MSR Review Workshop

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December 03, 2020

Purpose of the MSR

✓

- Removing legacy surplus while ensuring there is enough surplus available
- Low time delay
- Intervention predictability – something we can model into the future
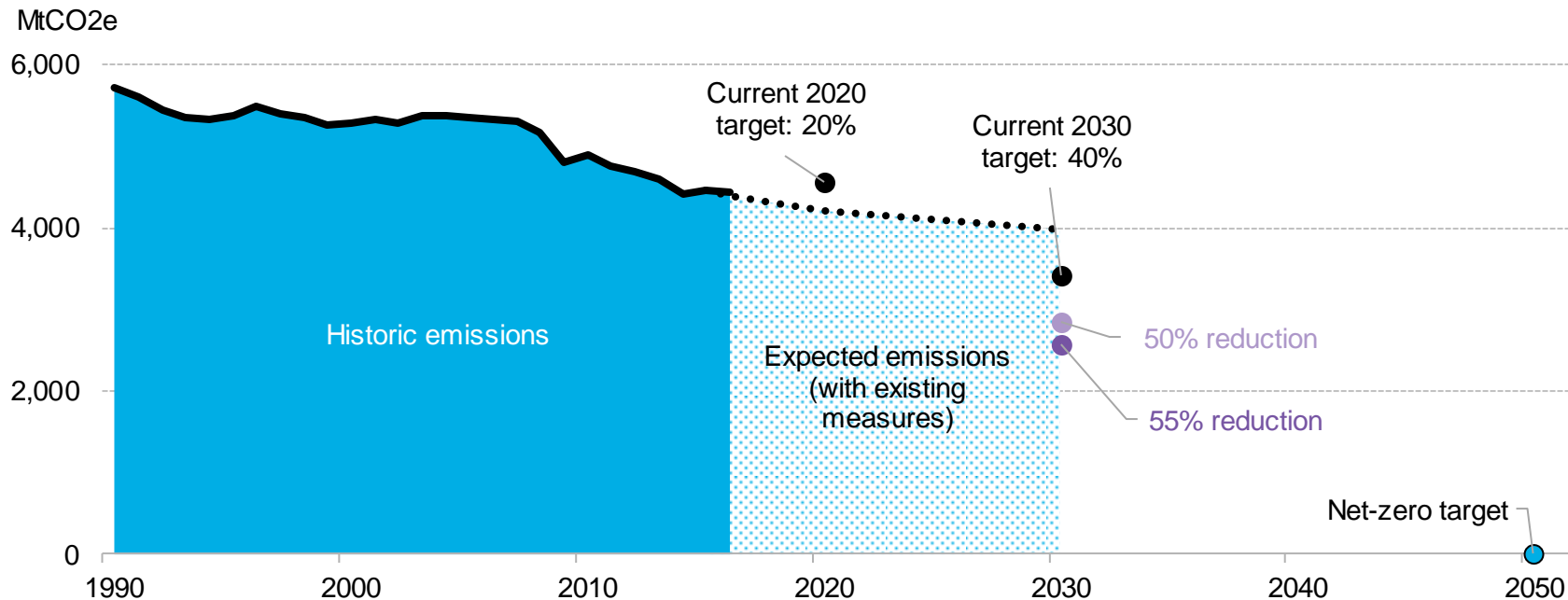- Stability and protection against future demand shocks

✗

- High price guarantor
- The main price driver in the long-term
- More climate ambition through the 'back door' (invalidation mechanism)

