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# MSR THROUGH 2030: IMPACT ON MARKET LIQUIDITY AND CONSIDERATIONS FOR THE 2026 REFORM

## PART I: MODELLING APPROACHES AND MSR PROJECTIONS



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# SIX DIFFERENT ORGANIZATIONS & MODELS

**LSEG (former Refinitiv)**  
Refinitiv EUA price forecasting model

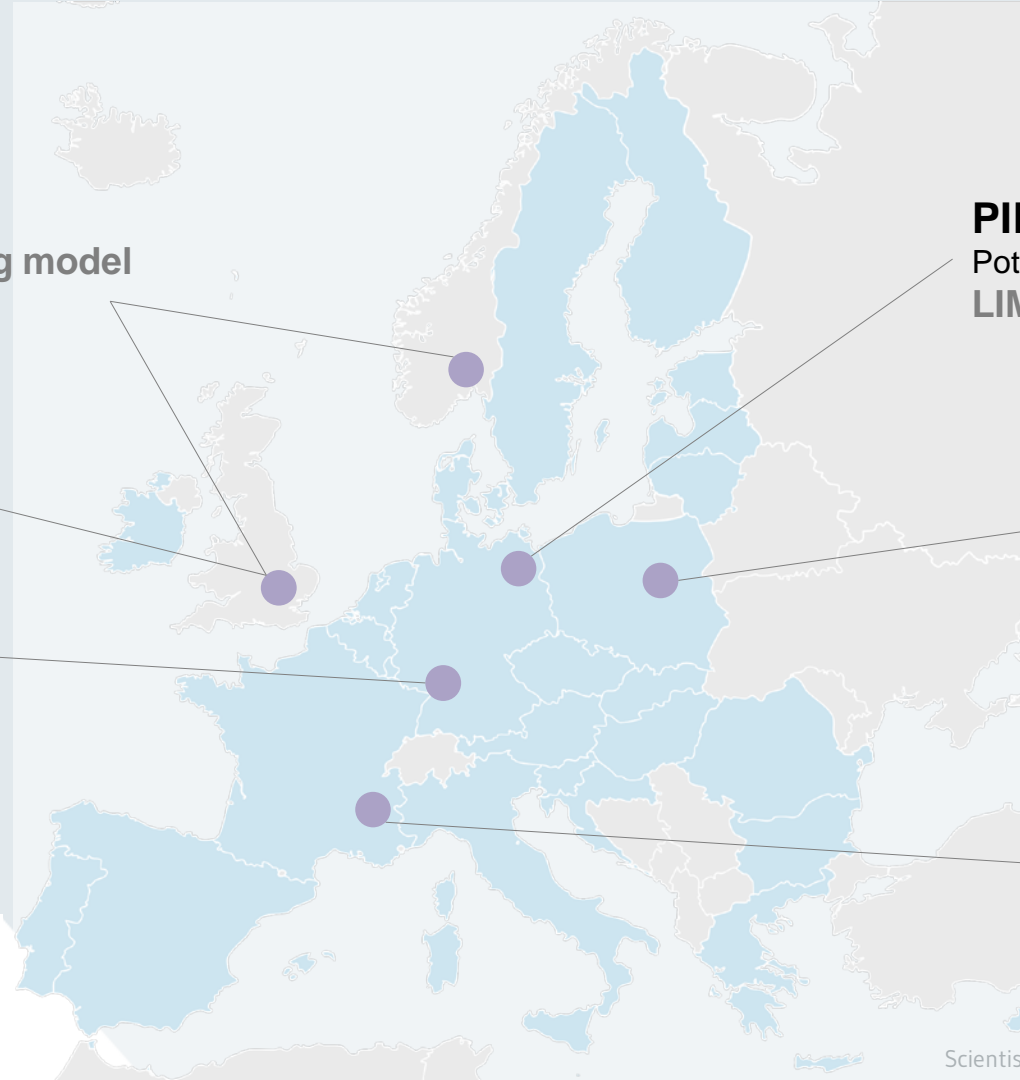
**BloombergNEF**  
EUCPM 1.0

**ICIS**  
Independent Commodity Intelligence Services  
ICIS Agent-Based Carbon Model

**PIK**  
Potsdam Institute for Climate Impact Research  
LIMES-EU

**CAKE/KOBiZE**  
Center for Climate and Energy Analyses  
CREAM & CAKE

**Enerdata**  
POLES-Enerdata



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










# MODELLING APPROACHES

## EU ETS simulation

- > **EU ETS module**  
Supply / Demand of certificates
- > **Simulation of MSR**

