

Expected Market Impact of the Proposed MSR

25 June 2014

Dr. Ingo Tschach

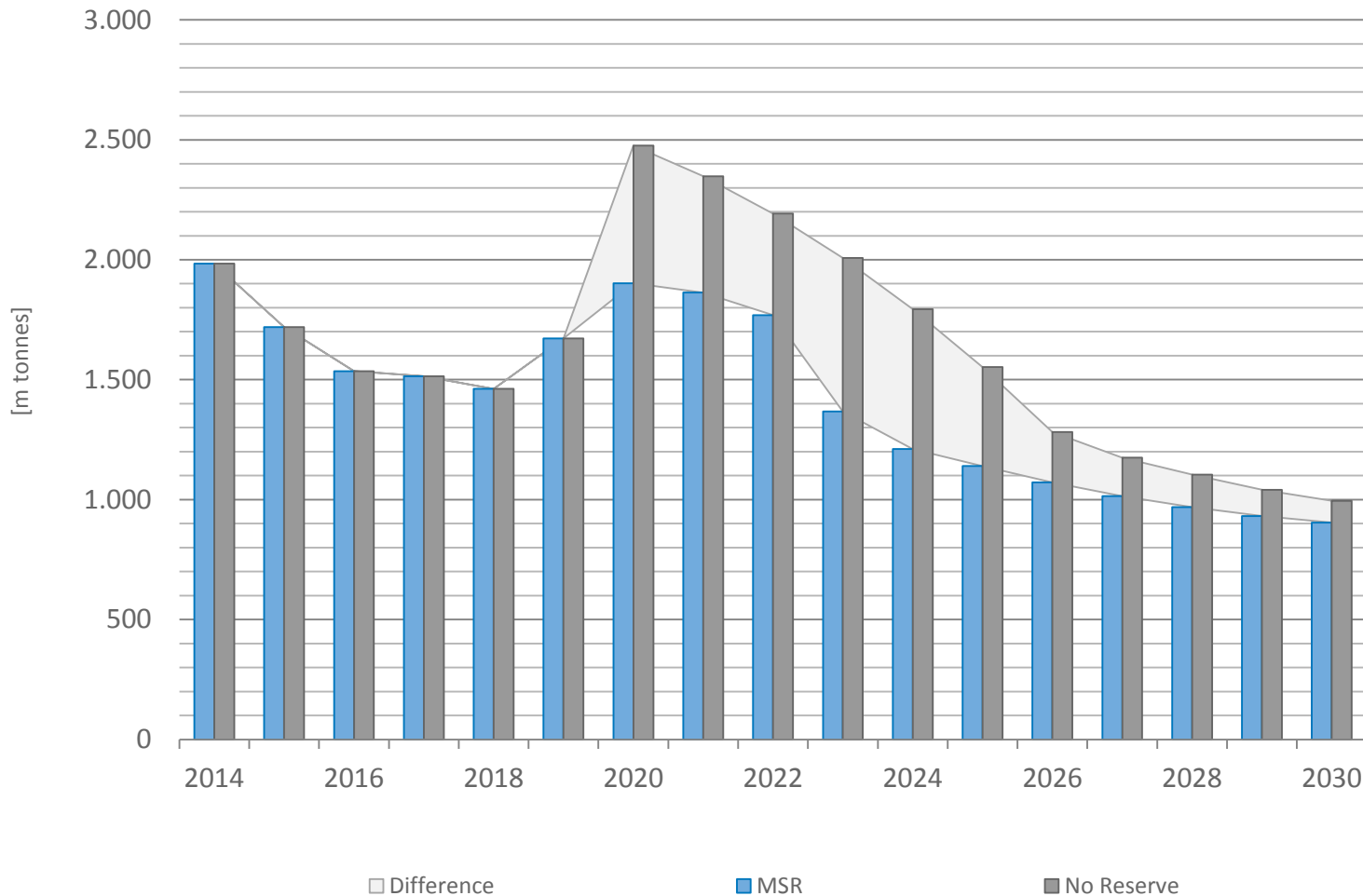
Head of Market Analysis



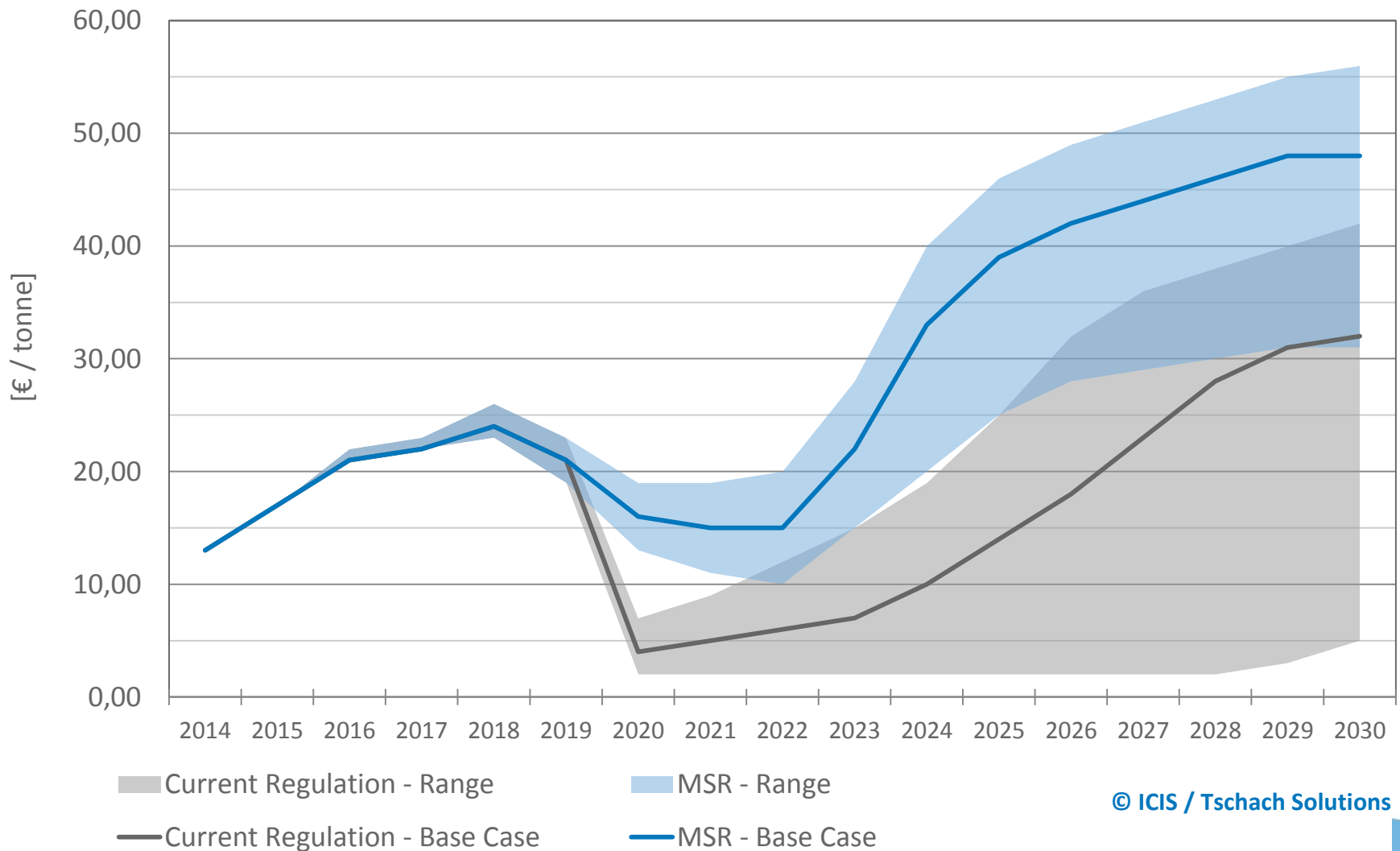
Opening remarks

- ▶ Model results always depend on assumptions
- ▶ Timing Impact Model
 - ▶ Incorporates behavior of compliance companies (e.g. hedging)
 - ▶ Models year by year, i.e. behavior depends on “current situation”
- ▶ Differentiation of abatement
 - ▶ Short term (e.g. fuel switch)
 - ▶ Long term abatement (e.g. energy efficiency improvements)
 - ▶ Sectoral differences (impact on hedging)
- ▶ Dimensions
 - ▶ Abatement over time, long position, reserve development
 - ▶ Price developments

