



A2A'S COMMENTS TO THE GREEN PAPER "A 2030 FRAMEWORK FOR CLIMATE AND ENERGY POLICIES"

This document contains A2A's comments to the Green Paper "A 2030 framework for climate and energy policies".

First of all, A2A appreciates the awareness of the impacts of some relevant European choices concerning energy and climate policies. In particular:

- price levels: we can observe in almost every EU country a end-users prices increase, caused by renewable power incentives. This problem has become even more relevant in the present situation of persistent economic crisis, where the obligations that cause a loss of competitiveness weight particularly. In this context, we appreciate the Green Paper statement (page 8) that "energy efficiency and the resulting energy savings are no regret options", that is they are with no drawbacks, given that energy efficiency policies have the double effect to allow the climate objectives achievement and to guarantee energy savings;
- interaction among the different targets: it is necessary to coordinate the different *Green Package* instruments in order to avoid that one instrument weakens because of the other ones (as it has happened with the ETS weakening due to renewables);
- need for regulatory certainty: in order to invest, companies need to know in advance the post 2020 energy and climate policies framework.

Moreover, we think it is necessary to keep into consideration two further aspects, not mentioned in the Green Paper:

- waste treatment policies should be included with full rights among the energy and climate policies, with particular attention to competitiveness. This aspect is particularly relevant for a country as Italy that on one side is a net importer of fuels and on the other side has a problem of reorganization of its waste management policies. These policies should aim also at energy recovery, in accordance with UE legislation (i.e. Direttiva 2008/98/CE).

Efficient policies of waste management:

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- i) produce positive environmental effects (e.g. environmental benefits due to landfills replacement with waste to energy or recycling plans) and reduce the urban waste problem;
 - ii) increase renewable sources use, like the use of the biomass from the wastes;
 - iii) help to reduce energy dependence from third countries (waste to energy plants fuels are generally produced close to the plant and this kind of power production replaces the one from imported fuels);
 - iv) promote local development (as far as employment and technology are concerned), given that they involve mostly a regional industrial chain. Especially in Mediterranean and Eastern countries, there is a large scope for this kind of policies.
- a comparative analysis of the different technologies' costs and benefits is necessary, considering the positive and negative externalities of the whole life cycle, from the production of the plant components to their disposal – e.g. PV panels. The externalities to be considered include the incentives and their impact on competitiveness, the effects on the local economy, the decommissioning and disposal costs. It is now well known that for the same results, incentives to thermal use of renewables and to waste to energy require lower costs compared to the incentives to electric renewables; moreover, thermal energy production from renewables and from wastes promote local development and employment (while to produce electric renewable energy, many components are imported and local people are often employed only in the installation phase). Energy efficiency produces similar benefits. The lack of comparative analysis has brought to incentivate the more costly electric renewables, with negative effects on the consumers' bill and on competitiveness, and therefore on the production system (the frequent news about gas fired plants closures demonstrate the difficulties of the energy production sector).

Here below, A2A points out some further comments on some *Green Paper* points considered particularly relevant.

- 1 Emissions reduction targets and the ETS mechanism should have a central role in climate policies. This system brings advantages in terms of: i) effects on the promotion of renewable sources (that are favored because they do not generate emissions) and, more

indirectly, on energy efficiency. The renewables target could be reached through the emissions cap; *ii*) connection with the market, on which the emissions scheme is based and which should “naturally” bring to the choice of the least expensive solution; *iii*) know how: the mechanism has a nine-year experience, a period of time where transaction and implementation costs have been incurred (market platforms, registers IT systems, training, ...). The introduction of a new system would imply a long implementation period and new costs. Therefore, we think a carbon tax (a not market-based system) introduction is not appropriate and must be avoided for ETS industries: it could be introduced only for non-ETS industries. In this case, an obligation equivalent to the carbon tax should be charged to the goods imported from the countries with less strict or without emissions rules. In this way, the European companies would not be further penalized compared to their foreign competitors.

