

4. QUESTIONS

4.1. General

- *Which lessons from the 2020 framework and the present state of the EU energy system are most important when designing policies for 2030?*

The targets in the 2020-strategy have worked well to put focus on the main areas of action. The targets were easy to communicate to a broad public.

The follow-up actions have had too much focus on administrative measures, and too little on general incentives. We believe that the energy and climate goals are best achieved by using general incentives like carbon taxes and a stringent emission trading system. We do not believe that the European Union can regulate in detail the actions needed. We have more faith in the market economy than in planned economy when the purpose is to achieve results in the most cost-efficient way.

It is now crucial that EU can adopt a strong energy taxation directive and strengthen ETS in order to raise the price of emission allowances.

4.2. Targets

- *Which targets for 2030 would be most effective in driving the objectives of climate and energy policy? At what level should they apply (EU, Member States, or sectoral), and to what extent should they be legally binding?*

Targets should be defined for 2030 in the same way as the targets for 2020, at least for climate gas reduction and for renewable energy share. These targets should be mandatory on a member state level, and it should be stressed that the targets are minimum targets.

At the same time, indicative targets for 2040 should be formulated to give long-term stability to the measures and lend credibility to the EU targets for 2050 (in the energy and climate road maps).

If a specific target for energy efficiency is needed is more questionable. EU can support energy efficiency with different measures, like Eco-design and labelling, but the final level of efficiency measures must be determined by the market rather than by policy targets. When the energy supply is more and more based on renewable energy, it will be to impose efficiency measures on political grounds.

Some actors advocate that there should only be a target for climate gas reduction. We do not think that would be sufficient. It could open up for public support for nuclear power and CCS, ahead of renewable energy, in a way that would not be economically sound. A separate target for the share of renewable energy would be a clear signal that the preferred long-term solution is an energy system totally based on renewable energy.

- *Have there been inconsistencies in the current 2020 targets and if so how can the coherence of potential 2030 targets be better ensured?*

With hindsight it is obvious that the overall target for climate gas reduction was not ambitious enough. Also, the renewable energy target for some countries was also not high enough. This is particularly true for our own country Sweden, where the EU target already today has been reached, eight years ahead of time. The energy efficiency target was only slowly followed up by measures.

- *Are targets for sub-sectors such as transport, agriculture, industry appropriate and, if so, which ones? For example, is a renewables target necessary for transport, given the targets for CO₂ reductions for passenger cars and light commercial vehicles?*

It was a major mistake by the EU Commission to undermine the 10 percent sub-target for the transport sector with the ILUC-proposal including the cap on first generation biofuels. The transformation of the transport sector is crucial, and negative signals like the ILUC-proposal should be avoided.

Sub-targets should also in general be avoided. Instead, the different sectors and technologies should be incentivised by general incentives like carbon taxes and carbon trading, and the following actions in different sectors may differ according to the economical and technical potentials.

If a specific target, however, is made for the transport sector 2030, it should be for 30 percent renewable energy, and not discriminate against biofuels from crops.

- *How can targets reflect better the economic viability and the changing degree of maturity of technologies in the 2030 framework?*

The targets are general and cannot consider details like the degree of maturity of different technologies.

- *How should progress be assessed for other aspects of EU energy policy, such as security of supply, which may not be captured by the headline targets?*

An ambitious goal for renewable energy will in itself favour better security of supply, as many of the renewable energy sources are local and based on land use. At the same time renewable fuels will also be imported, but from other countries than the current fossil fuel imports, which will favour diversification and energy security.

Transition to renewable energy will also strengthen the competitiveness for European businesses in the long run, as renewable energy and energy efficiency will be less expensive than fossil fuels and nuclear power. It will also give European businesses an advantage on future markets for equipment for renewable energy.

4.3. Instruments

- *Are changes necessary to other policy instruments and how they interact with one another, including between the EU and national levels?*

More emphasis should be placed on general incentives, above all on carbon dioxide taxation in all sectors of the economy.

- *How should specific measures at the EU and national level best be defined to optimise cost-efficiency of meeting climate and energy objectives?*

By using general incentives like emission trading and carbon taxation the most effective solutions will be supported, which will minimize the cost for the European economy. The current wide-spread use of feed-in-tariffs leads to suboptimal solutions, high costs, and an unnecessary focus on energy production ahead of efficient energy use.

- *How can fragmentation of the internal energy market best be avoided particularly in relation to the need to encourage and mobilise investment?*

Fragmentation can be tackled by introducing common carbon pricing all through EU, through efficient emission trading and carbon taxation on minimum levels, combined with better interconnections of electricity grids. Existing quota systems, like the combined Swedish-Norwegian green certificate system, can be expanded to include more countries – in principle a common system could be developed for the entire EU. This would lead to investments where they are most economical.

- *Which measures could be envisaged to make further energy savings most costeffectively?*

General incentives like energy taxation and carbon taxation, combined with emission trading for heavy industry, power production and air transport.

A special incentive for investments in district heating and cooling could be introduced. Displacing condensing power production with electricity production from combined heat and power based on district heating and cooling is the single most important measure to increase energy efficiency and reduce greenhouse gas emissions in EU.

- *How can EU research and innovation policies best support the achievement of the 2030 framework?*

Priority needs to be on demonstration of new renewable technologies, and financing such projects, e g for second-generation biofuels production, ocean energy, energy storage technologies, etc.