Cumulated fundamental balance – Current regulation vs. EU-COM MSR

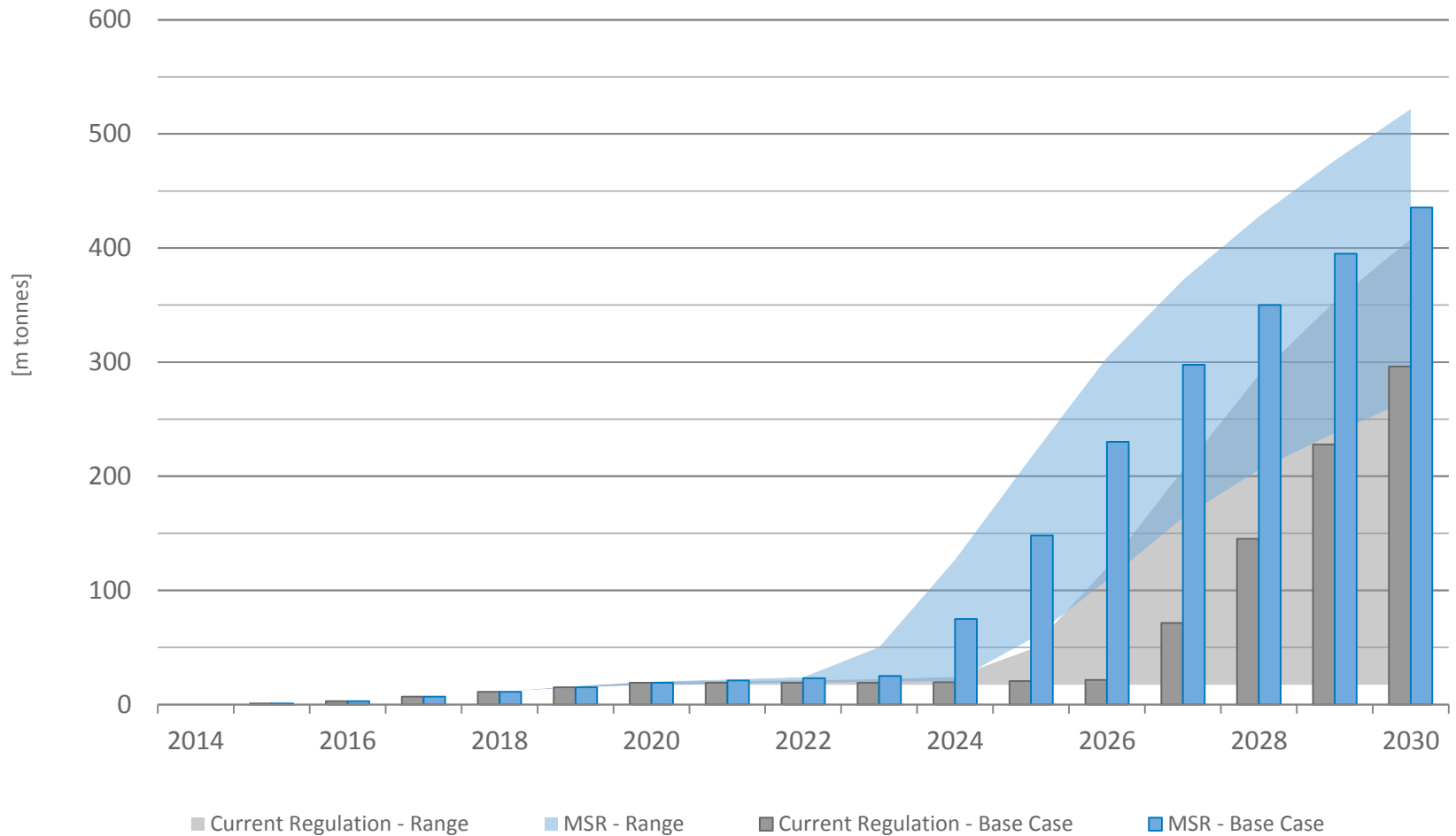


Price effects of the “MSR”