## Representation of sectors

	Detailed representation	MAC curves	Emission projections
Power sector	   	 	
Heating	   		
Industry	 	   	
Aviation, Maritime	 		   
Other	 		

-  LSEG
-  BNEF
-  ICIS
-  Enerdata
-  PIK
-  CAKE

## Foresight

- > **Perfect** foresight (benchmark approach)
- > **Limited** foresight of actors (1-10 years)

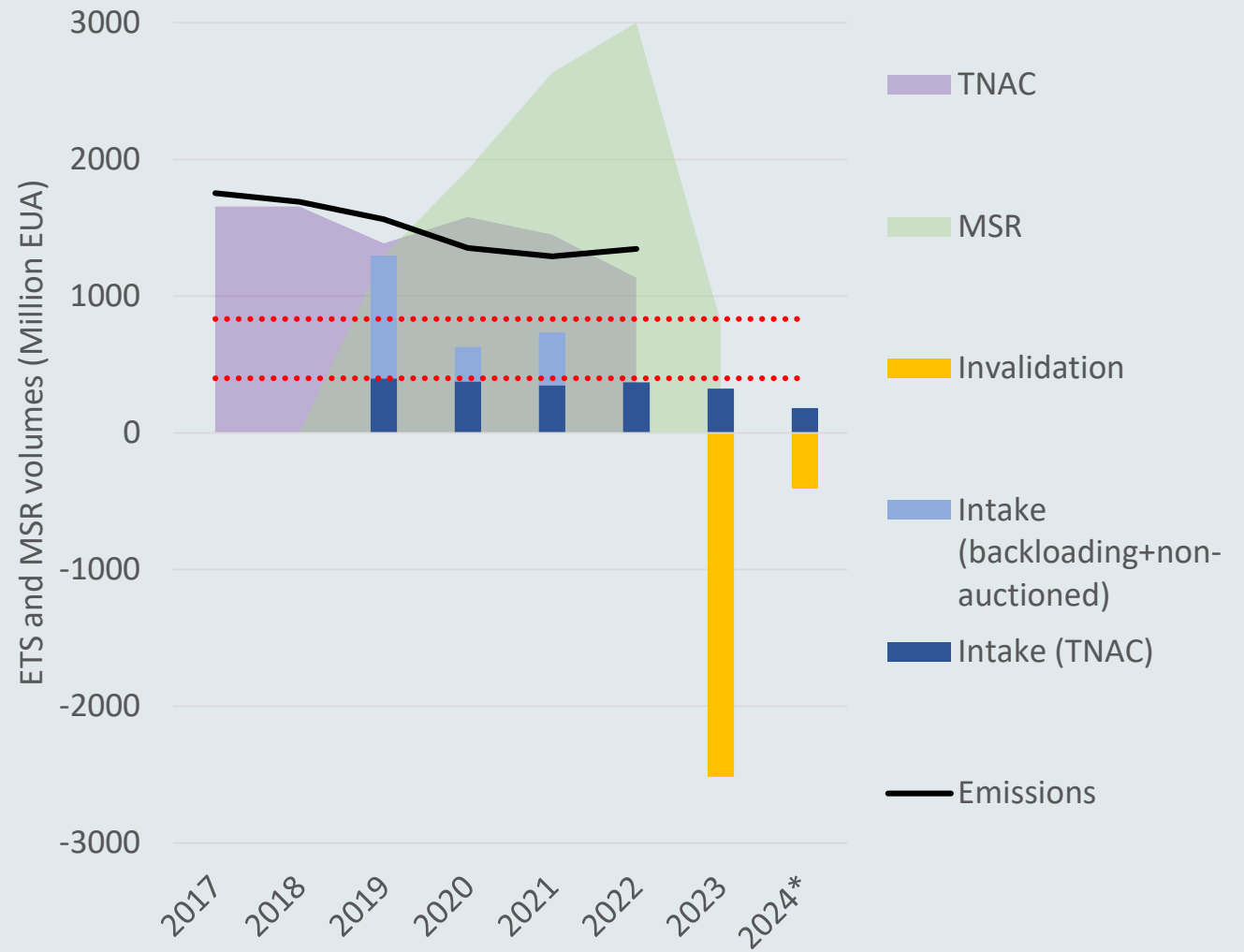
## Market imperfections

- > **Limited foresight**
- > **Non-compliance** actors
- > **Hedging**
- > **Uncertainty about policies**

