

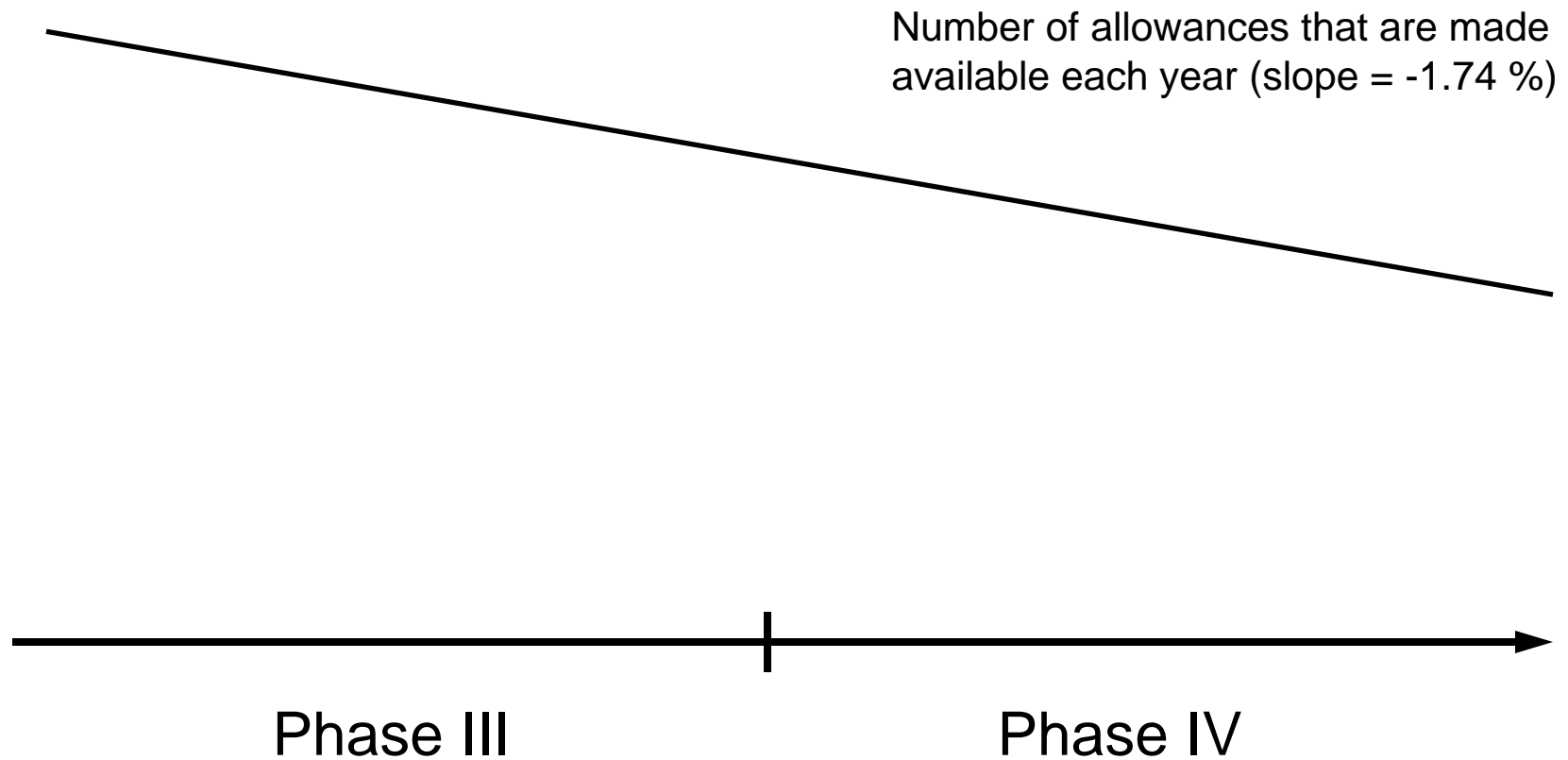
**A valve for overflow needs to
be introduced in EU ETS**

