

# MSR Review Workshop

Jahn Olsen

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BloombergNEF

# Purpose of the MSR



- Removing legacy surplus while ensuring there is enough surplus available
- Low time delay
- Intervention predictability – something we can model into the future
- Stability and protection against future demand shocks

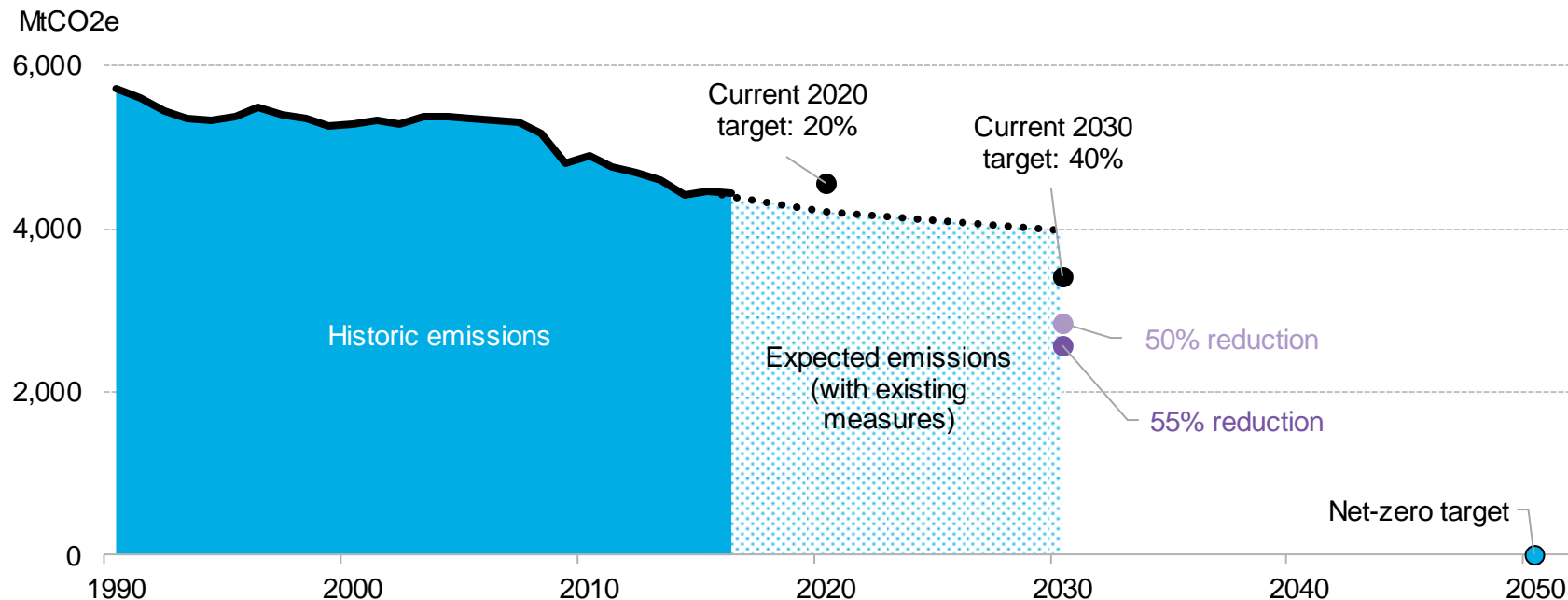


- High price guarantor
- The main price driver in the long-term
- More climate ambition through the 'back door' (invalidation mechanism)

