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THE MAGRITTE GROUP URGES EU POLICYMAKERS TO TAKE ACTION FOR A ROBUST CARBON PRICE SIGNAL ON THE EUROPEAN CARBON MARKET

The Magritte group welcomes the ratification of the Paris agreement and its entering into force before the COP 22. This shows once again the leadership of the European Union in the fight against climate change. The EU must now turn its long term climate commitments (80-95% of greenhouse gas emission reductions compared to 1990 by 2050) into concrete measures in order to align the EU ETS with the objectives agreed in Paris.

The reform proposed by the European Commission, whilst welcome, will not be sufficient to live up to Europe's ambitious low-carbon agenda and to secure the shift to low carbon technologies. A functioning EU ETS is critical to make the energy transition possible in a cost effective way while providing the private sector with clear and robust price signals to invest in low carbon and carbon free technologies.

According to the International Energy Agency (IEA) investments of almost USD 2.5 trillion are required in the EU's power sector over the period 2015-2040 to reach its climate goals. The energy sector accounts for almost 60% of greenhouse gas emissions covered by the EU ETS.

Policymakers must go beyond measures taken so far to strengthen ETS ("backloading"/ Market Stability Reserve) and the current proposal under discussion. The negotiations of its "4th phase" (2021-2030) provide a unique opportunity to fix the European carbon market.

In this context a combination of short and long term measures to fix the EU ETS is needed, no single measure being able to do that alone. Therefore, new initiatives must go beyond the current texts under discussion with the aim of:

- Strengthening the structure of the carbon market and restoring the investors' confidence by providing visibility and predictability;
- Fostering robust price signals on the market – a significant increase in CO₂ prices is necessary to unlock the full decarbonisation potential of the power sector in the future.

Measures adopted at EU level should be preferred over uncoordinated national initiatives that undermine the ETS and disrupt the level-playing field in the European Union.

These proposals must go hand in hand with efficient carbon leakage provisions to protect the competitiveness of European industries exposed to international trade.

The Magritte Group of CEOs

Since its launch in May 2013, the Magritte Group has offered its assessment of the energy and climate situation in Europe. The CEOs of the companies that make up the group aim to contribute to the debate by offering constructive proposals, in particular concrete solutions to revitalize Europe's energy and climate policy.

#FixTheETS
22 November 2016

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THE MAGRITTE INITIATIVE:

Let's Take Action to Fix the European Carbon Market Now!

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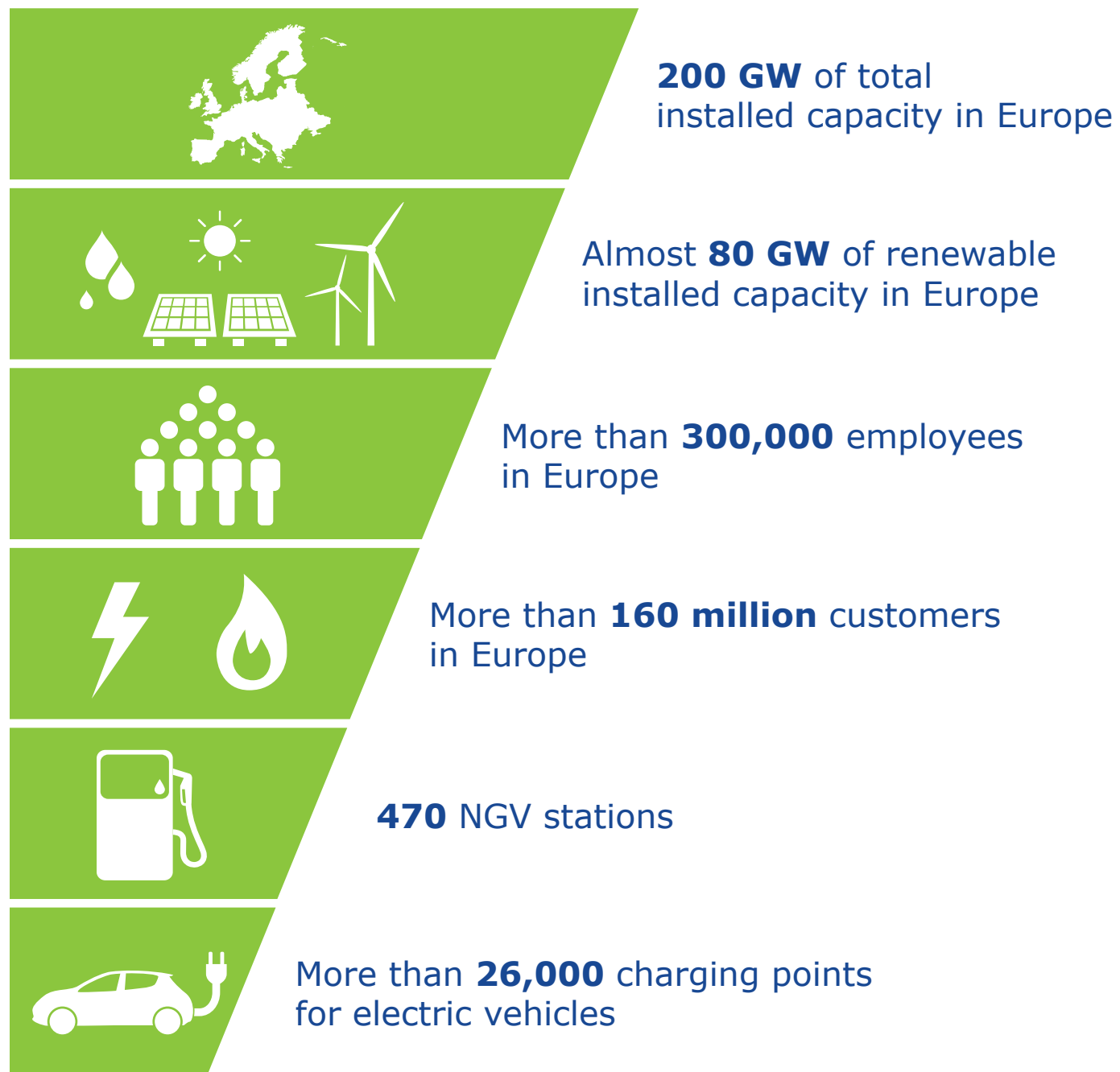


