



WHY A DYNAMIC ADJUSTMENT OF MSR COULD PROVIDE BETTER INCENTIVES FOR LOW CARBON TECHNOLOGIES ?

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WHAT COULD BE THE FUTURE OF THE EU-ETS CONSIDERING RES AND MSR ?



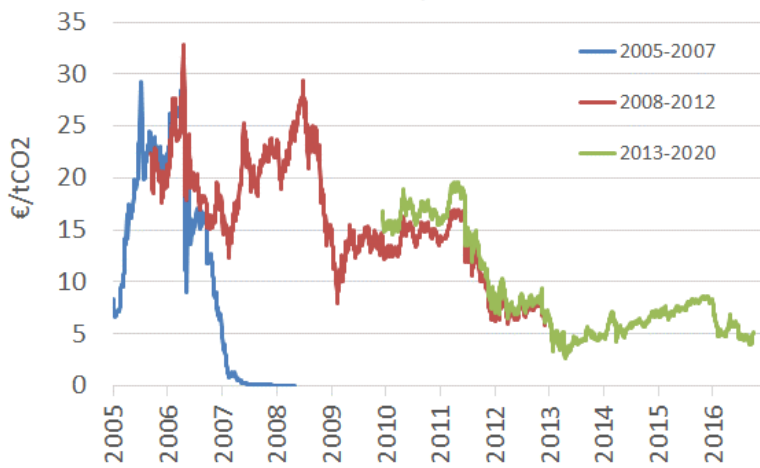
EU-ETS price driven by short term power sector hedging whereas long term investments are required

Market Stability Reserve aims to restore CO₂ price enabling decarbonisation

Modelling the power sector in different configurations : demand, RES development, coal/gas price

Study performed to assess the resilience of MSR

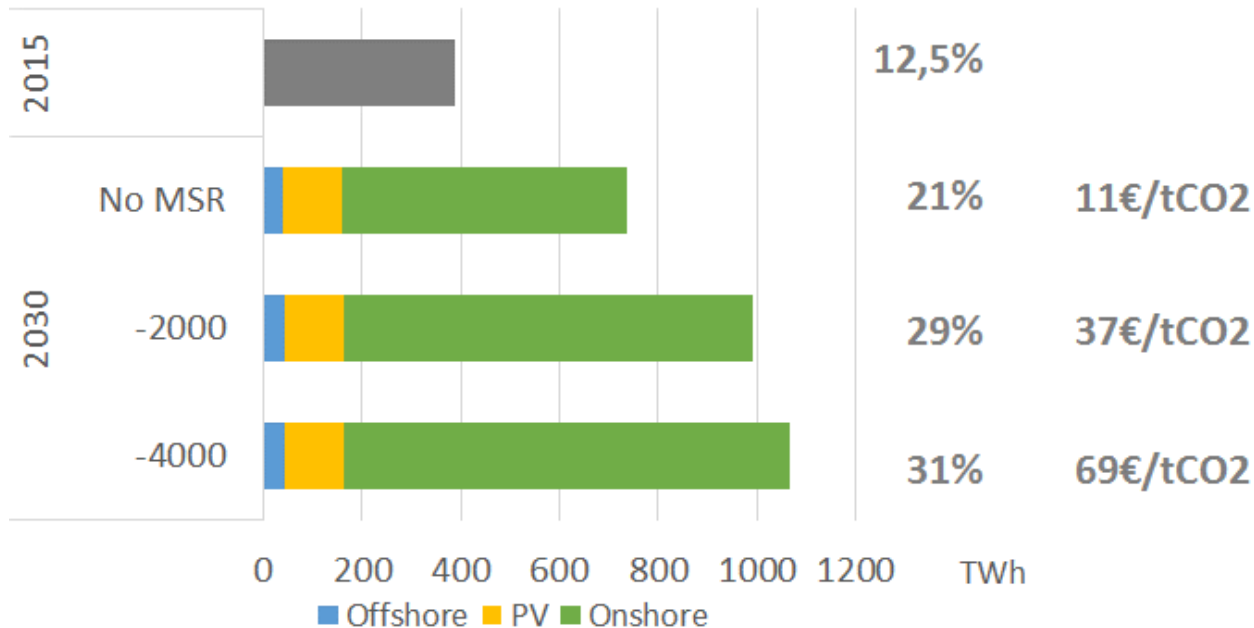
EU-ETS price



Why a dynamic adjustment of MSR could provide better incentives for low carbon technologies ?