Source: BloombergNEF

# The EU Green Deal

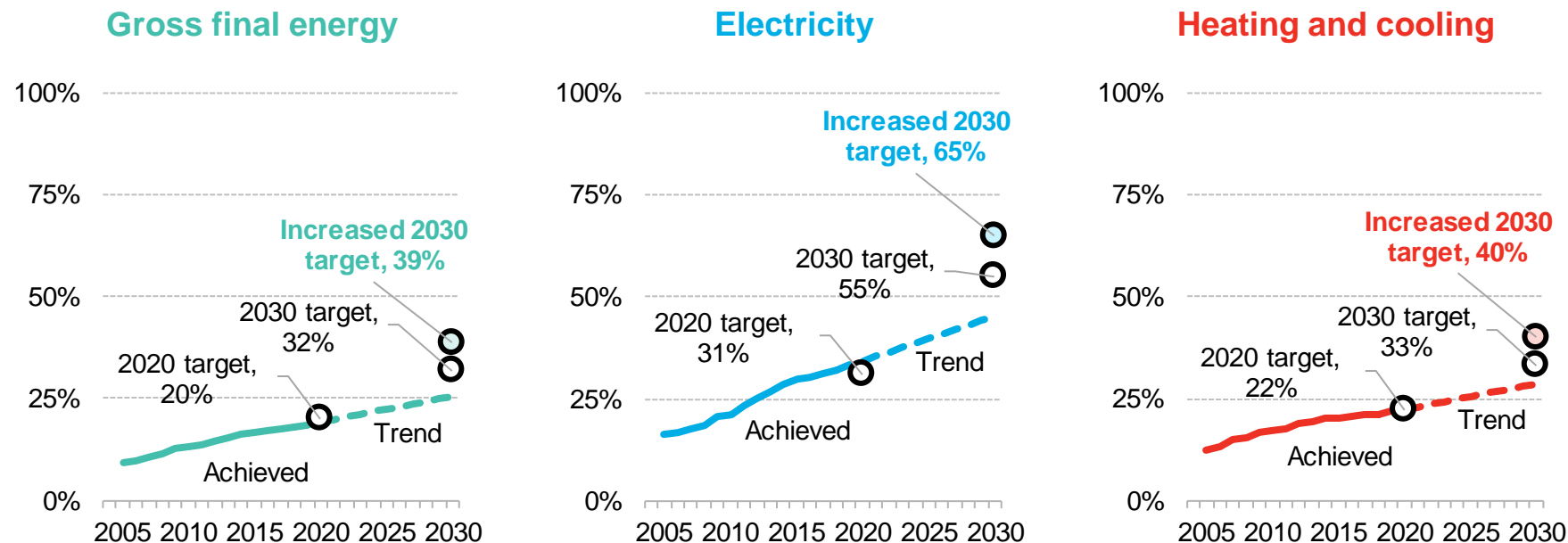
## EU net historic and target greenhouse gas emissions



Source: European Commission, European Environment Agency, BloombergNEF.

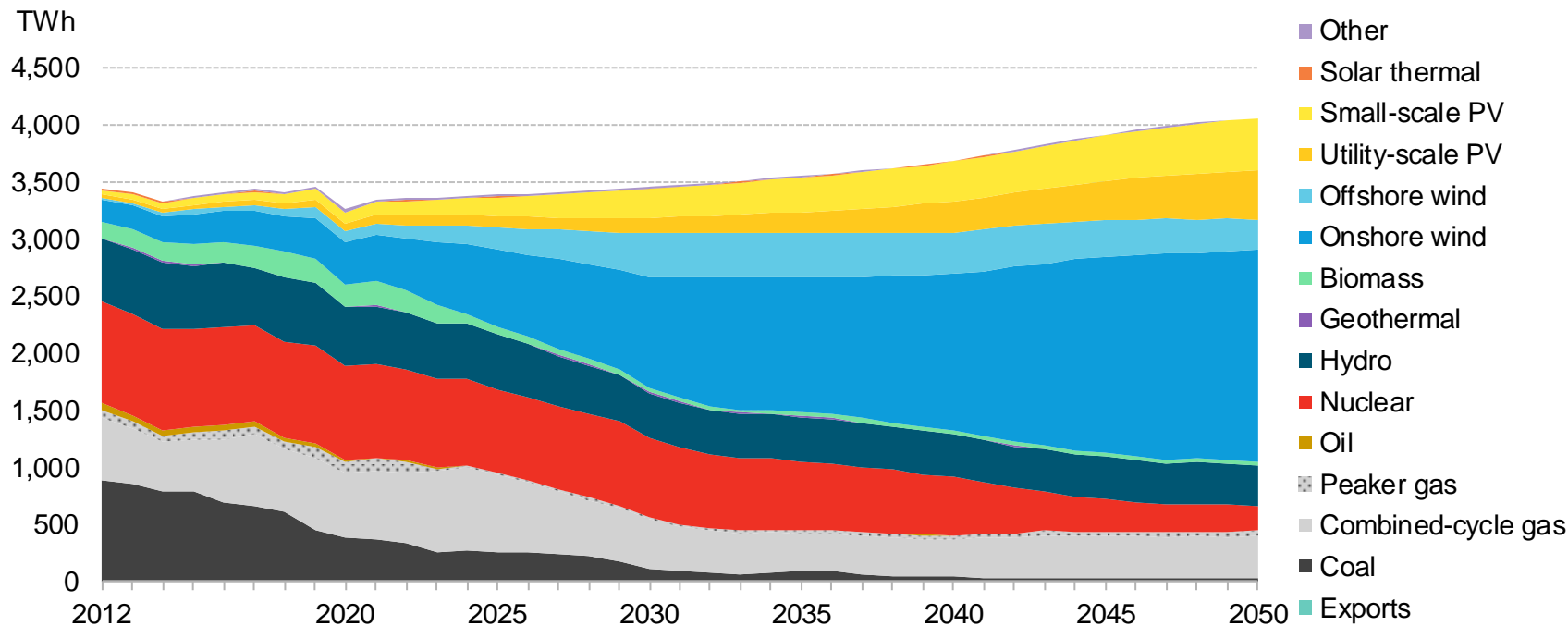
# 2030 targets were set with 40% emissions reduction goal in mind

