

Balancing carbon markets: design options and trade-offs in price-based supply adjustments

Tuesday, 28 October 2025

As the EU Emissions Trading System (EU ETS) approaches its 2026 reform, attention is turning to how market tightness is managed. The current tool - the Market Stability Reserve (MSR) - relies on a quantity-based mechanism to adjust supply. While it has helped address historical surplus, its responsiveness and predictability are increasingly questioned as the market enters a phase of structural scarcity.

This online debate explores an alternative approach: introducing price-based mechanisms to manage supply-demand tightness in compliance carbon markets. The session will focus on the practical challenges of implementing such tools, drawing on operational precedents from other systems worldwide and a robust body of literature supporting their economic rationale.

By bringing together policymakers, researchers, and market practitioners, the debate aims to inform and contribute constructively to the ongoing EU ETS reform process. It will focus on how to fine tune a price-based mechanism to enhance market stability, transparency, and alignment with long-term decarbonisation goals. Specifically, the panel will discuss key design considerations for operationalising such a system (e.g., the number and trajectory of the price thresholds, intervention frequency and volume) and the trade-offs inherent in each design choice.

Keywords: carbon market, EU ETS reform, Market Stability Reserve.

Programme

14:00 – 14:10 **Introduction, context & insights**

Simone Borghesi & Marie Raude

14:10 – 14:45 **Panel debate**

Florent Le Strat | EDF R&D

Dallas Burtraw | RFF

Jean-Yves Benoit | DG Carbon Regulation and Emissions Data (Quebec Ministry of the Environment and the Fight against climate change, wildlife and parks)

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14:45 – 15:00 **Q&A with the audience and wrap-up**