

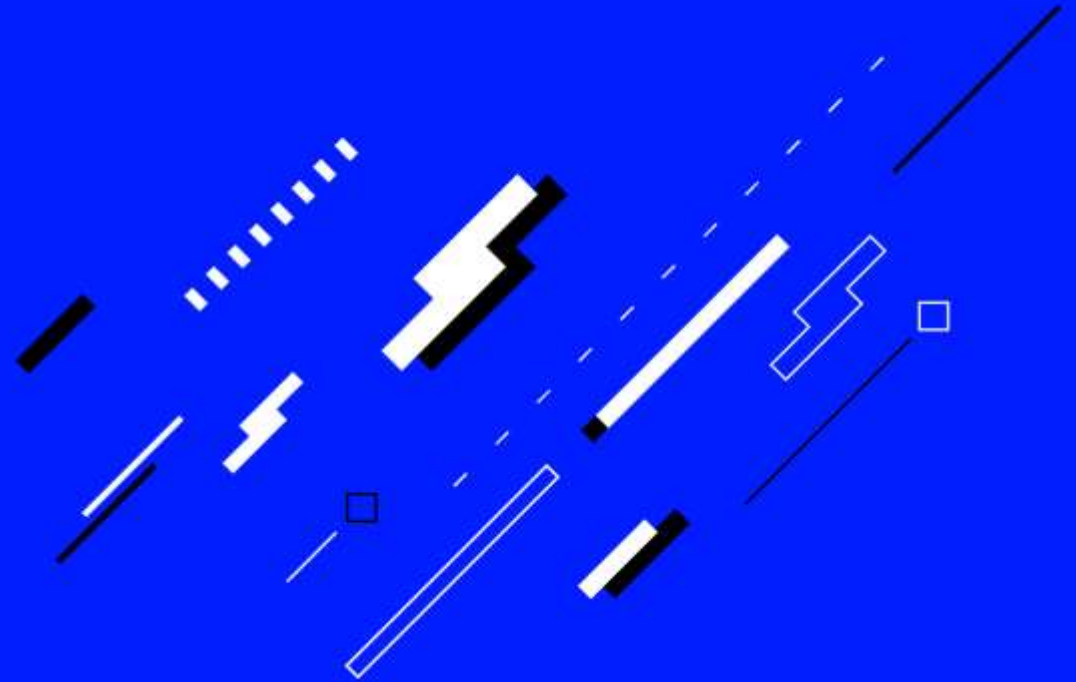
The evolution of carbon prices under the MSR.

What price points is the market considering key milestones for triggering abatement?

