



## FSR Climate Annual Conference 2020

Friday 27 November @ 10.00 - 10.40 CEST

### Guest Speaker & Chair on Emissions Trading

Grischa PERINO | University of Hamburg

*The EU ETS is not fit for purpose: Why a new design of the MSR is urgently needed*

Authors: Grischa Perino, Michael Pahle, Simon Quemin and Maximilian Willner

#### **ABSTRACT**

*The design of the EU ETS has been fundamentally changed by two reforms in 2015 and 2018. The market stability reserve (MSR) now allows the short and long-run cap to respond to market conditions. Flexibility in the cap, in principle, allows for a number of attractive features. However, the specific design chosen not only fails to tap into this potential but turns it into an outright disadvantage. We tie together key insights from recent research on the market stability reserve and propose a feasible way to make the EU's flagship climate policy instrument fit for purpose.*