Source: BloombergNEF

BloombergNEF
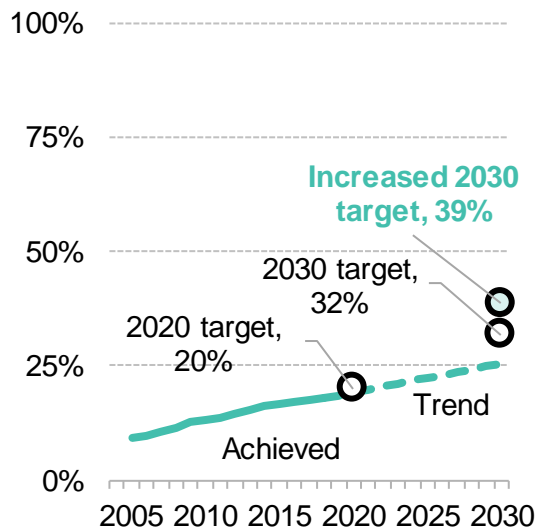
The EU Green Deal

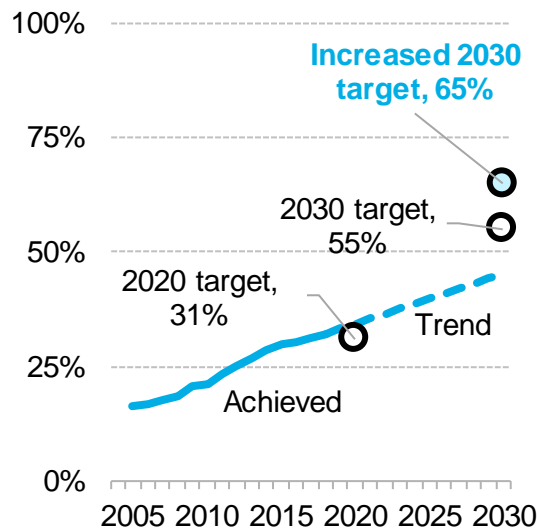## EU net historic and target greenhouse gas emissions