Commission MSR expert workshop

24 March 2021

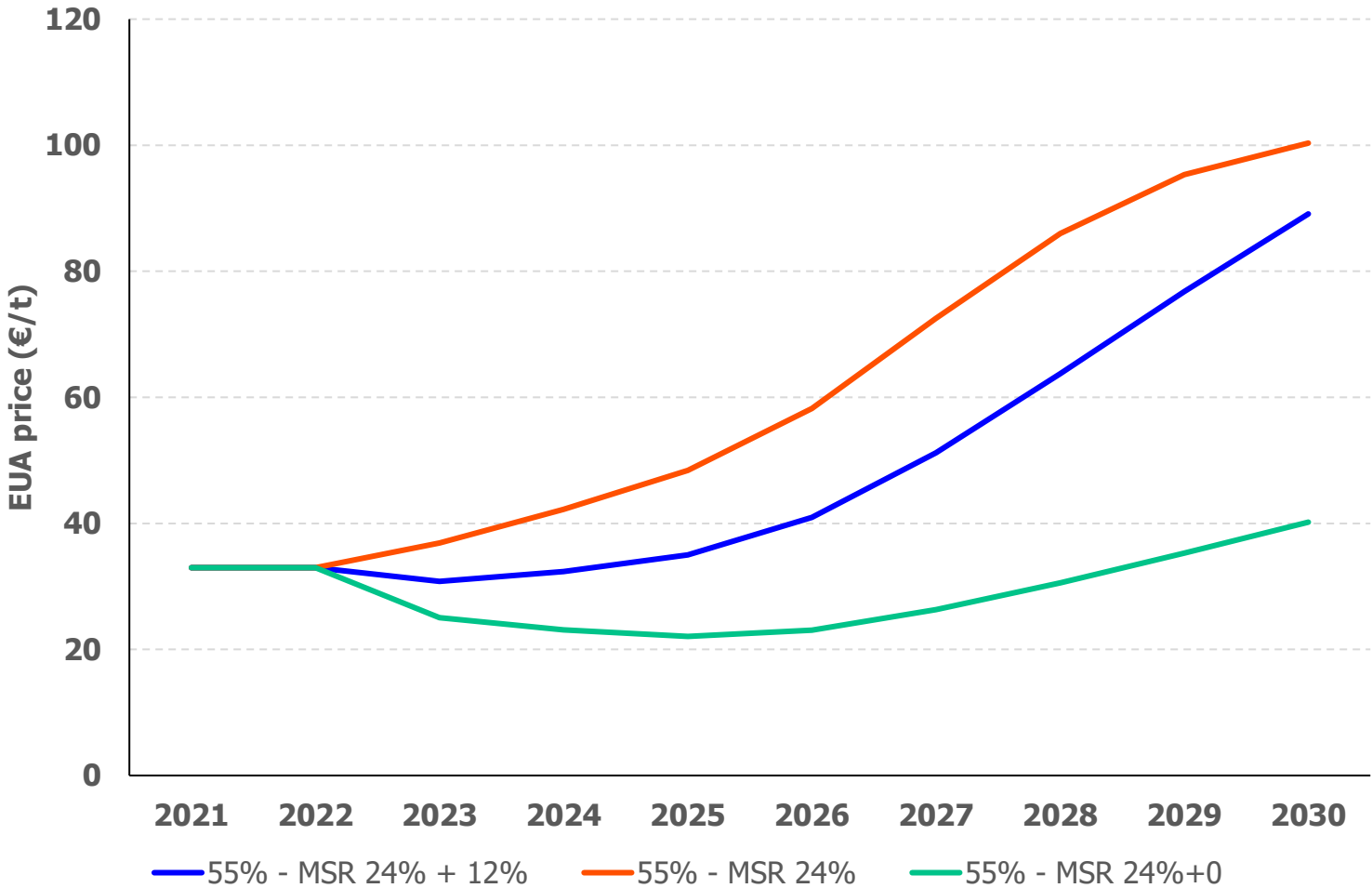
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Agenda

- One example: MSR design → price → abatement
- One question: Does it make sense to talk about specific price points to trigger abatement?
- One reflection: On the role for the MSR in a 'fit for 55' ETS

