

Publication

Carbon content of electricity futures in Phase II of the EU ETS

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We estimate the relationship between electricity, fuel and carbon prices in Germany, France, the Netherlands, the Nord Pool market and Spain, using one-year futures for base and peakload prices for the years 2009–2012, corresponding to physical settlement during the second market phase of the EU ETS. We employ a series of estimation methods that allow for an increasing interaction between electricity and input prices on the one hand, and between electricity markets on the other. The results vary by country due to different generation portfolios. Overall, we find that (a) carbon costs are passed through fully in most countries; (b) under some model specifications, cost pass-through is higher during peakload than during baseload for France, Germany and the Netherlands; and (c) the results are sensitive to the degree of cross-commodity and cross-market interaction allowed.

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