MtCO2e

BloombergNEF

2030 targets were set with 40% emissions reduction goal in mind

EU targets for renewables in energy consumption

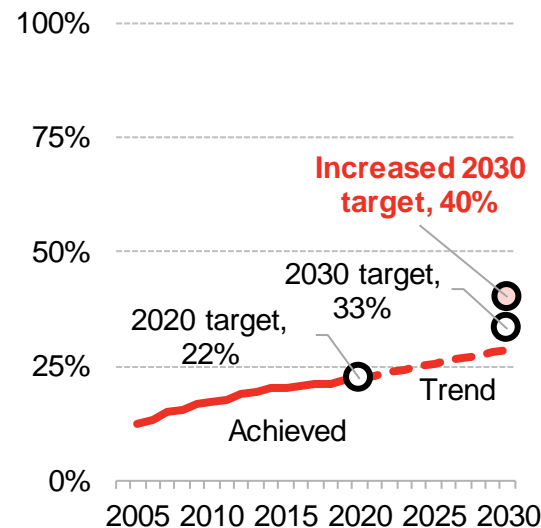### Gross final energy

Increased 2030 target, 39%

2030 target, 32%

2020 target, 20%

Trend

Achieved

Electricity

Increased 2030 target, 65%

2030 target, 55%

2020 target, 31%

