



The MSR: Impact on balance and prices

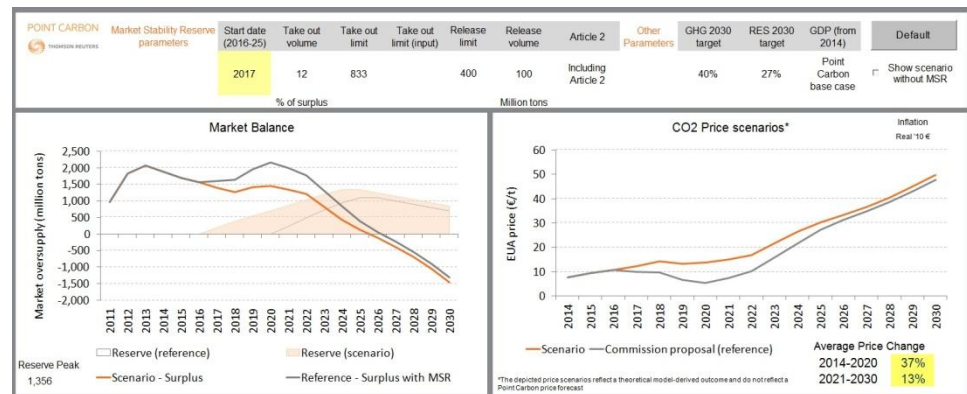
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Scenario visualisation tool

- Shows the impact on market balance and prices
- Multiple parameters can be changed
 - Trigger levels
 - Starting point
 - Return of backloaded allowances
 - EU GHG target and RES targets
 - GDP scenarios



The market stability reserve

- Market stability reserve implemented from 2021
- 12% of oversupply will be taken out
 - For example: 2 billion surplus x 12% = 240 Mt to MSR
 - Upper trigger = 833 Mt
 - 833 Mt x 12% = 99.9 Mt, the minimum transfer to MSR is 100 Mt
 - Lower trigger = 400 Mt
 - 100 Mt will be released if oversupply falls below 400 Mt
- Backloading of backloading
 - Auctioning volume in 2020 reduced by 421 Mt which is moved to 2021/22

Price forecast: key assumptions

- 40% GHG reductions → 2.2% cap reduction factor from 2021
- 27% share of renewables in final energy consumption
- Market stability reserve implemented from 2021
 - Base case in line with EC proposal
- No additional credits after 2020, no linking
- GDP growth of 1.7% per year from 2015-2020 and 1.9% per year from 2021-2030

Selected scenarios

The following slides provide a number of selected scenarios to show the impact of single changes to the set of parameters.