# EUA PRICES AND MSR HISTORIC OPERATION



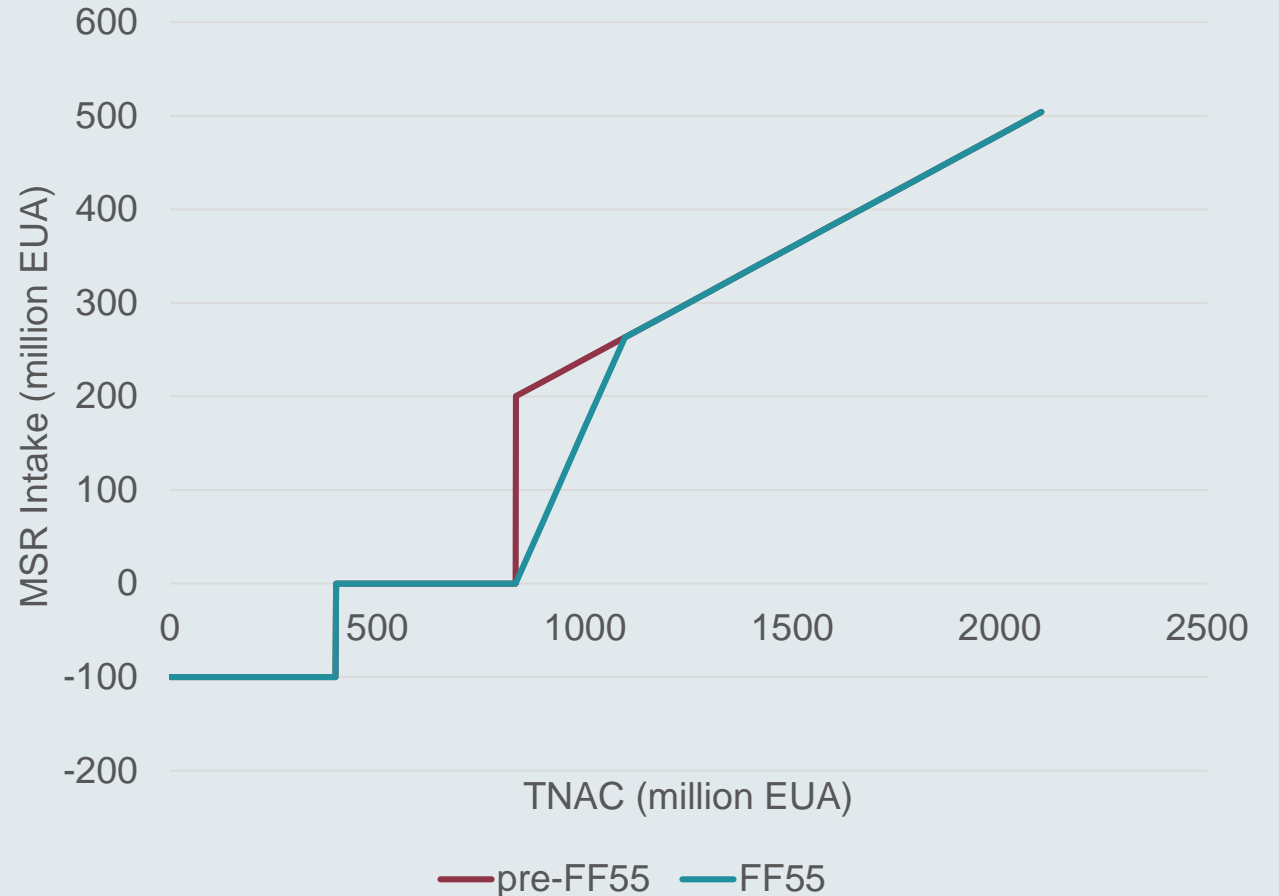
Source: ICIS Carbon EU market data



Scientists Meet Analysts: What is up for the MSR?