Trend

Achieved

Heating and cooling

Increased 2030 target, 40%

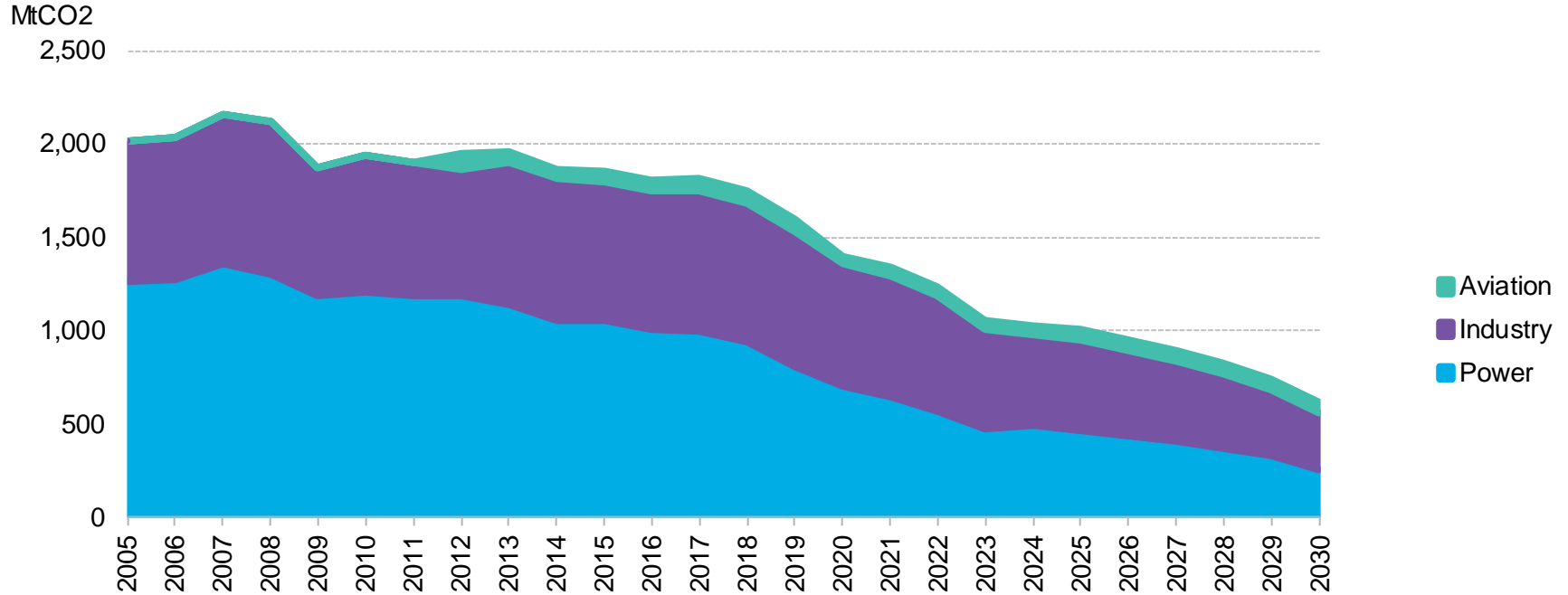2030 target, 33%

2020 target, 22%

Trend

Achieved

Source: Eurostat, European Commission, BloombergNEF. Note: Increased target shows upper bound from European Commission's Sept. 2020 impact assessment.
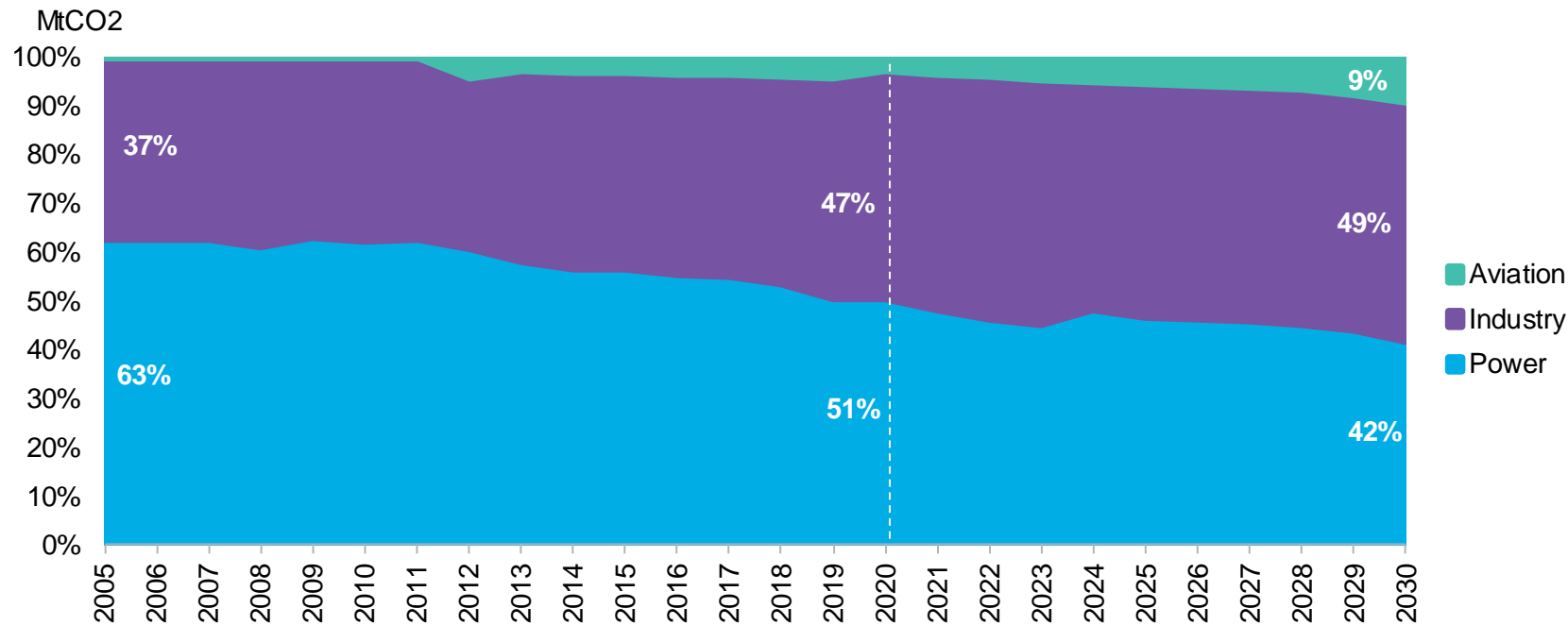
BloombergNEF

