



19 July 2017

## **Feedback to comments about the EU ETS reform study commissioned by BusinessEurope**

Following the publication of the [EU ETS reform study](#) on 6 July 2017, BusinessEurope has received a few comments and questions. This document aims at responding to those questions and clarifying BusinessEurope' views when necessary. It will be kept up-to-date should we receive further questions or comments.

- **The study does not look at the risk of policy overlap** – That is correct, the potential impact of policy overlap on the EU ETS is not in the scope of the study. A number of studies have looked into the potential impact of overlapping policies. The exact extent of the overlap and its impact on the EU ETS remains subject to discussion. As a principle, BusinessEurope is of the opinion that policies and regulations overlapping with the EU ETS should be avoided.
- **The result of the study is dependent on the optimistic outlook for fuels price.** Indeed, the fuel price assumptions lay a significant role in all scenarios. The fuel price outlook used in the study is based on the International Energy Agency (IEA) reference scenario which is widely used in impact assessments by various institutions including the European Commission.
- **There is no guarantee of meeting future emissions reduction targets** – The study is focused on phase IV and does not quantify the impact on emissions reduction after 2030. However, contrary to some comments, the market stability reserve – even more with doubling of the intake rate - is expected to play a significant role to prevent the market surplus from being used up to increase emissions.
- **The EUA market time horizon is a very short-term one, there is no long-term market hedging behavior** – The modeling is based on realistic behaviors of market participants. The conclusion of the study that “*The (temporary) doubling of MSR intake rate would facilitate the market re-balancing as early as 2017 with agents taking speculative positions in anticipation of higher carbon prices in the future.*” rely on assumptions about agents behavior which has been sourced from various studies. More details on a sensitivity analysis to the time horizon of market players can be provided upon request.
- **The graph on slide 5 of the full report is misleading.** – This graph showing the cumulative surplus and EUA price from 2005 – 2015 does not lead to any conclusions. It is just showing the state of the market as of 2015.

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