## EU targets for renewables in energy consumption



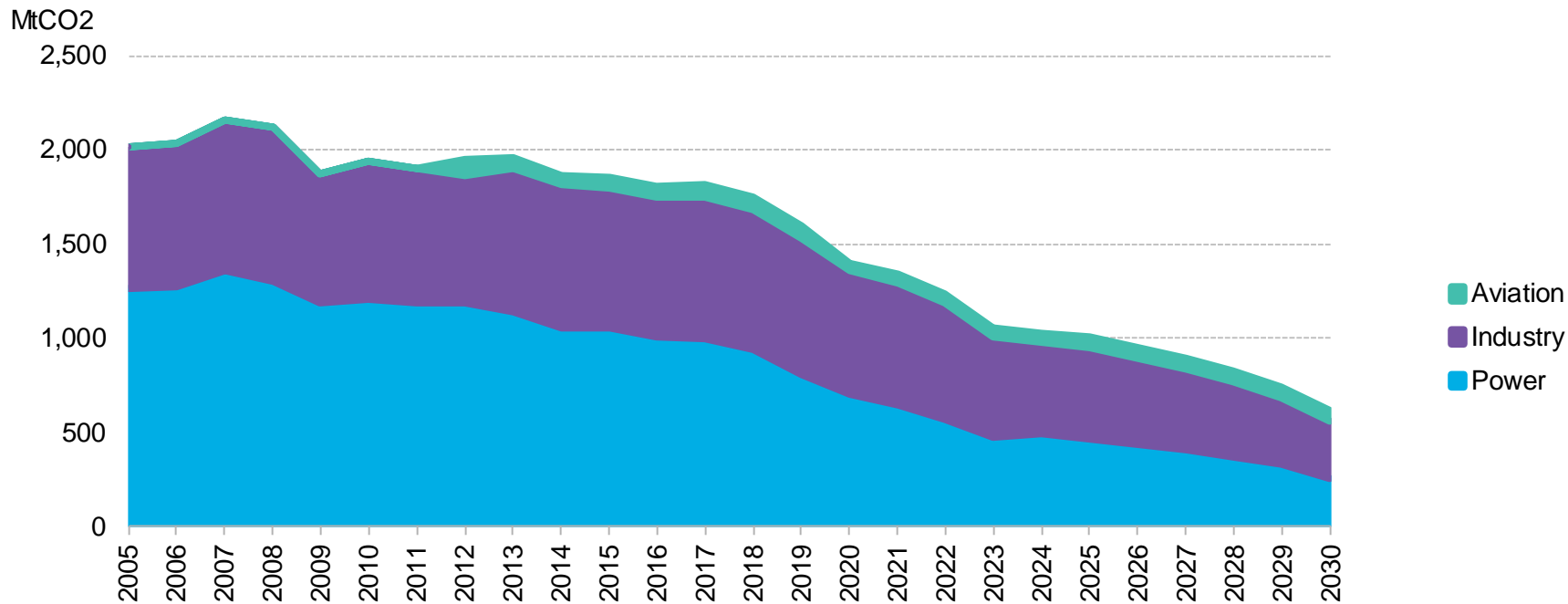
Source: Eurostat, European Commission, BloombergNEF. Note: Increased target shows upper bound from European Commission's Sept. 2020 impact assessment.

