



FIRST CONSULTATION MEETING ON OPTIONS FOR STRUCTURAL MEASURES TO  
STRENGTHEN THE EU EMISSIONS TRADING SYSTEM

## Options of Discretionary Price Mechanisms

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## Agenda

- What is the case for discretionary price mechanism?
- What blend of political “discretion and automatism”?
- (Some) questions and solutions

### Carbon Market Forum & CEPS publications

#### *Four Options*

1. Do Nothing
2. One-off (re-setting) measures
3. Automatic adjustment provisions
4. Institutional adjustment

## EU tools for interactions:

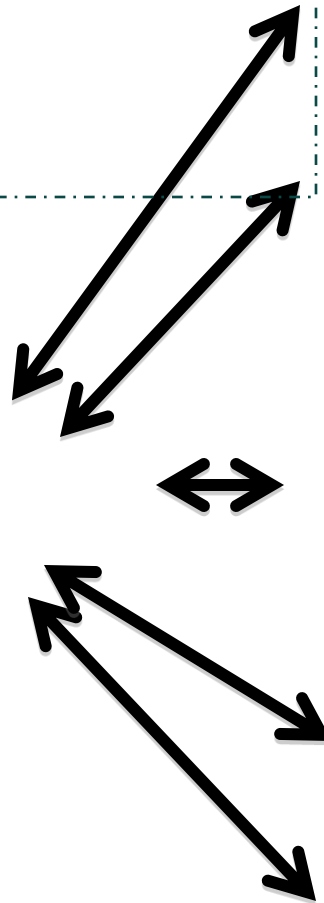
- Ex-ante Impact assessment
- Linear reduction factor

**Sufficient?**

**Interactions ETS  
other policies**

- Economic cycle
- Renewables policy
- Carbon credits
- Energy Efficiency Policy

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- Mercury Convention
  - Energy market changes etc. ....

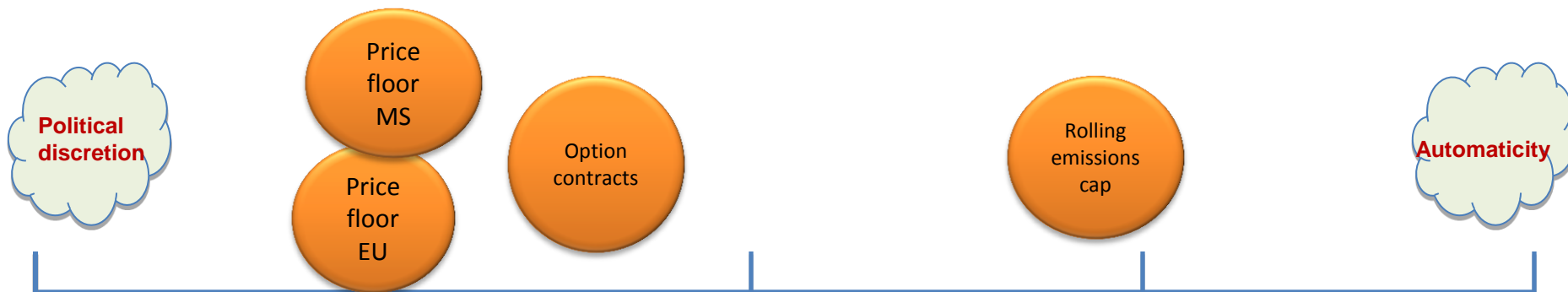


## Two Issues

Political price

Institutional arrangements

What blend of political discretion and institutional automaticity ?



## Questions/Solutions of Supply Side Mechanisms (e.g. rolling emissions caps – Australia)

- e.g.
- Periodic adjustment of EUA supply according to economic cycle etc.
- Agency calculates supply based on ex ante rules and procedures
- **Commission (and/or Climate Change Committee) or Council + EP take final decision**

→ *how robust, legitimate, transparent ....?*



## Issues

- **Administrative complexity: appropriate timing of introduction and withdrawal**
- **Political price / level of price / lobbying**
- **Credibility (market participants)**
- **Long-term link between target and price**
- **Inflexible (could undermine quantity objective)**
- **Issues of linking**

### Publications

*Reviewing the EU ETS Review?*, CEPS Task Force Report, October 2012

*Backloading: a necessary but not sufficient first step*, Submission to the EC, CEPS Special Report, November 2012

*Energy Efficiency and the ETS*, Briefing for the EP (ITRE Committee), December 2012

