



# **IBEC Energy Policy Committee**

**Response to the European Commission Green Paper  
“A 2030 framework for climate and energy policies”**

## Contents

Introduction .....	1
4.1 General.....	1
4.2 Targets.....	2
4.3 Instruments .....	2
4.4 Competitiveness and security of supply.....	3
4.5 Capacity and distributional aspects .....	4
Bibliography .....	4

*Numbering system correlates with questions section in the green paper.*

## Introduction

The Irish Business and Employers Confederation (IBEC) is the largest business representative organisation in Ireland: we speak for companies across a range of industrial, commercial and non-profit sectors. IBEC's Energy Policy Committee includes a variety of energy generators, suppliers, network operators and consumers.

Given Ireland's heavy dependence on manufacturing and services exports, it is vital for these firms to remain cost competitive against their counterparts both within the EU and elsewhere. IBEC recognises the need to develop infrastructure to enhance security of supply and meet national and European mandated targets. Nevertheless, some organisations are currently feeling the negative impact of the investment required to meet EU targets and policies related to the completion of the internal energy market – indeed energy prices are forecast to increase for some time as a result of the investment needed in the energy system and infrastructure.<sup>1</sup>

A number of new challenges require robust legislative and regulatory guidance, including the question of EU mandated national targets, the timely delivery of vital energy infrastructure and the redesign of electricity and gas markets in accordance with the European target model and we welcome the debate as we balance these objectives in line with design of a European energy and climate change framework for 2030 and beyond.

The framework should bring policy coherence between energy and climate change objectives. Such an approach is consistent with 'least cost delivery' and provides a degree of regulatory certainty for investors. This 2030 framework would benefit from a coordinated approach whereby climate mitigation measures, policies concerning renewable energy production and energy saving measures are considered collectively. The political certainty required for investment is ultimately based on coherent policy design.

### 4.1 General

In order to devise decisive, relevant and fit for purpose policy instruments, the effectiveness of the set of policy instruments available at both national and European levels and their impact on security of supply, competitiveness, affordability and sustainability must be considered.

IBEC welcomes the green paper, and the opportunity to comment on the energy and climate framework for 2030; the membership considers the timing opportune given the overwhelming uncertainty surrounding climate policy beyond 2020, as well as the fact of an Emissions Trading Scheme with depressed carbon prices, a multitude of sustainability targets and fragmented approaches with regard to the implementation of certain policies. However, it must be recognised that the complicated framework was created as a result of legislative proposals being tabled not as one single framework; the design of a 2030 framework presents a unique opportunity to ensure coherence and the interoperability of instruments in a well-signalled, timely fashion.

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<sup>1</sup> European Commission, *Making the Internal Energy Market Work*, COM (2012) 663 final.

Furthermore the design of the 2030 framework and its impact upon the functioning of the internal energy market, for instance in relation to taxation and support for renewable energy sources, must be analysed. The disjointed design and development of the 2020 framework has resulted in a myriad of targets.

## 4.2 Targets

- The web of current targets has resulted in a complicated structure for Member States, business and other stakeholders. The 2030 framework should centre on the target for EU carbon emissions to drive the climate mitigation and sustainable energy agenda. However, it may be difficult to get agreement on a decisive vision for 2030, when there is so much uncertainty surrounding the current framework.
- A better designed framework should ensure that there are no inconsistencies – an overarching framework, with a definitive lead-in time for any proposed changes should therefore be a key objective.
- Agricultural emissions should be treated as a sector at the EU level similar to the approach set by the EU-ETS. This would ensure farmers in member states such as Ireland are on a level playing field, regardless of the relative composition of the agriculture and forestry sectors to the non-ETS emissions profile. The establishment of common rules for accounting GHG emissions and the removals of carbon from the atmosphere resulting from activities related to land use, land-use change and forestry (LULUCF) is an important step in the right direction.
- Rather than establishing a target for sub-sectors, members of the European Union should work towards establishing an overarching framework that incorporates ETS and non-ETS sectors. This would be of benefit from an environmental and administrative perspective.
- Policies should aim to address the decarbonisation agenda in a rational, economically efficient manner – in designing a framework for 2030, the focus should not be on particular technologies, more so on creating an environment that provides for sustainable investment balanced with societal gain.
- Security of supply is an extremely varied and complex notion: too broad a definition can make it difficult to develop analytical approaches to quantify and to direct policy making.<sup>2</sup> While policy makers may also find it difficult to apply comparable, common metrics to also determine competitiveness, sufficient attention must be paid in devising the 2030 framework to take account of these objectives alongside sustainability.

