CARBON MARKET FORUM

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Thinking ahead for Europe

Submission to the EC
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A 2030 framework for climate and energy policies

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This report was prepared as a submission to the European Commission. It draws on discussions that took place among the members of the CEPS Carbon Market Forum (CMF).

The CMF provides a neutral space where policy-makers and regulators are able to meet carbon market participants and other stakeholders to discuss carbon market regulation and general policy issues. The contents of this report reflect the general tone and direction of discussions on specific topics within the CMF, but its findings do not necessarily represent a full common position agreed by all the participants in the CMF, nor do they necessarily represent the views of the institutions to which the participants belong.

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Objectives

As a first step in discussing the Climate and Energy Package (CEP) it is critical that its objectives be clearly identified and well understood. The same approach must be applied to some of the fundamental components of the CEP, especially the EU ETS.

The Green Paper states that the 2020 Framework for climate and energy policies "aims to integrate different policy objectives such as reducing greenhouse gas (GHG) emissions, securing energy supply and supporting competitiveness and jobs…..".

At the same time it recognizes that it must incorporate the changes that have taken since 2008/9, the lessons learned from the implementation of 2020 package, as well as the longer term perspective that is developed in a number of documents, such as the Energy Roadmap 2050.

There is a lingering sense among stakeholders that the main objective of the 2030 framework is, or ought to be, decarbonization. The energy part is mostly seen as being critical elements that are part of the set of tools used to achieve the decarbonization objective. This is to some degree reinforced by the view that has become a truism that the EU ETS is the "central pillar" of the EU CEP.

At the same time the Green Paper repeatedly refers to the "three headline targets" (climate change, renewable energy and energy efficiency) without any prioritization, as well as to "a 2030 framework with multiple targets".

Our starting point must be that the CEP, as currently conceived, sees the three targets as equal, without any prioritization, all of them equally important. This must be seen as a political decision. It follows that questions related to the nature, and interaction between targets, become one of tactics and implementation, and not one of objectives.

The CEP therefore has multiple objectives, which include

- Decarbonization of the economy,
- Maintaining short-term and improving long-term competitiveness,
- Recognize diversity among Member States,
- Minimizing impact on energy costs,
- Driving innovation and creating jobs,
- Driving energy security

Two things need to be pointed out as being critical. Firstly, in this multiple objective driven CEP, not all objectives have targets or indicators. That leads to imbalances or at least a perceived imbalance and prioritization.

Secondly, some of them seem to us to be subsets, or subordinate objectives to others that can be conceived as being the main objectives. Energy costs are a driver for competitiveness and creating and maintaining jobs in energy intensive industries.

Findings and recommendations:
The CEP has multiple objectives, which are recognized in the Green Paper, but not totally clearly articulated and identified. Some do not have indicators. These objectives are driven by three recognized or "headline" targets.

In outlining the objectives some differentiation between drivers and tools would be helpful, ensure clarity and allow for a better approach and outcome in the choice of tactics, as well as the role and design of tools to reach those objectives.

In addition, the Green Papers refers to a "2030 Framework for C&E policies". We feel that the reference to 2030 as the time horizon for the Framework could be interpreted as pre-judging the outcome of the debate, especially in terms of the time horizon, intermediate points, etc. We feel that that a more appropriate form at this early stage of the debate would be to refer to "post 2020" Framework.

Learning from the past

The 2008/09 Climate and Energy Package has been unique and adopted in special circumstances. Contrary to how the EU usually does business, the European Council in March 2007 set the overall level of ambition (20-20-20) upfront, leaving to the Union method 'merely' the detailed design to make the package work practically and politically. Main issues in the design of the package were distributional impacts (between sectors, notably for industry and among member states) and the exact design of the instruments and policies. Distributional impacts were addressed by a mixture of target differentiation both in renewables and the effort-sharing, the redistribution of auctioning rights, allocation rules in the ETS and the possibility of subsidies for the electro-intensive industry. The 20-20-20 Package was accompanied by a review of existing policies such as the EU Emissions Trading System (ETS), transport, state aid and new instruments and policies such as NER300, the SET-Plan and the so-called Third Energy Package, focusing on completing the EU internal market for electricity and gas.

