Banking of Surplus Emissions Allowances - Does the volume matter?

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Carbon price development

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Neuhoff et al 2012, 26th June
What is the volume of unused CO2 allowances?

- Early auctioning (120 m)
- Early phase III NER (300 m)
- Retained phase II NER (350 m)
- High Renewables
- Current Policy Initiative
- Reference
- CDM/ JI credits linked to EU (1.7 bn)

Uncertainty about future emissions will remain
International offsets add to surplus
Timing of auctions increases surplus in 2012/13

Cap exceeds emissions

Volume of unused allowances (billion)
Who banks the unused allowances?

Banks buy allowances to sell forward/future/option contracts → No impact on demand

Speculative investment

Industry sector banks free allowances

Power sector uses allowances to hedge future power sale (flexibility on volume)
Vielen Dank für Ihre Aufmerksamkeit.

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Joint implementation - ERUs:
Issued: 143 million (UNEP JI Pipeline)
Issued: 184 million (Neuhoff et al. 2012)
EU ETS use: 99 million (CITL, 2012)

Sources:
IGES (2011, 2012) CER Data analysis and forecasting
UNEP Risoe (2011, 2012) CDM and JI Pipeline
CITL (2012) Verified Emissions Data
How many allowances does the power sector bank?

- Power hedged with non-fossil fuels generation
- Hedging corridor (fossil/non-fossil hedge possible)
- Power hedged with fossil generation
- Min CO2 hedging demand
- Max CO2 hedging demand