

Directorate-General Energy  
E-mail : [CLIMA-ENERGY-GREEN-PAPER-2030@ec.europa.eu](mailto:CLIMA-ENERGY-GREEN-PAPER-2030@ec.europa.eu)

Register ID: 39912257528-48

2013-07-02

## **Response to Consultation**

### **Confederation of Swedish Enterprise's on "A 2030 framework for climate and energy policies"**

Achieving a shift to a low carbon economy is a long term project. We welcome the ongoing important debate about how Europe should develop the energy and climate framework beyond 2020. The issues raised in the green paper "A 2030 framework for climate and energy policies" very much outline the key challenges. The core issue when moving ahead is how to make this transition to a low carbon economy while maintaining - or rather enhancing - Europe's competitiveness and general investment climate. Investments in all sectors are key to achieve the transition to a low carbon economy.

Below we have answered the key issues raised in the green paper on "A 2030 framework for climate and energy policies" divided into the headings in the consultation: General, Targets, Competitiveness and security of supply, Capacity and distributional effects relating to the questions posed in the consultation.

#### **General**

The current energy and climate policy was created in an era of a prospering economy, under the perception that we were getting closer to peak-oil and with the anticipation that there would be a global climate agreement in 2009 in Copenhagen. Now we face a fundamentally changed situation; Europe is in the midst of long economic crises with rising unemployment. Unconventional oil and gas is revolutionizing the global energy markets and affecting the relative cost for energy across the globe. And once again a global climate agreement *might* be the outcome of the global climate meeting in Paris in 2015, in order to enter into force in 2020. This needs to be factored in to any new energy and climate policies.

The EU energy and climate policy builds on three fundamental pillars; competitiveness, security of supply and environmental sustainability. The balance between these have during the period up till now been strongly in favor of the environmental sustainability, at the expense of competitiveness and security of supply. When moving ahead this imbalance has to be corrected and more attention has to be given to secure cost-competitiveness and security of supply.

## Targets

EU's current energy and climate framework has not paid as much attention to competitiveness and security of supply as to the issues related to environmental sustainability. It is important to rebalance the framework beyond 2020 in favor of competitiveness and security of supply and to also identify and set targets for these areas.

For security of supply it is important to highlight both diversification of energy sources and stability in delivery as main concerns.

For competitiveness EU needs to focus on energy prices compared to other parts of the world, and especially focusing on additional costs deriving from policy initiatives – cost efficiency is key.

Regarding future targets for environmental sustainability, it makes sense to prioritize a target for climate. In this way there would be a more coherent framework that steers towards lower carbon emissions in the most cost-efficient manner. On the other hand, this could create problems for the sectors covered by ETS, as it is currently the main instrument to reach the target. The cost for the ETS is likely to become substantially higher, affecting sectors subject to international competition both directly through the cost of carbon and indirectly through the cost of electricity.

Our conclusion is that, in order for the EU to only have a climate target, it is important to reach a global climate agreement or framework, and strive towards achieving a global price mechanism for carbon. Until that is achieved a mechanism to protect globally competing sectors must be built into the ETS in a harmonized way.

Energy efficiency measures have the potential to enforce both security of supply and competitiveness, if designed to create incentives and technical development without disturbing competitiveness. Such measures must of course also be introduced in order to support any target for climate.

Also, sectorial considerations should be made when setting targets post 2020. Firstly, the different sectorial situations need to be considered. The primary issue is if they are exposed to international competition or not, but also if they have the possibility to push costs to customers. Evaluation of different sectors actual possibilities of lowering emissions also needs to be done. For some sectors the prospects of finding easily implementable technologies for substantially lower emissions is very distant, no matter what the price of carbon is. For these sectors the ETS will be a burden, gradually driving investments to other parts of the world as long as there is no global market for carbon. Focus on research and innovation is of high importance to these sectors.

The EU cannot solve the climate challenge on its own as EU account for a small and decreasing proportion of the world's carbon emissions (2011: EU 11 %, USA 16 % and China 29 %). If the EU decides on targets to 2030 before the results in the global process are known, a clause of revision must be in place. If there is no binding international climate agreement made in 2015, or a substantially different form of agreement, EU might need to review and adjust its climate targets and policy measures in order to safeguard competitiveness.

