

European Dialogue

"The Future of the European Emission Trading System - Auctioning after 2012" CCAP Europe-Workshop on invitation of the Polish Ministry of the Environment 2010 January 28th, Polish Ministry of Economics, Warsaw

About 90 participants attended the CCAP Europe-workshop on the future of the European Emission Trading System on January 28th in Warsaw. Two issues were discussed: The timing of large scale auctioning of emission allowances to power producers in new member states and the design of the future auctioning system. The Polish Environmental Ministry and the Ministry of Economy were the hosts. Beyond intensive discussions all participants had the opportunity to take part in an in-conference simulation of the different auctioning systems that are under discussion for the large scale auctions in Europe after 2012. The simulation made clear that in a decentralized system with several national platforms bidders have to cope with more complexity and that they can't be sure that they bid in the platform with the most favourable clearing price.

During the morning session presenters from the European Commission, Bloomberg New Energy Finance, Deutsche Bank, the Polish Environmental Ministry, the power companies CEZ and Eon discussed the pros and cons of the opportunity for new member states to postpone full auctioning of emission allowances to their power companies and to continue partially with free allocation after 2012. It became clear that this derogation would transfer funds from public budgets to energy companies. Participants pointed out that in the past such windfall profits were mainly used by companies to increase payments to shareholders. It will be extremely difficult to ensure that these extra revenues are used for "investments in retrofitting and upgrading of the infrastructure and clean technologies" as foreseen in the European Emission Trading directive. Important next steps will be the guidance on this issue which will be published by the European Commission in 2010 and the national plans of member states which have to be submitted until September 2011. Participants pointed out that there should be public consultation processes for the preparation of these plans to ensure that the additional money is indeed used for the right purposes.

In the afternoon session the European Commission presented the state of play of the preparations of auctioning regulation and made the case for a centralized European system. Presenters from Deutsche Bank, the French government and Point Carbon pointed out that a centralized system would be much less sensitive to market distortions or attempted abuse and would be much more likely to convince the public than a decentralized system. The national allocation plans in the first two phases of the emission trading system have shown that such national schemes always lead to distortions and that EU-wide systems are much better to ensure that all companies play following the same rules. Representatives of Germany and UK objected these positions. These countries are part of a blocking minority of some countries that tend to have their own auctioning platforms. All in all there was more support for a centralized system than for a decentralized system.

Among the participants:

Representatives of the Governments of Poland, Spain, UK, Germany, France, Czech Republic, Romania, Italy, Slovak Republic, Bulgaria, Malta, Hungary, Finland, Croatia, Lithuania

Companies and organizations: Eni, RWE Polska, Vattenfall, Noble Carbon Credits, Carbon Warehouse, Energa Elektrownie Ostrleka, GDF Suez, Everen, PKN Orlen, Lhoist Polska, ZE Pak, IETA, Maersk Olie og Gas, Eurelectric, Enel, BP, EDF, PKE

