Polish perspective on the future of the EU ETS up to 2030

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The question of PRICE

- Reductions on track
- Price reflects state of the market
- Price stable – some argue too low…
- …but is it? crisis, RES, availability of cheap reductions
- Price support fought by CLIMA+

Many factors influencing price – too many unknowns to justify one off intervention
Current proposals to intervene in the market

3 “set aside” scenarios under consideration:
- 1,2 mld,
- 900 mln,
- 400 mln

Impact on value of auctioning revenues, situation of installation within allowances’ demand and prices in shortterm perspective
Impact of set aside on carbon prices

Source: KOBiZE, Point Carbon
Price signal long vs. short term

- Market not perfect to incentivise long-term investment – see IEM
- Short-term reduction cost-effective
- Price signal is there but ETS will never work to bring in expensive reductions if cheaper are available.
- Implementation of 24a will bring reductions but price will drop

Price at level guaranteeing cost-efficient reductions
Nevertheless changes needed

The reasons are many

- Very narrow scope – 40% of CO2
- Selective scope affects competition
- Not compatible with some objectives
- Targets production causing carbon leakage
- Ignores starting points of MSs
- Ignores energy mix choice

Reform post 2020 justified
Conditions for the reform

Full implementation + future ETS aligned with global process

- Reform only after all information in place
- Market report only valuable if experience full
- System must factor in global process
- Reductions in Europe could increase global emissions

Changes resulting from analysing experience after full implementation + global negotiations results
Polish proposals

Enlarging the scope

- Additional sectors could be added including maritime and inland transportation +
- Competition evened out
- Reducing the oil bill – $500bn
- More emphasis on consumption and real CO2 reductions

New sectors under the ETS
Polish proposals

Stretching the boarders

- Neighbouring countries to be hooked up with ETS
- Energy Community and Neighbourhood Policy countries
- Carbon leakage limited
- Advertisement of ETS globally
- Building stronger coalition

New countries under the ETS
Polish proposals

Changing the allocation methods in industry

- Community-wide product benchmarks ignore inherited fuel mix
- They are not competition neutral
- Wipe out certain technologies
- Fuel benchmarks fix above issues
- They eliminate state aid measures that would be needed to mitigate high price effect

Fuel benchmarks – true technological neutrality
Polish proposals

Changing the allocation methods in power sector

- Carbon leakage possible
- Fuel mix and security of supply ignored
- IEM competition disturbed
- Fuel benchmarks fix above issues
- They mitigate price impact on consumers

Fuel benchmarks – truly fair competition
Polish proposals

Kyoto obligations reflected under ETS

- Poland will hit ca. 30% reductions under Kioto outperforming most EU members
- 2% of allowances redistributed to countries with similar track record
- Better gratification needed

AAUs hold a true value
Climate policy better aligned with energy policy and R&D policy

- Energy efficiency one of main tools to cut emissions, also nuclear and RES
- Security of supply, competitiveness and affordability needs to be maintained
- R&D at EU level needed to support demonstration of most promising low emission technologies

ETS will not meet objectives of other policies
Conclusions

- Short term ETS fix not justified
- Structural reform towards 2030 needed
- Enlarging the scope and changing allocation methods key proposals
- Global negotiations should influence the future of ETS
- Industrial policy objectives, energy policy objectives as well as R&D and fiscal can not all be met by ETS
THANK YOU FOR YOUR ATTENTION

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