Erik.Dotzauer@mdh.se

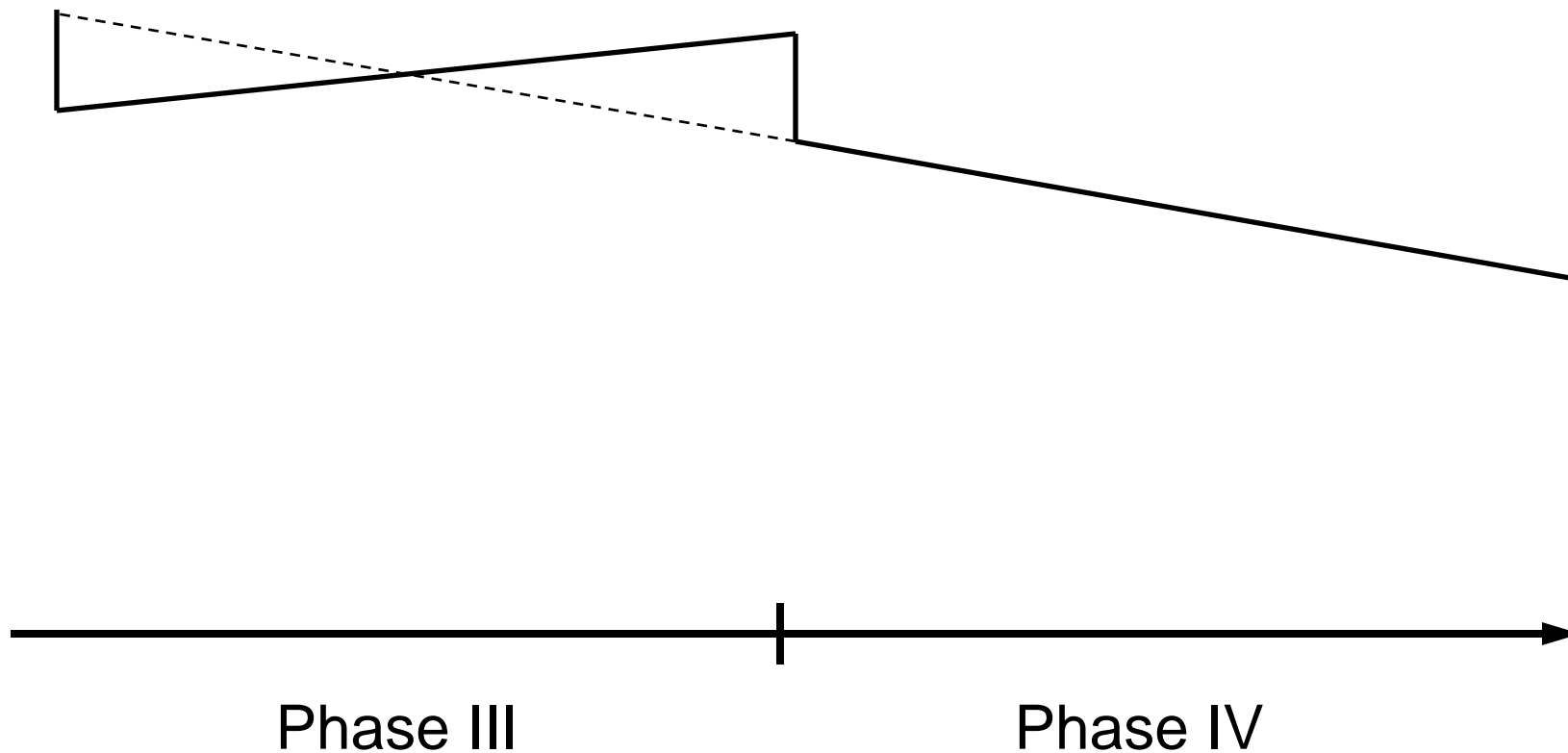
Background

- The amount of available allowances is determined by the slope of the cap, -1.74 % (or any other suitable factor from 2020).
- "Unexpected" situations, like e.g. economic downturns, will for sure occur also in the future.
- A *valve for overflow*, with purpose to correct for such situations, needs to be introduced in EU ETS; otherwise interventions have to be performed ad-hoc when such situations occur.
- The *valve for overflow* may be applied every e.g. eight years; 2019, 2027, 2035 and 2043.
- With such *valve for overflow*, EU ETS will work without any need for political interventions. This will give a predictable legislation.
- The methodology applied in 2019, in combination with back-loading in Phase III, is illustrated in the following slides.