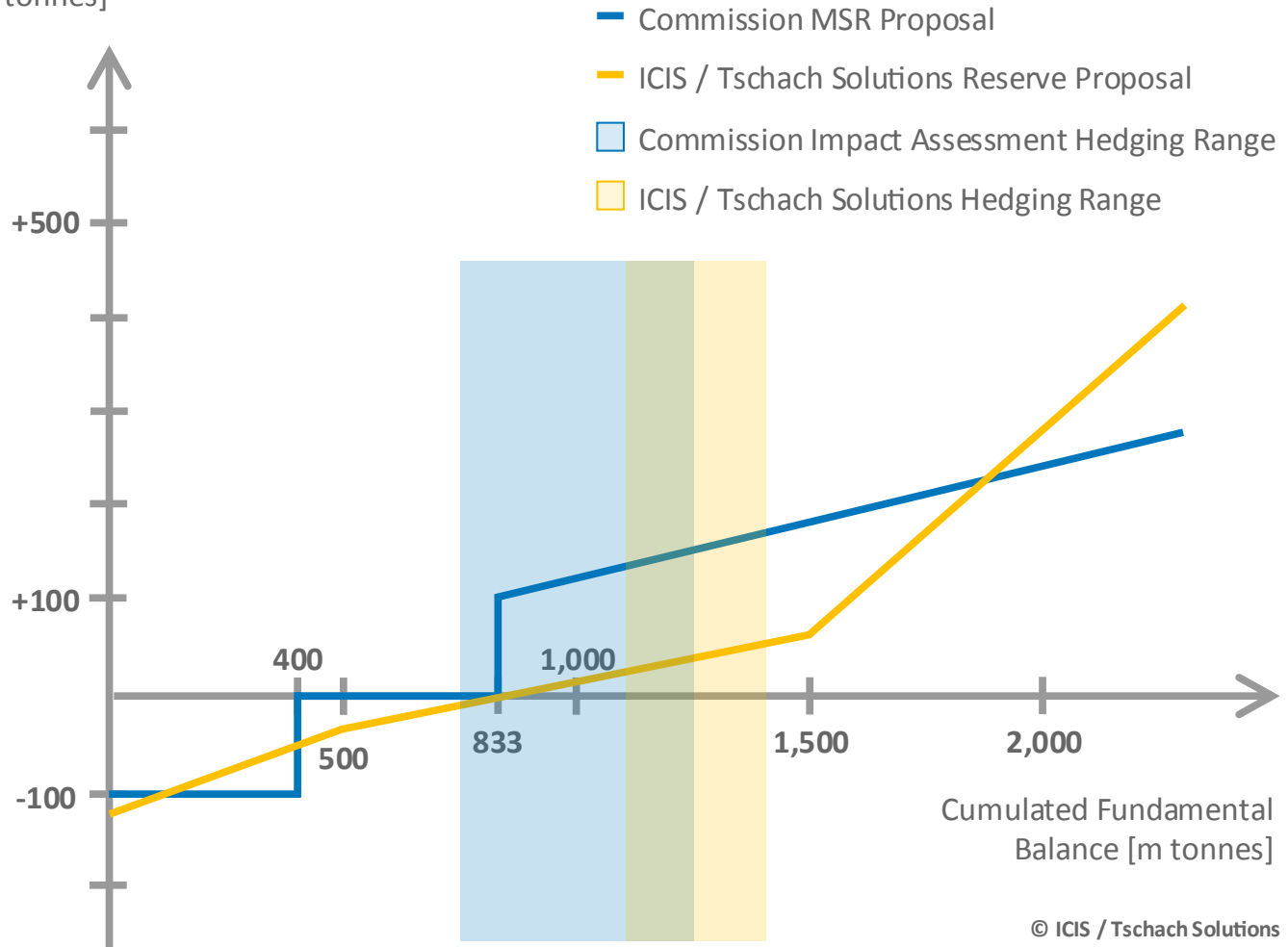
© ICIS / Tschach Solutions

Abatement triggered by the “MSR”