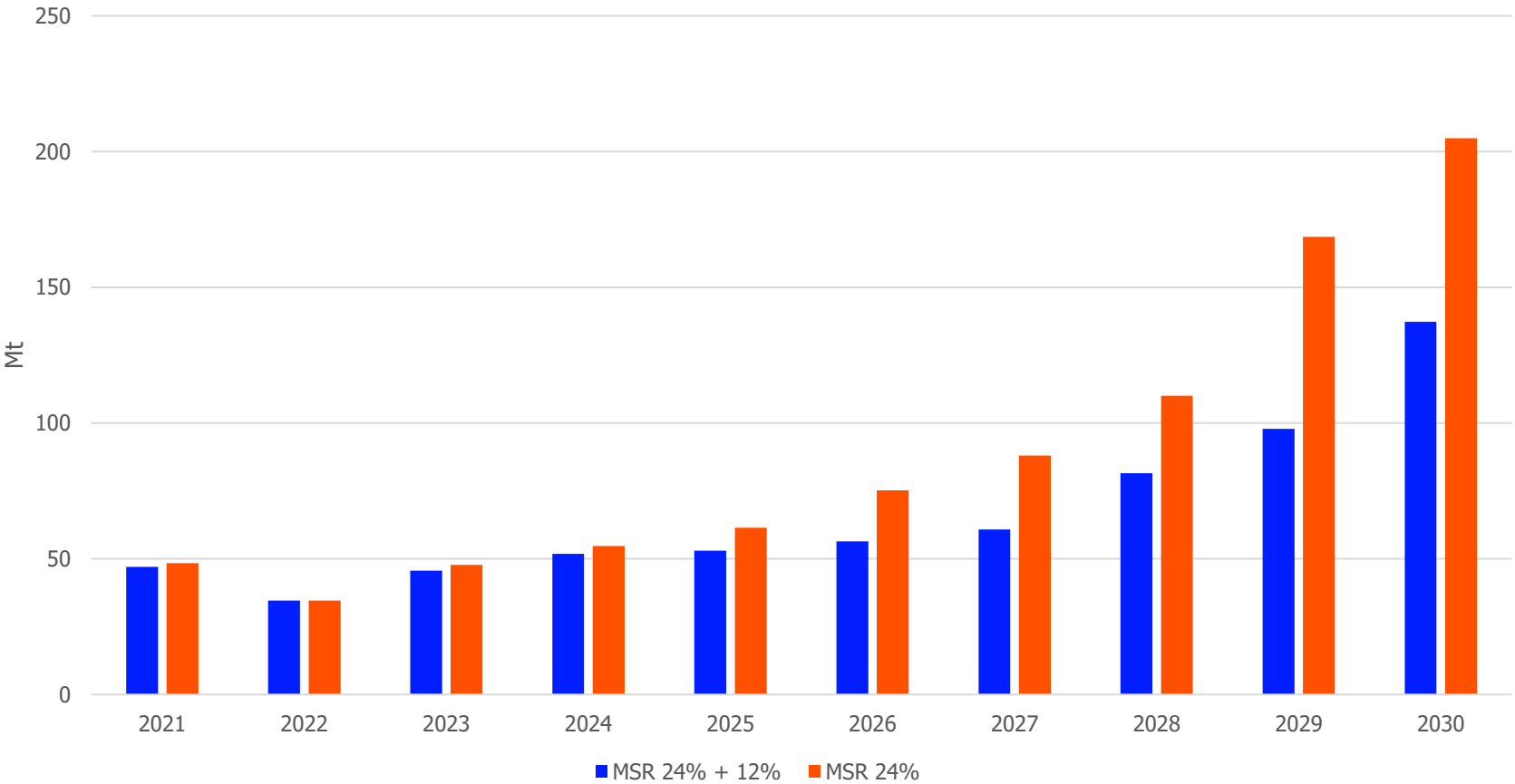
One example: MSR design → price → abatement



- Leaving the intake rate at 24% will increase the EUA price with 25% compared to the current set-up where the intake rate returns to 12% in 2024
- Average price 2021-2030:
 - €47/t (24+12)
 - €61/t (24)
 - €29/t (24+0)

