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Market Stability Reserve: Europe needs a strong signal on carbon price

EU energy associations EURELECTRIC and Eurogas today hosted an event in the European Parliament, urging MEPs to adopt a stronger and faster Market Stability Reserve (MSR) that would strengthen the EU Emissions Trading System (ETS). This event comes ahead of the Parliament's Committee for Industry, Research and Energy (ITRE) vote planned for 22 January, on the Commission's proposal to amend the ETS by the introduction of an MSR.

Action is urgently needed to ensure that the ETS generates a carbon price that is relevant to the operational and capital investment decisions that companies are making today. Introducing the MSR into the ETS is a means to address the oversupply of ETS allowances. However, the current proposals are unlikely to have a material impact on the ETS surplus until well into the middle of the next decade. Speakers at today's event thus called for the MSR to start in 2017 rather than 2021 and for back-loaded allowances to be immediately transferred into the MSR, rather than being released to the market. The event was supported by MEP Peter Liese.

Leonhard Birnbaum, Member of the Board of Management, E.ON, said: *"The current carbon price neither reflects Europe's agreed targets for 2030 nor the envisaged 80-95% CO2 reduction target for 2050. The EU ETS is thus not in any way providing an adequate price signal for investors which is resulting in a lack of faith in the system being able to deliver. Governments across Europe are once again considering national measures which are more costly and distort the single market. This will benefit no one – at the very least our customers – which is why we must act swiftly. This is why we support an early as possible start date for the MSR: it makes economic sense."*

Pavel Cyrani, Chief Commercial and Strategy Officer, CEZ, said: *"The MSR offers solutions on two of the key problems of the ETS: it eliminates today's oversupply while ensuring that – as in any other market – supply is constantly adjusted to demand. What appears to be an intervention in the ETS is actually just a fix to a design mistake that dates back to the origins of the ETS, ensuring a proper supply-demand adjustment and making the mechanism flexible enough to protect the market effectively against external supply shocks. However, in order to be functional, the MSR must start in 2017."*

Petteri Taalas, Member of the Board, Fortum, said: *"Companies engaged in Europe's decarbonisation agenda need a clear price signal to drive their operational and capital investment decisions today. A higher carbon price would drive low-carbon investment and would increase member states' auctioning revenues, taking pressure away from national taxation. We therefore call on MEPs to support advancing the start date for the MSR to 2017 as well as the immediate transfer of the 900m backloaded EUAs into the MSR."*

Peter Liese, MEP (EPP, DE), said: *“An early start of the MSR is especially needed to avoid bureaucratic measures at national level that hamper the internal market. I think it is realistic that Parliament approves an early start but for my group it is very important that we have the best possible safeguards for energy intensive industry to avoid carbon leakage.”*

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About EURELECTRIC

EURELECTRIC is the voice of the electricity industry in Europe. We represent the power sector in over 30 European countries, speaking for more than 3,500 companies in power generation, distribution, and supply. We also have affiliates and associates on several other continents. Our permanent secretariat is based in Brussels. More information on our activities is available at www.eurelectric.org.

About Eurogas

Eurogas is an association representing 41 companies and associations engaged in the wholesale, retail and distribution of gas in Europe. Eurogas provides data and information relevant to EU decision makers and opinion formers in making the right policy choices.

<http://www.eurogas.org>

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