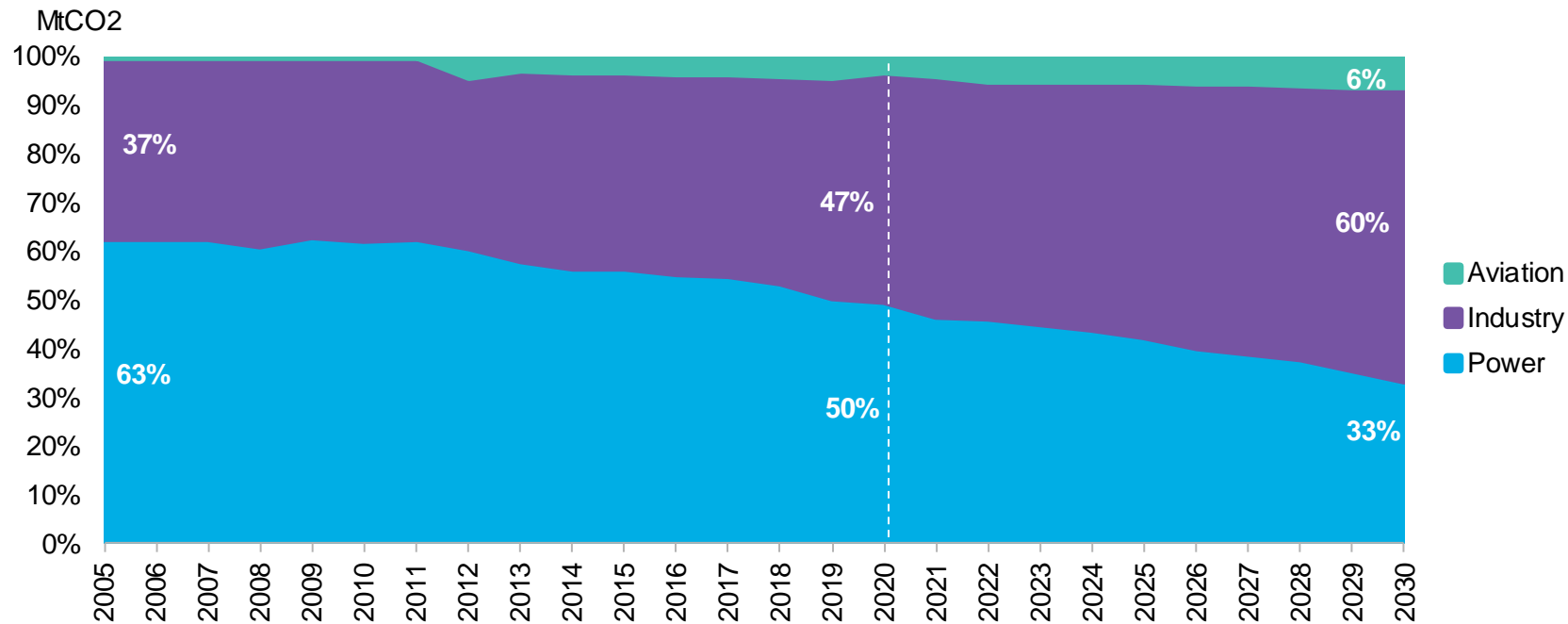# Modelled European generation
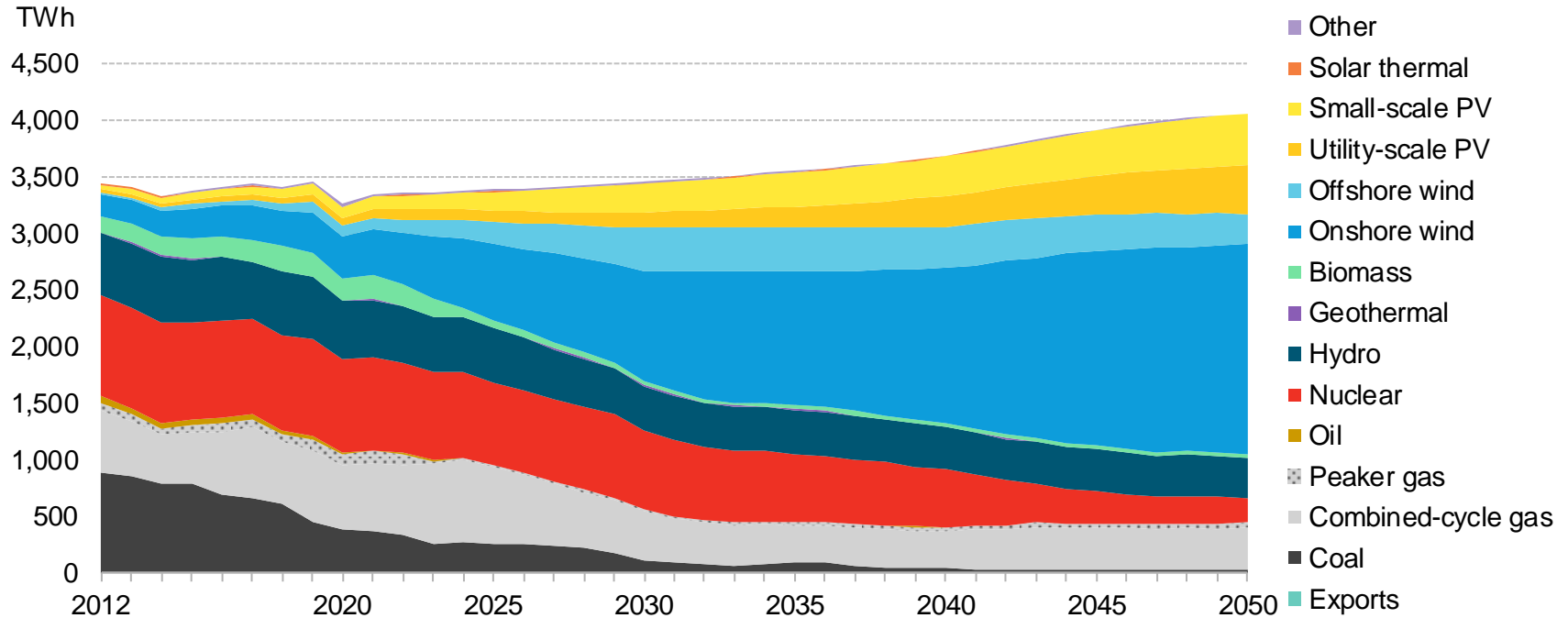
Source: BloombergNEF