The strong commitment of the European Council was mirrored in the other EU institutions, especially in the European Commission and the European Parliament. The EU was generally 'doing well', economically but also politically with the entry into force of the Lisbon Treaty in sight, a Treaty that focuses on making the EU more efficient, effective and transparent as well as increasing its external leverage. There was an expectation that the Copenhagen climate negotiations could lead to a global climate change agreement, which could be smoothened by a high level of European ambition. Overall, there has been a view that the Package will be paying-off both politically and economically. Politically, to demonstrate EU leadership

internationally and proof that the 'new' EU – after the eastern and southern enlargement speaks with one voice. Economically, the EU seemed well prepared to deal with a growing carbon constraint, increasing energy prices and potential resource competition. The economy-wide carbon constraint would direct the EU economy towards higher carbon and resource efficiency, thereby increasing its competitiveness and allowing it to reap first mover advantages from technological leadership. Export driven growth from renewable industries seemed to be proof of that. As for energy, growing reliance on domestic renewable energy would reduce import dependence as well as the oil and gas import bill, thereby improving security of energy supplies. At the time, there was a lot of interest and respect for the EU's position internationally.

Findings and recommendations:

One of the lessons learned is the importance of consensus on the general direction. Without, the EU can neither move internally, nor externally. This will require that the different interests are taken into account, which however also requires that different stakeholders compromise. Typically compromises are to the detriment of ambition.

Somewhat lower ambition may be the price to pay to keep the momentum of EU climate change policy that is fit for the future but also that remains within a single framework. What matters is that the overall framework works and ultimately it can deliver the reductions that are required to avoid dangerous climate change.

Circumstances have changed

A few years later, circumstances have changed significantly. They can be grouped under three headings; economic crisis, heterogeneity, and the change global landscape.

Economic crisis

- Most important was the banking crisis followed by the economic crisis. On the one hand, it has reduced the short-term carbon constraint for the ETS sector and the EU economy at large. On the other hand, the current carbon price signal does not provide signals that are in line with long-term low-carbon investment needs, especially for the power sector in the EU. At the same time, industry margins have shrunk and therefore ability to invest. Governments' fiscal positions are reduced to such an extent that investment in R&D, infrastructure, training and education or support to manage the transition is decreasing very fast. Europe is not a good place to invest today. This means that Europe may no longer be able to create the benefits' of technology leadership.
- European climate change ambitions appear also having been battered. The economic crisis is also making Europe's claim of a high level of ambition

more difficult to promote. This casts doubts on European leadership ambitions.

Heterogeneity

- The Euro crisis has also aggravated European heterogeneity. There has always been a marked difference between EU-15 and some of those countries that joined in 2004 and especially later. Generally, many of these member states have a far lower GDP per capita than EU-15. The poorest EU member states recorded a GDP per capita of 12,600 euro (Romania) and 13,800 euro (Bulgaria). For comparison: Brazil is at 11,900 euro and South Africa at 11,100 euro. In many cases this is coupled with a power sector that is predominantly coal-based and scores significantly lower on energy efficiency, if expressed in energy intensity per GDP.[1]
- New is also that, as a result of the banking and Euro crisis, a number of member states are subject to austerity, which negatively affects citizens ability to pay. It should also be noted that some member states seem to have become more wary of European solutions.

Changing global landscape

- The global energy landscape has changed: the US shale gas and oil revolution is profoundly changing the global energy landscape. The current perception that the world or at least parts of might be awash with relatively cheap fossil fuels is contrary to the assumption of the 2008/9 Climate and Energy Package. Lower fossil fuel prices increase the price/cost between fossil fuels and renewables. It also makes energy efficiency less attractive. Finally, it raised issues of relocation of EU industry to the US, a topic that has not been high on the agenda previously

- An international climate change agreement remains uncertain. While there is political momentum for achieving a global agreement by 2015, there a lot of uncertainty what such an agreement would entail. The current ambition level under the Copenhagen pledges is not in line with keeping the average warming to 2°C. Yet at the same time, many countries including China and the US undertake substantial domestic action.

When circumstances change, policies need to be adapted. There seems to be no reason to hold the view that the Package *per se* did not work. On the contrary, the

[1] Poland is a telling example with coal-based power production being responsible for a bit more than 90% of total power, which translates into 56% of total primary energy consumption. The Europe OECD average figures for comparison are 24% and 17%. Energy efficiency in industry is considerably below the one in 'old' member states. Polish energy intensity is about 2.2 times higher than the EU-27 average and 2.5 times higher than the old member states. (This is based on Eurostat figures: Polish energy intensity is 373.859 kgoe/1000 Euro GDP, EU27 is 167.99 and EU15 is 150.942. See also Spencer 2012.)

