



## ASSOELETRICA

*Green paper: A 2030 framework for climate and energy policies***Answers to the European Commission public consultation***02<sup>nd</sup> July 2013*

Assoelettrica is the Italian association that represents approximately 90 of the electricity enterprises that operate in Italy. Member companies supply more than 80% of electricity supplied in Italy. Members represent today all the power industry chain, except for distribution & transmission.

Assoelettrica has developed, over the years, a strong expertise structure to uphold the interest of its members vis -à-vis national and international (mainly at EU level) political institutions and to monitor, respond, react and advise on the impact of legislative initiatives on the power industry. The association is also in charge of the industrial relations.

Assoelettrica is a member of CONFINDUSTRIA, the main organisation representing Italian manufacturing and services companies. Moreover, Assoelettrica is in charge of representing the interests of the Italian electricity sector within EURELECTRIC.

Assoelettrica is based in Rome (Italy), via Benozzo Gozzoli, 24. More information about the organization can be found at [www.assoelettrica.it](http://www.assoelettrica.it).

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**A. General**

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

*The Objectives of the European 2020 framework and those of the policies set for an internal energy market are not sufficiently intertwined.*

*For instance, RES-E development target has not followed market based principles.*

*Moreover, the 20-20-20 package instruments, except for the EU ETS, are not aligned with the purposes of the internal energy market. Despite an agreed common European framework, Member states have implemented different kinds of support schemes on a national basis (this occurs for instance for RES development and energy efficiency increase).*

*Such misalignment both between different European targets and between national regulatory instruments and European-market mechanisms has weakened the EU*



*ETS and has resulted in less economic efficient solutions to abate climate change and in an increased fragmentation of the European energy market.*

*Thus, it is essential to strengthen policy coherence to shape a stable long-term legislative framework that tackles both de-carbonization and energy policies through market mechanisms.*

## **B. Targets**

1. 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?

*A single binding goal based on GHG emissions reduction is the choice.*

*Furthermore, a single carbon goal would allow for easier target compliance in the event that a global carbon scheme following the 2015 international agreement is reached.*

*It should primarily be achieved through the EU ETS which should be applied to all sectors that are characterized by low fragmentation and that can influence the carbon price. Hence, some sectors like aviation and shipping could be integrated in the EU-ETS since now.*

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

*There have been inconsistencies in the definition of the current targets mainly in terms of the ability to achieve multiple objectives while ensuring a cost efficient allocation of resources.*

*Multiple targets set at EU and national level have interfered with each other leading to an increase of the overall cost of achieving long term goals.*

*Moreover, this lack of coherence has created on the one hand, overachievement of certain targets compared to the expected 2020 pathway and on the other hand, distortion investment signals of the EUA due to the strong influence of national incentive mechanisms for RES on the carbon market. The situation has got worse due to the current financial and economic crisis.*

*Better coherence is ensured by referring to a single and binding EU medium/long term target*

3. 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 CO<sub>2</sub> reductions for passenger cars and light commercial vehicles?



*In the framework of a single CO2 target, specific sectors/subsectors targets might be suitable only to promote GHG abatements, RES production and energy efficiency in sectors outside of the scope of the EU ETS. Such targets should take into consideration the carbon price signal emerging from the EU ETS and be based on common guidelines defined at EU level in order to ensure consistency with the EU policy framework as well as the principle of subsidiarity. They should also be carefully coordinated in terms of timing and levels with the single EU wide CO2 target. Such targets may include RES and EE targets for the transport sector that lies outside the scope of the ETS and where progress towards greater RES penetration and increasing energy efficiency appears quite difficult.*

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

*Market and technologies development can be better reflected by turning towards a single target.*

*Once medium to long term EU wide emission reduction goal have been endorsed and intermediate milestones have been set, setting up a single binding target should drive investment in low carbon technology especially for those technologies that are most cost-effective.*

*Nevertheless, looking at the medium and long term objectives, it should be verified if the current definition of targets – based on absolute figures – could be made more flexible by taking also into account carbon intensity based criteria, with the aim to adapt the targets to the actual costs of achieving them.*

5. 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?

*Economic efficiency is the key to affordable energy. Carbon policy, energy efficiency and renewable policies if shaped correctly, contribute both to increase security of supply and GHG abatement. Consequently, progress assessment of measures and instruments should look at the cost efficiency of such measures.*

*Moreover, investment in distribution and transmission infrastructure is an essential component as it also allows to diversify energy sources and supply routes.*

## **C. Instruments**

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

*The EU ETS should be used as the single driver for climate and energy policy.*



*All sectors that are characterized by low fragmentation and can influence the prices should participate to the ETS. Hence, some sectors like aviation and shipping could be integrated in the EU-ETS since now.*

*Overcoming noneconomic barriers - lack of awareness and information & training (e.g. energy efficiency retrofits) as well as more coordination and harmonization of many nationally implemented policies (e.g. capacity mechanisms) - are required to meet climate and energy objectives in the most efficient manner.*

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

*By defining a single target and leaving the market to discover the most cost-effective solutions.*

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

*Fragmentation of the internal energy market can be best avoided by shaping a 2030 legislative framework which is solidly aligned to the requirements of the internal energy market, thus, encouraging greater policy coherence at EU level as well as imposing a cost-benefit analysis of the measures. This will bring certainty to drive investment, e.g. developing energy networks and grids, market coupling. Fiscal harmonisation should also be envisaged as well as RES-E market integration.*