BloombergNEF

Modelled EU ETS emissions

Source: BloombergNEF

BloombergNEF

Modelled EU ETS emissions, whole systems model (bottom up)

MtCO2

Aviation
Industry
Power

Source: BloombergNEF

BloombergNEF

Modelled EU ETS emissions, EU ETS model (top down)

MtCO2

Legend: Aviation, Industry, Power

Source: BloombergNEF

BloombergNEF

Modelled hedged holdings

Hedged holdings (Mt)

Legend:
- Regulated gas
- Semi-liberalized gas
- Liberalized gas
- Regulated coal
- Semi-liberalized coal
- Liberalized coal
- Regulated lignite
- Semi-liberalized lignite
- Liberalized lignite
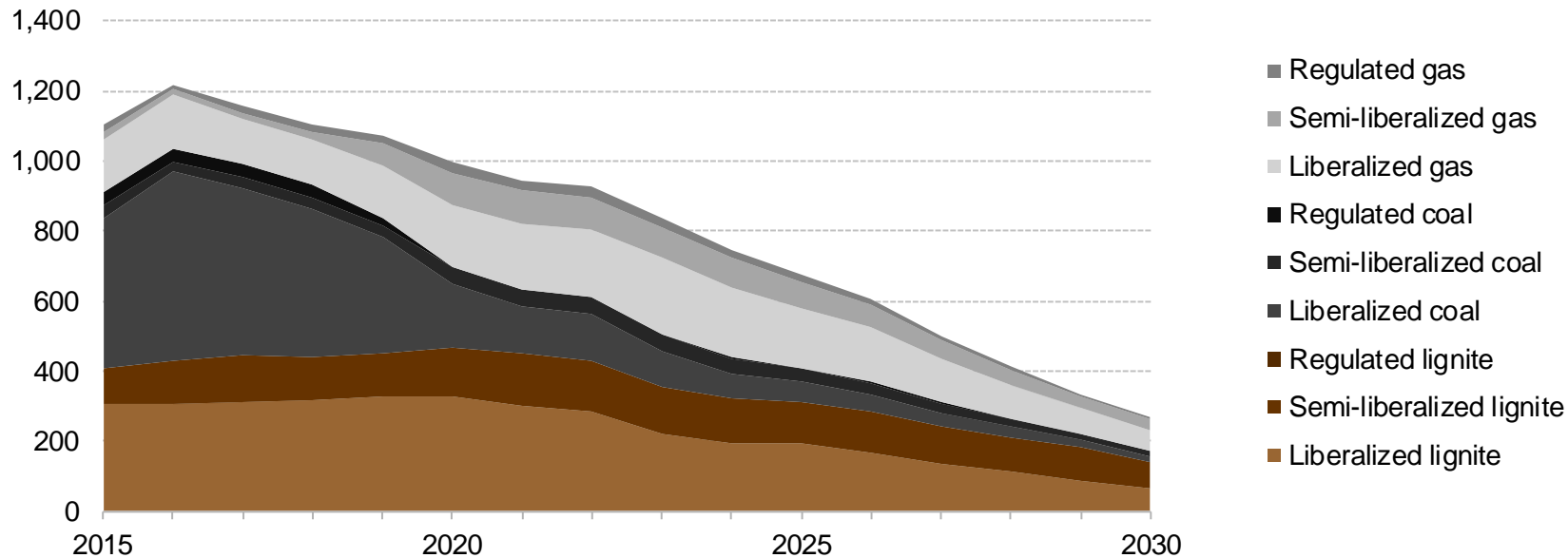
Source: BloombergNEF