4.4. Competitiveness and security of supply

- *Which elements of the framework for climate and energy policies could be strengthened to better promote job creation, growth and competitiveness?*

These positive effects will follow automatically if and when strong general incentives are in place. Jobs creation is not a goal in itself. To be competitive also new technologies need to be resource-efficient, including labour costs and other requirements.

In general though, energy efficiency measures and renewable energy creates jobs in the local markets and strengthen the economy, as the money previously used for import of fossil fuels instead will stay in the domestic economy.

- *What evidence is there for carbon leakage under the current framework and can this be quantified? How could this problem be addressed in the 2030 framework?*

The problems with carbon leakage have so far been minor – because the price of carbon emission has in general been very low, both in the ETS and because there are few examples of

carbon taxes in Europe. In Sweden, where we have a relatively high CO₂ tax, this has not been a big issue. The large emitters in heavy industry and power production are included in ETS. Small and middle scale emitters in other sectors have a relatively low share of their expenses as energy costs, and carbon leakage is in general not an issue.

With high prices on emission allowances in the future, this may be a challenge. Therefore it is important to develop new technologies for industrial branches with large use of fossil fuels, like the steel industry, the chemical industry, and the cement industry. Biomass can often be used, either fresh, torrefied, as charcoal, gasified or in liquid form. The paper and pulp industry has already for the most part switched from fossil fuels to biomass.

- *What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them?*

The high prices on energy in recent years have been driven by high world market prices on oil. These high world market prices can be expected to remain in coming years. For internal costs inside EU member states the major strategy must be to use cost-effective support system, such as carbon taxation, in order to avoid overly costly investments. Better interconnections of power grids, and better infrastructure for biomass fuels will also be important. Such infrastructure can be fuel terminals, improved harbour capacities, railroads, and inland and coastal waterways.

A broad investment in district heating would also cut costs for heating and cooling.

- *How should uncertainty about efforts and the level of commitments that other developed countries and economically important developing nations will make in the on-going international negotiations be taken into account?*

EU should primarily focus on its own commitment, and have a clear strategy for reduction of GHG emissions and transformation of the energy sector. The assumption must be that all other nations will have to handle the climate issue, and that a global climate accord will be negotiated with strong commitments for all nations. For EU and EU businesses, it will be an advantage to be in the lead.

- *How to increase regulatory certainty for business while building in flexibility to adapt to changing circumstances (e.g. progress in international climate negotiations and changes in energy markets)?*

Most important for certainty for the business sector is long-term stability in the policies. Also from this standpoint strong emission taxation, based on Polluter Pays Principle, should be favoured, and on EU level passing of a new Energy taxation directive with a common minimum carbon tax is essential. Taxation will survive also economic downturns, whereas direct subsidies will often be slashed when the countries run into financial difficulties. For the renewable industry, it is important to have the finance minister on the same side of the negotiating table when an economic crisis occurs.

- *How can the EU increase the innovation capacity of manufacturing industry? Is there a role for the revenues from the auctioning of allowances?*

EU, and the member states, can give direct support to demonstration of new technology. This is extra important for large-scale projects, like new plants for advanced biofuels, or demonstration of ocean energy. EU, member state, and local communities, can also use public

procurement to create markets for new technology.

- *How can the EU best exploit the development of indigenous conventional and unconventional energy sources within the EU to contribute to reduced energy prices and import dependency?*

EU should not give support to exploitation indigenous fossil fuel resources. On the contrary: direct subsidies to fossil fuels should be phased out.

In northern Europe, there are large areas of peat. Many of these areas have already been drained, and leak carbon (CO₂ and methane). Peat is a slow-growing renewable resource, and listed as a separate category beside fossil fuels and renewable energy by IPCC. Peat is a good additive when burning biomass – it keeps the boilers clean with higher overall efficiency as a result. The use of peat has advantages from the point of security of supply, and for rural employment. EU should develop a strategy for a limited and “climate adapted” use of peat.

- *How can the EU best improve security of energy supply internally by ensuring the full and effective functioning of the internal energy market (e.g. through the development of necessary interconnections), and externally by diversifying energy supply routes?*

With development of more and more renewable power production, interconnections of electricity grids become more and more crucial. The Nordic countries have large balancing resources in hydropower dams. New interconnections should be built between the Nordic countries and the continental countries, for mutual benefits.

Conversion of transport fuels from fossil fuels to biofuels will lead to diversification of the supply, lower imports, and increased energy independence for EU. Biofuels can be imported from a large number of countries in Latin America and Africa.

4.5. Capacity and distributional aspects

- *How should the new framework ensure an equitable distribution of effort among Member States? What concrete steps can be taken to reflect their different abilities to implement climate and energy measures?*

We believe that the abilities and potentials for climate mitigation and energy transition is similar in the member states, and that the targets for 2030 can be set at similar levels for all member states. On these issues, EU should not be divided into an A-team and a B-team. It is important to stress that the targets are minimum thresholds.

- *What mechanisms can be envisaged to promote cooperation and a fair effort sharing between Member States whilst seeking the most cost-effective delivery of new climate and energy objectives?*

The cooperation mechanisms have not been much used in the current period. One reason can be that it is relatively complicated to design cooperation projects and the policy frameworks needed. It is also unclear what the benefits will be for the member states and companies.

- *Are new financing instruments or arrangements required to support the new 2030 framework?*

A new energy taxation directive with common minimum carbon taxation, and a truly working emission trading scheme that will put a price on carbon emissions, is a necessary step to ensure a cost-effective development.

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