

# Carbon Price Projections for the EU ETS

## **The EU ETS is evolving, and the carbon price is more impactful than ever before.**

In the last year, carbon prices have proven resilient in the face of the COVID-19 pandemic and risen to new highs, reaching prices above €40/tCO<sub>2</sub> for the first time in the history of the EU ETS.

The European Green Deal is ambitious and will need strong policy support to become a reality. This coming year will see a 2030 target decided on, new EU ETS targets discussed, and a carbon border adjustment mechanism explored seriously for the first time. The outcome of these issues will have a strong impact on carbon prices which will, in turn, affect wholesale electricity prices and the viability of different assets throughout Europe.

AFRY has its own in-house carbon model, Æther, and a dedicated carbon team focusing on how the EU ETS is changing and modelling carbon price projections.

In our EU ETS market report we provide:

- an overview of the EU ETS;
- key price risks and issues facing the market;
- key drivers of carbon prices; and
- our carbon price projections from 2021 Q1.

[aim.afry.com](https://aim.afry.com)



# Our Offering

## AFRY Independent EU ETS Market Report

- Presents our annual projections for EU ETS carbon prices out to 2060 for our three internally consistent scenarios (High, Central and Low). These scenarios incorporate different decarbonisation trajectories for the EU ETS that are consistent with AFRY's whole-economy decarbonisation targets.
- Considers the main drivers of carbon prices in each scenario, including:
  - legislative developments in the EU ETS;
  - the evolution of generation capacity mix;
  - interaction of other commodity prices; and
  - developments in technology costs.
- Delivers in-depth market intelligence, including insights into:
  - policy and regulation;
  - the EU Emissions Trading Scheme.
- Based on highly detailed modelling from our suite of worldwide commodity models.

Key data for AFRY projections is provided in a usable Excel format at an annual resolution. These are based on our 2021 Q1 projections. Updates may be available in Q3 or Q4 2021 for an additional fee.

## One-hour workshop

- Provides the opportunity to discuss the market, our modelling and price developments.

## Webinar

- Access to webinars held on a quarterly basis presenting the latest results of our modelling.

## Invitation to our Power Market Conference

- Hear the latest developments in our modelling, insights into new topics and areas of research every year.

## Subscriber support

- Prompt access to our experts who have a wealth of experience and constantly follow market developments.

## Our reports and projections are:

- **Independent.** Our reputation is built on providing an impartial view.
- **Trusted.** The 'AFRY curves' are the definitive benchmark for the power sector.
- **Bankable.** Relied on by the financing community for over 25 years.



## Our carbon market experts



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# Services offered by AFRY

## Bespoke scenarios

*Define specific sensitivities or scenarios*

- Customisation for bespoke assumptions, e.g. fuel prices or decarbonisation goals.
- Sensitivities to examine impact on power price of changing gas or carbon prices.

## Transaction support services

*M&A advisory (including commercial, market and technical due diligence)*

- Buy and sell-side support for the investment in, or disposal of, generation assets.
- Lenders' Market Advisor services to support debt financings.

## BID3, Pegasus and BID3live

*Models and datasets available for purchase*

- For clients needing full flexibility to do own model runs.
- Live short-term forecasts available with BID3live.

## Other AFRY Independent Market Reports available

*Our expansion is client-led: if you're interested in any other market, please contact us for options*

## Capture prices

*Available for all markets and technologies*

- Pre- and post- economic curtailment.
- Market-wide, asset-specific or for portfolio of assets.

## Imbalance projections

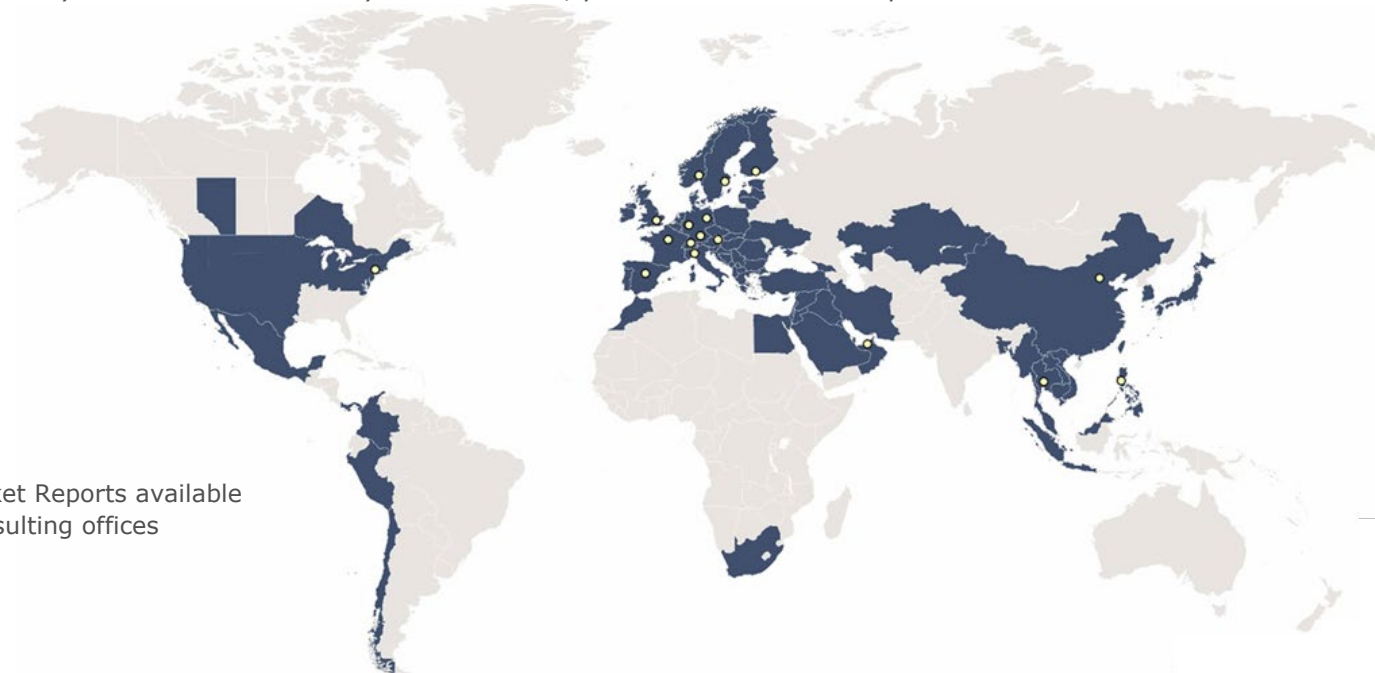
*Projections of the costs of imbalance for wind and solar farms*

- Accounts for future growth of renewables, different trading strategies and improvements in forecasting.

## Ancillary service projections

*Reserve product value projections for flexible generation and storage*

- Fundamental projections using BID3 to account for changing capacity mix.
- Covers both holding and activation fees for FCR, aFRR, mFRR, RR, and equivalent.



- AFRY Independent Market Reports available
- AFRY Management Consulting offices