

# The Market Stability Reserve

## Why delay a good thing? – The urgent need for an early Start of the MSR

Christopher Delbrück, CEO, E.ON Global Commodities SE  
EEF Dinner, Strasbourg, 13 January 2015

# Why E.ON supports the EU ETS

One Single Market  
for carbon



*Frag-ment-ed*

Vs.



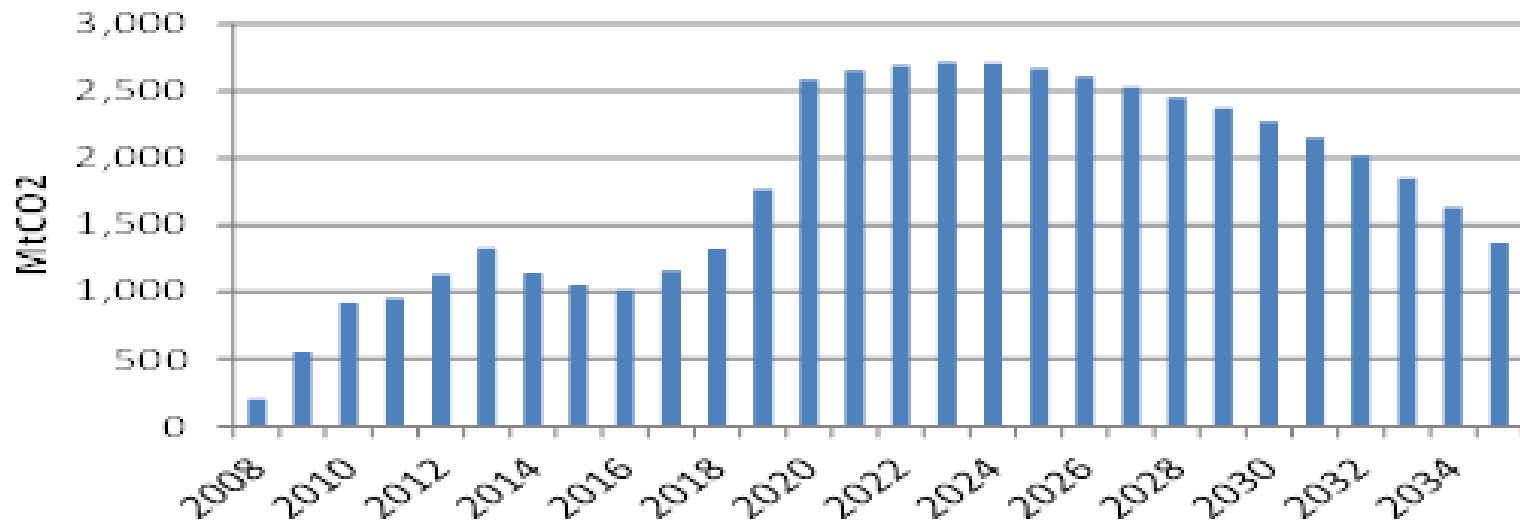
uncertainty

**High COST**

**e-on**

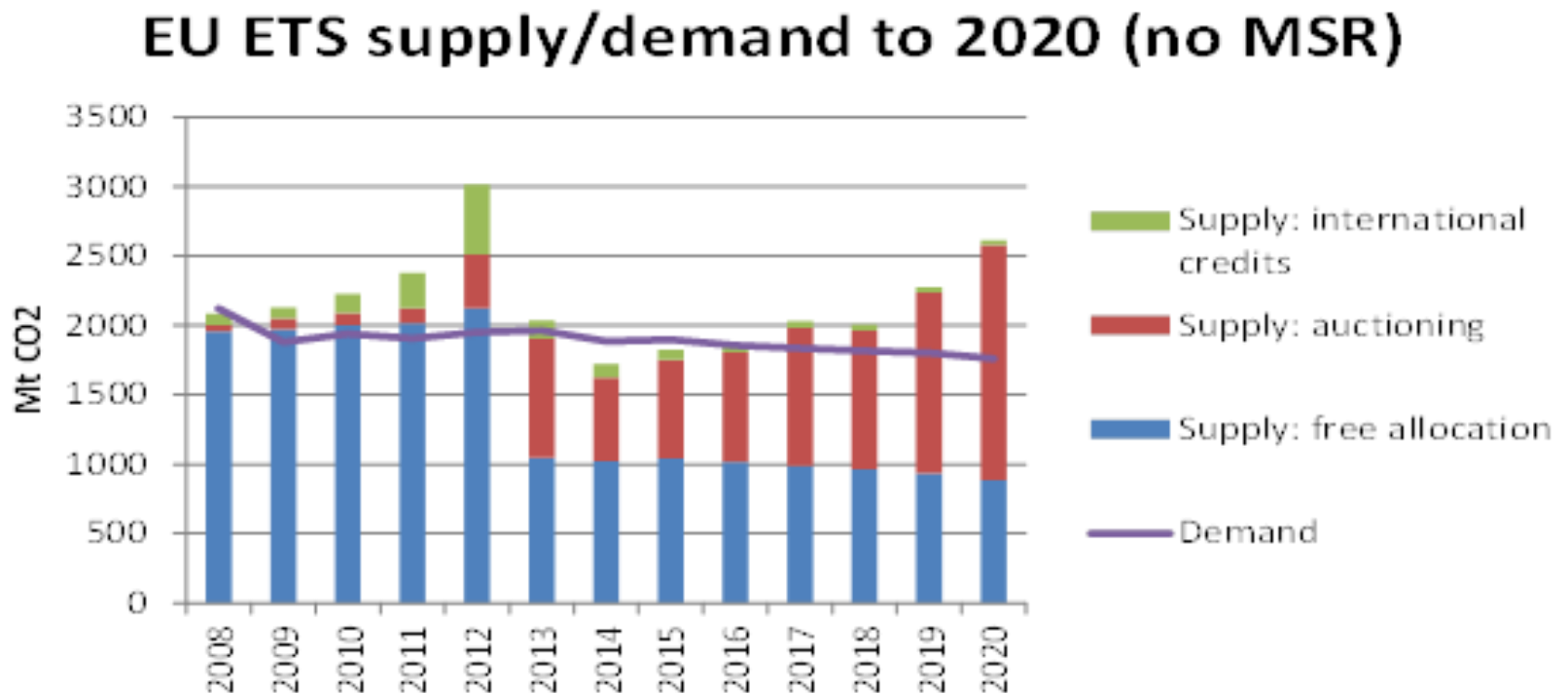
# The need for stability and above all scarcity

