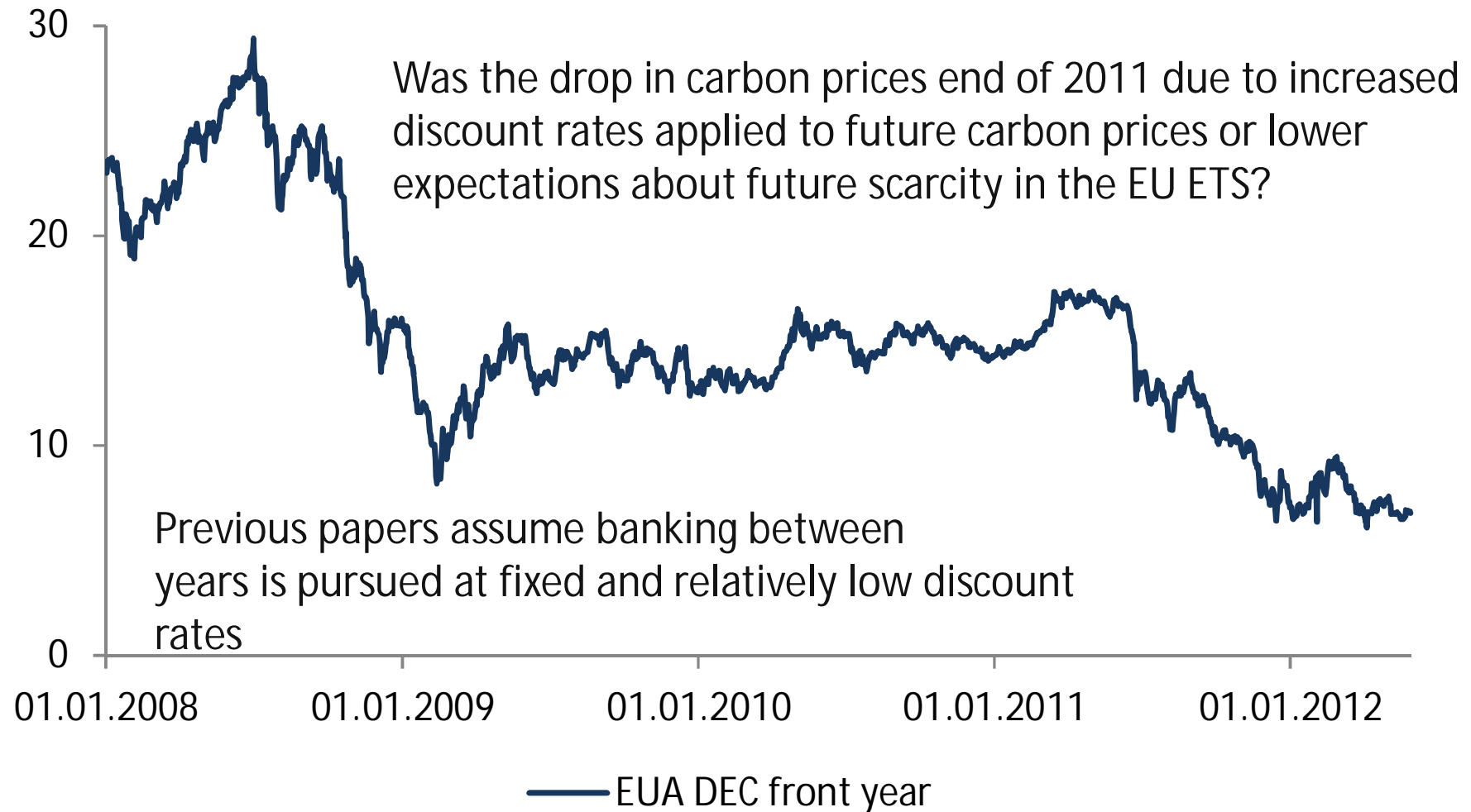

Banking of Surplus Emissions Allowances - Does the volume matter?