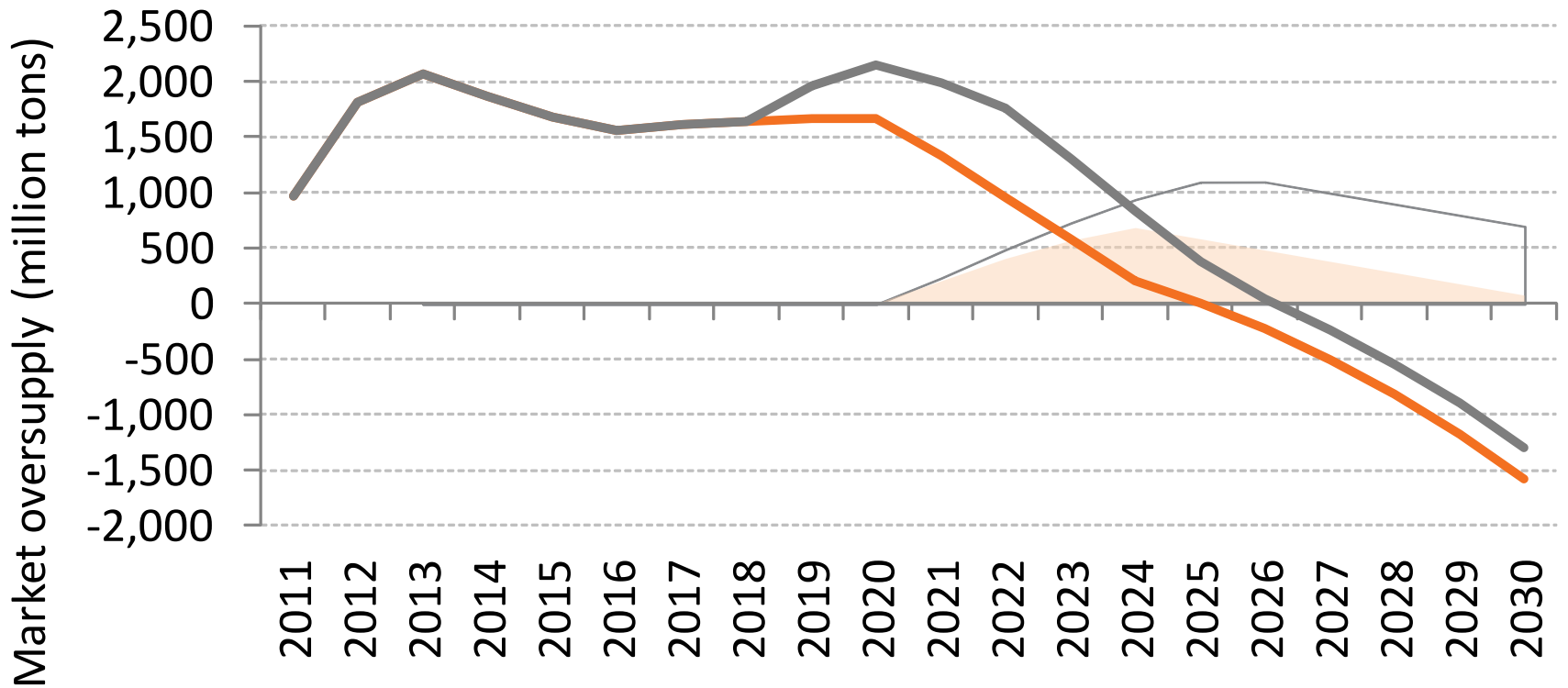
- Permanent cancellation backloaded allowances (900 million)
- Permanent cancellation (900 Mt) + start date 2017
- Permanent cancellation (900 Mt) + start date 2017 + release volume 50 Mt p/a + change of takeout volume to 15%

Please note: The prices attached to the scenarios reflect a theoretical model-derived outcome and do not reflect a Point Carbon price forecast. The price changes provide an indication of the importance of the changed MSR parameter and have to be considered as indicative.

Permanent cancellation of backloaded allowances (900 million)

Permanent cancellation (900 Mt) - balance

Market Balance



□ Reserve (reference)

■ Reserve (scenario)

