



TOWARD A SUCCESSFUL COORDINATION OF CLIMATE-ENERGY POLICIES

WholeSEM Annual Conference

3rd of July, 2017

London

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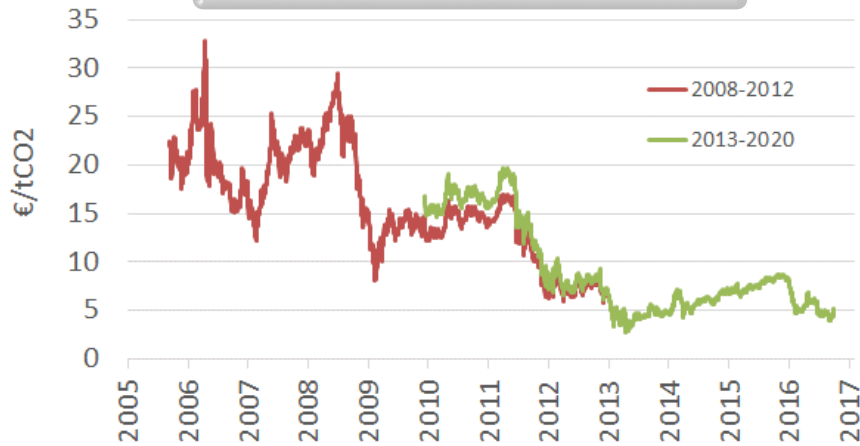
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POWER SECTOR EXPECTING A PRICE SIGNAL TOWARD LONG TERM DECARBONIZATION

EU-ETS price historic



CO₂ price driven by short term ETS market balance whereas power sector requires long term investments signal

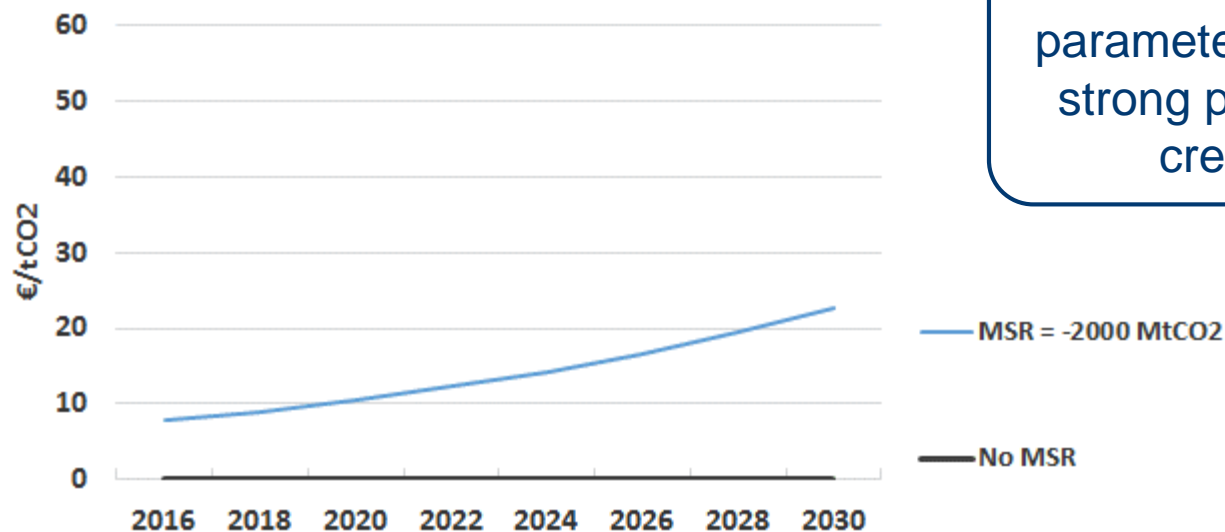
Market Stability Reserve implemented to restore CO₂ price enabling decarbonization

Does the proposed reform of the EU-ETS ensure that European power sector will decarbonize in the most efficient way ?