Climate and Energy Package provides a wealth of insights on policies and instruments, i.e. what works and what does not and in what combination. After all, the 2007/9 Package has been a mix of hybrid measures whose value often can only be judged after they are implemented. The ex-post evaluation of the Packages therefore can provide valuable guidance to the post-2020 climate change discussions and to address the shortcomings effectively.

This transition towards a sustainable low-carbon economy will not only require a very fundamental change in the economy. It is also to be undertaken in a context where uncertainty is pervasive; uncertainty as to an international agreement (what and when?), the economic situation (when will the crisis end and how?), energy prices, and disruptive technologies (game changers). It is not exaggerated to say that governments, not only in the EU, are facing an unprecedented (governance) challenge.

The challenges emanating from the CEP have also highlighted the need to engage stakeholders very closely as they all will require predictability, transparency and accountability although to different degrees.

Carbon pricing in the CEP

The EU ETS has been the carbon-pricing instrument in the 2020 package, and is seen, and referred to, as being central to that package. The EU ETS has been now operating since 2005 and we have lessons learned of what role it has played, and how it has behaved, as part of the 2020 CEP.

In addition, while the world has learned from the EU experience in carbon pricing, new ideas and approaches have emerged in different jurisdictions, and it is critical that they be considered in the design of the post 2020 CEP.

A number of questions emerge as being important:

- What is the role of carbon pricing as a tool in the CEP?
- How do we best price carbon?
- What are its objectives?
- What can it achieve?
- What can be expected of it?

In the initial debate on desirability of carbon pricing as a tool, and ETS as the way to achieve that, the case was made that it was a tool to reach the goals of decarbonization in the most economically efficient way, i.e. the lowest cost to society.

This is an ethos that must be specifically recognized and internalized in any implementation of a carbon-pricing tool. If that fundamental element is lost,

marginalized or supplemented by other priorities, then the legitimacy of the tool suffers a serious blow.

However, the criticality of this objective must not overshadow the fact that it refers to the lowest cost, and not the lowest price at any given time. It is possible that the lowest price at a particular time may or may not lead to the lowest overall cost to achieve the overall objective. Therefore short-term price and long-term cost must not be assumed to be one and the same.

A second important function that carbon pricing, through the ETS, was seen as allowing those covered by emissions caps to manage their carbon risk through different instruments traded in the carbon market. It is therefore critical for the ETS to continue to be an instrument that helps to manage risk, and not add an additional layer of uncertainty and risk. The ETS, given the on-going political debate is seen, by some, to be adding some unknowns, which translate into increased risk.

Findings and recommendations:

A carbon-pricing instrument, which is operationalized in the EU through the EU ETS, has to be designed to deliver the lowest cost for the long-term decarbonization objective, and provide conditions and tools to help those that face constraints to manage carbon risk.

Also as part of the views expressed was that carbon pricing, and the ETS pricing as the leading tool, would give a price signal for

- Changes at the operational level, i.e. arbitrage between primary energy sources such as coal and gas
- Price signal for the deployment of low carbon technologies needs for decarbonization, including the deployment of renewable and energy efficiency measures that will achieve the two targets

Two objectives that were never clear, and always contested, were the impact that carbon pricing could have on lifestyle changes and its ability to catalyze technology development, such as CCS and renewables.

In reviewing these objectives three important questions need to be kept in mind:

- Can carbon pricing do it all?
- Can it do it alone?
- What characteristics does it need to do each task?

In terms of an operational role, the ETS carbon price is supposed to be the arbitrage between different energy sources (for plant already built), with the switch from coal to gas as being the prime example. Carbon pricing can fulfill that role but it success

will be highly dependent on the level of energy prices and of the strength of the short-term carbon price and the perception of its longer-term evolution.

A second role was that of deployment of low/lower carbon energy technologies, such as wind and solar, and also (when compared to coal) gas fired CCGT. This is seen as a medium-term objective that can be achieved as a function of the

- Credibility of the price signal,
- Clarity of the price signal
- Consistency of the price signal
- Level of price signal

The price signal has not been very clear as it was blurred by the signal given by feed-in tariffs, especially at the national level. That has also had the additional effect of affecting the level of the carbon price signal and amplifying the lack of clarity that it provided. Finally, the price signal has not been consistent, with a significant drop at the end of Phase 2 and with significant volatility due to policy and regulatory instability.

