

Ariadne @ Brussels 8 December 2025

FIRST THINGS FIRST IN THE ETS: WHAT TO COVER IN THE UPCOMING MSR REVIEW AND WHAT TO LEAVE FOR THE NEXT? – SESSION II

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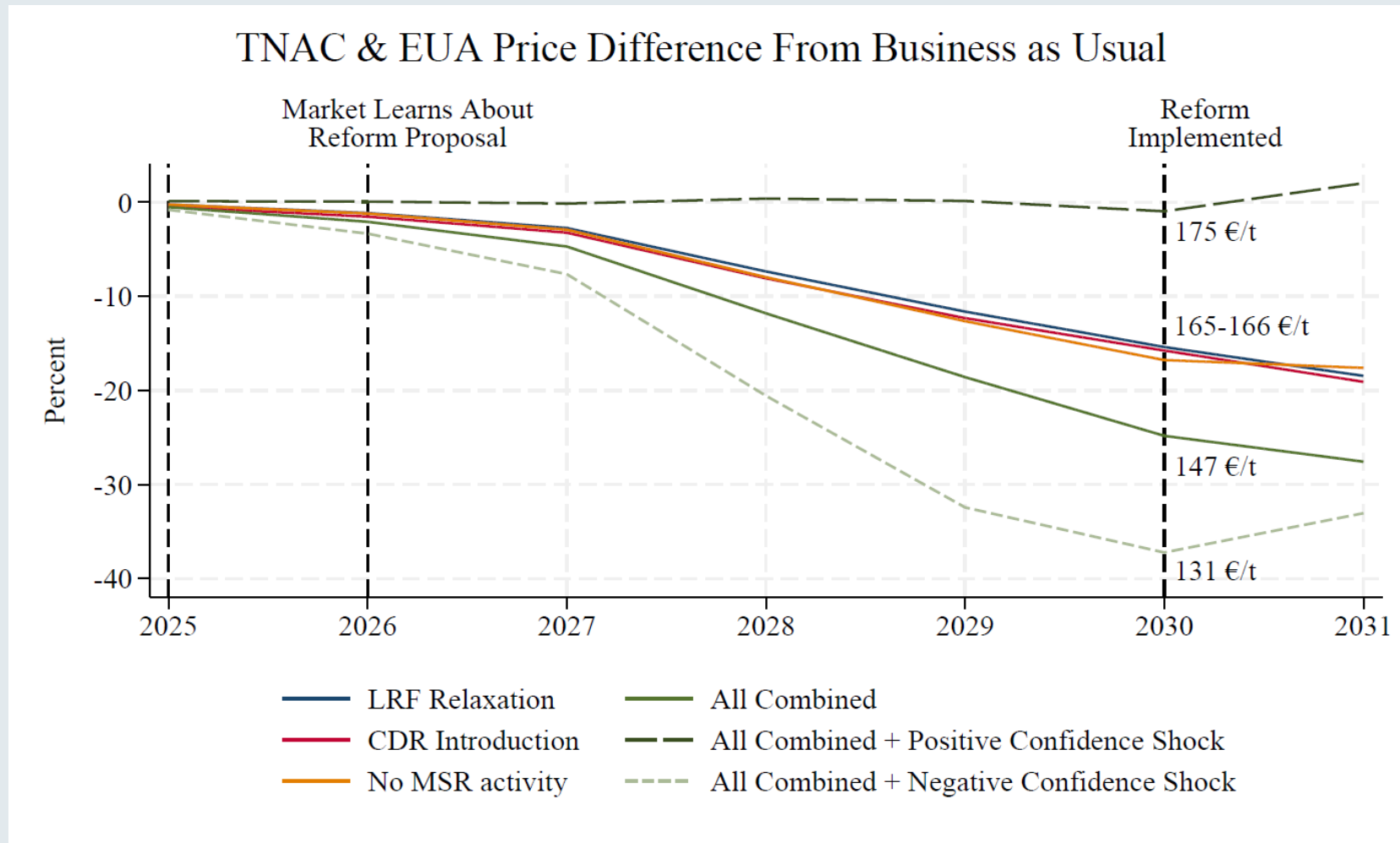


Time	Activity (both sessions under <u>Chatham House rules</u>)
11:30 – 13:00	<p>Session I: Current state of the market and outlook for the next 5 years</p> <ul style="list-style-type: none"> • Welcome – M. Pahle & B. Görlach [5 min] • Quo vadis EU ETS? – O. Edenhofer [5 min] • ESMA’s carbon market report & prospective role of the float and regulatory challenges for measuring it – J. Mazzacurati/ESMA [10 min] • Overview of projections for prices and evolution of market structure and functioning – B. Görlach [5 min] => reactions and comments by all modeling teams [3 min each] • Open discussion along the first set of questions
13:00 – 14:00	<p>Light lunch</p>
14:00 – 15:30	<p>Session II: What to cover in the upcoming MSR review and what to leave for the next?</p> <ul style="list-style-type: none"> • The case for preparing the long term through the short term with the next MSR review – M. Pahle [5 min] • Inputs by Ingvild Sørhus, Rosy Finlayson, J. Delbeke, R. Jeszke and O. Edenhofer [5 min each] • Open discussion along the second set of questions

QUESTIONS

- Should the **2026 MSR review focus on potential risks for market stability in the next five years** and leave major post-2030 reforms to the ETS (CDR integration, linking to ETS2 or to UK ETS, recalibration of LRF towards 2040 goal, potential integration of international credits, potential prolongation of free allowances...) for the next MSR review when there is more clarity?
- Or is it essential **to prepare the long term through the short term** – and how so?
- What are **easy to implement no-regret options that could enable** a more effective next MSR review?

MODELLING “GO EASY” ON REGULATED FIRMS AND CONFIDENCE EFFECTS



Source:
UH & PIK, based on
LIMES-EU model,
visual by F. Schmitz

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TAKEAWAYS FOR DISCUSSION

1. Post-2030 MSR reform has impact on market **already in coming years** (no-brainer)
2. Most important in terms of (modeled) impact: does it **boost/restore confidence** (cp. 2017/2018 reform), or the opposite?
 - Implied **intervention logic**: Which reform could **maximize confidence (boost)**?
 - To principles to weigh against each other: **continuity** of rules (*forward logic*) vs. **fundamental** changes (*backward logic*)?
 - A **middle way**? First steps to **make MSR ready** for new tasks/role post-2030: develop new indicators (e.g. float), expand to e.g. CDR credits, rules with more discretion...