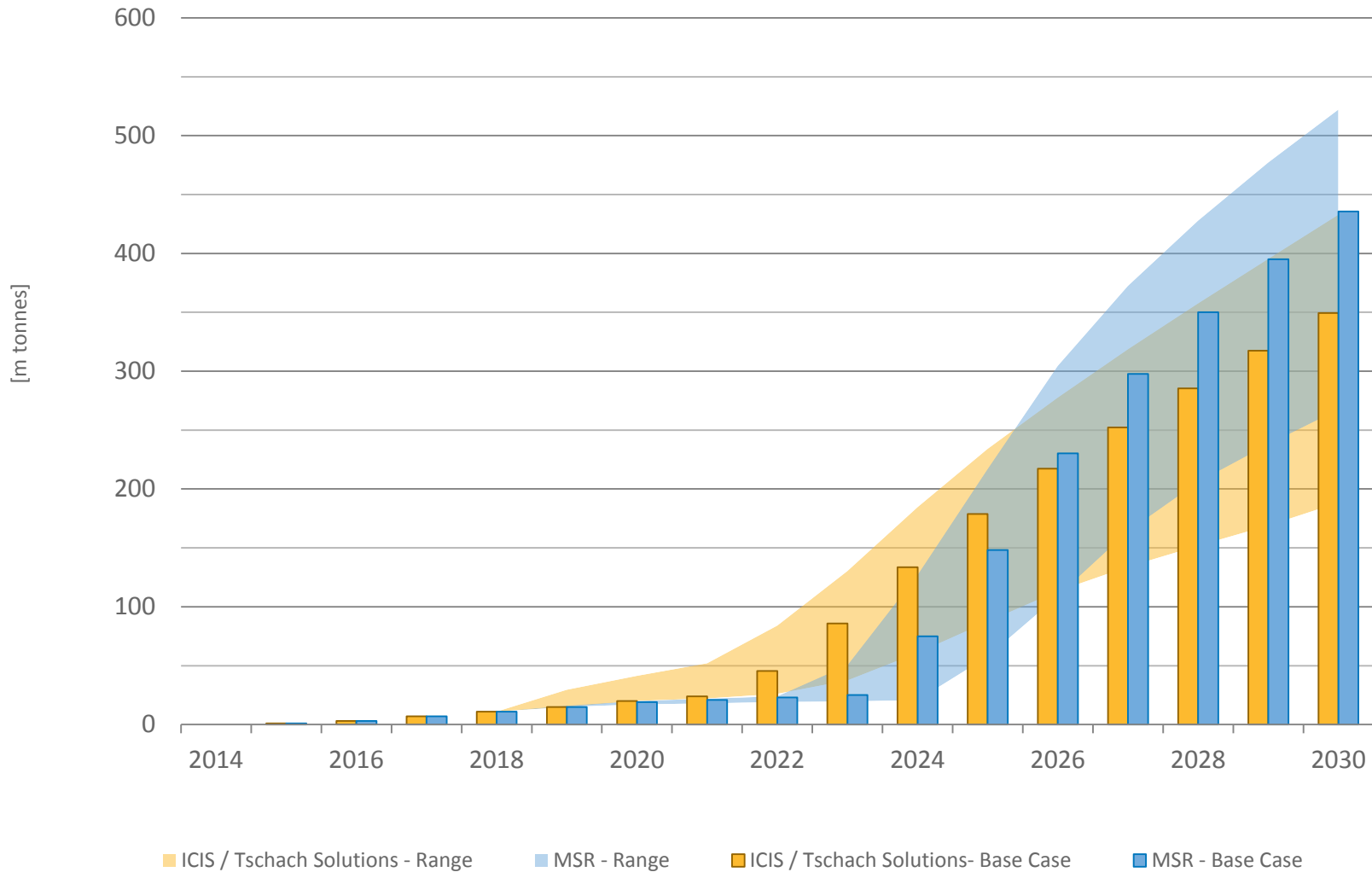
Proposal with different parameters for the MSR

Δ Reserve [m tonnes]