## Projected surplus in system (current policies)



Long-term view on the market without intervention

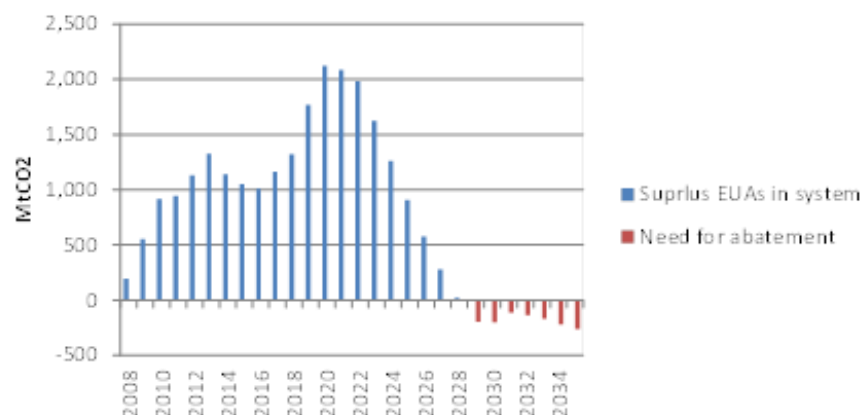
# The need for stability sooner than later



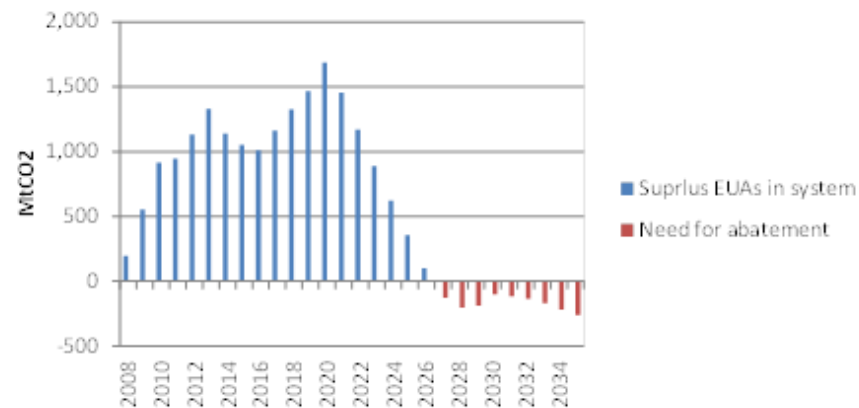
Current Market Situation – until 2020 auction volumes