Europe's energy investment crisis: "the EU energy market needs a makeover"
February 25, 2016 by Sonia van Renssen — 2 Comments

LOW CARBON PRICE COULD PERSIST IF COMPLEMENTARY PROVISIONS NOT DECIDED

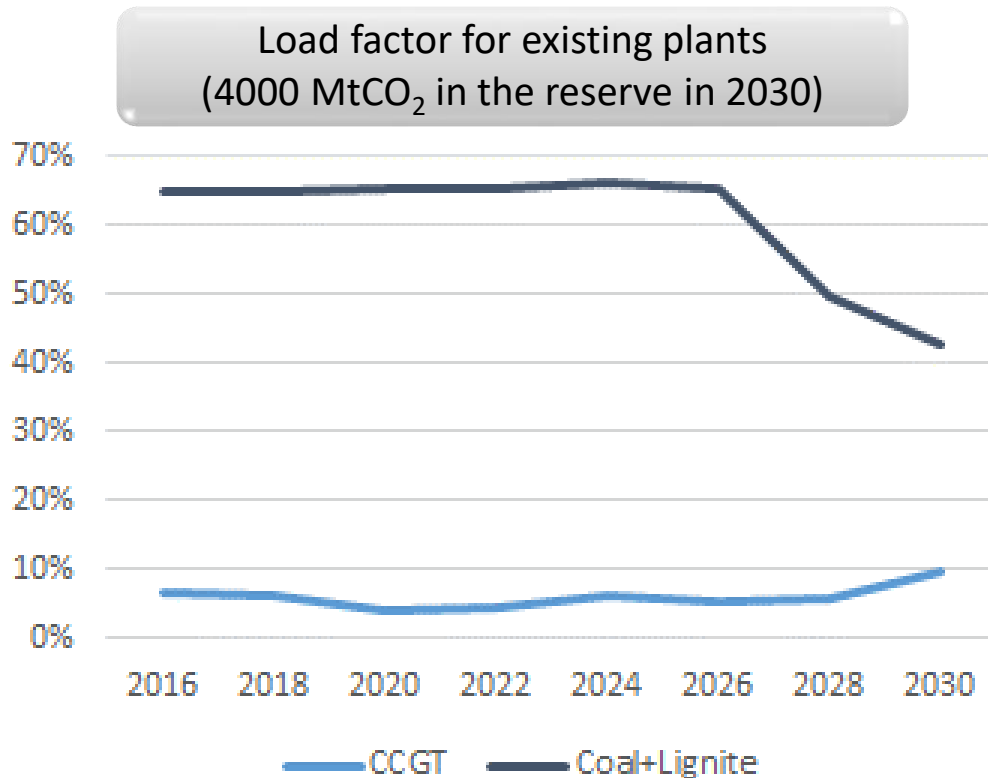
Carbon price according to MSR reserve volume



The first proposal of MSR parameters is not able to generate a strong price signal and restore the credibility of the EU-ETS

This carbon value is not able to trigger the first decarbonization opportunity : fuel switching in existing capacities

