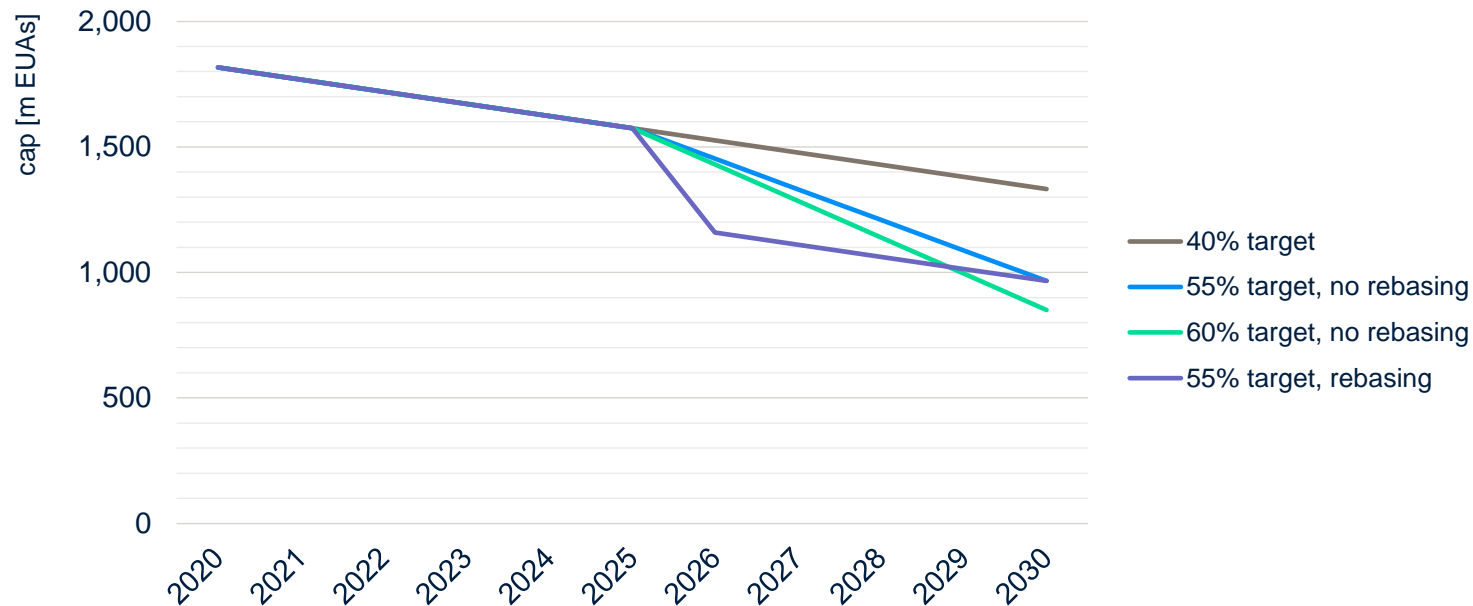


Impact of a higher EU climate target on the ETS market

Philipp Ruf
Director Energy Analytics

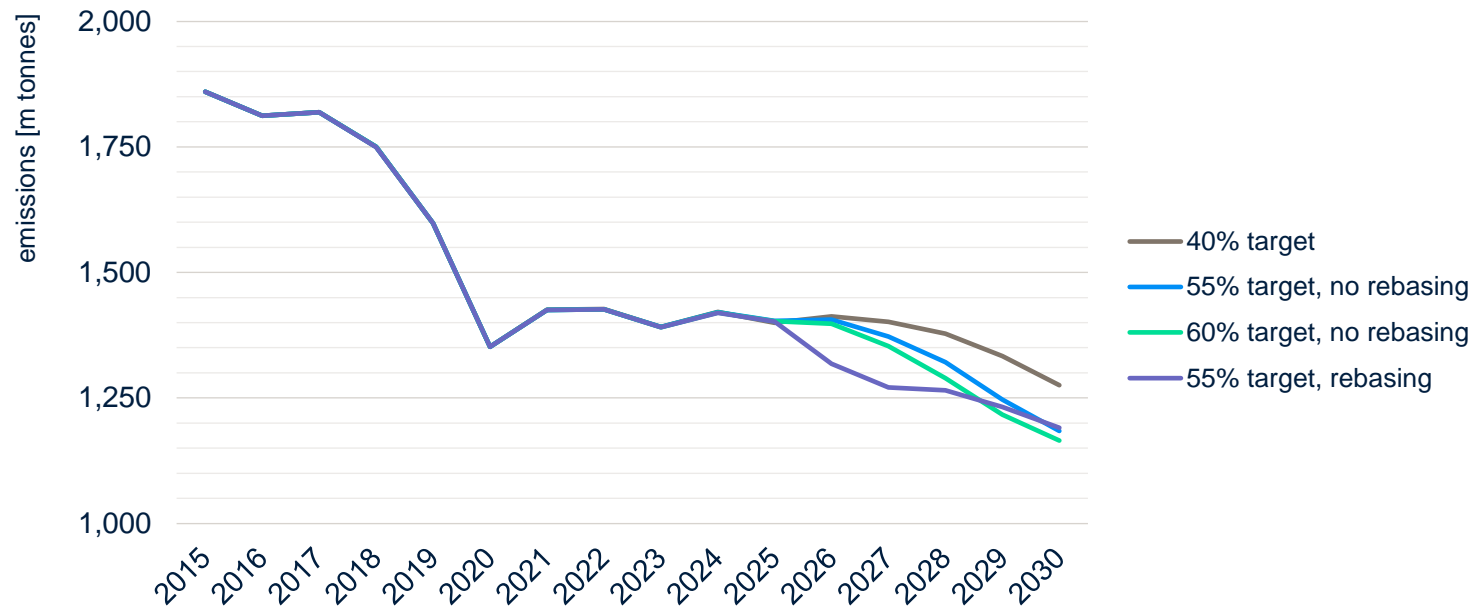
Cap Developments



- 4 cap scenarios calculated
- All scenarios take only effect as of 2026
- One rebasing scenario in 2026
- All scenarios assume:
 - MSR reform (300m | 600m thresholds, 12% intake rate from 2024)
 - UK continue to stay in the ETS, no cap adjustment

	2030 cap	reduction vs 2005	LRF 2026-2030	one-off reduction	2021-2030 reduction vs 40% target
40% target	1,333	42%	2.2%	0	0
55% target, no rebasing	966	58%	5.5%	0	1,101
60% target, no rebasing	851	63%	6.6%	0	1,446
55% target, rebasing	966	58%	2.2%	367	1,835