# Why an early start date matters

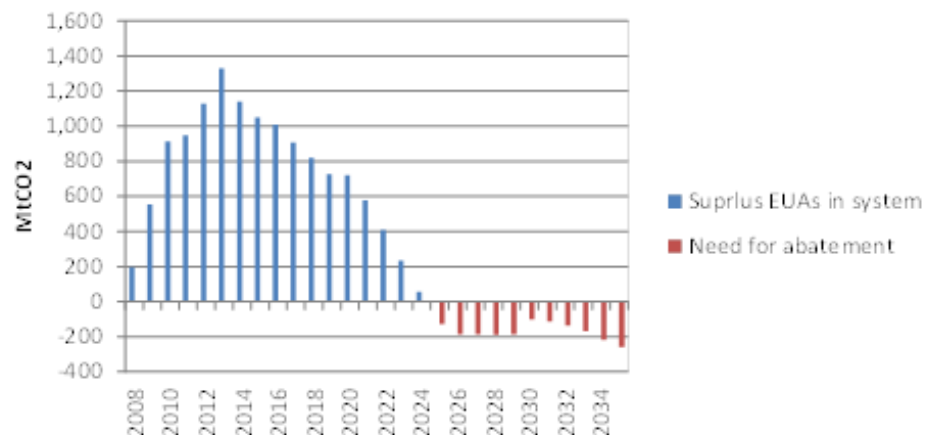
MSR starts 2021, back-loading returns



MSR starts 2021, back-loading to reserve



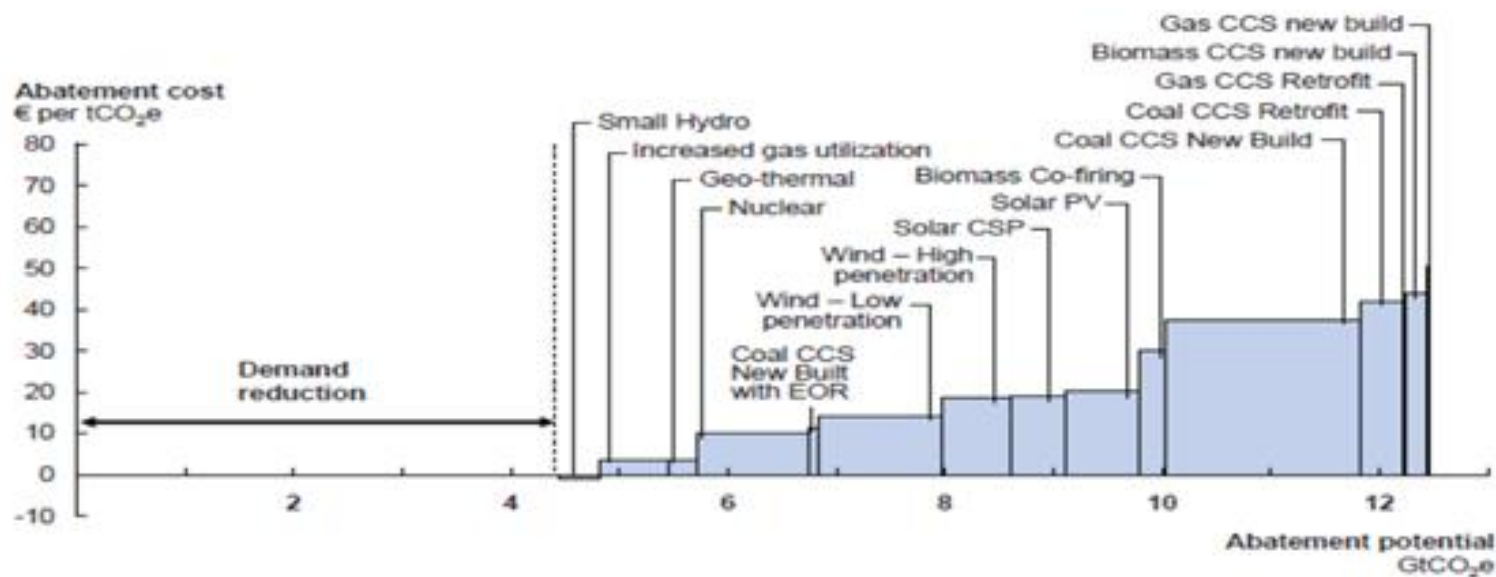
MSR starts 2017, back-loading to reserve



# Reasons for an early MSR: Demand side (1)

## Global GHG abatement cost curve for the Power sector – Scenario B: 50% growth of renewables and nuclear energy

Societal perspective; 2030



Note: The curve presents an estimate of the potential of all technical GHG abatement measures below €60 per tCO<sub>2</sub>e if each lever was pursued aggressively, taking into account the supply assumptions of scenario B. It is not a forecast of what role different abatement measures and technologies will play.  
Source: Global GHG Abatement Cost Curve v2.0

McKinsey & Company. (2009). "Pathway to a Low-Carbon Economy"

## ,Reasons for an early MSR (2)

- Avoid another ,Lost Decade‘ for investors
- Incentivise low-hanging fruit on the demand side
- Ensure abatement occurs in the most cost-efficient way
- Apply the ,Polluter-Pays‘ principle and avoid locking-in carbon

And perhaps most of all:

- Strengthen the EU's position ahead of COP-21 and send a strong signal to other international markets

Thank you for your attention!



# Annex I: Market Stability Reserve (E.ON Position)

- in line with DE and UK government positions:
- **Early start**: Mechanism to launch significantly before IV trading period, i.e. already in 2017.
- **Backloaded allowances (900m)** to be transferred directly to the Reserve
- **Swift sign off of the MSR proposal** – ideally by mid 2015 – to ensure early implementation, certainty and EU position ahead of COP21.
- **Higher extraction factor (>12%)** – ideally to swiftly eliminate the surplus and restore the correct balance in the EU ETS.