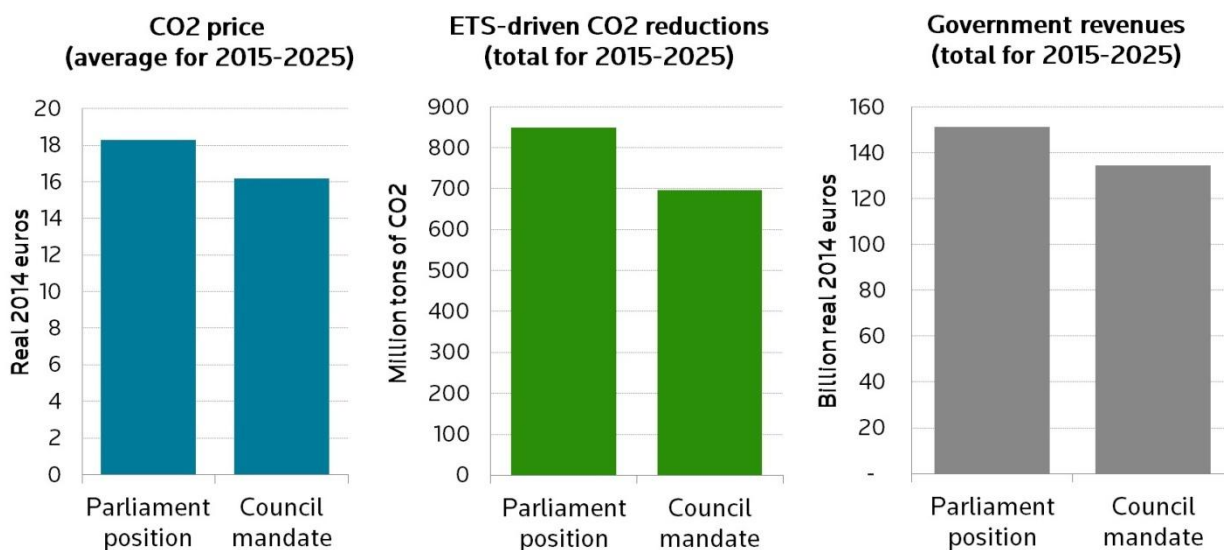


Future of EU carbon market still at stake as governments remain at odds: analysis from Point Carbon team at Thomson Reuters

Decisions taken at closed-door meetings in the next month will have a significant influence on how EU acts on climate change and how much this action will cost its economy, according to the **Point Carbon team at Thomson Reuters**. Highlights follow below:

- “As we hear relatively little from the closed-door discussions, many may have the impression that the EU is closing in on a deal to reform the carbon market, and only details are left to iron out. In fact, the debate is intense and the details will determine how successful EU’s climate efforts will be”, said Emil Dimantchev, senior analyst at Thomson Reuters.
- The two co-legislators, the Parliament and the Council are at odds on how to design the mechanism (called Market Stability Reserve) meant to fix the EU Emissions Trading System, one of its cornerstone climate policies. The main difference is that the Parliament is calling to start the reserve by the end of 2018, while the Council’s current negotiation position is to start the mechanism in 2021.
- Which of these two options is adopted will determine whether governments can raise around 15 billion euros in revenues from the carbon market in the next decade, according to Thomson Reuters projections.
- The difference between the CO2 emissions that will result from either option in the next ten years is equal to the annual emissions of 50 medium-sized coal plants, according to Thomson Reuters analysis. “Reforming the ETS earlier than 2021 will allow the EU to leverage its price on carbon to bring about significant cost-effective emission reductions, and lower the overall cost of its climate objectives.” added Dimantchev.

Thomson Reuters forecast for the impact of each position:



Total revenues from allowance auctions from 2015 to 2025 (forecast by Thomson Reuters)

Revenues in Million €	European Commission MSR proposal	Parliament MSR position	Council MSR mandate from 25 March	Parliament position (vs. EC proposal)	Council Mandate (vs. EC proposal)
Austria	1,581	2,178	1,935	+ 38%	+ 22%
Belgium	2,712	3,718	3,314	+ 37%	+ 22%
Bulgaria	2,197	3,000	2,678	+ 37%	+ 22%
Cyprus	363	505	446	+ 39%	+ 23%
Czech Republic	4,271	5,925	5,234	+ 39%	+ 23%
Germany	23,647	32,601	28,951	+ 38%	+ 22%
Denmark	1,347	1,844	1,645	+ 37%	+ 22%
Spain	8,563	11,655	10,436	+ 36%	+ 22%
Estonia	764	1,053	934	+ 38%	+ 22%
Finland	1,904	2,618	2,329	+ 38%	+ 22%
France	6,061	8,333	7,413	+ 37%	+ 22%
Great Britain	12,378	17,071	15,157	+ 38%	+ 22%
Greece	4,460	6,181	5,471	+ 39%	+ 23%
Croatia	625	862	760	+ 38%	+ 22%
Hungary	1,575	2,202	1,936	+ 40%	+ 23%
Ireland	987	1,353	1,206	+ 37%	+ 22%
Italy	10,688	14,671	13,065	+ 37%	+ 22%
Lithuania	523	723	640	+ 38%	+ 22%
Luxembourg	125	171	153	+ 37%	+ 22%
Latvia	289	401	354	+ 39%	+ 23%
Malta	143	199	176	+ 39%	+ 23%
Netherlands	4,087	5,652	5,009	+ 38%	+ 23%
Poland	11,350	15,739	13,909	+ 39%	+ 23%
Portugal	2,360	3,293	2,902	+ 40%	+ 23%
Romania	3,745	5,135	4,572	+ 37%	+ 22%
Slovakia	1,466	2,035	1,797	+ 39%	+ 23%
Slovenia	625	871	768	+ 39%	+ 23%
Sweden	1,041	1,433	1,274	+ 38%	+ 22%
Total (EU28)	109,877	151,422	134,464	+ 38%	+ 22%

Each column assumes EU adopts the Market Stability Reserve in line with the respective position. Numbers are expressed in real 2014 euros (inflation does not affect the estimates)

For more information throughout the week follow us on Twitter [@PointCarbonTeam](https://twitter.com/PointCarbonTeam) or contact us on pointcarbon_analyst_carbon@thomsonreuters.com or +47 22 40 64 48.