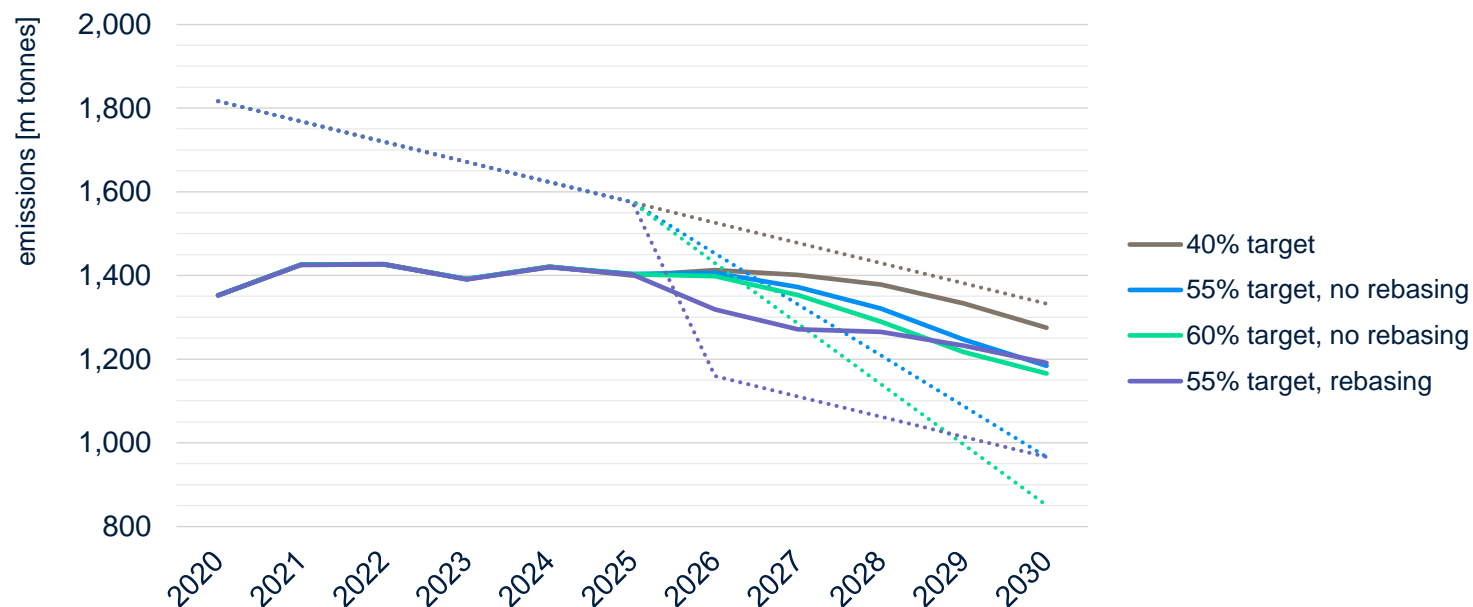
Emissions



- The 4 cap scenarios result in different emissions due to
 - Fuel switch from coal to gas
 - Investment in renewables
 - Investment in industrial low carbon technologies

	2030 emissions	reduction vs 2005	2026-2030 total vs 40% target
40% target	1,275	45%	0.0%
55% target, no rebasing	1,184	49%	-4.0%
60% target, no rebasing	1,165	49%	-5.6%