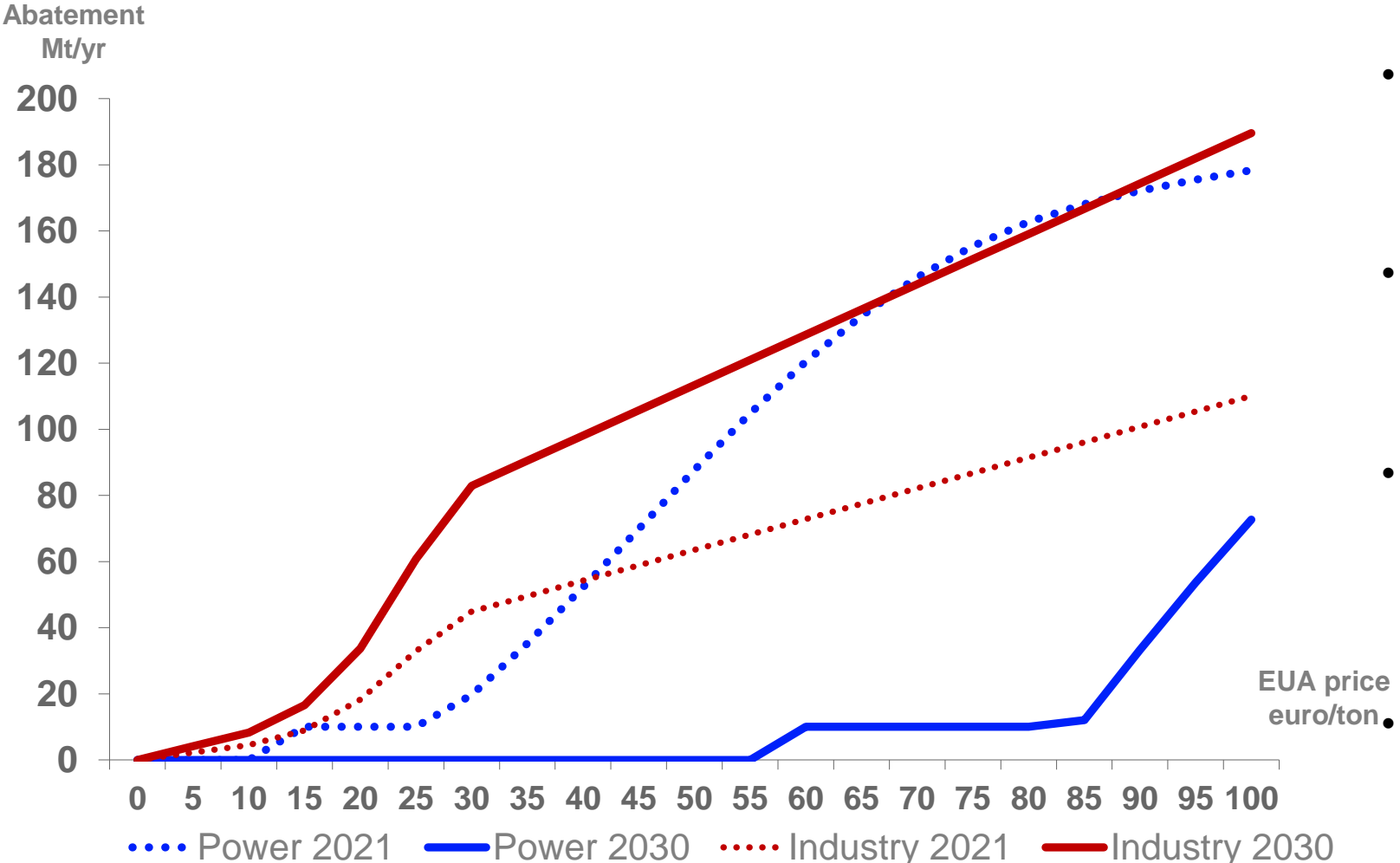
One example: MSR design → price → abatement