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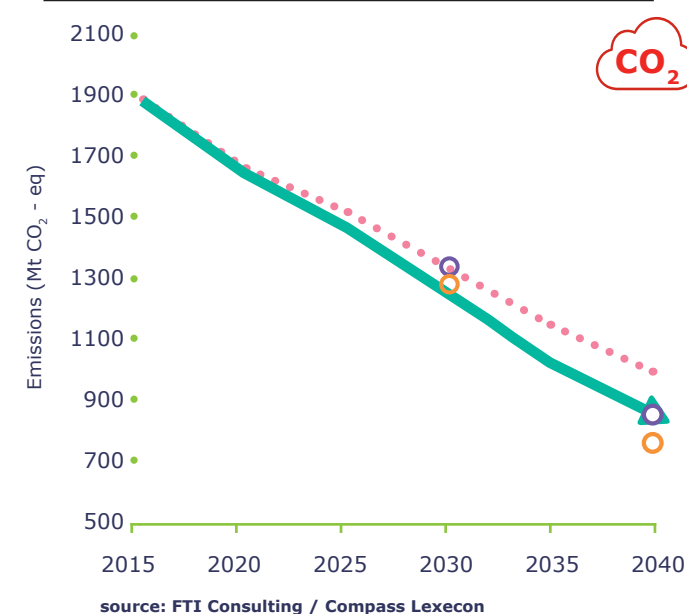
The EU-ETS : a key enabler to reach climate goals

Sustainable energy: a reality for Magritte companies



Carbon market (EU-ETS) a strong support from Magritte companies

ETS emissions, 2015 - 2040



A more ambitious EU ETS proposal is required to be in line with the EU 2050 objective of 80%-95% emissions reduction to stay below 2°C...

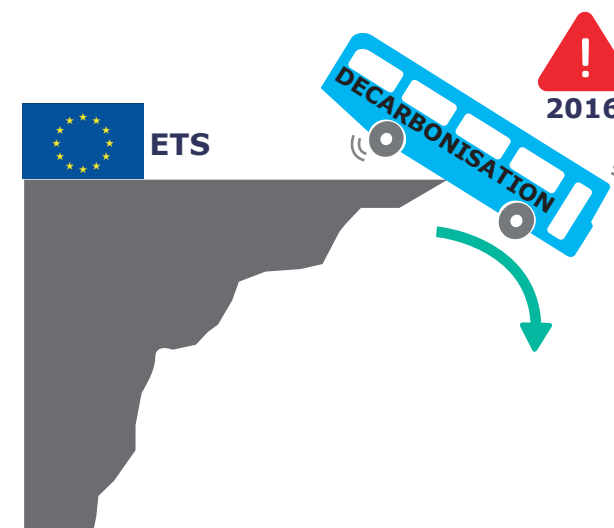
«In order to set the cap equal to this level [90% emissions reduction by 2050], the LRF in the ETS would need to further increase to -2.4% until 2050» (EC, Impact Assessment 2014)

... and with the ambition of limiting it to 1.5°C as suggested by the Paris agreement

Business As Usual [LRF: 1.74%, MSR: 12%]
Baseline - EC Reform [LRF: 2.20%, MSR: 12%]
EU Target (80% reduction by 2050)
EU Target (90% reduction by 2050)



The ETS needs reform urgently...



...to trigger the necessary investments in low-carbon and green technologies