CO₂ PRICE IMPROVES MATURE RES COMPETITIVENESS

RES proportion in 2030
Economic development (no RES target)



More ambitious MSR behaviour would increase CO₂ price making RES target achievable without support thanks to mature technologies

Economic development of on shore wind could make available funding to promote non mature technologies

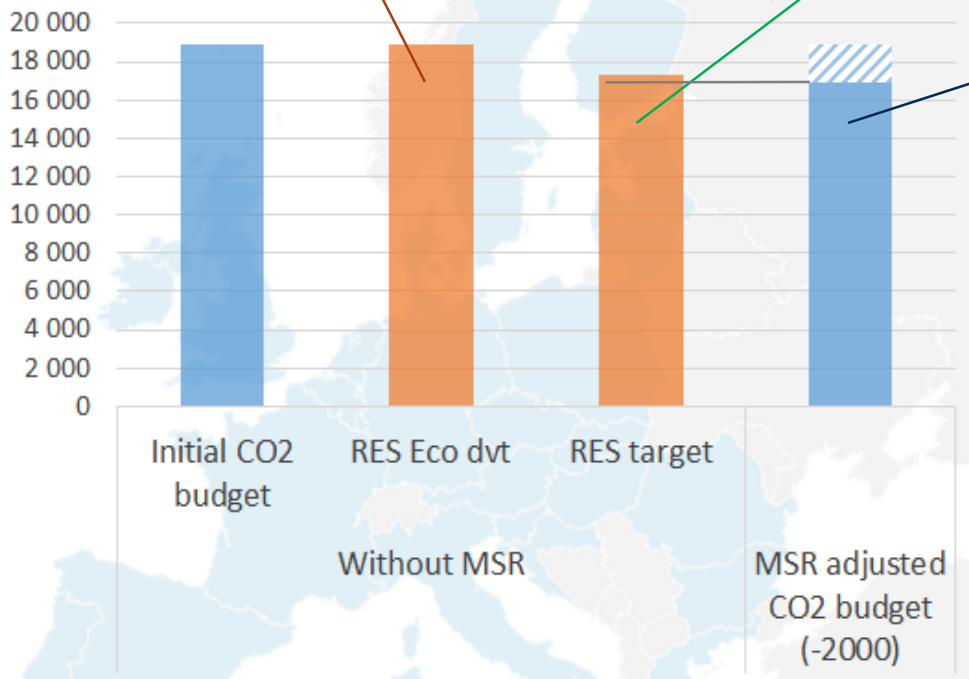
MSR EFFECT COULD BE LIMITED BY POLICIES OVERLAPS...

With RES economic development, ETS target reached with only 11€/tCO₂ in 2030

RES supports generate reductions almost complying the 2000 MtCO₂ adjusted cap

If MSR is able to absorb only 2000 MEUA, low value of ETS price in 2030 (23 €/tCO₂)

