

Financing for low-carbon investment

How to optimise the flagship EU climate policies to increase project funding in Central and Eastern Europe?

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EU Emissions Trading: allowances for modernisation of energy sector and industrial innovation

Country	Modernisation Fund (million t)	Art. 10c allocation (million t)	Total sensitivity* (million €)
Poland	134.6	293.4	428.0
Czechia	48.3	119.7	168.0
Romania	37.1	98.4	135.5
Bulgaria	18.1	55.4	73.5
Hungary	22.1	37.2	59.3
Slovakia	19	35.5	54.5
Estonia	8.6	18.9	27.5
Croatia	9.7	12.6	22.3
Lithuania	8	9	17.0
Latvia	4.5	4.1	8.6
TOTAL	310.1	684.2	994.3

Options not available to all Member States

Modernisation Fund supported with allowances from all Member State auctions

Czech Republic second biggest recipient

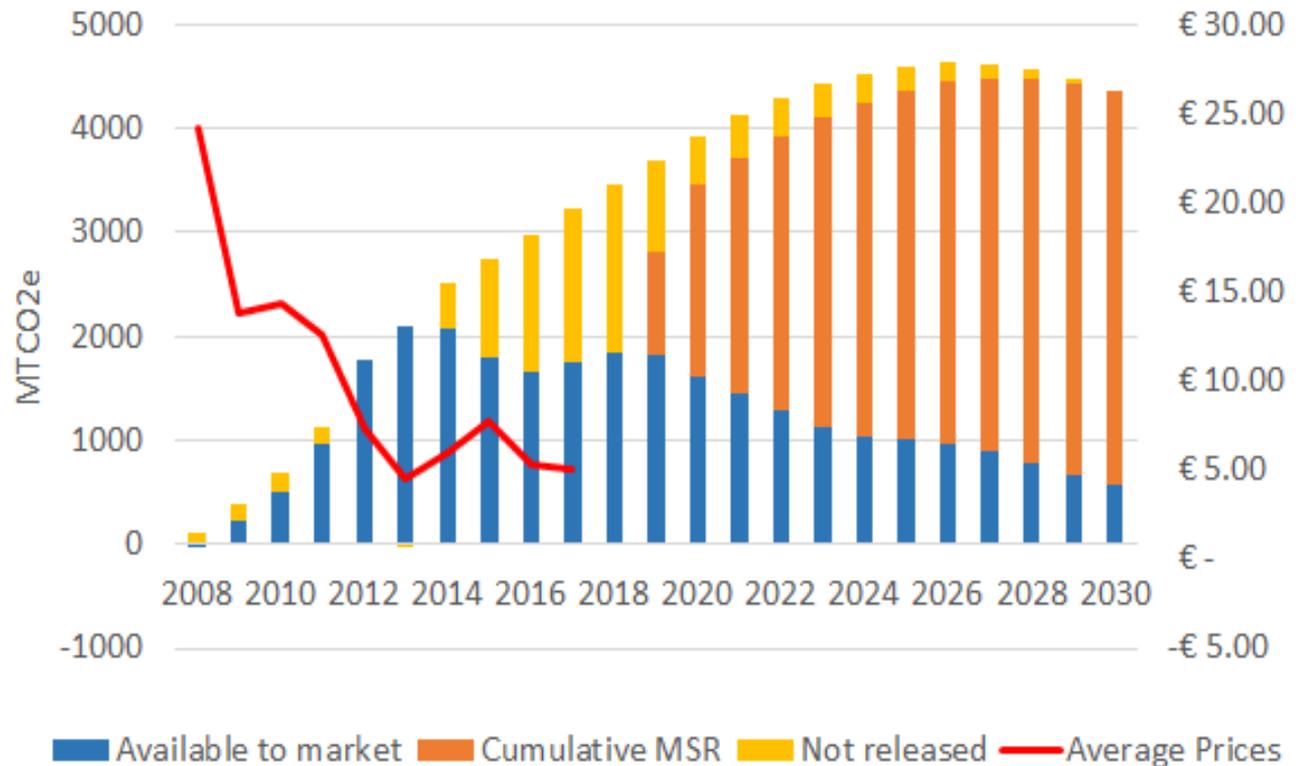
+ At least 450 million allowances from the Innovation Fund (EC proposal)