55% target, rebasing	1,191	48%	-7.7%

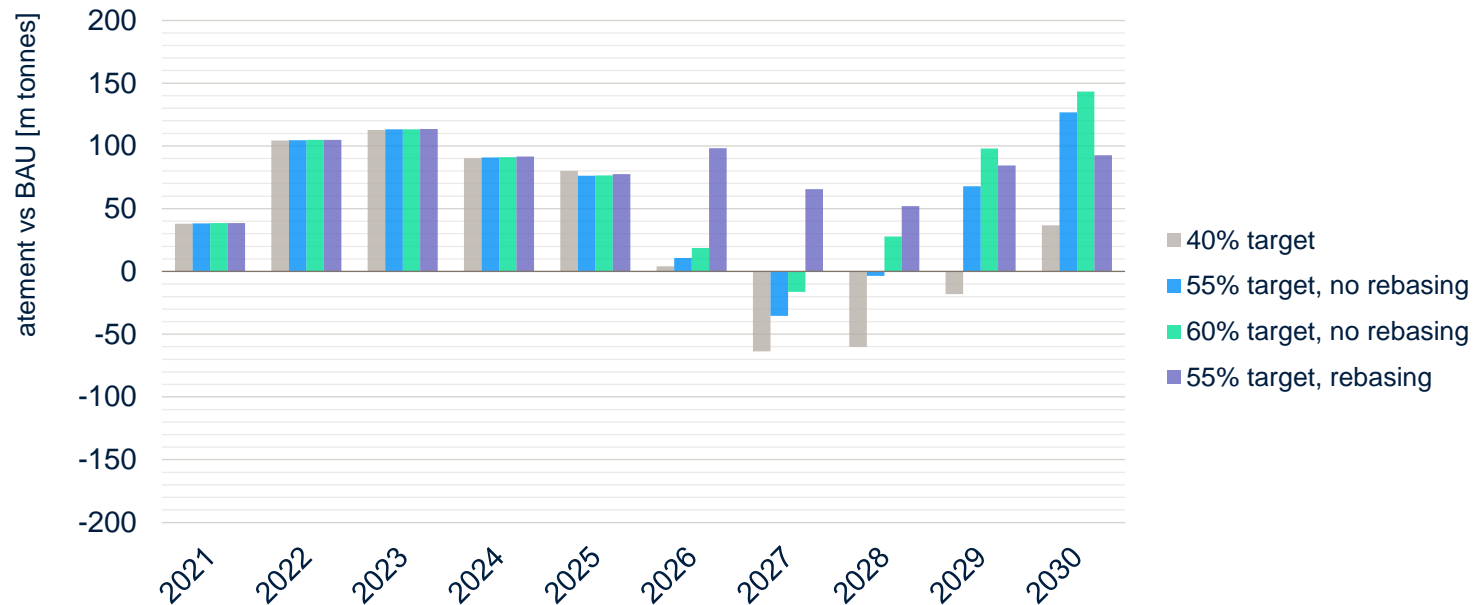
Emissions vs Cap



	2030 emissions	reduction vs 2005	2026-2030 total vs 40% target	emissions vs cap in 2030	emissions vs cap in 2021-2030
40% target	1,275	45%	0.0%	-57	-1,638
55% target, no rebasing	1,184	49%	-4.0%	218	-805
60% target, no rebasing	1,165	49%	-5.6%	315	-569
55% target, rebasing	1,191	48%	-7.7%	225	-328