— Scenario - Surplus

— Reference - Surplus with MSR

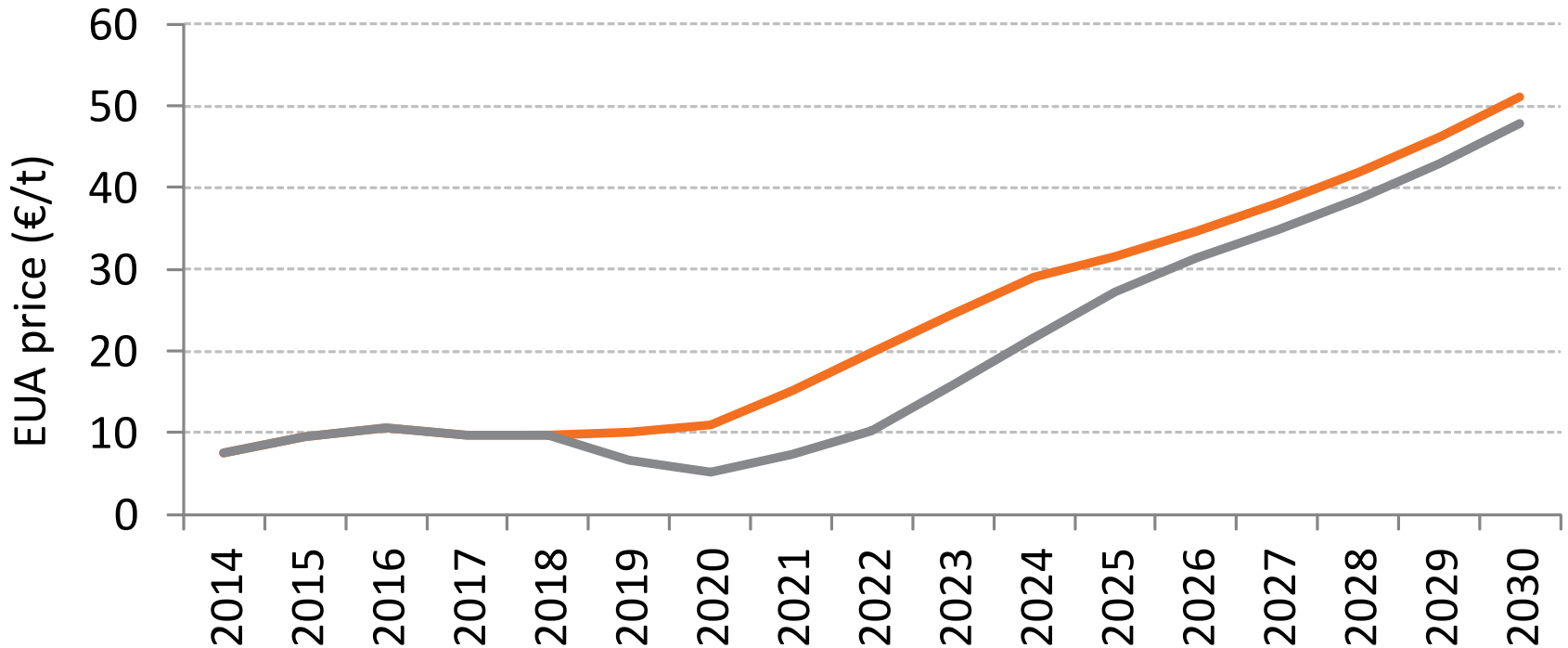
Reserve Peak

675

Permanent cancellation (900 Mt) - price

CO2 Price scenarios*

Inflation
Real '10 €



— Scenario — Commission proposal (reference)

