



## POSITION

### on GREEN PAPER The policy framework for Climate and Energy 2030

When evaluating climate change policy it is necessary to keep in mind the basic fact: the EU's share in global emissions is less than 13.5% and this share is continually falling down. Therefore the impact of EU policies on worldwide situation of global emissions is margin.

At the time when the Czech Republic became the EU Member, the goal of the Lisbon strategy was: To create the EU the world's most dynamic and competitive environment. This was clearly reasonable goal. And the liberalization of energy markets should serve as a tool to meet this target.

Nevertheless, the situation is completely different today: Instead of following the basic objective of increasing competitiveness, several unilateral environmental commitments were adopted in the EU without being followed by other world leading economies. The EU political decisions are taken without respect to the economic reality. This has led to uncompetitive energy prices

and to the drop in share of industry at EU GDP from 22% to 18% between 2000 and 2010.

The costs of climate change policies have a very negative impact on the economy, especially on those economies that are highly industrial and energy intensive, e.g. the Czech Republic. Total price of electricity due to business support in the field of renewable energy sources (RES) has grown by 30%. An average of 27.5% of profit before taxation is removed from industry by RES support in 2013. But this figure is much higher - around 60% - in some energy-intensive sectors (steel, paper, heavy chemicals, etc.). The promotion of renewable energy sources leads some companies into the loss.

The main macro economical results are following:

- increase in unemployment in the industrial sector
- increase in social government spending
- loss of income taxes (both natural and legal persons)
- retreat of European industrial producers from the global market and the transfer of the industrial production outside Europe

To compensate increasing energy costs, the State responds by raising all the taxes (income tax, VAT, etc.). Purchasing power of the population decreases as well as living standard. The dissatisfaction grows and extremist views begin to grow. The eurozone debt crisis might further strengthen all these negative aspects.

If EU wants to keep up its key position in a global competition it has to react to the situation rationally: To reconsider its unilateral commitments and adapt to the reality in order to avoid further negative impact on the economy still considerably hit by the crises. If otherwise, the



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economic collapse can come soon. It can be followed by social violence and the situation may result in the disintegration efforts. .

**Any measures taken must be assessed in terms especially of economic efficiency and considering its impact on competitiveness of European manufacturers. If economic efficiency is not proven, the realization of such a measure is an irresponsible hazard.**

### Key issues to be addressed

Examining all aspects of current EU climate and energy policies leads us to four main issues, whose successful inclusion into future framework will improve position of European industry on global markets.

- Competitive energy prices

Energy prices play a key role in costs of production in energy intensive industries. There is significant difference in energy prices between the EU and in its global competitors.

- Coherence of EU policies
- Completion of internal energy market

Member states are energy dependent on each other very strongly in political, technical and economical point of view but inter-connections of domestic energy concepts remain very low across the EU. Although country's decision on the choice of energy mix remains in the competence of each member state, highly dependent energy market in particular in case of electricity relies on national energy policies with effects on neighbouring countries. So energy market is fragmented by non-coordinated domestic energy policies and decisions.

- Slow progress in global climate action

Current situation with no global climate deal represents remarkable obstacle for European industry under EU ETS in terms of competition on worldwide markets.

**CCC calls for more coordinated, economic-wise and competitive climate and energy policy framework to 2030. Major suggestions are:**

### Boost competitiveness and energy security

Cost-competitiveness, energy security and climate goals have to be treated equally in future climate and energy framework. Up to now climate goals and related policy instruments were intensively designed and implemented, leaving energy security and cost-competitiveness issues behind. In current situation climate targets dominate in energy policy without necessary feedback of growing problems with energy prices and security of supply. While climate policy needs to be streamlined, the EU has to develop other two pillars as well. For example, much more attention should be given to appropriate conditions for local electricity producers that could be able to cover basic electricity needs in case of a blackout.



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### Agree on 2030 universal emission reduction target

It should be recognized that the three headline targets of the European climate policy, namely promotion of renewable sources of energy, energy efficiency and emission trading, compete to the large extent against each other. In future climate and energy framework there should be one universal emission reduction target instead of multiple targets in emission trading, renewable energy and energy efficiency. This target would foster transition of the EU towards more efficient and sustainable economy. One target would also increase predictability of the regulatory framework for industry in medium-long term perspective.

Emission targets on EU level have to be accompanied by comparable global emission targets based on legally binding climate agreement starting from 2020 particularly including developed countries. EU targets for 2030 should be set at levels similar for global competitors taking into account the outcomes from international negotiation process in 2015.

### Reconsider support for renewables

Future EU energy mix should still be based on variety of energy sources – coal, gas, oil, nuclear and renewables. However share of renewables is expected to rise in coming decades. Facing this progress, support schemes for renewables need to be strongly reconsidered in order to avoid further increase in energy prices. Current support schemes also undermine competitiveness of the European industry, distorts energy markets and burden economy as a whole.

In transition period technology based support should be gradually decreased and other aspects of renewables like priority grid access and covering of imbalance costs caused need to be also considered focusing on market-oriented renewables support.

### Foster research and development

Efficient European energy and climate-friendly technology programme is still missing. New framework should update related research, development and innovation programmes at European level with inclusion of all sectors. Innovation efforts should target on demonstration projects.

Financing should come both from private and public investors and could be partially covered by revenues from EU ETS auctions. Other financing sources could be found in public-private instruments and could come from institutional investors.

### Stronger energy policy coordination

Coordination of national energy concepts needs to be further strengthened, taking into place mandatory consultation process on EU level in case of national decision with negative cross-border consequences for neighbouring countries. This should foster coordination of national frameworks and ensure proper functioning of European energy market as a whole.

Development of electricity and gas grids interconnection according to the Third Energy Package is essential for EU competitiveness. Public acceptance and regulatory risks need to be assessed in order to speed up necessary investments. In this respect stable EU policy is vital for attraction of investors. Networks should be planned jointly taken into account international European perspective.



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EU should emphasize its international energy diplomacy, developing the trade strategy and create policy instruments to foster relations with major energy suppliers. Foreign economic policies should have energy as one of the main pillars. Diversification of energy suppliers needs to be also considered particularly in long-term perspective.

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