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# How to enhance ESD flexibilities after 2020?

*CEPS, 16 Nov 2015*

## Enhanced flexibility in non-ETS sectors: Issues and Options

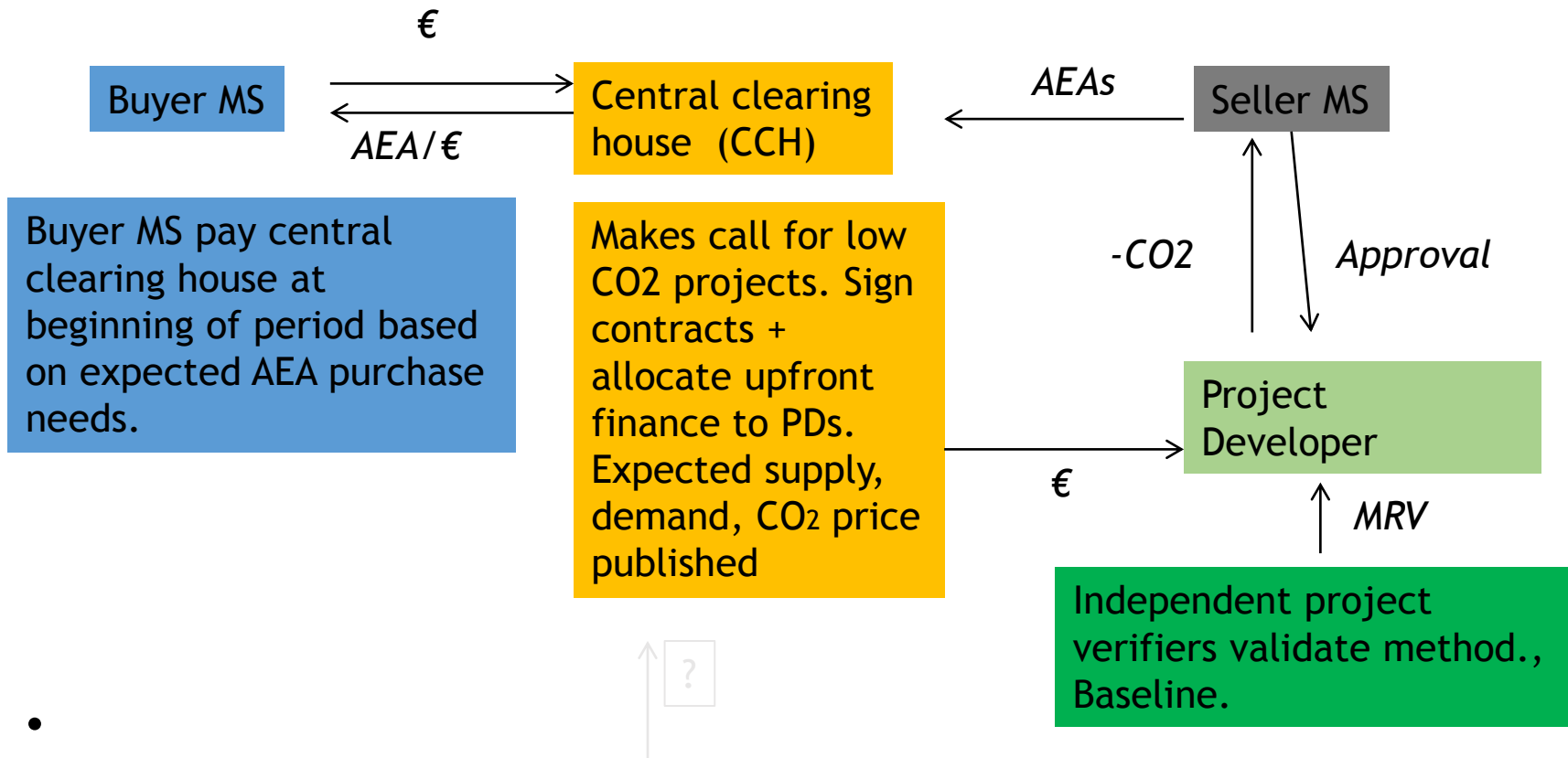
Paper by Climate Strategies (2015)