In addition, as discussed in other sections of this submission, the deployment of low carbon technologies requires other policies and measure to be implemented, especially but not only related to grid reinforcement. These were not accompanying the carbon price, and resulted in its impact being blunted.

Consequently, one the lessons learned so far is that the price of carbon has not really met these tests in order to fulfill its role as a catalyst for deployment of low carbon energy technologies.

Findings and recommendations:

A carbon price signal, provided through a EU ETS, will serve as a catalyst for operational patterns, and the deployment of existing low carbon technologies.

Given its nature and its known history, its role will generally be limited in the development of new low/lower carbon technologies which require a much longer time horizon for risk mitigation that carbon prices at this stage cannot yet provide.

Carbon pricing cannot fulfill its roles unless the price signal is credible, clear, and consistent, and has a level that is significant relative to energy differentials.

It is also important to understand if the EU ETS, as a carbon pricing mechanism can achieve all these objectives, and do that by providing the leading price signal. Different jurisdictions are experimenting with different approaches, and while it is too early tell if their approach will be successful, it is important to monitor their results.

The EU ETS covers 45% of CO2 emissions in the EU and is seen as providing the leading price signal to implement all the objectives that the CEP has to accomplish. The EU ETS is in principle doing all the "heavy lifting" in terms of mitigation results with the regulators and policy makers expecting a high price for carbon that will trigger action.

The EU, as has Australia, has made the choice that a visible price for carbon, through the ETS, will drive a significant part of its decarbonization agenda. While there is an overall target for decarbonization (80-95% by 2050), many of the policies and measures that affect GHG emissions are not captured under the umbrella of the ETS and its price signal.

This leads to a visible and an invisible price signal for carbon that alters the impact of the EU ETS. The visible price, provided by the EU ETS, is low. This is the result of economic conditions, which are fundamentally different from what was forecast when the cap for Period 2 was produced, as well as the impact of other policies that produce GHG reductions (e.g. RE investments triggered by feed in tariffs).

The invisible price of carbon, which is the result of national measures, especially for renewables, translates into more than 100 Euros/ton in some MS.

From a policy and political perspectives the EU ETS and its invisible price is adding a cost, even if a small one, to energy prices, without having any impact on GHG reduction activity as these levels.

Another reason for the impact of the dual price for carbon is the lack of coordination between the parameters of the EU ETS, and the impact that other policies and measures have on those parameters, which in final analysis are a forecast.

Moreover, this lack of a coordination and response flexibility mechanism also impacts the ability of the EU ETS to respond to rapidly changing conditions, which may reach extremes, as is the case with the current economic recession. If the CEP has, as discussed above, multiple policy objectives, then a coordinating flexibility mechanism becomes a necessity, not an option.

California has developed its own model whereby its ETS will cover 85% of its GHG emissions, but with the expectation that most of the reductions will emerge from a variety of "complementary measures" such as Low Carbon Fuel Standards or the energy efficiency program. There is the expectation that the visible (ETS) price for carbon will be low, but there will be no impact on consumers and small business as they are getting compensated. Meanwhile there is an acceptance that the price of carbon from "complementary measures" will be higher, and that most of the reductions will result from that.

What we are seeing are two different models of the role that carbon pricing from an ETS can play. In one case the reductions are driven primarily by energy policies with

little impact from the visible carbon price from climate change policies. In the EU, climate change policies lead, which require a policy of high visible carbon prices to drive reduction in the covered sector.

In the EU case there is an expectation that there will be a global price for carbon through a linked series of ETS that has to emerge in order to level the competitive playing field. In the absence of an international agreement and an associated global carbon price from linked ETS, politically it might become increasing difficult for the EU to have climate change policies lead, with a high visible carbon price that will impact competitiveness.

Therefore, the linking of ETS in the long-term becomes a necessity. Such linking will be premised on comparable efforts and comparable visible prices for carbon. It will be much more complex to link systems that rely on different approaches to visible carbon prices.