Reduction in EU ETS market surplus grows the funds available

MSR validity – no effect on market surplus

Changes to the Linear Reduction Factor - minimal

Unilateral Member States cancellation – minimal



[A tale of two surpluses](#) (Sandbag, May 2017)

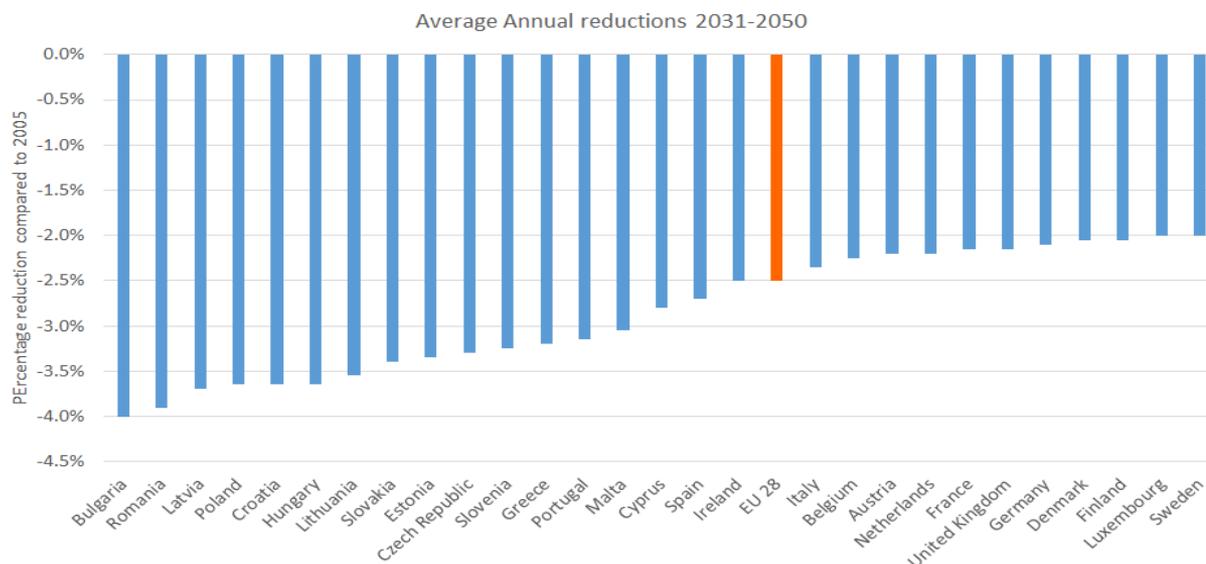
EU Effort Sharing: financing to investment projects under the European Project Based Mechanism

	Cost-Effective Potential (EC 2014)	Proposed target (EC 2016)
Bulgaria	-25%	0%
Czech Republic	-23%	-14%
Denmark	-31%	-39%
Estonia	-23%	-13%
Sweden	-29%	-40%

ESR targets distributed according to GDP – not according to potentials

MS with high targets ask for flexibility

Investment is needed too -and especially- in MS with relatively low targets



European Project Based Mechanism brings the market logic to the EU Effort Sharing

Private sector

Greater private sector involvement and transfer of knowledge and technologies for emission reductions;

Initiates price discovery for the ESR sectors in the EU.

Member State

Economic boost and job creation in selling Member States. Cleaner air in cities, reduced health costs, reduced energy poverty and reduced fuel import dependency;

Savings incurred from cheaper compliance for wealthier Member States.

EU climate mitigation

Significant additional emission reductions could potentially be delivered;

Establishment of the actual share of cost-effective potential in ESR sectors compared to the ETS sectors.

Know-how to unlock investment under European Project Based Mechanism

- Member States' positive experience with Green Investment Scheme and Joint Implementation projects carried out in Europe.
- Intimate tie between transfers of allowances and new projects – ex-post or ex-ante project implementation financing. Different ways to arrange it.
- **Lack of surplus in system is a key requirement.** 380 million tonnes of offsets from the EU ETS and forestry proposed as other flexibilities should be used only on the condition that Member States first tried to implement projects to ensure there is need for projects.



Thank you. Any questions?

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