

## RESPONSE

1 July, 2013

### **Public Consultation about Green Paper: "A 2030 framework for climate and energy policies" - Response of Paikallisvoima ry (The Finnish Local Power Association)**

Paikallisvoima ry (The Finnish Local Power Association) represents 42 Finnish local energy companies (Annex 1). With this response to consultation, Paikallisvoima wishes to express the views of local energy companies about the post-2020 energy and climate policy framework.

#### **1. General**

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

*Only one CO2 reduction target would be enough compared to the present three over-lapping and sometimes conflicting targets. Especially the RES target has created numerous different national support schemes for renewables which may lead to unhealthy competition between countries to attract RES investors. Power generation capacity may not built in optimal locations if non-market based support schemes direct the investments to countries and regions where the support levels are highest (but e.g. wind conditions for wind power worse). The direction should be towards market-based investments instead of investments based mainly on public support.*

*Energy sector is very capital intensive and due to long payback times sustainable commitment from politicians is needed to encourage investments. European emission trading scheme (ETS) is a market-based system that provides an incentive to reduce emissions despite its flaws. EU should not meddle with ETS before 2020 as in the constantly changing regulatory framework ETS has been one of the only somewhat predictable parts of it. Paikallisvoima wants to remind that ETS has worked as it has been designed: when the demand of CO2 emission rights has decreased due to the economic recession, also the price of carbon has decreased.*

#### **2. Targets**

- 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?

*After 2020, only one binding CO2 reduction target will be necessary. EU emission trading scheme should be developed to steer market actors towards emission reductions. Therefore a mechanism should be found to make the price of CO2 more stable and predictable. Member States may set their own targets for RES and energy efficiency if they wish to do so.*

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

*Inconsistencies have existed. Setting only one CO2 emission target for 2030 in line with EU's 2050 targets would be enough.*

- 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 CO2 reductions for passenger cars and light commercial vehicles?

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

*EU should aim to phase out support schemes for mature technologies. In a tightening economic situation public support should be reserved for R&D and emerging technologies. A level-playing field for different technologies is best ensured by setting only one CO2 reduction target which is primarily supported by ETS.*

- 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?

*Regards security of supply in electricity, all measures to facilitate investing in power generation should be taken. Some technologies should not be favoured over others. Having enough generation capacity in the EU level and enough cross-border transmission capacity are the best ways to ensure the security of supply. The member states are already considering different kind of capacity mechanisms. These kinds of mechanisms should be discussed at the EU level to ensure compatibility of the mechanisms and a well-functioning electricity market.*

### **3. Instruments**

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

*After 2020, the linear reduction factor in ETS should be adjusted based according to the 2030 CO2 target. Current ETS scheme has been working technically well so far. However, the significant variations in the price of the emission rights and the too short perspective of the future of the ETS and the price level does not*

*support enough investments in low carbon or renewable production. Therefore a mechanism should be found to make the price of CO2 more stable and predictable. For example, a floor price could be set and if the price of CO2 goes below it, emission rights would be withdrawn from the market. If the price of emission right reaches a set ceiling price, extra emission rights would be allocated to the market.*

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

*Member States should have all possible means in their disposal to reduce emissions. The regulatory framework should not steer actions in Member States to any less cost-efficient measures. This negative steering effect can happen via RES target, energy efficiency target, differing national RES support mechanisms, taxation etc.*

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

*Harmonizing the principles of different national support mechanisms (and possibly also the support levels in the medium term) will be necessary to guarantee different technologies to locate most optimally around Europe. However, harmonization should be implemented in a predictable manner so that recent investments based on current support levels are not made redundant.*

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

*Most consumers will save energy if they see how much energy they consume. Rolling out smart meters and providing consumers real time information about energy consumption in the bill are efficient ways to steer consumers towards more energy-efficient behaviour. Electricity bill should be based more and more on real time energy consumption - fixed price bills should be avoided.*

*National ways to enhance energy-efficiency should be allowed. In Finland voluntary energy efficiency agreement activities have brought good results and the continuation of this kind of national activities should be ensured.*

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

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

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

*The use of indigenous energy resources should be encouraged in the 2030 regulatory framework. Harvesting and producing biomass contributes to creating and maintaining jobs especially in the countryside where there*

*are usually limited possibilities of job creation otherwise. In Finland, the use of wooden biomass and peat has significant positive impacts on local employment. The biomass used in the power plants in Finland is collected typically from a maximum 100-kilometer radius.*

- 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?  
  
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- What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them?  
  
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- 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?  
  
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- 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)?  
  
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- How can the EU increase the innovation capacity of manufacturing industry? Is there a role for the revenues from the auctioning of allowances?  
  
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- 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?

*The planned sustainability criteria for biomass should not limit the use of indigenous biomass by creating unnecessary bureaucracy. Paikallisvoima wants to point out that biomass in Finland is sustainably produced mostly from the residues of forest industry and is following the principles of sustainable forestry.*

- 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 should continue financing investments in necessary interconnections as a means to improve functioning of the internal energy market.*

## **5. Capacity and distributional aspects**

- 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?  
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- 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?  
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- Are new financing instruments or arrangements required to support the new 2030 framework?  
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## ANNEX 1

Member companies of Paikallisvoima ry (The Finnish Local Power Association)

- Ekenäs Energi
- Esse Elektro Kraft Ab
- Etelä-Savon Energia Oy
- Haminan Energia Oy
- Herrfors Oy Ab
- Imatran Seudun Sähkö Oy
- Jakobstads Energiverk
- Joroisten Energialaitos
- Kanteleen Voima Oy
- Katternö Oy Ab
- Keminmaan Energia Oy
- Keravan Energia Oy
- Keuruun Sähkö Oy
- Koillis-Satakunnan Sähkö Oy
- Kokemäen Sähkö Oy
- Kotkan Energia Oy
- Kronoby Elverk
- KSS Energia Oy
- Kuoreveden Sähkö Oy
- Köyliön-Säkylän Sähkö Oy
- Lammaisten Energia Oy
- Lankosken Sähkö Oy
- Mäntsälän Sähkö Oy
- Naantalin Energia Oy
- Nurmijärven Sähkö Oy
- Nykarleby Kraftverk
- Outokummun Energia Oy
- Paneliankosken Voima Oy
- Parikkalan Valo Oy
- Porvoon Energia Oy - Borgå Energi Ab
- Rauman Energia Oy
- Sallila Energia Oy
- Satapirkan Sähkö Oy
- Seinäjoen Energia Oy
- Suomen Voima Oy
- Tripower Oy
- Vakka-Suomen Voima Oy
- Valkeakosken Energia Oy
- Vatajankosken Sähkö Oy

- Vetelin Sähkölaitos Oy
- Ålands Elandelslag
- Ääneseudun Energia Oy