# Modelled European generation



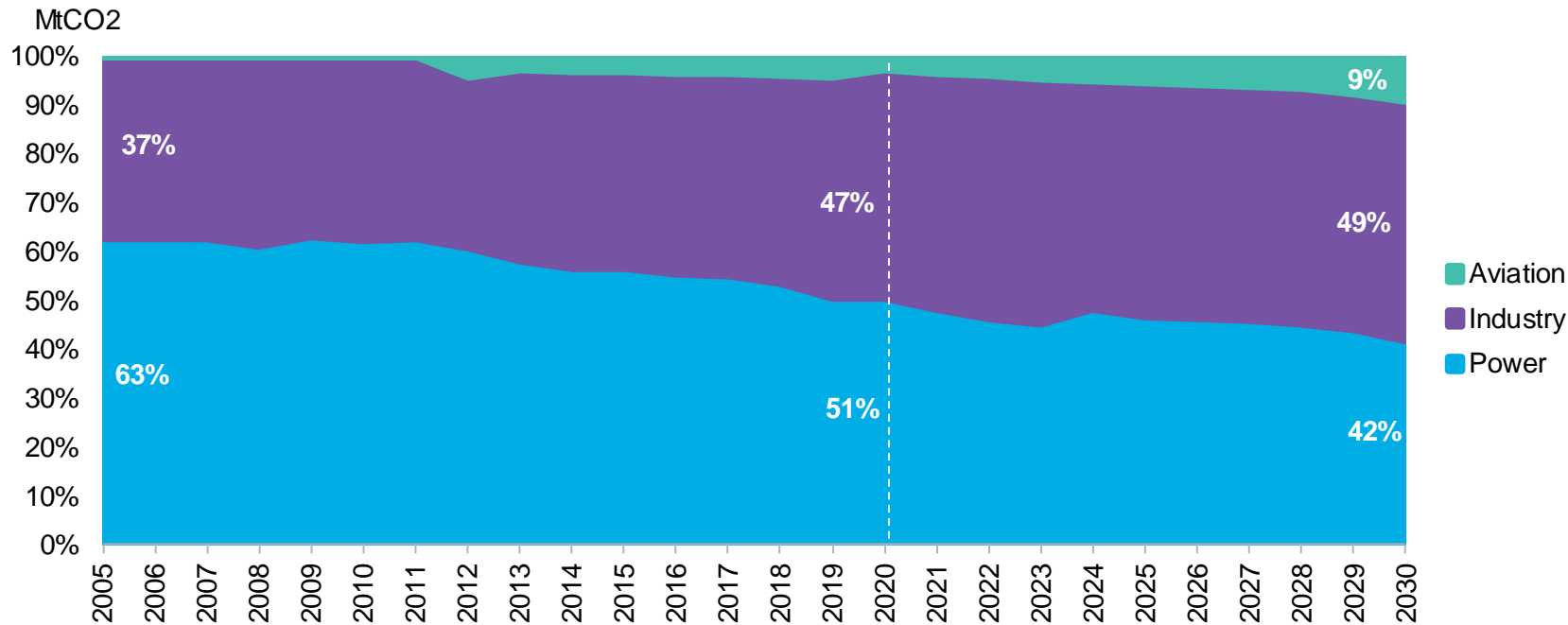
Source: BloombergNEF

# Modelled EU ETS emissions



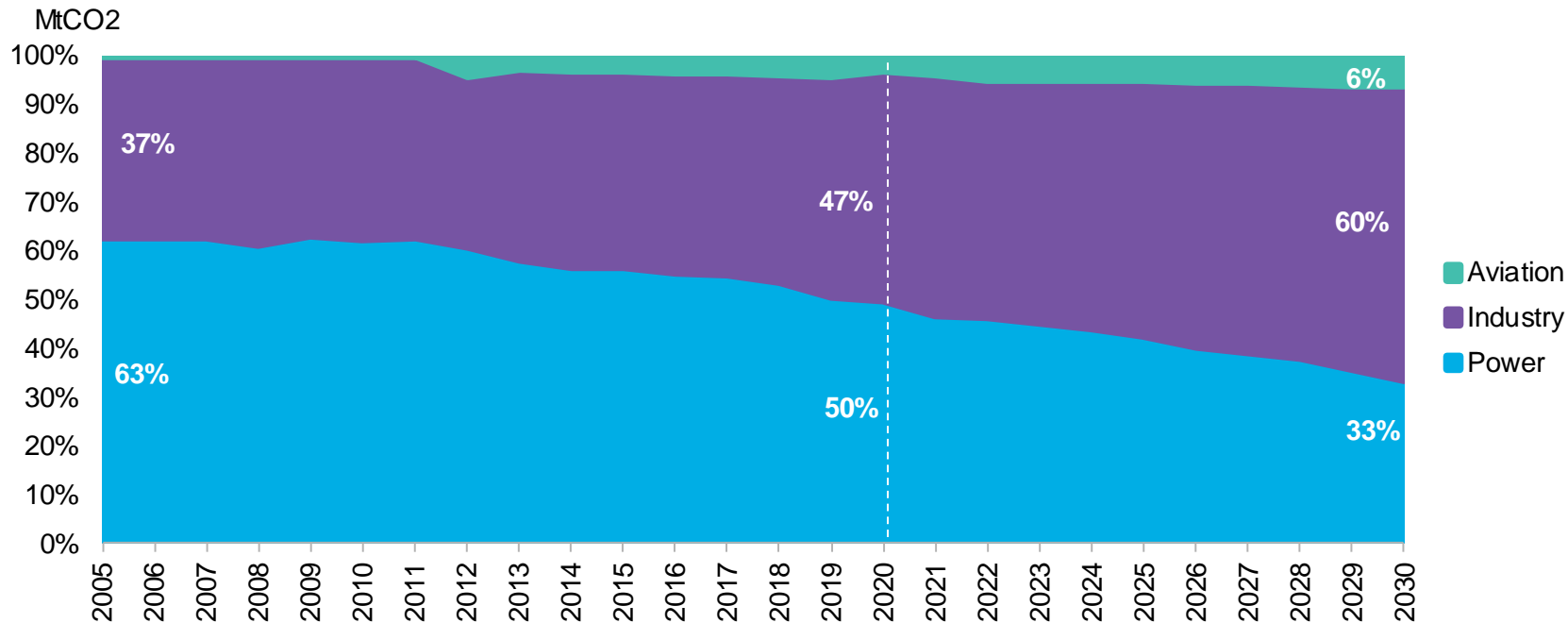
Source: BloombergNEF