Average Price Change

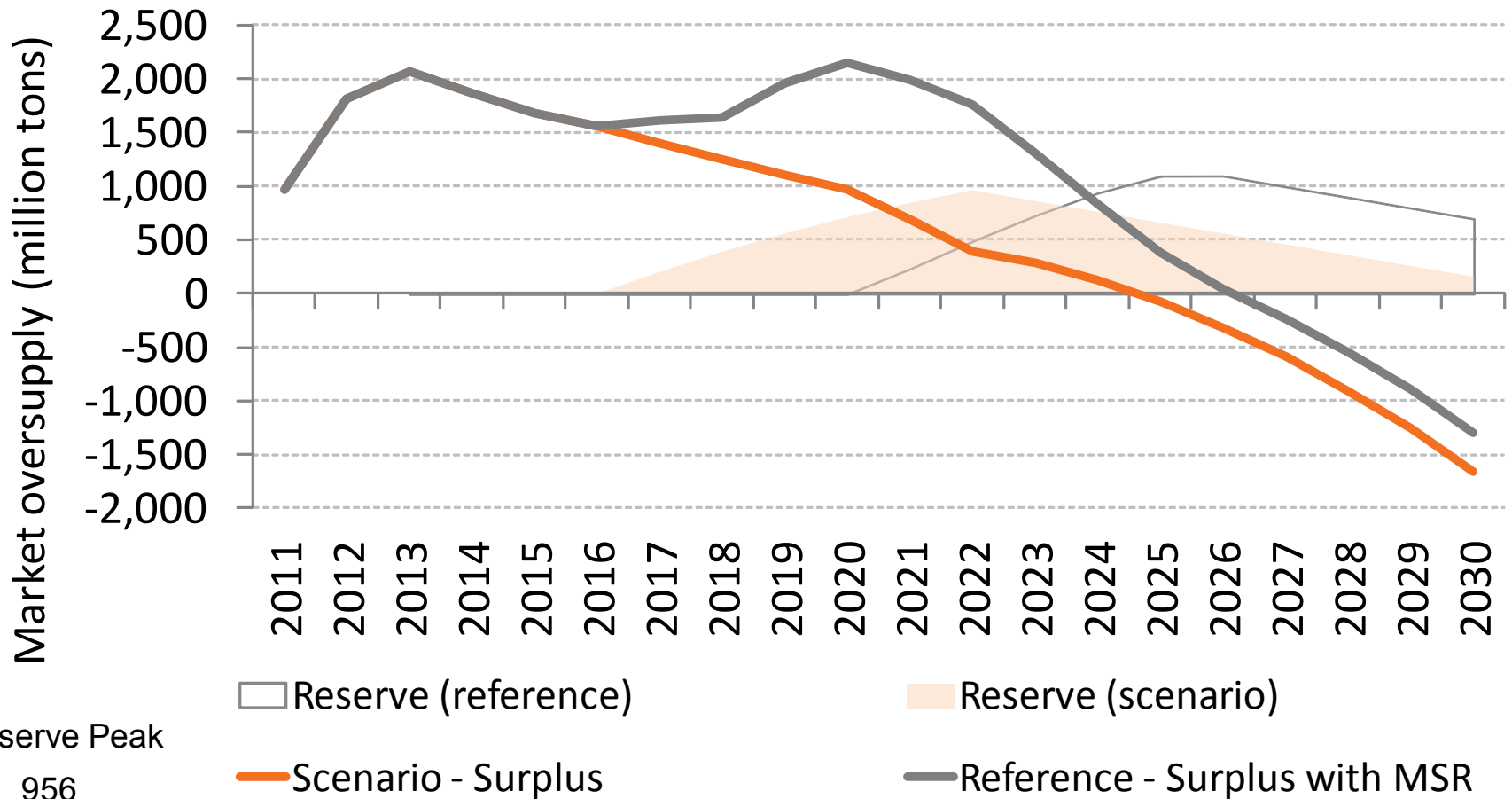
2014-2020	16%
2021-2030	19%

*The depicted price scenarios reflect a theoretical model-derived outcome and do not reflect a Point Carbon price forecast

Permanent cancellation (900 Mt) + start date 2017

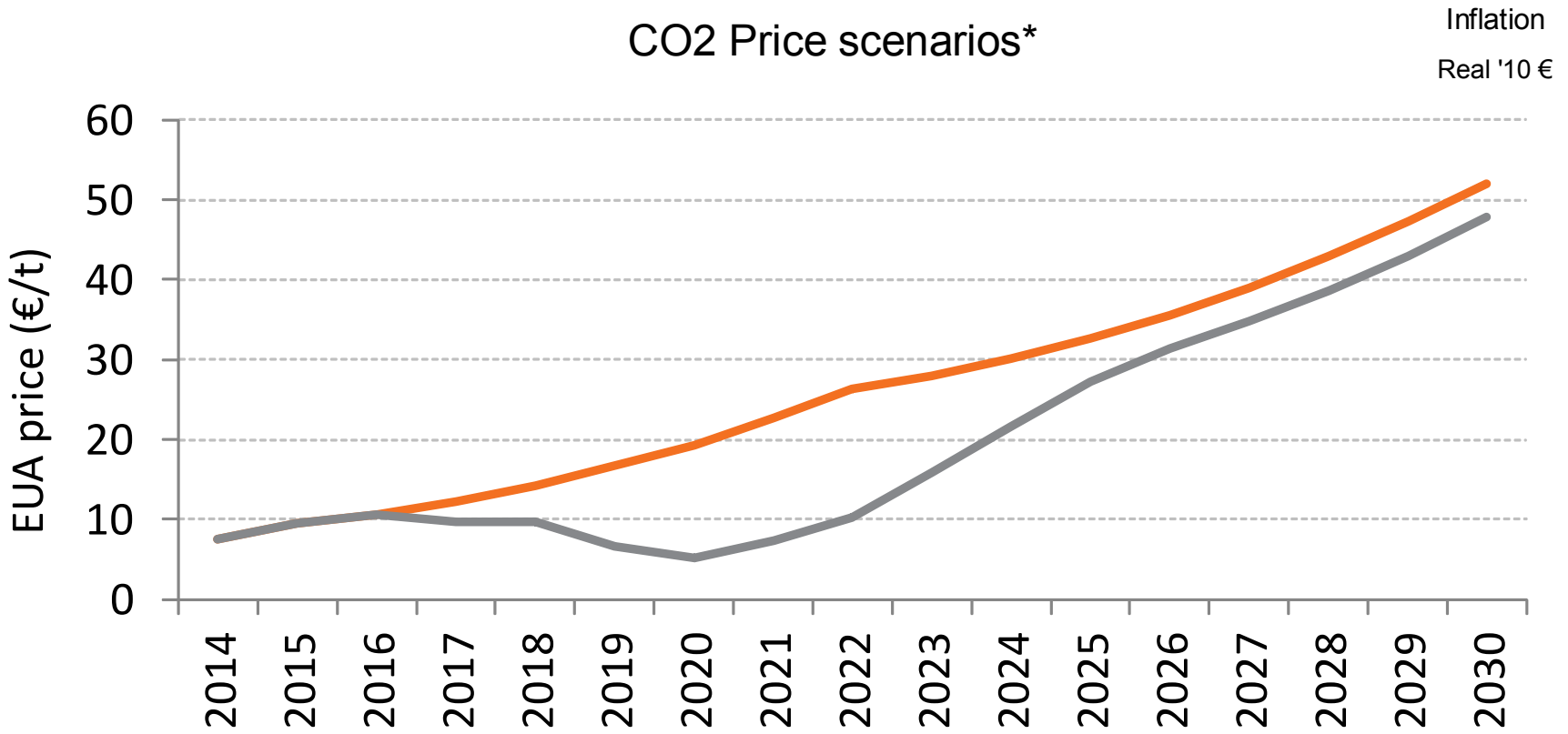
Permanent cancellation + early start date (2017) - balance