- The 4 cap scenarios result in different emissions due to
 - Fuel switch from coal to gas
 - Investment in renewables
 - Investment in industrial low carbon technologies
- Emission levels reductions are lower compared to cap reduction between the scenarios
- The 40% target significantly overachieves its target while the adjusted cap do not reach the respective 2030 targets

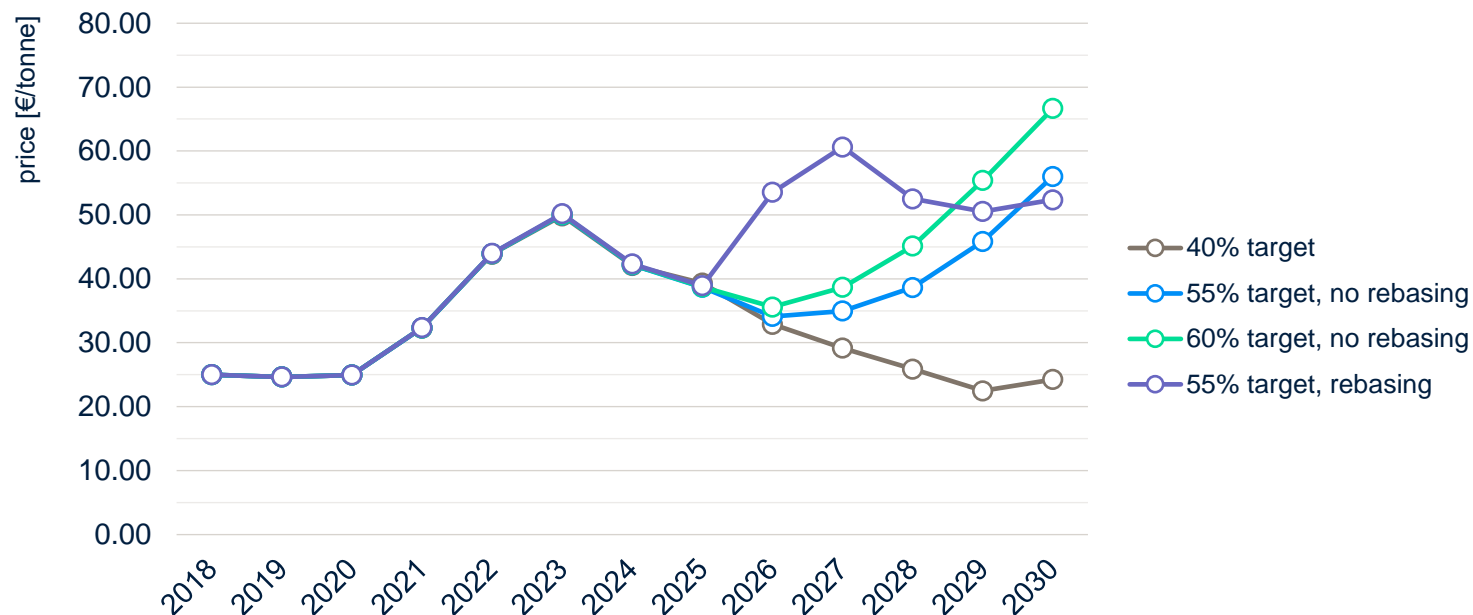
Price Triggered Abatement



- Significantly more abatement is triggered in all three adjusted cap scenarios in 2026-2030
- When only adjusting the LRF, effects need time to materialize
- With rebasing the cap, ambition can be kept high, and price triggered abatement stays in positive territory

	2021-2030 total	2021-2030 total vs 40% target
40% target	324	0.0%
55% target, no rebasing	590	81.9%
60% target, no rebasing	695	114.5%
55% target, rebasing	819	152.6%

Price Forecasts



- The increased ambition has a significant effect on prices in the second half of TP4
- The rebasing scenario has an immediate effect on price developments as of 2026
- While emissions are overall from 2021-2030 lowest in the rebasing case, prices in the two LRF scenarios trend higher towards 2030

	Average price 2021-2030	Average price 2021-2030 vs 40% target	Average price 2026-2030	Average price 2026-2030 vs 40% target
40% target	34.2	0%	26.9	0%
55% target, no rebasing	41.7	22%	41.9	56%
60% target, no rebasing	44.9	31%	48.3	79%
55% target, rebasing	47.7	40%	53.9	100%

Thank you

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