# Country-specific carbon price floors possible, analysts say

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There is potential in the future for nations to charge electricity generators additional emissions levies on top of standard EU carbon market requirements, although this is not on the cards for Germany for the time being, according to policy analysts.
"There is a certain momentum behind this," Andrei Marcu, senior advisor in energy and climate change at Brussels-based think tank Centre for European Policies Studies, said last week. "The concern that the level of the price signal the EU ETS [emissions trading system] has been sending has been present for a while."

Only the UK currently levies an additional top-up charge, called the carbon price support (CPS), on top of standard EU ETS costs for power generators. Whitehall doubling the tax to £18.08/tCO2e (€25.06/tCO2e) this year has been a factor in a switch from coal-fired power generation to cleaner gas sources in the country (see EDCM 30 July 2015).

The benchmark EU emissions allowance (EUA) contract closed at just €8.66/tCO2e on Monday, according to platform ICE Futures Europe. But this when added to the CPS equals €33.72/tCO2e – much closer to the level needed to encourage fuel switching.
French environment minister Segolene Royal earlier this month suggested France could also put a floor price on carbon for the electricity sector and might want to work collectively with Belgium, Germany, Italy, Spain and the UK on the matter.

**No German plans**
Media reports earlier this month quoted a German official saying the country is considering a carbon tax. However, the German government denied this to ICIS.

"To be clear, Germany does not plan to introduce a separate tax on emissions," a spokesman from the country's energy ministry said last week.

The German government has been discussing how to step up emissions reductions in the country before 2020 in order to meet targets for the end of this decade.

A plan, in part focused around taking older lignite plants offline, has been agreed after proposals to charge additional EUAs was scrapped.

Talks between businesses and Berlin were intense and there is likely to be little desire from the government to discuss additional measures – particularly potentially controversial ones like a carbon levy.

"Everyone in the government is quite happy that this discussion is over," Oliver Geden from Berlin-based research organisation Stiftung Wissenschaft und Politik said.

"They have managed to shift the potential political damage until after the next election."

**Paris fallout**
However, climate action at an international level could play into whether EU countries reassess their own ambition.

Nations are expected to reach an agreement in Paris in December on tackling climate change after 2020.

“If that fails, the movement that we could see is countries moving to a residual [carbon tax] – similar to France and the UK – that will support renewables,” managing director Soren Kjaer Petersen from energy asset management firm Neas Energy said.

But whether it is even desirable for countries to take matters into their own hands and introduce national carbon levies is up for debate. It could create fragmentation of the market. “As far as market theory goes, that’s not a good thing,” said Marcu. “You may be killing the main EU central climate instrument if you do this at an EU-wide level.” ben.lee@icis.com, saloni.sardana@icis.com and henry.evans@icis.com