Market Balance



Reserve Peak
956

Permanent cancellation + early start date (2017) - price



— Scenario — Commission proposal (reference)

Average Price Change

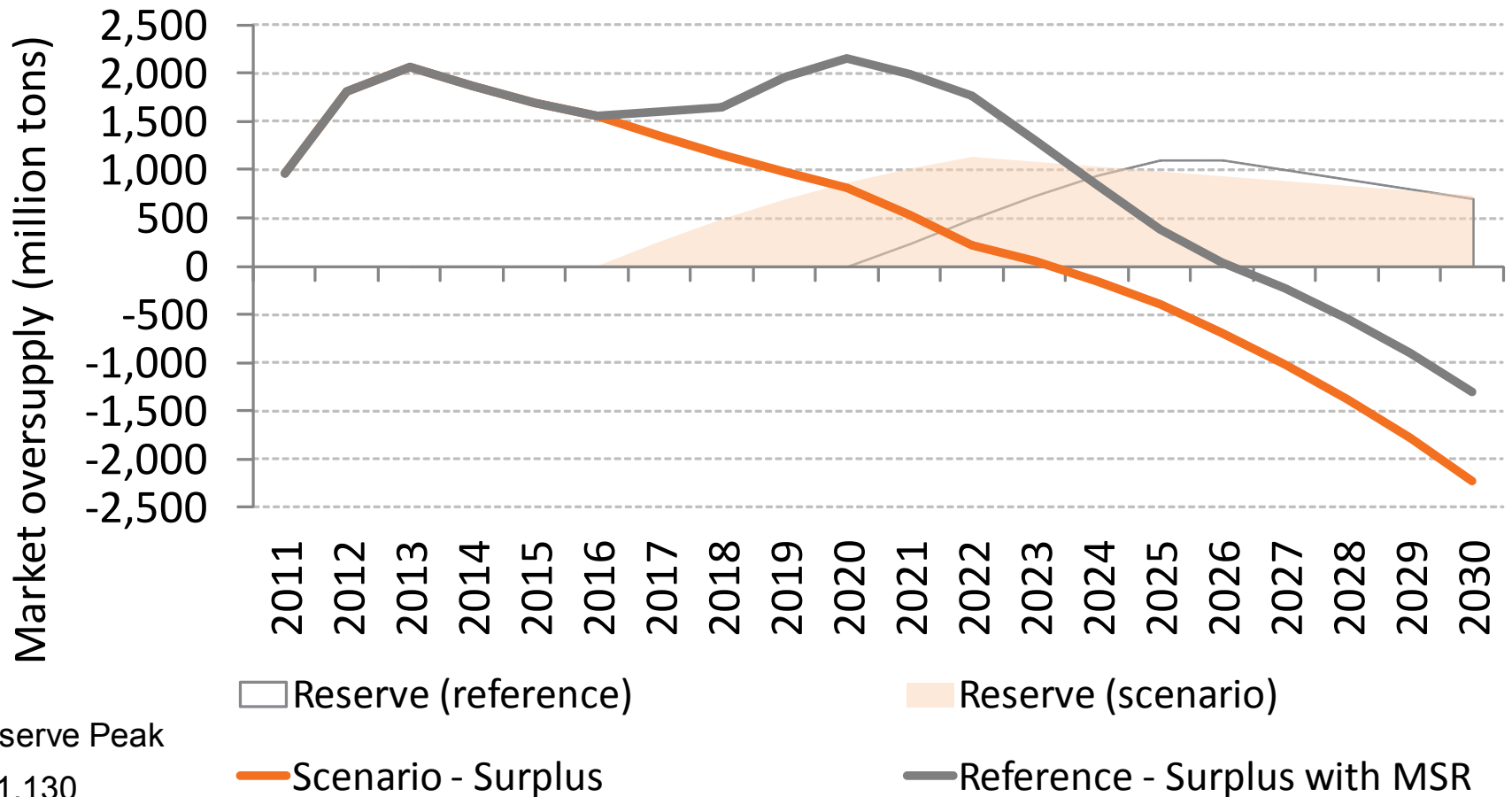
2014-2020	53%
2021-2030	28%

*The depicted price scenarios reflect a theoretical model-derived outcome and do not reflect a Point Carbon price forecast

