



# MSR Review Workshop

## MSR policy design in the context of broader EU policy

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Roundtable on  
Climate Change and  
Sustainable Transition

# Policies that interact with MSR

- **Level of ambition**
- **CBAM**
- **Sectoral scope**
- **Overlapping policies**
- **International linking**

# Issues related to MSR

- It does not do what it is meant to do
  - Eliminate historical surplus
  - Bring TNAC with threshold within reasonable time
- Does it create scarcity loops & price spikes
- Is it used for the intended reasons i.e. enhanced ambition
- Does it provide the right signal – does it measure what it is supposed to ?
  - Are all components in the TNAC?
  - Is the TNAC based on the right assumptions ?

# What is changing (possibly)?

- Free allocation vs auctioning
- Importance of linking
- Sectoral coverage
- Level of ambition
- Hedging patterns

# What needs to be on the table

- Threshold levels
- Linking thresholds to cap – think dynamically
- Rethink invalidation
  - Connect to emissions not auction
  - Do we need invalidation
- Use MSR allowances for constructive purposes

# What needs to be on the table

- A solution for price spikes
  - MSR is a scarcity creator
  - Not well constructed for prices spikes
  - Art 29a not a good solution
- More frequent review of MSR
  - What is the origin of EUAs in MSR
  - What is the use for EUAs in MSR

# The Prime Directive

Do we still need an MSR ?

Is the MSR, as an algorithm-based solution still viable?