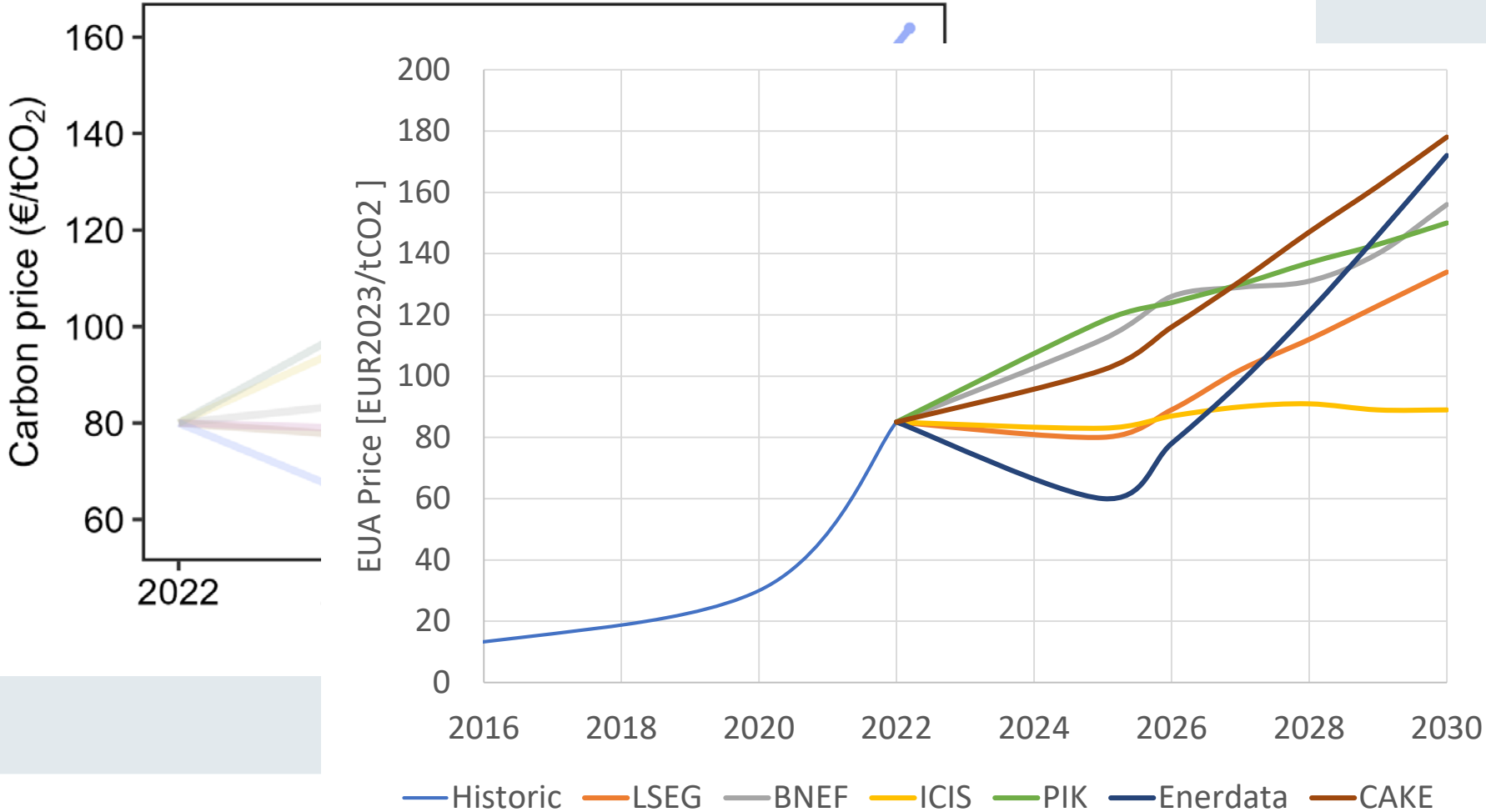
# MSR FUNCTIONING

Target by 2030 (vs. 2005)	-62%
Linear Reduction Factor (LRF)	<ul style="list-style-type: none"> <li>2020-2023: 2.2%</li> <li>2024-2027: 4.3 %</li> <li>As of 2028: 4.4 %</li> <li>Rebasing 2024 (90 Mio.) &amp; 2026 (27 Mio.)</li> </ul>
EUA intake	<p>TNAC &gt; 1096 Mio:</p> <ul style="list-style-type: none"> <li>24% of TNAC until 2030</li> <li>12% of TNAC