ETS, weakened by other climate policies and by the economic crisis, should be strengthened. The targets should be established at EU level ensuring certainty in the medium period and, at the same time, in order to avoid what has happened during the last months, establishing an easy and predictable review process. For example, in case of established external factors changes (economic growth, energy efficiency, renewables development, technology advances,...) the targets could be reviewed by a EU technical (rather than political) and agile body.

With regard to the “demonstration of the *carbon capture and storage* technology” (page 2), we think the CO₂ issue should be faced from the sources, not after its production. Therefore, we hope EU resources, as gathered through the 300 million CO₂ allowances auction (“decision NER300-2010/670/EU”), will be used for clean technologies researches rather than for the maintenance of highly polluting technologies.

- 2 Energy efficiency promotion (as a “no regret option”) should be supported. This kind of policy, indeed, involves also non ETS industries and smaller production plants (both from the demand and from the supply side). Moreover, as stated above, the energy efficiency policies bring direct benefits to the local areas, both in terms of employment and of technological development.

The support to energy efficiency policies is also justified by the fact that, on one side, the ETS mechanism is not sufficient to incentivize energy savings (in contrast with what occurs for renewable targets) and, on the other side, it acts at a “global” level, whereas the energy efficiency policies act at a local level, also in terms of pollution (for example, district heating reduces city pollution – and not only the CO2 pollution).

With regard to the targets definition, the EU should have a preponderant role, because it is in a privileged position that allows a unitary view. It would be appropriate to mainly focus the interventions where the connection between costs and benefits is more suitable, that is where the cost for a marginal efficiency increase or a marginal emissions reduction is lower. Of course, we are aware that this happens in the countries with higher financing difficulties, but these interventions, especially in energy efficiency, spur local development, also from the technological point of view (as, for examples, with waste to energy plants, district heating, building renovations,....).

Expenses finalized to the respect of the EU climate targets could be excluded from the calculation for the Stability Pact: the debt could be bound to a less strict (in terms of time horizon) repayment plan.

At the same time, a benchmark for each country and each industry could identify the deviation of current practices from the best ones. The efforts should be addressed to the areas with the highest gap between the benchmark and the current practice and, therefore, with the smallest cost for a marginal improvement.

- 3 Sector-specific targets for some non-ETS sectors would be appropriate. Transports, in particular, should have autonomous standards. The goal could include both traditional fuels emissions reduction, and electric transport incentivation (for example, through regulatory provisions like compatibility standard for batteries and recharging systems). In the electric transport sector, CO2 reduction targets would act upstream, when the power is produced. Moreover, if the whole life cycle cost/benefit analysis is considered, many international researches (e.g. “*Biofuels—At What Cost? A review of costs and benefits of EU biofuel policies*” by the International Institute for Sustainable Development) highlight more and more often that biofuels targets do not bring benefits, neither for the emissions reduction (these fuels often involve soils change of use/deforestation and pollution due to

long distance transport), nor for the local development (the fuels often come from extra UE countries).

- 4 Emissions allowances auctions revenues (Directive 2009/29/CE art. 10): the whole amount should be used for emissions reduction and energy efficiency projects. At present, art. 10 of the ETS Directive provides that at least 50% of the auctions amount is used for measures against climate change, for renewables development and energy efficiency. The remaining 50% can be diverted to uses different from climate change policies (like public debt reduction). Assigning all the revenues to specific climate policies could generate a virtuous circle, with incentivisation costs reduction for final clients.
- 5 “Carbon leakage”: the mechanism should be reviewed. Only companies actually producing in Europe should be protected and opportunistic behaviors should be avoided. Free emissions allowances should be given only to companies that have really produced in Europe (at present, a company that produces, even occasionally, a small amount in Europe receives free allowances, even if it has moved most of the production in other countries, with unjustified revenues). The free allowances could be distributed according to the previous year production levels.