EVEN WITH MSR, ETS COULD NOT BE ABLE TO TRIGGER COAL-TO-GAS SWITCHING

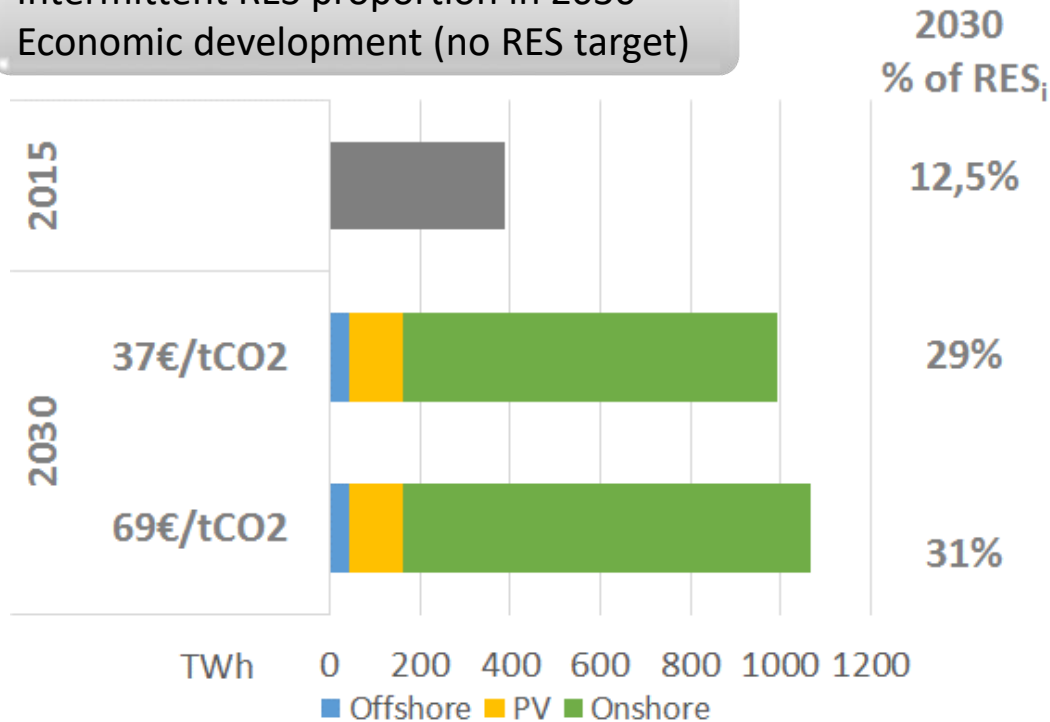


Even if MSR would place 4000 MtCO₂ into the reserve, ETS price could not be sufficient to generate the first level of emission reduction abatement option

MSR could not be enough to trigger cost-efficient emission reductions and needs to adapt to the different market conditions

RES TARGET COULD BE REACHED WITHOUT SUBSIDIES WITH A REASONABLE CO2 PRICE

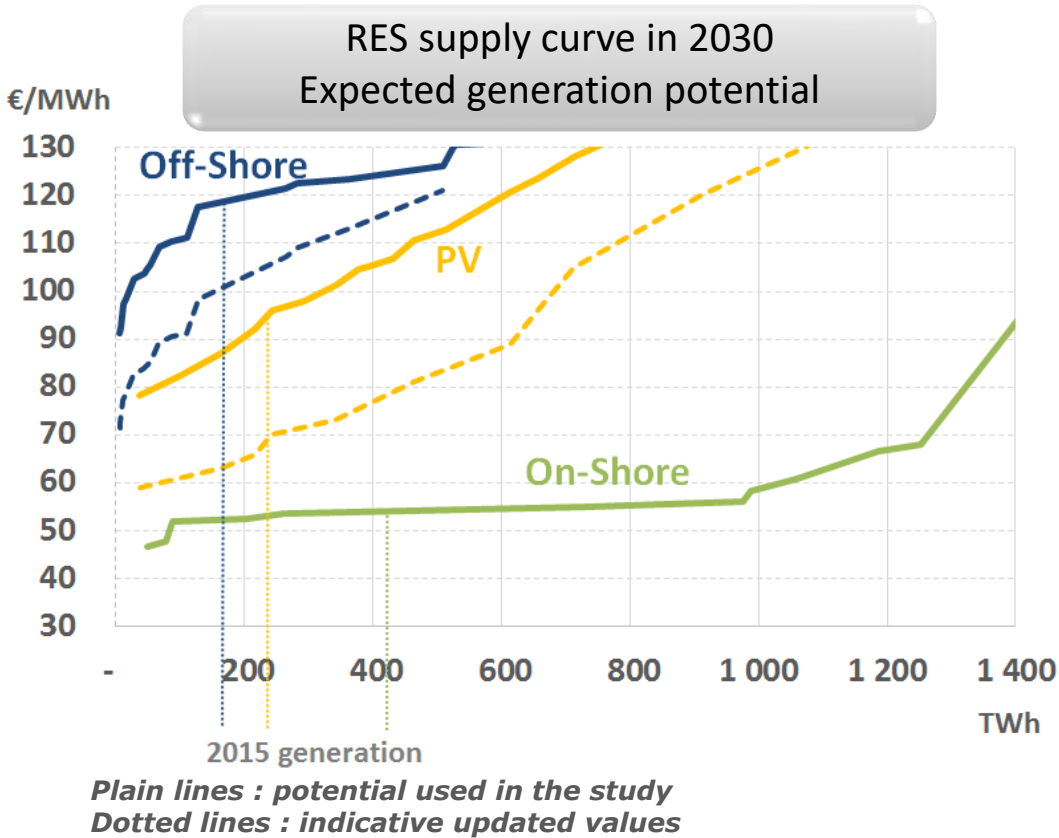
Intermittent RES proportion in 2030
Economic development (no RES target)