from 2031</li> </ul> <p>1096 &gt; TNAC &gt; 833 Mio:</p> <ul style="list-style-type: none"> <li>TNAC – 833 Mio</li> </ul>
EUA outtake	TNAC < 400 Mio: 200 Mio until 2023, 100 Mio from 2024 on
Invalidation mechanism	<p>2023: MSR level – Auctions previous year</p> <p>Since 2024: MSR level – 400 Mio.</p>



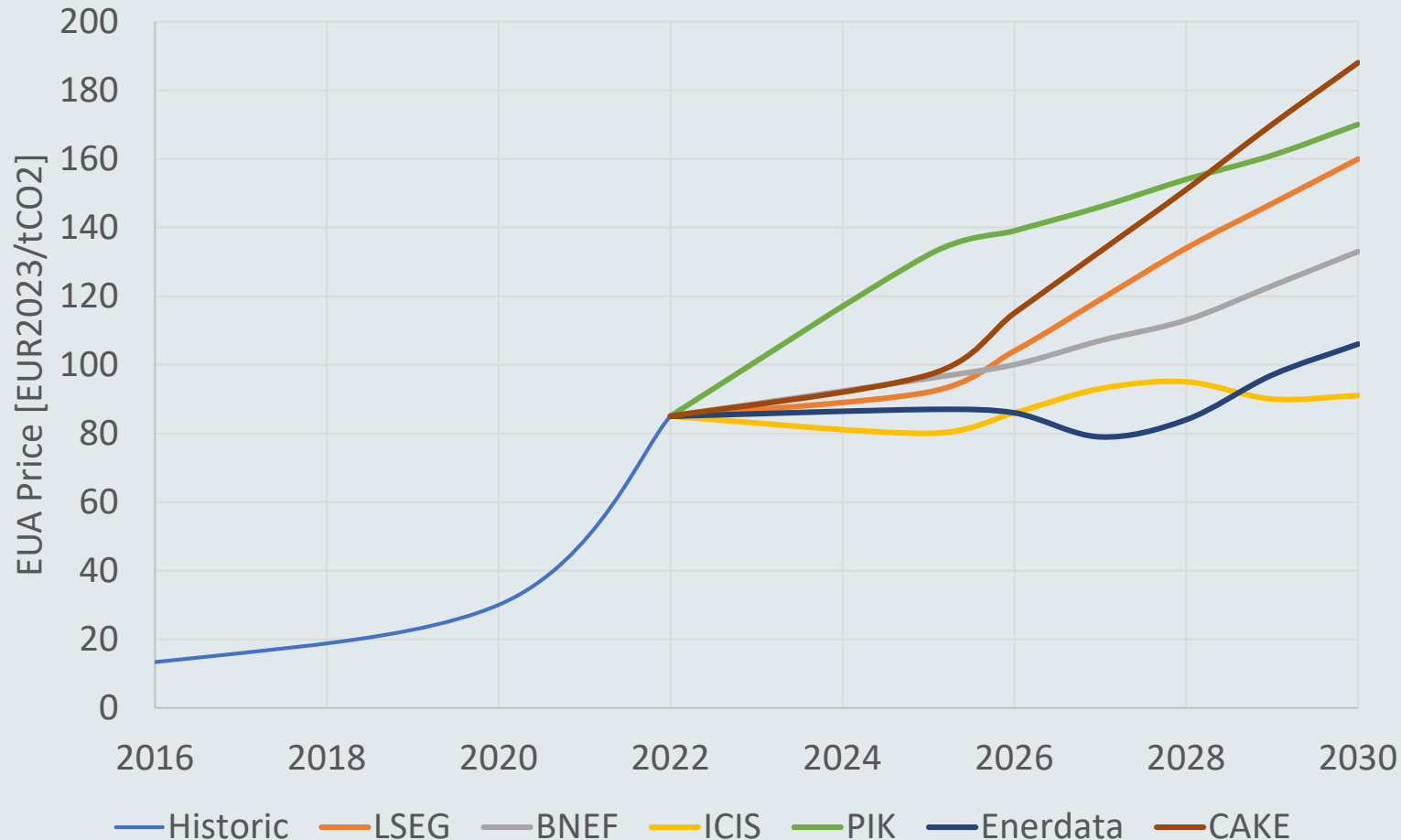
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# BACK IN 2022...