Karsten Neuhoff, Anne Schopp, Rodney Boyd, Kateryna Stelmakh and Alexander Vasa
A Toxa, 26th June

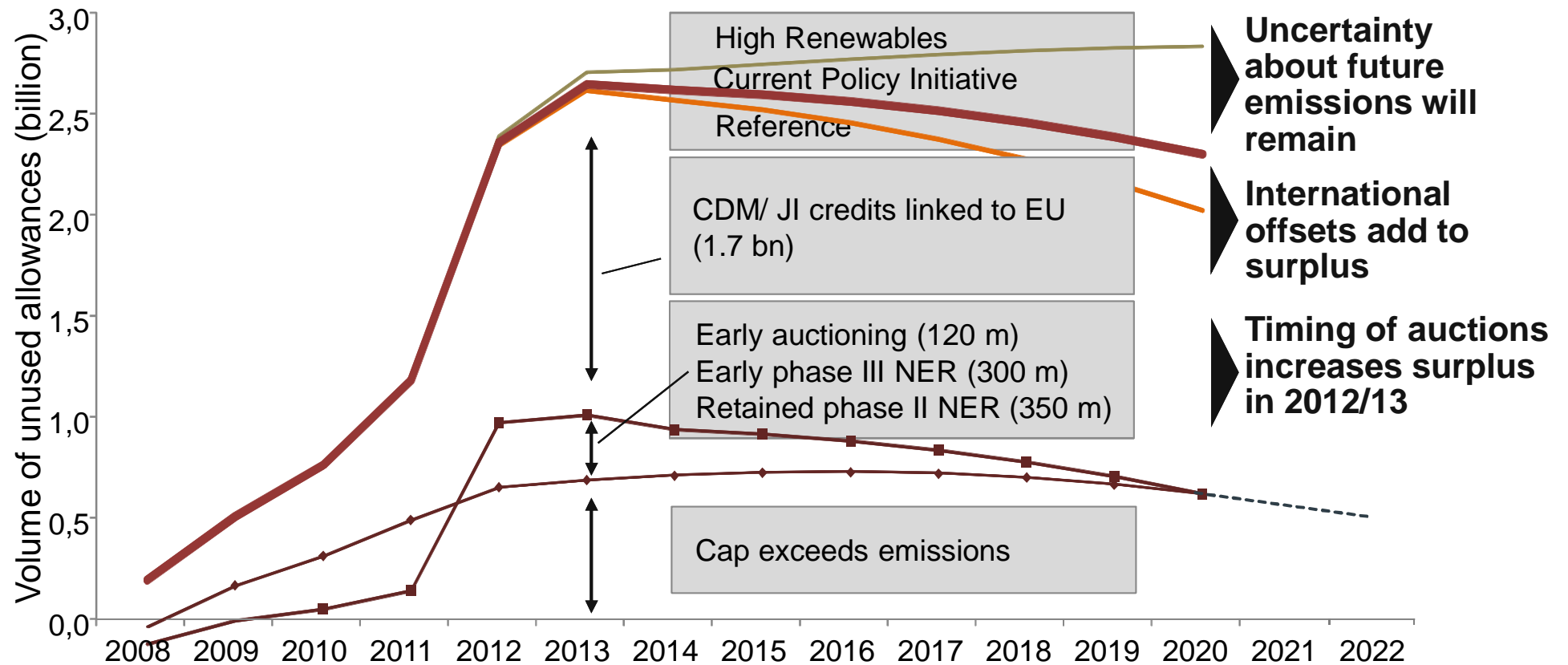


Was the drop in carbon prices end of 2011 due to increased discount rates applied to future carbon prices or lower expectations about future scarcity in the EU ETS?

