

Revising the ETS directive

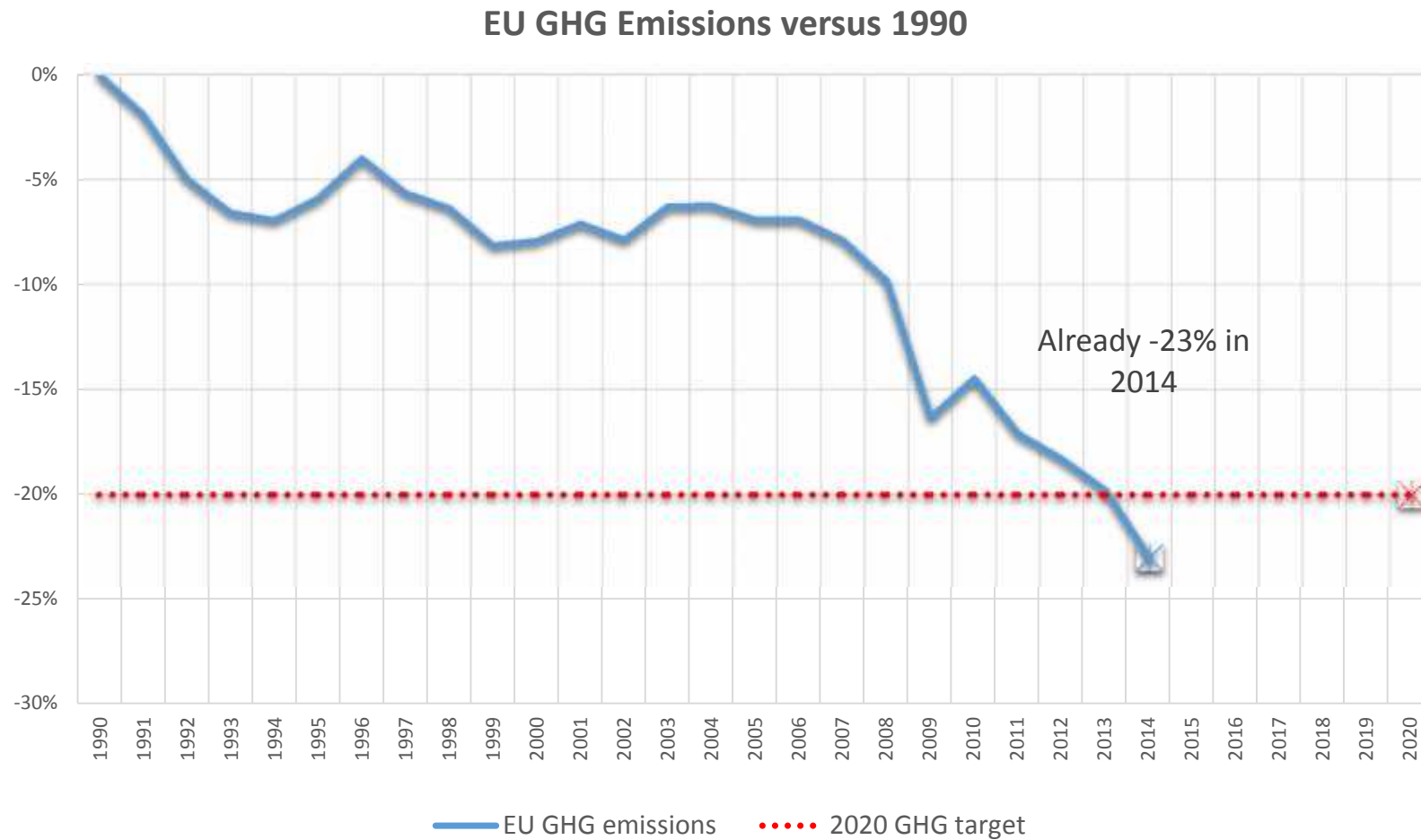
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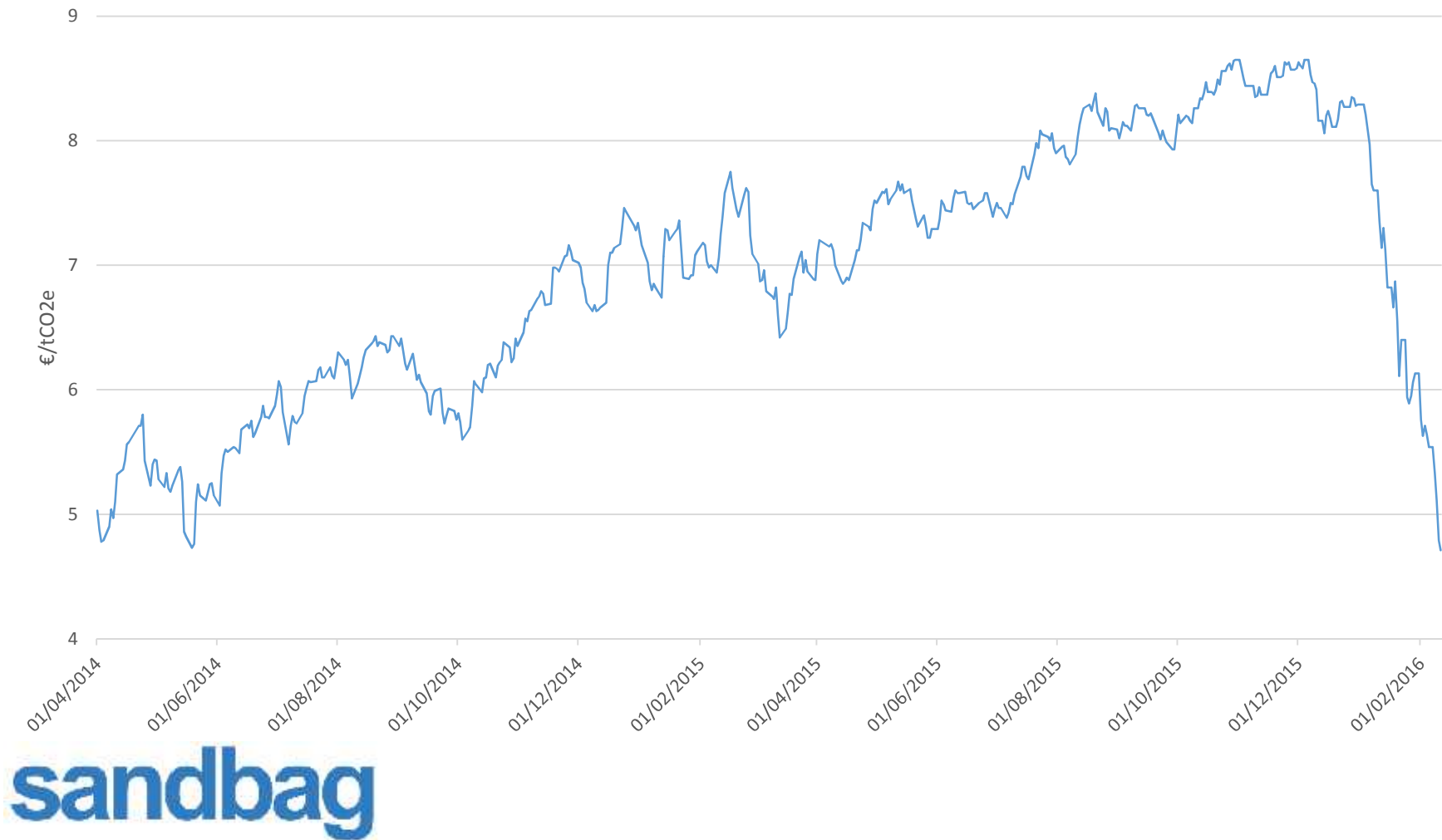
The EU has overachieved its 2020 climate targets



Evolution of the ETS carbon price



Two years' gains lost in six weeks



Sandbag recommendations

1. Increase ambition by tightening the ETS cap

- Cancel 1.5 billion from MSR in line with a 30% 2020 target
- Start Phase 4 cap from lower starting point in 2021
- Change cap trajectory in line with a 50% 2030 target
- 5 year trading periods to accommodate Paris ambition ratchet

2. Restrict supply within ETS cap

- Protect MSR and carve 400 million New Entrants Reserve out Phase 4 cap
- If correction factor is not triggered, direct any unissued free allowances to NER
- More aggressive MSR parameters (e.g. withdrawal rate increased from 12%)

3. Introduce more targeted carbon leakage protections

- Tiered carbon leakage list
- Free allocation rises/falls for every 10% change in production from baseline

4. Securing a strong and predictable carbon price

- Introducing price controls (floors, corridors, etc.) via the MSR or via primary auctions