In the absence of, or in preparation for, reaching the global market/price for carbon, competitive pressures need to be addressed. Anti-leakage provisions, even if they are different, are currently included in all climate programs from EU to California to Australia. As the global economy evolves and changes, competitive challenges will shift but the importance of such provisions will only increase.

Findings and recommendations:

There are different models currently being deployed around the world with respect to the role of climate and energy policies. In some cases climate policies are leading, while in other jurisdictions it is energy policies that are in the lead.

The choice will have implications on how to address competitive pressures and leakage, both through short and medium term, as well as long-term solutions.

Interactions

One of the most controversial lessons from the 2008/09 Package has been the interactions that different measures lead to. Policies always interact; it only becomes problematic if they overlap and neutralize or conflict with each other. The assumption of the 2007/09 Climate and Energy Package has been that different tools and policies mutually reinforce each other. This has – as we know by now – not always been the case.

Interactions can occur at different levels; a) targets, b) instruments, c) between member states. They are best tackled at the respective level.

a) Interactions between targets

The Climate and Energy Package has chosen three parallel targets, i.e. GHG emissions reductions, renewables and energy efficiency. Whilst the three headline targets generally are compatible, under certain circumstances they can create tensions. Suffice to say that a high level of intermittent renewables without infrastructure investment and reform of the energy market design undermines short-term security of energy supply. Equally, an effective ETS would drive gas supply, thereby increasing import dependency. Other examples could be mentioned.

This could be addressed in two ways:

- Option one is setting a hierarchy of targets, meaning to set one headline target ('senior target') while ensuring that the target achievements are consistent and compatible with other key EU objectives including the ones from the CEP.
- Option two is to establish an ex ante mechanism that is able to address the interactions between the different targets.

In both cases, whether this consistency is achieved by using targets ('junior targets') or policies remains a question on the instrument choice.

Findings and recommendations:

Agree on ex ante tools to address interactions of targets either by setting headline ('senior') targets (e.g. on GHG reductions) or via an ex ante mechanism. In both cases, it is important to ensure that other than the headline targets or objectives are achieved by policies. This may or may not include 'junior' targets.

b) Interactions between instruments

There is analysis also from CEPS that shows that interaction between instruments can be significant. This analysis also suggests that the by far most significant interactions relate to the ETS, notably the price level. The share of renewables as well as the Energy Efficiency Directive impact ETS price levels. It should however not be forgotten that current low EUA prices are primarily the result of the output losses due to the economic crises.

There is other evidence that interactions between the ETS and other policy areas exist that go beyond the Climate and Energy Package. In addition to renewables and energy efficiency, interactions exist with international off-sets, the Large Combustion Plant Directive or the UN Mercury Convention, to name but some. The Climate and Energy Package attempted to address those by the ex-ante Impact Assessment, the linear reductions factor of 1.74% p.a. and formulation of three targets (to achieve certainty for projections). While it is difficult to say whether this

would have been sufficient to address interactions stemming from the package, the principal interactions stem from policies and developments outside the Climate and Energy Package, and therefore an ETS issue. Hence, the recommendation on the instrument interaction is to pursue it within the context of the ETS structural reform.

Findings and recommendations:

Reform the ETS in such a way that it can cope with structural or cyclical changes in the assumptions underpinning the EU ETS parameters, such as changes in supply due to a significant departure from economic forecasts. This should be done within the context of ETS structural reform.

c) Interactions between member state policies

Possibly the biggest interaction has been the cross-border effects of member states policies. In particular, interactions are stemming from the large growth of renewables under national support policies while infrastructure investment is not keeping pace. This has resulted in loop flows. At the same, the large build up of renewables poses significant challenges to the energy only market model. The solution to this interaction would appear to be better co-ordination between member states and adaptation of a true European market design, capable of accommodating large amounts of renewables in a cost-effective manner.

Findings and recommendations:

1) *Improve the co-ordination between member states on integrating grids able to absorb RES better*
2) *Whenever member states take strategic energy choices that significantly affect their neighbors, they should be encouraged to carry out a compatibility check with the energy policy of neighboring countries*
3) *Consider moving from national to regional regulatory authorities*
4) *Adapt the electricity market design to accommodate the integration of large amounts of renewables.*

The importance of targets

Criticism has been voiced against targets. This is however not because of targets *per se* but because the three targets have been set in parallel. As the CEP has shown, targets can be very helpful, in at least three respects. First, they express a vision and direction. That sets the 'tone' in which policies are formulated and instruments deployed. They also constitute a political commitment, which typically generates interest and attention and stakeholder action. Finally, they serve as a benchmark against which policy-makers can be tested. Overall lesson from the CEP is that

targets have proved to be useful, also in the field of renewables. Main issue has been three targets in parallel.