- Bottom-up quantification of the supply and demand of allowances in the EU ETS
- 20 Semi-structured interviews with power generators, industrial emitters and financial investors on their strategies and requirements for banking CO2 allowances
- Apply demand-supply balance to analyze timing and scale of policy options

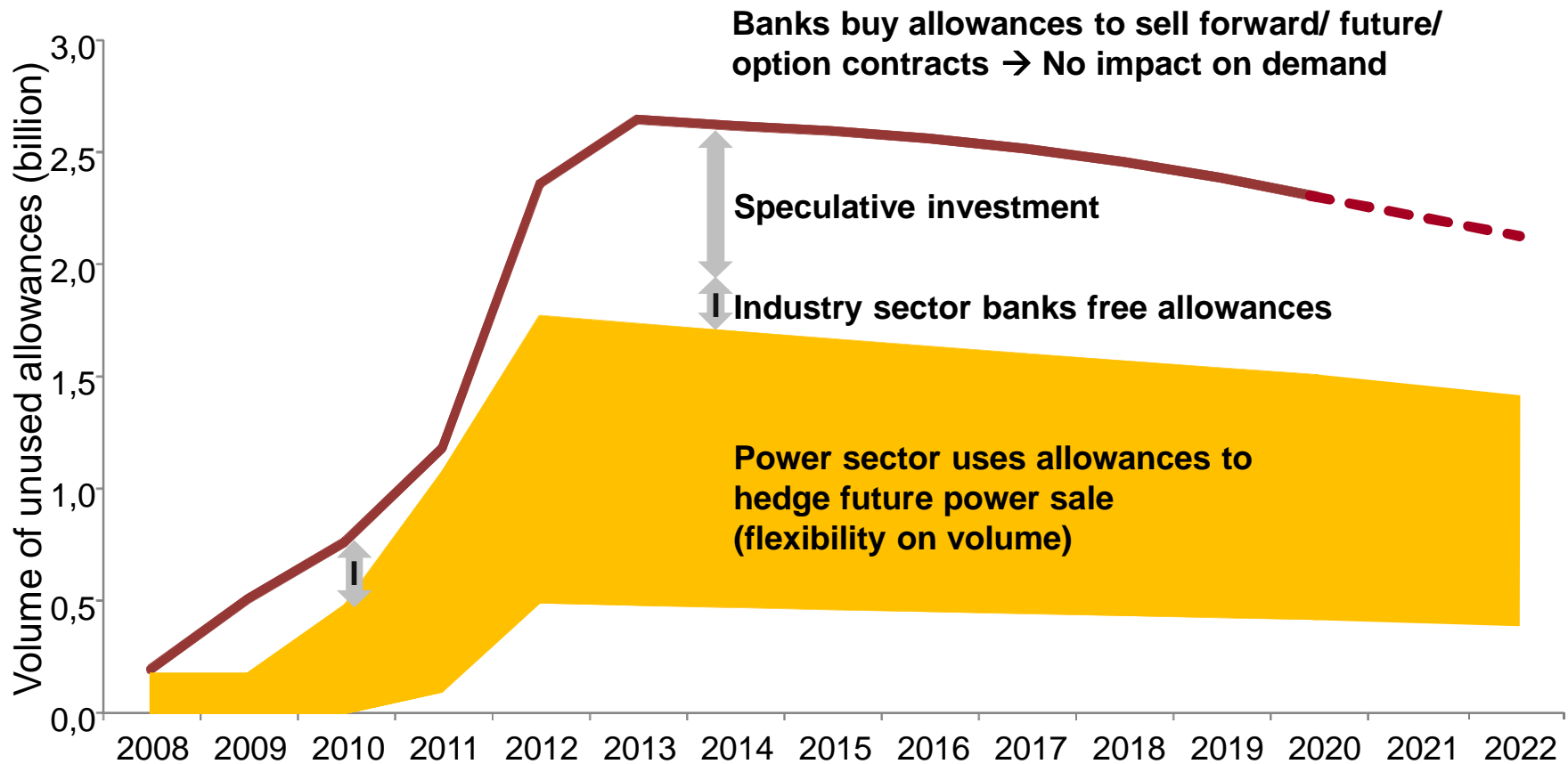
3

Results - What is the volume of unused CO2 allowances?