- Oliver Sartor, IDDRI; István Bart, Hungarian Energy Efficiency Institute; Andreas Tuerk, Joanneum; Ian Cochran, CDC
- <http://www.iddri.org/Publications/Enhanced-flexibility-in-the-EU-s-2030-Effort-Sharing-Agreement-issues-and-options>

Assumptions:

- There is a need for trading to achieve compliance cost-effectively
- Potential sellers will be reticent to sell
- Private sector cannot participate under the current rules (no liquidity)
- Transaction costs are high, and there are political risks

# The Central Clearing House option



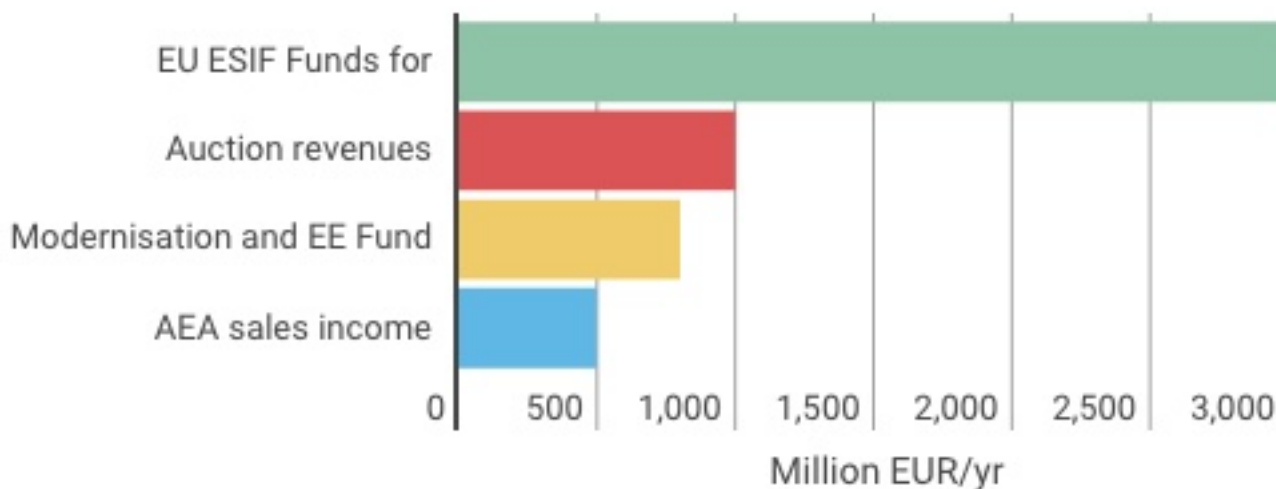
Presented in a series of MEHI workshops during 2014 and 2015

- Reception by MS experts was lukewarm (similar for auctioning)
- But it was recognised that reference prices or transparency about prices is needed to facilitate flexibility
- Ecologic paper on ESD project mechanisms was presented (it is a harmonised process for managing projects)
- CEE Member States are waiting for the Commission's proposal

## Watch out for the EU funds!

They are much larger than ESD funds and much easier to use (no strict accounting, no bespoke admin, no outside snooping)

*Decarbonisation Funds in CEE after 2020 (estimate)*



Why would a CEE Member State bother with ESD projects?

## This time it is different!

Jl is not a real model for the post 2020-2030 period

Why?

- If all MS are short, there will be unwillingness to sell
- Auction revenues and EU funds (if exist after 2020) will compete for seller MS's capacity
- Private sector will be hard to involve in trading (AEAs are hard to sell)



Options:

- Merge/harmonise delivery of ESD investment with EU funds
- Create market facilitation mechanisms (project clearing house, reference price, etc)
- Allow trading with ETS and let the private sector develop it