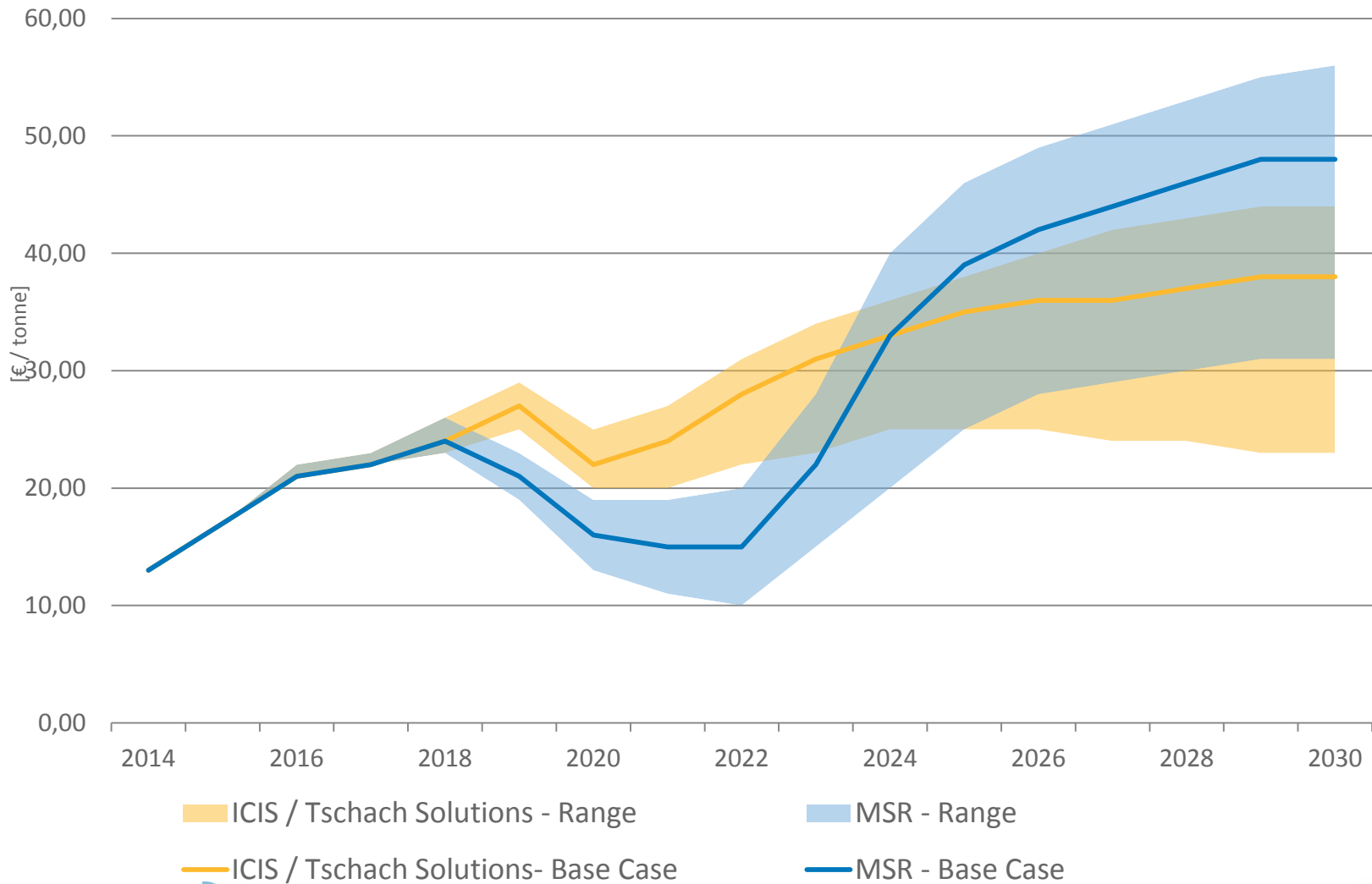


© ICIS / Tschach Solutions

ICIS proposal triggers earlier abatement



ICIS proposal leads to lower price volatility



Conclusions

- ❖ The MSR proposed by the EU-COM
 - ❖ Triggers earlier abatement
 - ❖ Increases prices
 - ❖ Decreases price volatility (for different scenarios and intertemporal)
 - ⇒ Helps stabilizing the market
- ❖ The MSR proposal can be improved
- ❖ The MSR proposed by ICIS / Tschach Solutions
 - ❖ Triggers abatement even earlier
 - ❖ Leads to smaller price increases
 - ❖ Decreases price volatility even further
 - ⇒ Helps stabilizing the market even more
 - ⇒ Improves intertemporal efficiency

Thank you!

Tschach Solutions GmbH
Steinhäuserstr. 9
76135 Karlsruhe

www.tschach-solutions.com



Development of Reserve Volumes in MSR