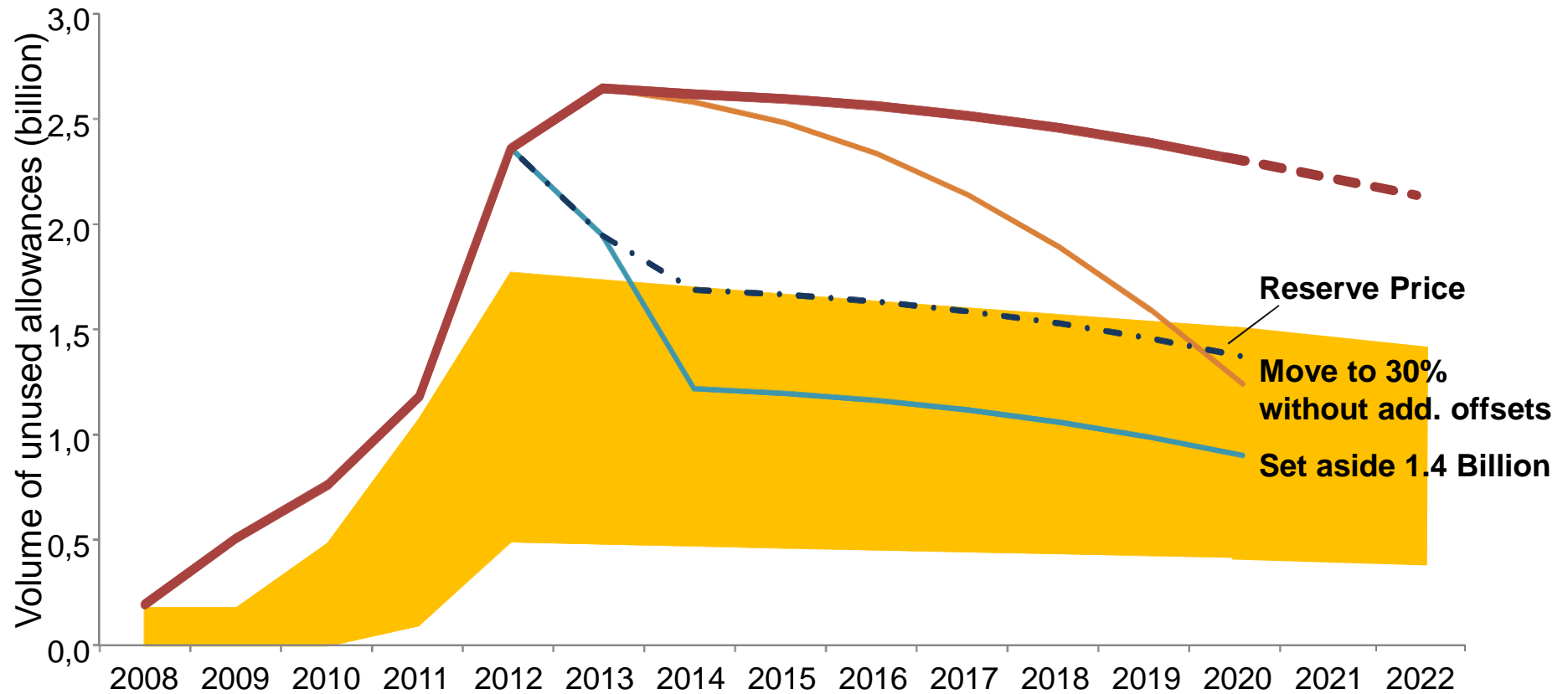
3

Results - Who banks the unused allowances?



3

Results - What are implications for timing and scale of policy?



- In the EU ETS surplus is estimated to cumulate to 2.7 billion tonnes by 2013/2014.
- Volume of unused allowances matters for the discount applied to future carbon prices.
- No assessment of the emissions cap post 2020 and how it impacts on expectations about future scarcity. No discussion of the details of the implementation of any of the policy options for early intervention in EU ETS.
- Uncertainties remain regarding inflow of CER and flexibility in hedging demand by power sector.

Vielen Dank für Ihre Aufmerksamkeit.



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