

FSR Climate Annual Conference 2021 – 7th edition

Dates: 29 & 30 November on Zoom Webinar

Monday 29 November

10:05-12:05 – Session on Emissions trading

Presenter: Kenneth Bruninx (University of Leuven)

Title: *The European Emission Trading System, Overlapping Climate Policies & the Fit for 55 Package*

Abstract:

The EU emissions trading system's (ETS) invalidation rule implies that shocks and overlapping policies can change cumulative carbon emissions. This talk explains these mechanisms and illustrates the effect of the proposed EU ETS design changes in the Fit for 55 Package and overlapping policies on cumulative EU ETS emissions and allowance prices. Aligning EU ETS with the 2030 reduction target of -55% might increase allowance prices to 45 - 94 €/tCO₂ today and reduce cumulative carbon emissions to 14.2 - 18.3 GtCO₂ compared to 23.5 - 33.1 GtCO₂ under a -40% 2030 reduction target. Our results crucially depend on when the waterbed will be sealed again, which is an endogenous market outcome, driven by the EU ETS design, shocks and overlapping climate policies.

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Webpage and programme [here](#)