### **Instruments**

ETS has been the main instrument for reaching EU's climate target 2020 for the trading sector, and it should continue to be an important instrument post 2020. The long term vision is to achieve a global price of carbon with the ETS linked to other trading schemes and ultimately covering all sectors. This is however not easy to achieve. EU needs a strategy for how to ensure global competitiveness in a world where certain regions have a price of carbon and other have not. Compensation mechanisms must be built in to the system in a harmonized way. The goal of the ETS post 2020 should be to achieve climate mitigation at the lowest possible cost.

For sectors outside the ETS, e.g. transportation and agriculture, other instruments are needed. An agreement regarding the energy tax directive would be a step forward in that regard. It might also be relevant to set and continue to develop other specific targets or specific policy measures for specific areas, like eco-design rules for energy related products, emission standards for cars or building performance standards. Generally these types of targets or measures should be long-term, predictable, cost efficient, competition neutral and harmonized for as large geographical area as possible (the EU is a minimum) giving a level playing field and enforcing the functioning of the internal market.

Generally subsidies to all types of energy should be eliminated. If a renewable target is set post 2020 and/or if there are still national support schemes for renewable energy, it is important that these support schemes are technology neutral and that RES energy is exposed to the market mechanisms. EU should find ways to start phasing out support schemes for renewable energy, or other energy, in order to create a level playing field.

EU research and innovation policies should not only support innovation. For example, demonstration projects of existing and available on the market technologies, such as building automation and controls, also need to be supported.

### **Competitiveness and security of supply**

The best way to create jobs, growth and competitiveness through EU's energy- and climate policies post 2020, is by focusing on by making the policies as cost efficient as possible while ensuring security of supply. It is often argued that support schemes for renewable energy create jobs and growth. Our concern is that the effects do not always last in the long term. One example is the industry for photovoltaic cells in Germany that initially created jobs but now is struggling to keep up with the competition from companies outside the EU. One lesson learned is that politicians should not try to "pick the winner", but focus on providing the right framework conditions.

To achieve the goals of security of supply, competitiveness and sustainability, it is important for the EU to make sure that the internal market for energy functions properly.

Continuing the process of liberalization of the internal market for energy and making it work under market based premises can make energy prices more competitive. All market actors must be exposed to market prices in the energy and balancing markets. Renewable power generation taking responsibility for balancing costs just like other types of power in the market is important. Abandoning regulated prices

and phasing out subsidies is also important. Further demand flexibility needs to be developed. Both technical and market conditions need to be improved and finally, renewing and strengthening the European transmission grid is necessary.

However, increasing the number of interconnections between member states will not in itself create more competitive electricity prices in Europe. The basis is that more attention to cost-efficiency of policies is needed.

In order to make the internal market for energy work properly it is important that neighboring states consult each other before taking major decisions regarding e.g. energy mix.

Last but not least, the EU should continue to allow compensation through state aid or other means for companies that are affected by the EU's climate policies and that are competing on a global market. This needs to be harmonized on an EU level.

In the multiannual financial framework of the EU starting from 2020, the proportion allocated to research and innovation should be increased. Preference should be given to solving the challenges of creating a more sustainable continent. Support to research and innovation should be technology neutral and done in close cooperation with industry.

The Strategic Energy Technology Plan (SET) can be used to support the achievements by promoting new technologies. Technologies that have considerable potential include smart grids and grid robustness (to meet increased proportion of intermittent renewables), energy efficiency, low carbon technologies, and in longer run carbon capture and storage. The EU should focus on the synergy potential between the different SET areas of research rather than treating them as separate issues. In general, the EU Budget should be re-directed and focus on innovative areas.

## **Concluding remarks**

It is a delicate matter to strike the right balance ensuring long term competitiveness, continuous security of supply and at the same time achieving the long term climate goals. The EU needs firm, but still receptive and flexible energy policy in order to for it to contribute to increased competitiveness, not to lower competitiveness.

**Best Regards,**

**Mrs. Maria Sunér Fleming**

Director Energy and Climate Policy  
Confederation of Swedish Enterprise  
+46 8 553 431 37

Maria.suner.fleming@swedishenterprise.se

**Mr. Daniel Wennick**

Deputy Director EU affairs  
Confederation of Swedish Enterprise  
+32 473 57 41 76

Daniel.wennick@swedishenterprise.se

The Confederation of Swedish Enterprise (Svenskt Näringsliv) is Sweden's largest and most influential business federation representing 50 member organizations and 60 000 member companies with over 1.6 million employees. It was founded in 2001 through the merger between the Swedish Employers' Confederation (SAF, founded in 1902) and the Federation of Swedish Industry (SI, founded in 1910). The Confederation of Swedish Enterprise is member of BUSINESSEUROPE.