



Designing a net zero UK ETS

Robert A. Ritz

Assistant Director, Energy Policy Research Group
Judge Business School, Cambridge University

EPRG 2021 Spring Seminar

13 May 2021

UK ETS: “Net zero cap & trade”

① Key **design choices** for UK ETS

- **Alignment with EU ETS?**

 - EU Market Stability Reserve → UKA price floor (+ “cap”)

- **Free allowance allocation**

 - Switch to carbon border adjustment if & when EU does?

② Climate benefit of **overlapping policies***?

- e.g. Carbon Price Support, renewables policy, coal phase-out, ...

 - ⇒ “Waterbed effect” higher than under EU ETS’s MSR?

③ Expansion of **sectoral scope**?

- Transport, agriculture, also carbon offsets & removal...

 - ⇒ Economy-wide minimum carbon price to get net zero?

*See Perino, Ritz & van Benthem (2020). [Overlapping Climate Policies](#). EPRG WP 2034, November 2020