Large cost-efficient RES generation volume could enter in the market and makes RES target achievable without support if CO₂ price goes over 30 €/tCO₂

Economic development of on-shore wind generation could make available funding to promote less mature technologies

A LARGE POTENTIAL OF RES GENERATION WOULD BENEFIT FROM A “REAL” CO2 PRICE



RES assumptions based on 2014 costs assessments

With still high generation costs off-shore appears to have a limited economic potential

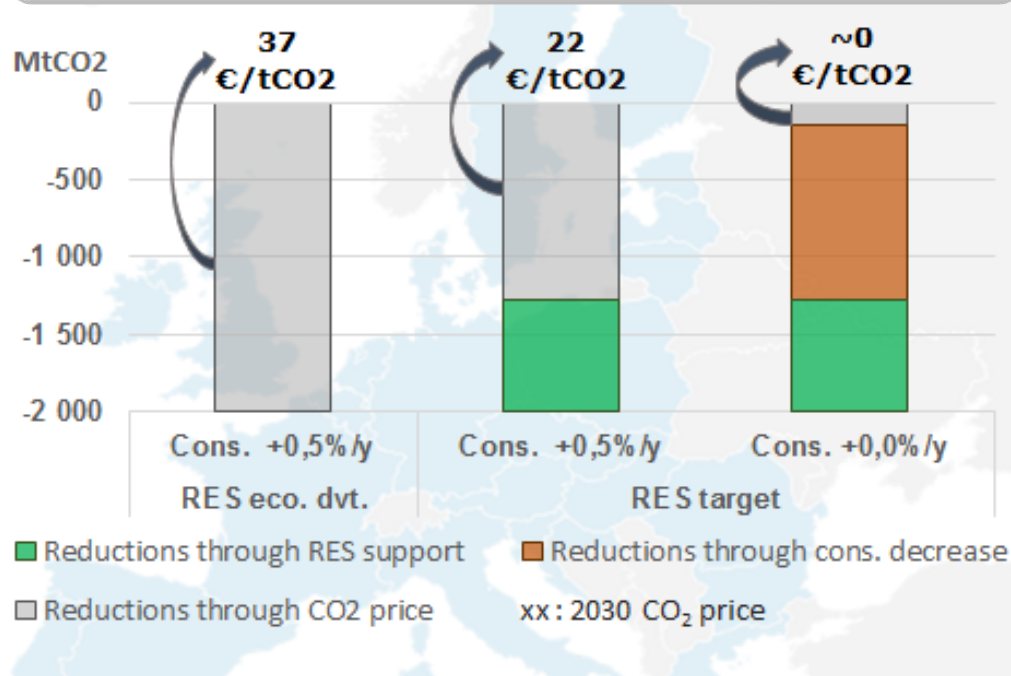
PV generation could benefit from the best sites to develop

Large potential of onshore power generation at a limited cost

RES penetration would not need much support, particularly if we take into account the recent cost decrease

BUT OTHER POLICIES DEFINITION MUST INCLUDE THEIR IMPACTS ON THE EU-ETS

Emission reductions and CO₂ price under different configurations (MSR 2000 MtCO₂)



Policy overlaps make it necessary to integrate the EU-ETS impact in the definition of the other Climate Energy targets

ACTION IS NEEDED TO PRESERVE COMPETITIVENESS

To de-carbonise at least cost...

...while achieving a high RES-EE ambition

The impacts of RES and EE policies on the EU-ETS need to be taken into account in the upcoming legislation



ETS Directive started earlier. We have to act immediately!

Thank you for your attention