## 4.3 Instruments

- There is substantial interdependence between policy instruments, such as carbon pricing, energy taxation and renewable policies under the energy and climate policy umbrella.
- Definition of specific measures in the name of cost-efficiency must be based on robust economic analysis of a wide range of technologies. Policy makers should resist the

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<sup>2</sup> M. Bazilian & F. Roques (Eds.), *Analytical Methods for Energy Diversity & Security*, 2008.

temptation to choose technology winners – market forces should be allowed to determine the most appropriate and suitable technology.

- Cost competitiveness objectives will be impacted, directly and indirectly, by the global emissions reduction agenda. The recently published World Bank report on “*Mapping Carbon Pricing Initiatives*” acknowledged the main challenge for the international community will be to find a balance between the numerous emerging carbon pricing schemes and global incentives to reduce emissions.<sup>3</sup> An equitable International, emissions reduction commitment must be secured to determine how ambitious the EU’s climate framework can be, while sustaining cost competitiveness objectives.

#### 4.4 Competitiveness and security of supply

- As aforementioned, competitiveness will be directly and indirectly impacted by agreement (or lack thereof) on an international emissions reduction target or any new carbon market mechanism. European industry maintains a strong reputation in the environmental technology space and holds advanced expertise in renewable and other energy technologies. Decarbonisation must be met by the most economically efficient tools available in order to realise growth, promote job creation and competitiveness.
- The European Union’s approach to carbon leakage can not be dealt with in a stand alone fashion – it is intrinsically linked to the EU ETS; the performance of which to date demonstrates the need for long term, sustainable reform. Efforts to reform the carbon leakage list must be done in conjunction with any structural reform of the EU ETS, and reflective of the international emissions reduction project.
- In order to address competitiveness and security of supply, the EU must adopt a resolute strategy to allow EU member states to enable the indigenous development of fossil fuels and renewable energy technologies. Ireland has substantial shale gas resources. In order to exploit potentially highly advantageous resources in Europe, a framework should be devised at the European level that provides for robust safety and environmental standards.
- Investor confidence is dependent upon developing a framework that provides regulatory certainty, flexibility, and resilience during challenging economic times whilst susceptible to national objectives and requirements. Industry welcomes a framework in line with the vision outlined in “*A Roadmap for moving to a competitive low carbon economy in 2050*” - however regulatory certainty will only be achieved if stable mechanisms are put in place in the lead up to the implementation of the 2030 framework.<sup>4</sup>
- The role of revenues from auctioning of allowances should be considered to assist the innovation capacity within manufacturing, and reinvested in developing R&D&I as we work towards the low carbon economy of 2050.
- Reduced energy prices are dependent upon a number of variables; however; as in the case of the grid infrastructure required to support the decarbonisation of the electricity system, some reform of the planning and consenting processes may be required if Europe is to

<sup>3</sup> World Bank, *Mapping Carbon Pricing Initiatives*, 2013.

<sup>4</sup> European Commission – Directorate General for Climate, *A Roadmap for moving to a competitive low carbon economy in 2050*, COM(2011) 112 final.

realise the potential of both indigenous conventional and unconventional energy sources within a reasonable timeframe. A robust regulatory framework for both indigenous conventional and unconventional energy sources will assist in attracting investment, mitigate import dependency and hopefully provide a stable security of supply.

#### 4.5 Capacity and distributional aspects

- A sustainable, fair and equitable 2030 framework for climate and energy policies should establish targets at the European level. National policies that unnecessarily distort the proper functioning of a single energy market must be avoided. In determining and implementing climate and energy policies, and actions required to achieve such goals, a number of verifiable measures, such GDP, population density etc. could be considered.
- New financing instruments may be required, especially if there are to be further RES targets (either at national or European level) post-2020. There are important lessons to learn from NER 300 in developing financial instruments for the objectives envisaged in “A Roadmap for moving to a competitive low carbon economy in 2050”.

#### Bibliography

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