BloombergNEF

Circulation

m EUAs

Legend:
- 50% EU target, current injection rate
- 50% EU target, 24% injection rate through Phase 4
- 55% EU target, current injection rate
- 55% EU target, 24% injection rate through Phase 4
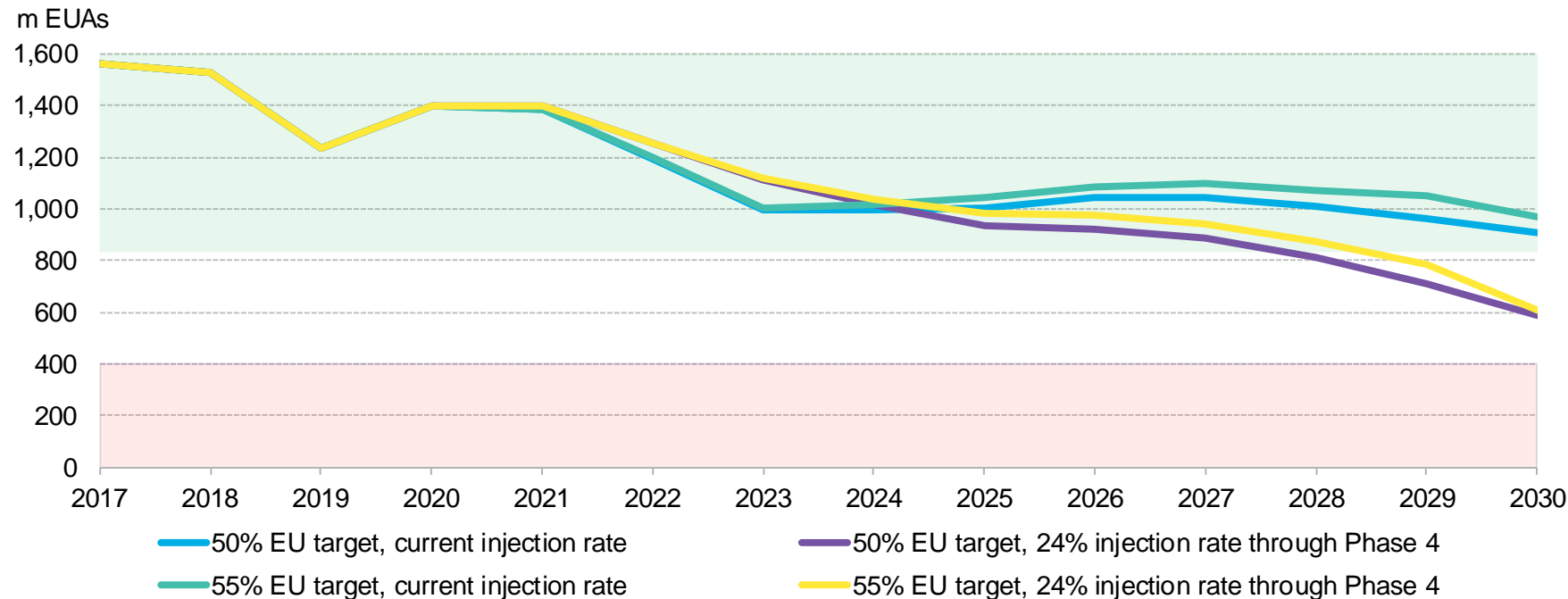
Source: BloombergNEF