Remarkable convergence between the different modelling approaches in the modelled price path towards the end of the 2020s  
 -> Fewer choices in the medium to long term than there are in the short-medium term.

# PRICE PATHS (FIT FOR 55 TARGET, DEFAULT SCENARIO)

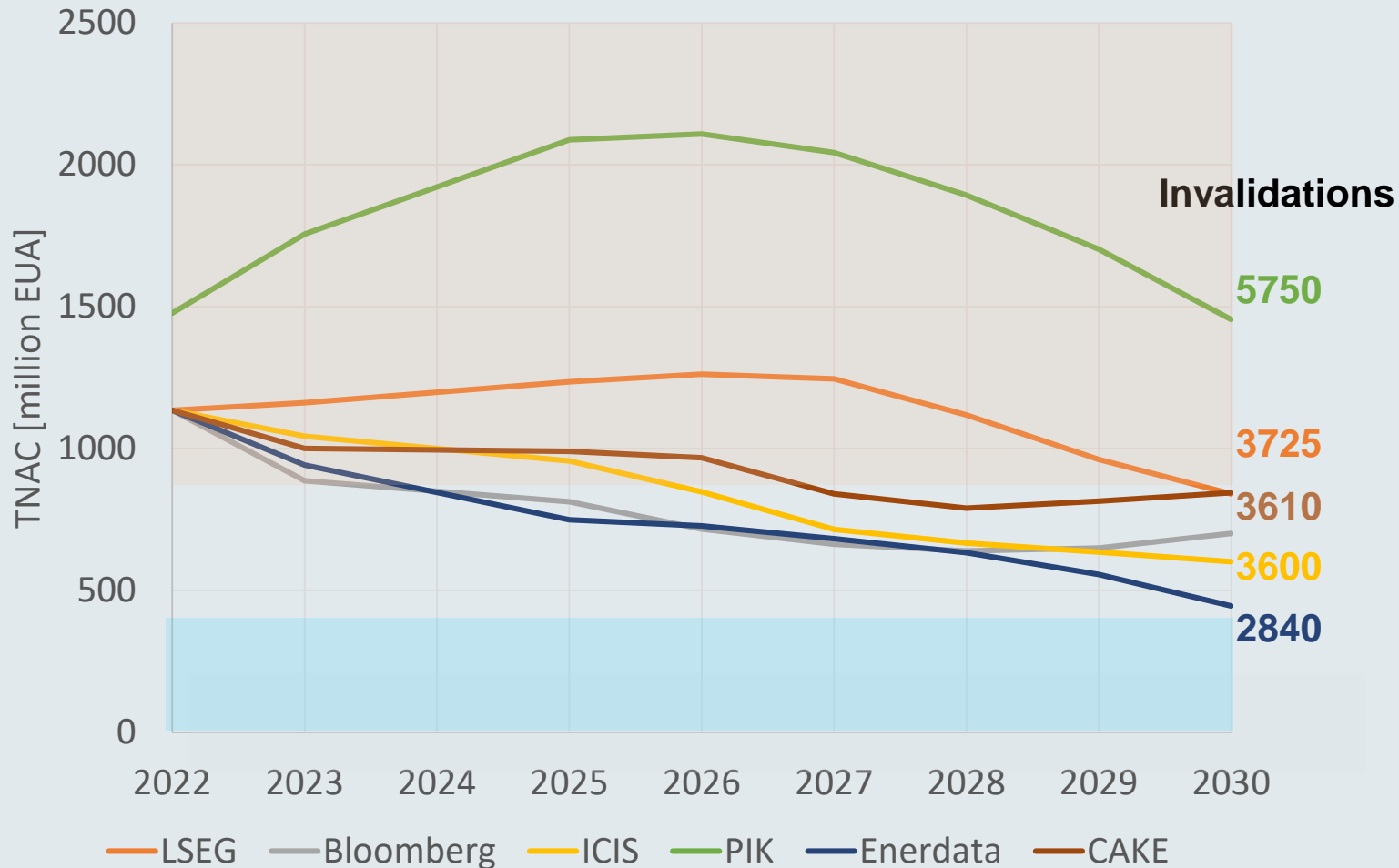


- › Prices from 80-132 EUR2023/tCO2 in 2025 to 91-188 EUR2023/tCO2 in 2030
- › Last year: from 60-118 EUR2023/tCO2 in 2025 to 89-178 EUR2023/tCO2 in 2030
- › What changed wrt 2022?
  - › Prices in 2025 higher but still mostly below 100 EUR2023/tCO2
  - › Higher divergence by 2030
  - › Still some projections with rather flat prices (ICIS, Enerdata)

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# MSR: DEVELOPMENT OF TNAC AND ALLOWANCES INVALIDATION



## TNAC

› Rather decreasing (except for PIK), ending up below 833 million EUA, but also above 400 million EUA by 2030

