 -20%</td>
<td>20%</td>
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<td>2030 -40%</td>
<td>27% UE</td>
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+ « European Energy Policy Governance»
Perspective 3: a reformed and more flexible European carbon market with the market stability reserve (MSR)

- European carbon market works well technically.
- But concerns since 2010: growing surplus and prices decreasing
  - Issues regarding its ability to trigger investments necessary to meet GHG emission reductions target of the European Council of at least 80% by 2050

How to fix the EU ETS

- The MSR will:
  - Address the current surplus of allowances
  - Improve the system's resilience to major shocks by adjusting the supply of allowances to be auctioned.
Perspective 4: reviewing the European carbon market to align it to the 2030 framework

“Today we take a decisive step towards enshrining the EU's target of at least 40% emissions cut by 2030 into law. […] The EU stands by its international commitments. […] invest in clean energy; it's here to stay and continue to grow.” – EU Commissioner for Climate Action and Energy Miguel Arias Cañete, July 2015

- Proposal to review the EU ETS published on 15 July 2015
  - Discussions began on 7 September at the Council and on 16 September at the Parliament
  - Usually, 18 months discussion to agree on a text.

- The draft review proposes:
  - To increase the pace of emissions cuts after 2020 in line with 2030 targets agreed in October 2014.
  - To set up a support mechanism for innovation and investment challenges of the low-carbon transition for the energy and industrials sectors.
  - More targeted carbon leakage rules to safeguard the international competitiveness as long as no comparable efforts are not undertaken by other major economies.
  - Solidarity mechanisms among Member States.
  - Simplification for small emitters and reducing administrative burden.
Thank you for your attention