

Energy Transition: A Multifaceted Challenge for Europe

3rd Symposium

Reforming the EU ETS: Striking the right balance between the EU objectives of decarbonisation and competitiveness

8th September 2015, 9:00 to 13:00,

Press Club Brussels Europe, Rue Froissart 95, 1040 Brussels

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The main challenge of the EU emissions trading scheme (ETS)'s reform is to respect the EU's decarbonisation ambitions, while preserving the EU's competitiveness. This requires to make the scheme adaptive and responsive to rapidly changing international, regional and national circumstances, particularly when one considers the impacts of the following elements: the future global climate agreement that should be signed in Paris by the end of 2015, potential future economic crisis, the internal division within the EU between the countries that decarbonise quickly and those that do not, and the disruptive effects of new low-carbon technologies on the existing power business model.

Although the market created by the EU ETS has functioned well so far, it has been unable to provide a stable price signal crucial for investment in low-carbon technologies. In order to restore the EU ETS as a central instrument to decarbonise the European economy, the European Commission has proposed the creation of a Market Stability Reserve (MSR) to absorb part of the surplus, and the European Council has agreed to increase the annual linear reduction factor of the cap from 1.74% to 2.2% from 2021 onwards. Moreover, the European Council gave strategic guidelines to address the loss of competitiveness of some sectors and countries covered, namely free allocation to industry, the establishment of modernisation and innovation funds, and operational free allocation of allowances to modernise electricity generation in some Member States. Early May 2015, the European Parliament and Member States reached a deal on the MSR, which will start on 1 January 2019. This was the first step of the EU ETS reform, which should be largely completed by an important Commission's proposal for reform expected by the end of summer.

In this context, the Symposium will examine if the proposed structural measures are ambitious enough to restore the EU ETS as a central instrument to decarbonise the European economy while preserving its competitiveness. In the first session, the lessons learnt from the first periods of the scheme will be analysed. The second session will discuss the proposed structural measures to see if they can reconcile the European objectives of decarbonisation and competitiveness, while being adaptive enough to changing international, regional and national circumstances.

The Symposium aims to address, among others, the following key issues:

- Why has the EU ETS not been able to promote low-carbon investment so far?
- What is the role the ETS is expected to play in the EU's decarbonisation policy?
- Is the new draft directive addressing correctly the carbon leakage issue?
- Can the Market Stability Reserve (MSR) address the surplus issue? Can the MSR cope with a strong increase in generation from RES and a possibly stagnating demand?
- Is there a role for international offsets?

Programme

09:00 – 09:15

Welcome address

Claudia HERING, Head of Public Affairs, Development Group and
Clémentine d'OULTREMONT, Senior Research Fellow, Egmont Institute

09:15 – 09:30

Keynote address

Mary Veronica TOVŠAK PLETERSKI, Director, European and International
Carbon Markets, DG CLIMA, European Commission

09:30 – 11:00

Session 1: Lessons learned from the previous EU ETS period(s)

Speakers:

- Sarah DEBLOCK, European Policy Director, International Emissions Trading Association (IETA)
- Alessandro BARTELLONI, Policy Director, FuelsEurope
- Pavel ŘEŽÁBEK, Chief Economist, ČEZ

Discussant: Stefan P. SCHLEICHER, Professor of Economics at the Wegener
Center on Climate and Global Change at the University of Graz

Moderator: Clémentine d'OULTREMONT, Research Fellow, Egmont Institute

11:00 – 11:30

Coffee break

11:30 – 13:00

Session 2: The Reform of the EU ETS and its impact on EU competitiveness and other climate policies.

Speakers:

- Yvon SLINGENBERG, Cabinet of Commissioner Arias Cañete, Climate Action and Energy, European Commission
- Anders MARVIK, Vice-President EU Affairs, Statoil
- Sandrine DIXSON-DECLÈVE, Director, The Prince of Wales's Corporate Leaders Group (CLG)

Discussant: Damien MORRIS, Head of Policy, Sandbag

Moderator: Marc OTTE, Director-General, Egmont Institute

13:00 – 14:00

Lunch

Many thanks to the

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Background of the project

The European energy context is rapidly changing both internally, with the adoption of the new 2030 Climate and Energy Package and the necessary completion of the EU internal energy market(s), and externally, with the growing tension over the EU's security of energy supply, the increasing volatility of oil prices, and the upcoming major climate conference in Paris. Against this backdrop, 2015 will be a year of critical decisions for EU energy policy. Egmont – Royal Institute for International Relations and the Development Group are convening a series of **three EU Energy Symposia** followed by a **High Level Energy Conference** in Brussels in order to explore the 'Energy Transition: A Multifaceted Challenge for Europe' project they initiated three years ago.

The intense discussions held during the previous series of events showed that many questions related to the European Energy Transition towards a low-carbon economy require further in-depth analysis and debate. Therefore the four 2015 events address issues that are **at the core** of the development of a resilient **Energy Union with a forward-looking Climate Change Policy**, as advocated in President Juncker's political guidelines for the new Commission:

- **1st Symposium:** Securing Europe's electricity supply – Making the switch towards an integrated and long-term approach (5 May 2015)
- **2nd Symposium:** Securing gas supply within an integrated European market: A strategy subject to many uncertainties (23 June 2015)
- **3rd Symposium:** Reforming the EU ETS: Striking the right balance between the EU objectives of decarbonisation and competitiveness (8 September 2015)
- **High Level Energy Conference:** What are the European stakes upstream and downstream COP21? (9 November 2015)

This forward-thinking project aims to foster an intense debate at EU level by bringing together the **views of EU decision-makers with those of industry and other energy stakeholders** active in Europe.