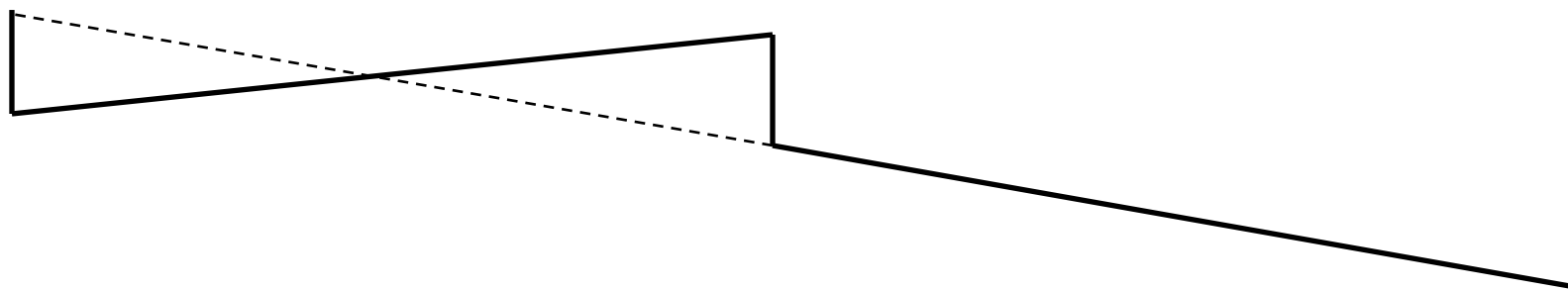
Current situation



Back-loading in Phase III

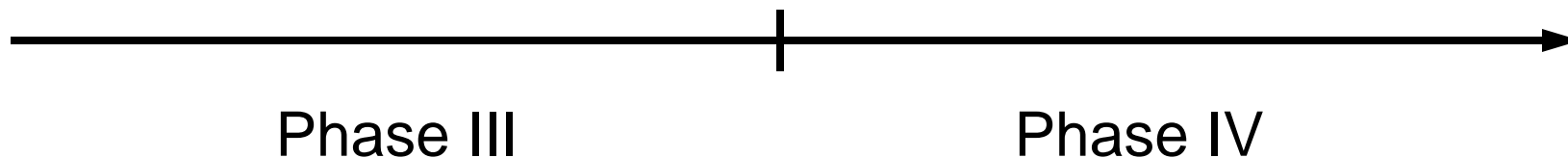


Back-loading in Phase III

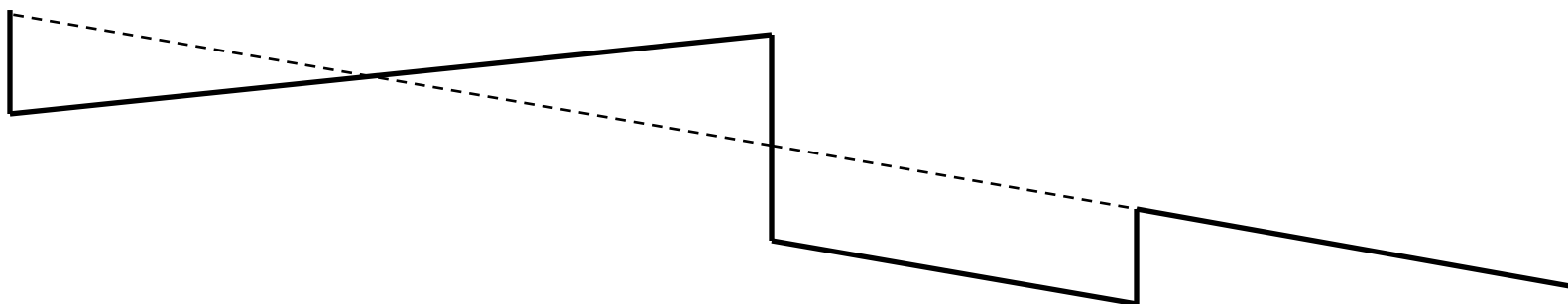


Calculation of X in Q3 2019

X = number of issued allowances until December 2018,
minus number of cancelled allowances until June 2019.



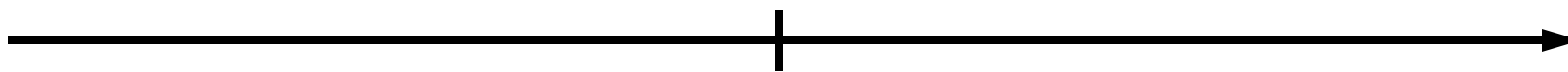
Set-aside in Phase IV



Set-aside 2021-2025

Total set-aside volume = factor * X

("factor" is predefined; between 0 and 1)



Phase III

Phase IV