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## **Contribution of the Federation of Austrian Industries to the public consultation by the European Commission on the Green Paper "A 2030 framework for climate and energy policies" [COM(2013) 169]**

Sustainable energy supply and climate protection require a thorough transformation of the energy system as a whole – covering the supply of low-carbon energy at competitive prices, conversion, storage, transportation and efficient energy services. The steady increase of energy efficiency in all relevant sectors is the most important pillar of such a sustainable energy system. Potentials lie primarily in sectors such as heating and mobility. Cost efficient expansion of renewable energies and its supply via intelligent energy infrastructure contribute in addition to securing energy supply and avoiding greenhouse gas emissions. R&D, innovation and application of efficient energy technologies pave the way towards a CO<sub>2</sub> efficient economy.

Besides the immense efforts required for this transformation, preserving the EU's industrial base is a further major challenge, in particular in light of declining costs for carbon based energy in other regions. In recent years the emphasis of European energy and climate change policy has continuously shifted away from competitiveness concerns. Therefore the triple objective of the EU's energy and climate change policy (sustainability, international competitiveness and security of supply) needs to be re-balanced. Only a carefully balanced energy and climate policy can facilitate the re-industrialisation of Europe.

Responding to the questions raised in the European Commission's "2030 Green Paper" [COM(2013) 169], the Federation of Austrian Industries (IV) calls on European policymakers to conduct a thorough re-design of Europe's energy and climate change policy for the post-2020 framework. Such a re-design should build on experiences with the current framework while responding to new challenges in the field of energy and climate change.

The following key points should receive particular attention for designing the 2030 energy and climate policy framework:

- **Commitments till 2020 must not be disputed**

Policymakers should refrain from altering the existing framework till 2020 as predictability for investors is crucial and must be guaranteed. Instead of short-term interventions in the current framework (such as the "backloading" proposal or the "structural measures" options of the European Commission's Carbon Market Report), a new framework for 2030 with respective adaptations of current instruments (among other the ETS) shall be elaborated. Both energy producers and manufacturing sectors need such long-term predictability in order to plan ahead investments in energy efficiency and low carbon technologies.

- **Avoid hasty and unilateral decisions on commitments for 2030**

An EU 2030 greenhouse gas reduction target must be conditional on a comprehensive international agreement. A final decision on the level of ambition for a 2030 greenhouse gas reduction target shall therefore not be made prior to the outcome of the UNFCCC climate change conference in 2015. Furthermore a 2030 target must be built on realistic technological potentials, while taking into account the situation of international energy supplies and economic development (e.g. through a flexible target range). A hasty and unilateral commitment by Europe on a greenhouse gas reduction target in the scale of minus 40% for 2030 must be avoided.

- **A greenhouse gas reduction target as a single sustainability target for 2030 must be conditional on broad political responsibility**

A single greenhouse gas reduction target can provide incentives for investments in energy efficiency and low carbon technologies. Current redundancies and negative interactions between existing energy and climate policy objectives and instruments may be avoided by limiting the current mix of sustainability targets to one single greenhouse gas target for 2030. Such a re-design however is only feasible, if a shared responsibility among all relevant services in charge of energy, climate and industry policies is provided. This will ensure that a single greenhouse gas target is in line with the principles of the EU's triple energy and climate policy objectives (sustainability, security of supply and international competitiveness). If this condition is not met, the definition of a separate target for renewables energy is required.

- **Maintain the ETS as key instrument of EU climate and energy policy**

In order to maintain the ETS as a key instrument of European energy and climate policy on the long-term, a fundamental reform of the ETS with regards to the fourth trading period is needed. While preparations for a post-2020 ETS reform shall be launched as soon as possible, the current framework till 2020 shall be beyond dispute. When reforming the ETS, the particular role of energy intensive industries must be taken duly into account. Energy and greenhouse gas emissions related costs for energy and carbon intensive industries must be curbed, in order to preserve and foster their ability to compete internationally. Earmarking of ETS revenues for financing low-carbon investments as well as for compensation of indirect costs caused by the ETS shall be mandatory. Finally, administrative burden for companies covered by the ETS shall be reduced as much as possible.

- **Revision of the primary focus on price signals**

The current approach of policymakers relying primarily on high energy costs to trigger innovation and investments in new technologies turns out to be increasingly damaging for the EU's competitiveness. There is little evidence that price signals such as the CO<sub>2</sub> price are the sole defining factor for inciting necessary investments. Other decisive factors such as technology development and innovation frameworks in place and available financing are being disregarded in this respect. Instead, when designing energy and climate policy instruments, aspects of international competitiveness must be taken into account at any rate, particularly in terms of costs. Therefore policymakers

must work actively towards limiting the political add-on costs of energy caused by climate and energy instruments (e.g. by ETS, renewable support schemes, energy taxation, network charges).

- **Pursue a technology-based approach to energy and climate change policy**

Europe needs to upgrade its energy-related research, innovation and development efforts. The EU's research intensity and innovation efforts still lag behind other global competitors. A progressive European low-carbon technology strategy, stimulating investments, innovation and technology deployment in areas such as renewable energy, energy efficiency (e.g. with regards to industrial processes), mobility and housing, while making use of innovative financing mechanisms (e.g. national and EU-wide trust funds for attracting institutional investors) is urgently needed.

- **Cost-efficient expansion of energy produced from renewable sources**

IV supports the expansion of energy produced from renewable sources. However, instead of inefficient support schemes for market deployment (e.g. through feed-in tariff models), support should be focused on the early stages of technology development in order to move technologies up to market maturity. On the long-term support for market deployment of renewable energy should be progressively phased out to allow the market to determine energy choices. In a transitional phase an EU-wide harmonised cost-efficient support scheme for renewable energy shall be put in place, e.g. along harmonised cost-efficient investment grants or certificate systems. To ensure also the expansion of renewable energy solutions not covered by support schemes, such as hydro power, approval procedures shall be simplified accordingly. With regards to renewable energy from organic sources, material use of biogenic raw materials should take clear priority over energetic utilization.

- **Completion of the internal energy market**

Ambitious further steps for completing the EU's internal energy market urgently need to be taken in order to set the foundation for competitive domestic energy prices. Such a harmonisation must be accompanied by further expansion of the European gas and electricity networks. Efforts by the European Commission to accelerate energy infrastructure expansion, e.g. through speeding up and simplification of approval procedures, shall be continued.

- **Introduce targets/benchmarks and a political adjustment mechanism for international competitiveness and security of supply**

Besides a target for sustainability for 2030, targets and/or benchmarks shall be introduced in order to make sure that the EU's objectives with regards to international competitiveness and security of supply are being met. Such targets and/or benchmarks shall ensure that the EU's situation in these areas is not worsening if not improving towards 2030. Additionally a mechanism shall be established that requires policymakers to react in case of a worsening situation.