4. Which measures could be envisaged to make further energy savings most cost-effectively?

*Further energy savings can be primarily achieved by defining a single target and leaving the market to discover the most cost-effective solution. Hence, EU ETS can be the best driver to achieve increased levels of energy efficiency in those sectors which are covered by the EU ETS.*

*In addition, information campaigns are necessary to increase transparency on energy uses.*

*Finally, further reduction and simplification of red tape will drive investments in energy efficiency, specially for the so called low hanging fruit options.*

5. How can EU research and innovation policies best support the achievement of the 2030 framework?

*Research & Innovation policies can support the achievement of the 2030 framework by increasing the fund availability for those projects required to address the 2030 target, which otherwise would be unable to compete on the actual energy markets.*

## **D. Competitiveness and security of supply**

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

*ETS system should be strengthen as a market tool for achieving GHG emissions at the lowest possible cost, so as to achieve the lowest increase of energy costs. European competitiveness will then be able to foster growth and hence promote new jobs*

2. 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?

*At the moment the evidence is uncertain but as long as the EU's international trading partners do not make equivalent efforts to reduce greenhouse gas emissions, carbon leakage remains an important issue.*

*Therefore all actions, including free allocation and cost compensation, should be taken to ensure that carbon leakage does not occur in the future. In particular compensation measure should be harmonized throughout Europe without leaving them to the excessive Member States discretion.*

*In the long run to prevent carbon leakage the growing competitiveness gap between European and foreign industry should be tackled. To this end, the real impact of the carbon price on electricity price - compared to other factors which influence the final energy and electricity prices - should be assessed.*

3. What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them

*Europe currently lacks well-functioning fuel supply routes as well as transmission infrastructure which penalise the price of energy.*

*Furthermore, availability increase of unconventional energy sources located in former import regions and increase of demand by new industrialized countries will also increase the differential in energy prices between Europe and other economic areas.*

*A cost/benefit analysis of energy and environmental policies should take into account all sources of energy in order to build a real equality of competition between energy sources on the market, so allowing the stability of the sources actually able to reduce emissions at a lower cost. This approach would give greater visibility to the use of cleaner fuels (e.g. natural gas) and, at the same time, could favor a better assessment of the opportunity to promote necessary interventions at EU level.*

*However the current design of the renewable incentive schemes is the main driver of the energy costs trends. This have been the case for PV in Italy which at present represent a heavy burden on the final electricity price. Thus, it is necessary to bring*



*all energy sources to the market by phasing out incentive schemes as soon as the specific technologies to reach maturity.*

4. 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?

*The EU should keep alive the 2050 goal and reinforce it as long term binding target.*

*The Intermediate 2030 targets while still binding, should be defined by taking into account both the 2050 targets and the progress achieved in the international climate negotiations. In any case, a strict deadline should be set up for a final decision on the 2030 target.*

5. 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)

*See answer to question 4.3. European legislation and regulation should mirror a medium/long term target coherently with the definition of a 2030 binding target. Enterprise risk can be lowered by offering a clear and long lasting regulatory framework. To this extent, recent developments in the electricity sector should drive updates in the grid and market regulation.*

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

*It is important to put in place policies that minimize the risk in the demonstration & deployment stages of any innovation. To this extent, ETS auctioning revenues should finance RD&D programs. In addition, rewarding mechanisms for long term value investments (e.g. White certificates for EE) should be put in place.*

7. 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?

*On the one hand, EU should reinforce permit legislation (i.e. IED & EIA) with the aim of allowing deployment of indigenous sources and at the same time keep ensuring a strong environmental protection. On the other hand, RES deployment should be pursued by fostering conditions which enable them to be competitive in the energy market (achieve grid parity).*

8. 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?





*EU can improve security of energy supply by creating good market conditions, increasing regulatory certainty, developing energy networks and grids. .*

## **E. Capacity and distributional aspects**

1. 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?

*The 2030 framework should envisage further supporting measures to drive investment for the completion of the internal energy market. A precondition is adequate infrastructure, in particular sufficient interconnections between Member States and regions to improve security of supply, to end energy isolation, to enable the uptake of increasing amounts of variable renewable energy and to foster significant volumes of cross-border trading in gas and electricity.*

*With particular reference to electricity security of supply, that is facing an higher degree of intermittency for the growing role of intermittent renewables, the flexibility and real-time balancing services should be properly recognized and remunerated through mechanisms of capacity remuneration.*

2. 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 EU ETS is the key to achieve the most cost-effective solutions. For those sectors outside the ETS, cooperation may certainly improve through information and best practices exchange between the member states. An increasing use of the cooperation mechanism should be envisaged for renewable energy to lead to a more cost-efficient renewable growth. In the mid-term, while looking forward to a total sector inclusion in the EU ETS, it should also be foreseen fixing national goals for those sectors currently not included in the EU ETS, based on efficiency parameters, such as the ratio between CO<sub>2</sub> emissions and final energy consumption as well as energy efficiency actions undertaken, so as to taking to account specific national circumstances and characteristics.*

3. Are new financing instruments or arrangements required to support the new 2030 framework?

*It is necessary to develop instruments and arrangements which are able to give a market value to the future benefits arising from those projects which contribute in the long term to reach the defined target but still have long payback periods. To this extent, tax breaks should be envisaged, as well as measures which improve credit access conditions.*