Permanent cancellation (900 Mt) + start date 2017 + release volume 50 Mt p/a + change of takeout volume to 15%

Permanent cancellation + early start date (2017) + 50 Mt release volume + 15% takeout volume - balance

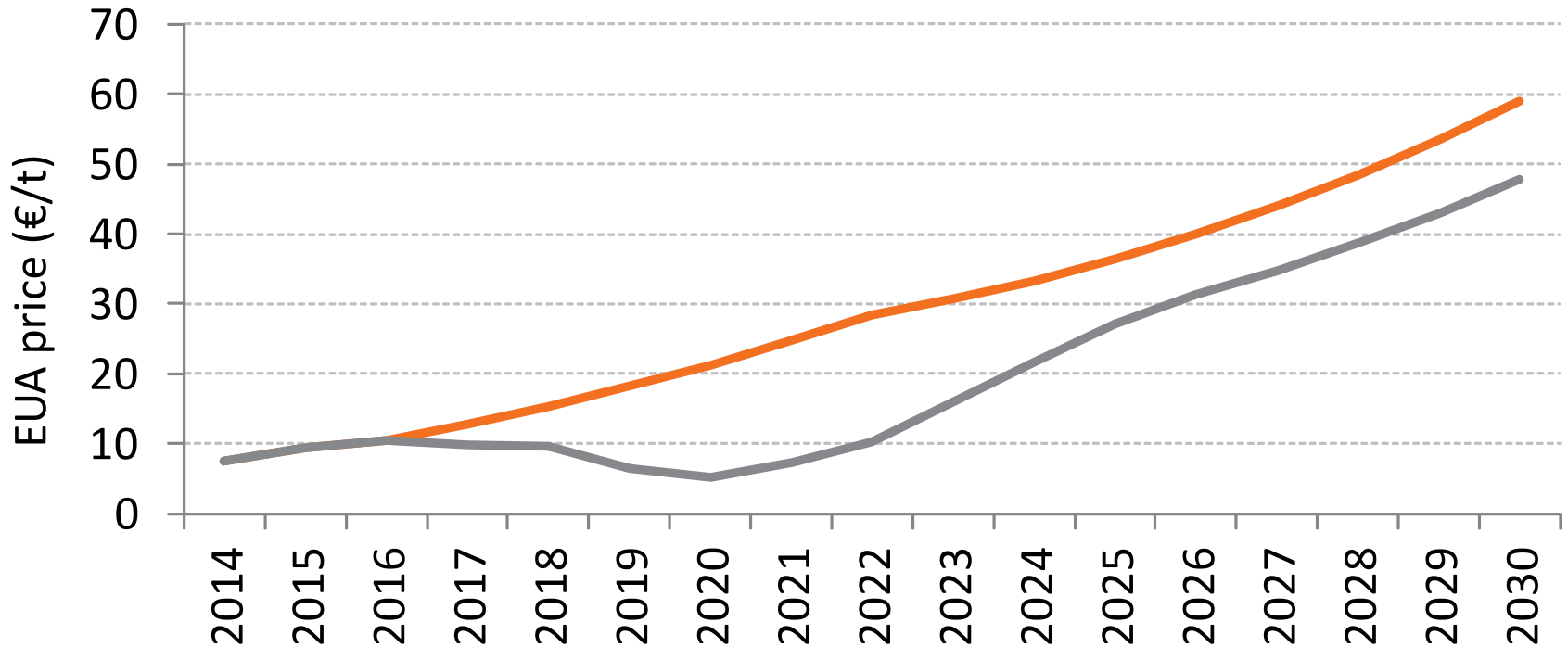
Market Balance



Permanent cancellation + early start date (2017) + 50 Mt release volume + 15% take out volume - price

CO2 Price scenarios*

Inflation
Real '10 €



— Scenario — Commission proposal (reference)

Average Price Change

2014-2020 **62%**

2021-2030 **43%**

*The depicted price scenarios reflect a theoretical model-derived outcome and do not reflect a Point Carbon price forecast

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