# Modelled EU ETS emissions, whole systems model (bottom up)



Source: BloombergNEF

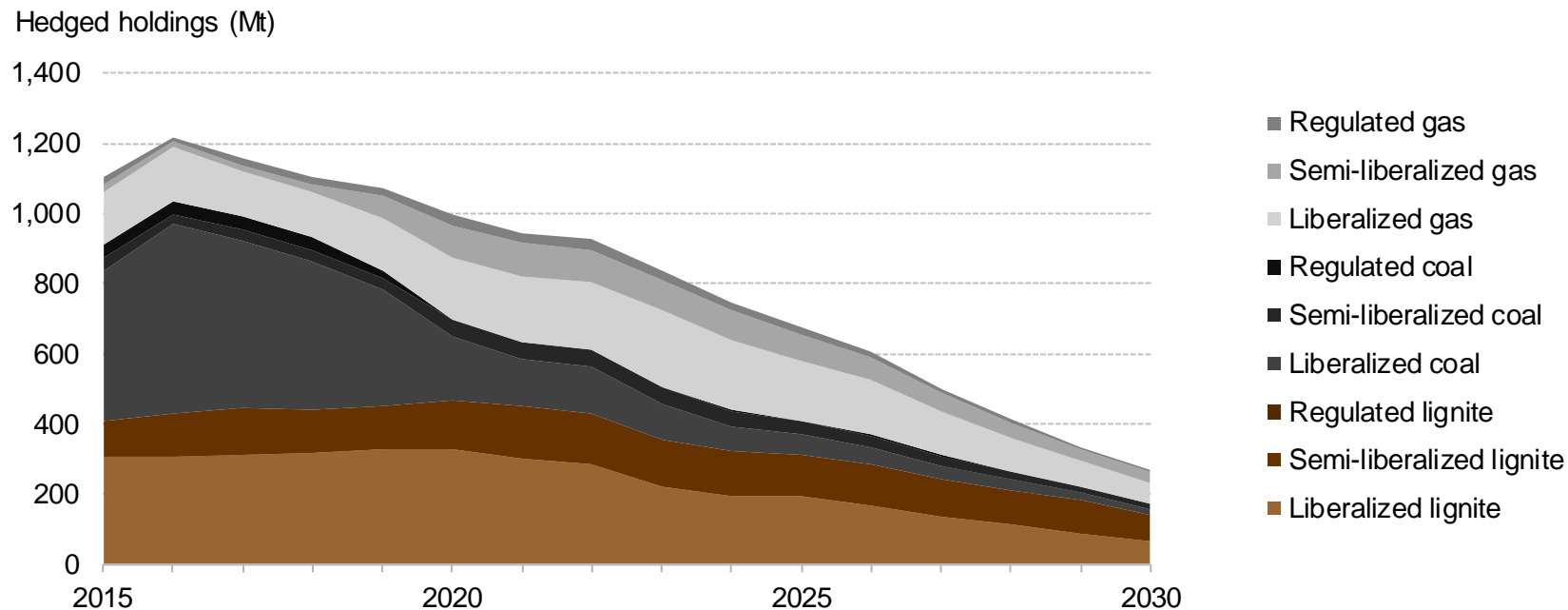
# Modelled EU ETS emissions, EU ETS model (top down)