Without renewables targets, Europe may risk losing the momentum towards deployment of renewables when many other parts of the world pick up. It also risks that R&D and infrastructure investment might fall, all of which will be required for low-carbon economy.

Safeguarding the internal market for electricity and gas

The CEP has been accompanied by so-called Third Energy Package, which has focused on completing the EU internal market for electricity and gas. Initial thinking by the Commission at some stage has seen the Third Energy Package as integral part of the 20-20-20 package. This underlines the importance of the internal energy market for climate change policy.

The internal energy market holds out the promise of cost-efficient solutions. Yet, at the same time – as has been described earlier – the internal energy market is being jeopardized by 'member states energy transitions', which are not always compatible and sometimes outright contradictory. In order to address this, climate and energy policy will need to be better integrated with the internal energy market rules at its heart. A key role will be played by competition and state aid rules. Better member state coordination is a precondition.

Findings and recommendations:

Integrate the post-2020 climate and energy policy more profoundly with internal energy market legislation, regulation and competition policy. This will make policy more complex but ensures that the post-2020 climate policy is better aligned with the internal energy market. This requires developing a European energy market design that is robust and predictable enough to trigger investments in capital-intensive low-carbon technologies. If non-market based instruments or national solutions are deemed necessary as short-term fixes, these should include clear phase-out timetables (i.e. a sunset clause).

A sound macroeconomic framework will be important

While an efficient post-2020 climate and energy framework will be necessary to achieve its climate ambitions, on its own this will not be sufficient. The economic recovery that restores growth and employment will be required both for European industry to make the necessary investments and remain competitive but also to provide citizens with the means to make climate-friendly choices when they buy goods and services.

Findings and recommendations:

In the case where the ETS and climate policy are the leading policy, there will be a visible price of carbon that has to be high enough to catalyze change.

This situation requires a linked global carbon market to emerge, or else the competitive situation will inevitably become challenging.

In the context of the CEP, where there are multiple policy objectives, there is an invisible price for carbon that can overshadow the visible signal.

Two options are therefore emerging. One is that the there is one, or a leading, GHG target in which case climate policy can lead with a high visible carbon price.

The alternative is multiple and equal objectives and targets. In that case, there has to be a coordinating mechanism to ensure that the ETS, as a carbon pricing mechanism, is agile and can respond to significant changes in structural and cyclical conditions that depart from the original assumptions.

This requires that a flexibility mechanism, based on a trigger other than price, be introduced that would ensure coordination between the ETS and other policies and measures. The same flexibility mechanism would also apply to cyclical and structural changes in EU ETS assumptions. It is felt that such a mechanism would provide guidance to the regulator, rather than allow for automatic intervention.

Concluding remarks

This submission elaborates on what the authors regard as the main points that should form the focus for the post 2020 discussion in the EU on the climate and energy framework – and the main issues that need to be addressed in any post 2020 package.

Firstly, conditions, domestically and internationally, both in the political and economic landscape have changed significantly. The same situation applies to energy markets and the energy situation in general. This must be recognized.

A significant part of the submission focuses on the EU ETS. However, as important as it is, it must be seen as a tool in the policy toolbox, not a silver bullet. It will do what it suited for, in conditions that are well recognized and incorporated in its design, and when well accompanied by other policies.

However much was learned from its operation and its role as a carbon pricing mechanism, as well as the role that carbon pricing can play. We are preparing to enter into a new world as carbon markets begin to emerge globally and link. This

will provide not only opportunities, but also challenges. The EU ETS, its role, design, maybe governance, may need to be revised.

The importance of targets and the interactions that emerge at different levels is a key part of the post 2020 discussion. Similarly, the importance of integrating the post-2020 climate and energy policy more profoundly with internal energy market legislation, regulation and competition policy climate change is another clear priority that must emerge from this submission.

We see options; there is not a unique post 2020 road. However, different provisions will need to be made depending on the road we travel. Climate change, energy policy and energy markets, and competiveness, will be at the core of this road.