› MSR inactive by 2030

› In some models MSR would be inactive already by 2024

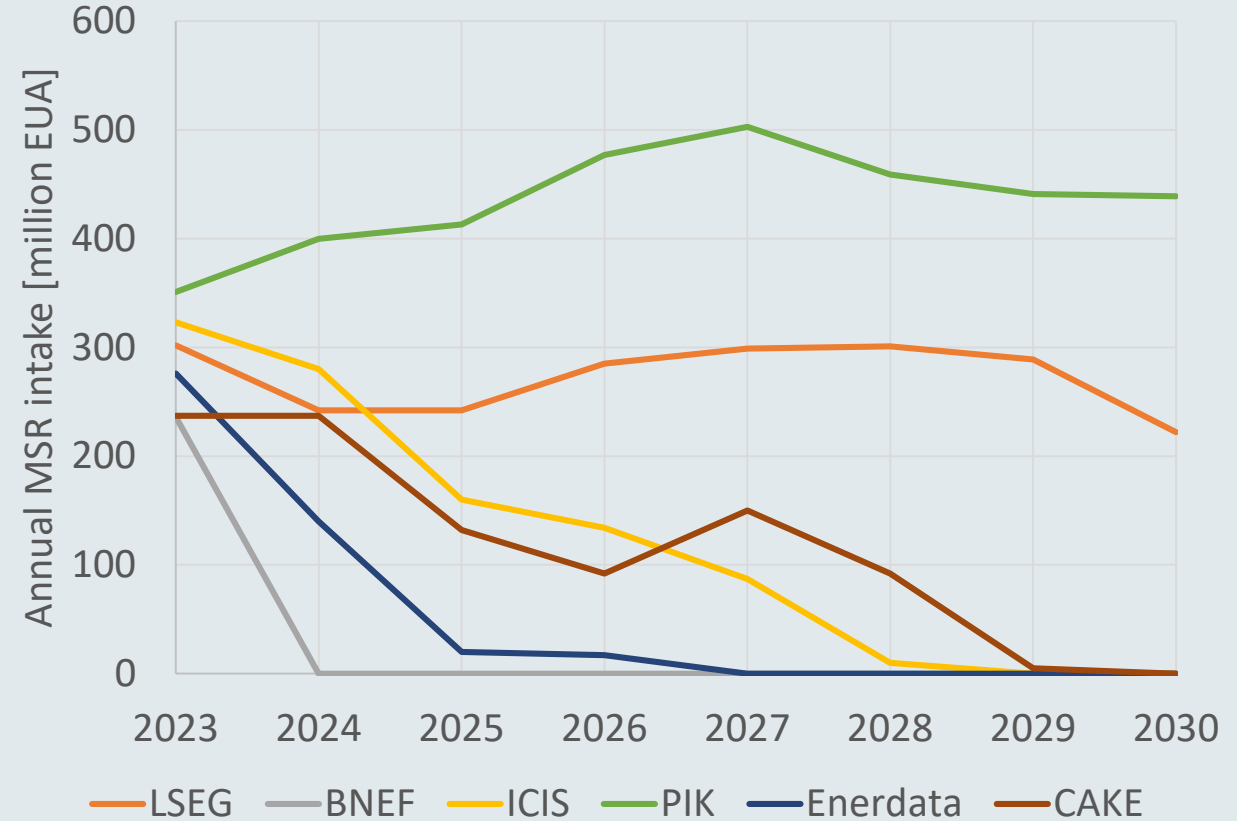
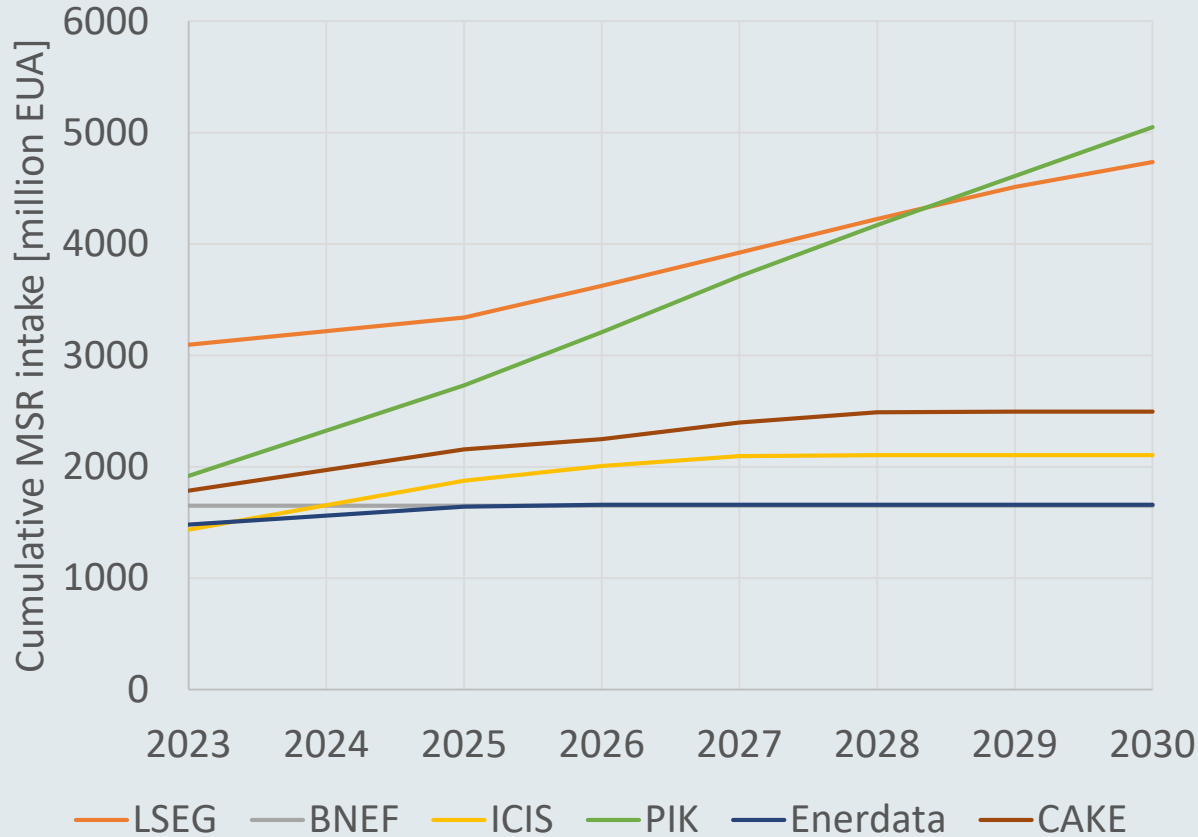
## Cancellations

› Between 2840 and 5750 million EUA by 2030

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# MSR: INTAKE RATES



\* Values for 2024 have been approximated based on the 2023 and 2025 values reported

# ADDITIONAL MODEL DETAILS



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