Source: BloombergNEF

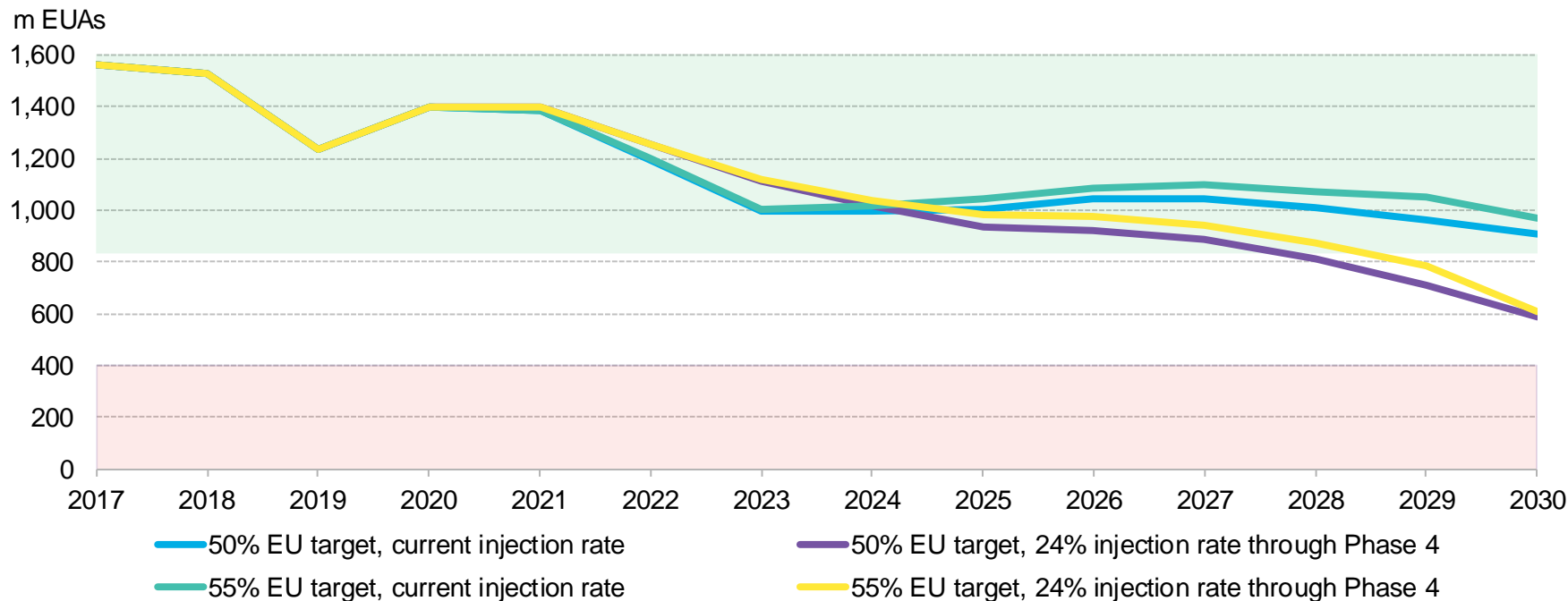


# Modelled hedged holdings



Source: BloombergNEF

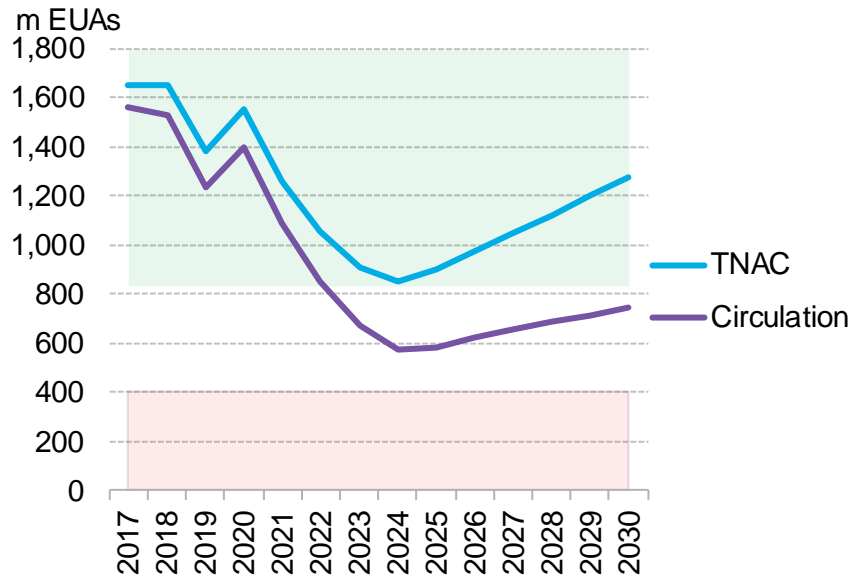
# Circulation



Source: BloombergNEF

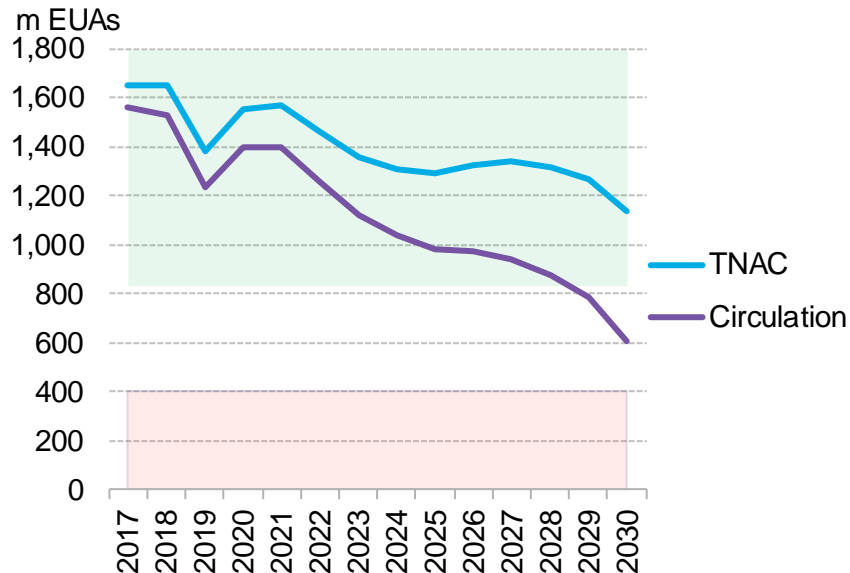
# TNAC versus circulation

## Illustrative scenario 1



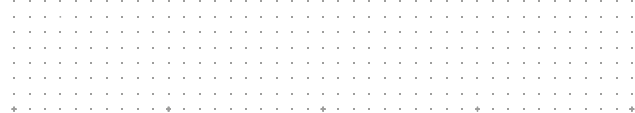
Source: BloombergNEF

## Illustrative scenario 2



Source: BloombergNEF

# Final thoughts



1

Getting MSR parameters right requires some knowledge on the wider EU ETS context...

Source: BloombergNEF

# Final thoughts

1

Getting MSR parameters right requires some knowledge on the wider EU ETS context...

2

...it also requires an MSR that reflects reality...

Source: BloombergNEF

# Final thoughts

1

Getting MSR parameters right requires some knowledge on the wider EU ETS context...

2

...it also requires an MSR that reflects reality...

3

..which means that the TNAC calculation should ideally include supply and demand from all participating sectors...

Source: BloombergNEF

# Final thoughts

1

Getting MSR parameters right requires some knowledge on the wider EU ETS context...

2

...it also requires an MSR that reflects reality...

3

..which means that the TNAC calculation should **ideally** include supply and demand from all participating sectors...

4

..and reflect trade between linked partner markets.

Source: BloombergNEF

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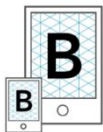
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