Power sector CO₂ emissions until 2030



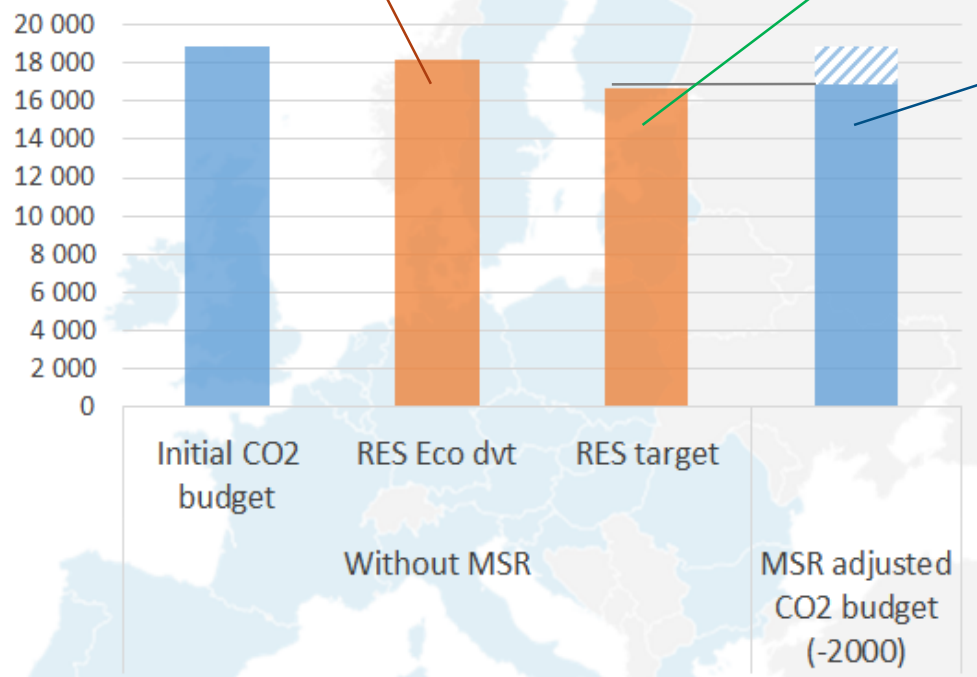
... AND EVEN CANCELLED IN LOW GAS PRICE CONTEXT

With RES economic development, ETS target reached without ETS price

RES supports drives emissions under the 2000 MtCO₂ adjusted cap

If MSR is able to absorb only 2000 MEUA, CO₂ target reached without ETS price until 2030

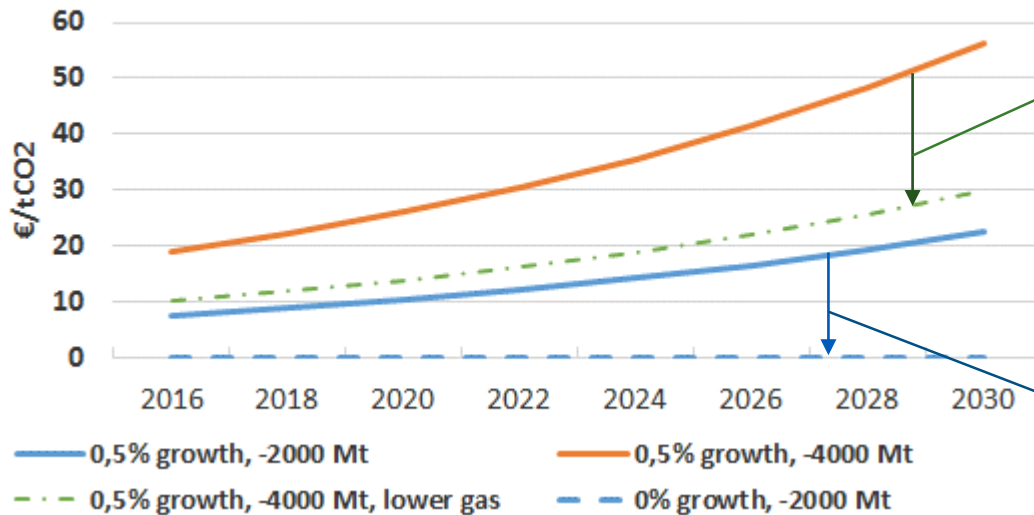
Power sector CO₂ emissions until 2030



MSR should be able to address the impacts of other targets that make the EU-ETS residual and prevent it to generate emission reductions in a cost efficient way

MSR COULD FACE WITH DIFFERENT EXTERNAL SHOCKS

Carbon price with RES target according to MSR reserve volume, growth rate and prices



Even with enhanced MSR, fuel prices more favourable for gas would reduce emissions and ETS price would hardly reach 30 €/tCO₂ in 2030

Lower GDP or ambitious EE policy could slow the electricity demand increase, and strongly depress carbon price

Similar effect would appear with any national initiative leading to a large decrease of emissions (e.g. switch from existing coal to gas)

MSR should adapt to the evolution of EUA demand in order to guarantee a more predicable evolution of carbon price giving an clear incentive to invest in low carbon technologies

CONCLUSION

Lack of coherence in
Climate-Energy targets
to reduce emissions in a
cost effective way

Uncertainty on fossil
fuel prices and power
demand

**Necessity of a dynamic management
of EU-ETS / MSR to incentivize
investment in low carbon technologies**

Thank you for your attention

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