Yearly abatement



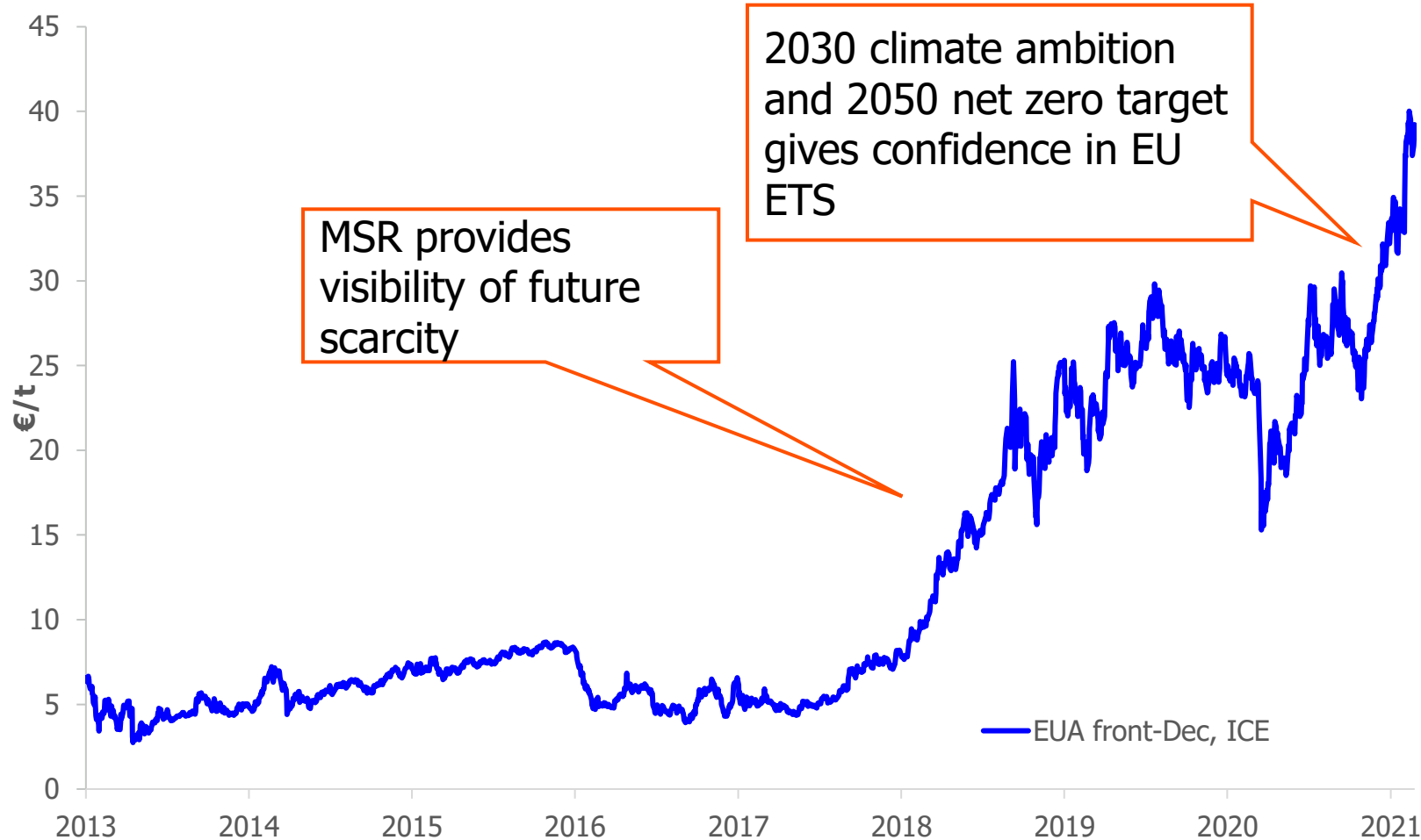
- 34% more abatement realised 2021-2030 if the 24% intake rate prolonged
- But what abatement is triggered?

One question: Price trigger points for abatement?



- Different dynamics in power and industry sector abatement profiles
 - More direct link price → abatement (fuel switching) in power sector
 - Slower response in release of industry sector abatement potential (lead time, support needs, technology maturity)
-and a matter of price expectations for the future

One reflection: On the role of the MSR under a 'fit for 55' ETS



- Expectations of future scarcity and price levels key to trigger abatement decisions
- MSR has been a key instrument to «bring the future closer»
- MSR saved the day, but should it also be the hero going forward?
- Front or back seat in 'fit for 55'-ETS?

Thank you!

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