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TNAC versus circulation

Illustrative scenario 1

m EUAs

TNAC
Circulation
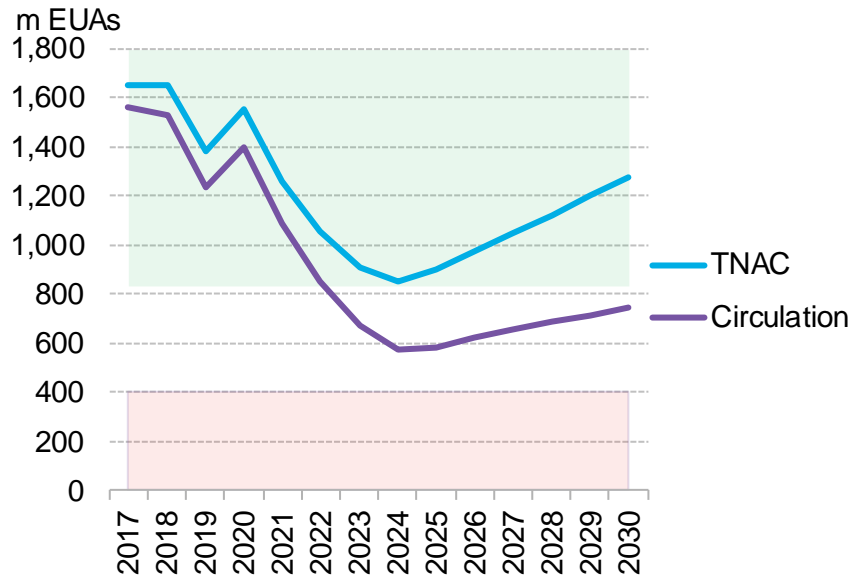
Source: BloombergNEF

Illustrative scenario 2
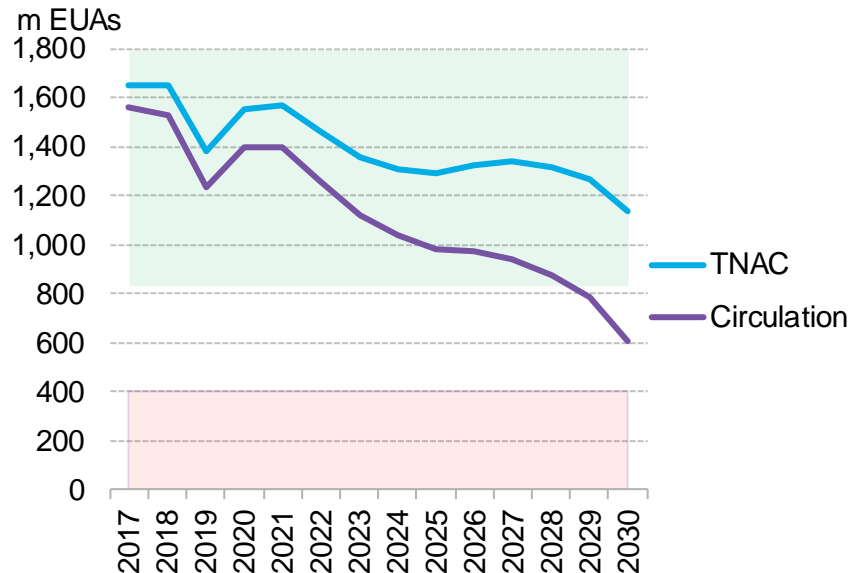
m EUAs

TNAC
Circulation

Source: BloombergNEF

BloombergNEF
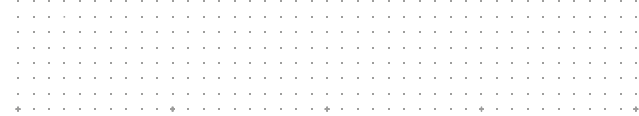
Final thoughts

1 Getting MSR parameters right requires some knowledge on the wider EU ETS context…

Source: BloombergNEF

Bloomberg NEF

Final thoughts

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2 …it also requires an MSR that reflects reality…

Source: BloombergNEF

BloombergNEF

Final thoughts

1 Getting MSR parameters right requires some knowledge on the wider EU ETS context…

2 …it also requires an MSR that reflects reality…

3 ..which means that the TNAC calculation should ideally include supply and demand from all participating sectors…

Source: BloombergNEF

Bloomberg NEF

Final thoughts

1 Getting MSR parameters right requires some knowledge on the wider EU ETS context…

2 …it also requires an MSR that reflects reality…

3 ..which means that the TNAC calculation should **ideally** include supply and demand from all participating sectors…

4 ..and reflect trade between linked partner markets.

Source: BloombergNEF

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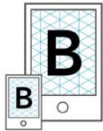
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