Contribution to the Green Paper
'A 2030 framework for climate and energy policies'

This is the contribution of the parliamentary group of the Dutch liberal party VVD in the lower house of parliament on the Green paper: A 2030 framework for climate and energy policies. The VVD is the largest party in parliament and part of the Dutch coalition government.

4. QUESTIONS

4.1. General

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

The most important lesson is that measures to stimulate renewable energy that are different from member state to member state are counterproductive and that different policy targets conflict.

4.2. 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?*

A single CO_2 emission target would be most effective, since such a goal has got two benefits. Firstly, climate change is thought to be related to the emission of CO_2. Secondly, by cutting CO_2 emissions we make the use of fossil fuels less attractive. In that way a CO_2 emission target contributes to our pursuit of energy independence.

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

The coherence for 2030 and beyond is best ensured by creating a single emission reduction target. Such a target is clear cut and technology neutral. It is beneficial for any technology that is cost-efficient in reducing emissions. It leaves a level playing field among member states.

• *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_2 reductions for passenger cars and light commercial vehicles?*

No, targets for sub-sectors are not needed.

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

A single emission reduction target is technology neutral. It is most beneficial for any technology that is most cost-efficient in reducing emissions. In that way it also stimulates

innovation best, since it leaves decisions to the market and doesn't exclude solutions that are currently unknown. This is the best way to reach our goals of CO_2 reduction, to reach it cost-efficiently, to stimulate innovation and to develop our economy.

• *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?*

As discussed above, a single CO_2 emission target is directly related to fossil fuels. Such a target, to be reached through the ETS, will disadvantage fossil fuels in a technical neutral way and in that way stimulate all sorts of renewable energy sources.

4.3. Instruments

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

If we choose for a single CO_2 emission target, we can leave aside all other policy instruments and we won't be limited by conflicting policy instruments.

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

A single CO_2 emission target is technology neutral. It is most beneficial for any technology that is most cost-efficient in reducing CO_2 emissions. In that way it also stimulates innovation best, since it leaves decisions to the market and doesn't exclude solutions that are currently unknown. This is the best way to reach our goals of CO_2 reduction, to reach it cost-efficiently, to stimulate innovation and to develop our economy.

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

Since a single CO_2 emission target is technology neutral it leaves decisions to the market. This means that the least amount of capital is needed and investments are driven by market forces. It prevents fragmentation of the internal energy market, since it limits conflicting national policies. In our opinion this would be the most efficient way of climate and energy policy.

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

The CO_2 emission target benefits energy savings, since saving energy will mean less CO_2 emissions.

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

No specific focus on climate change is needed in our research and innovation policies. As far as research and innovation policies concern energy and climate, the should benefit all research that is aimed at reducing CO_2 emissions and shouldn't choose techniques. This will enable research parties to do their research and find solutions without government intervention.

4.4. 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?*

As explained, a single CO_2 emission target is most cost-efficient. The lower the costs for companies and consumers, the better for the economy. It leaves more means open for other investments, creating growth and jobs. Moreover, a single emission target leaves decisions to the market, doesn't pick techniques and doesn't exclude solutions that are currently unknown. Therefore it stimulates innovation best.

• *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?*

All measures to stimulate renewable energy put extra costs on our energy consumption and put an incentive on companies to replace activities. As has been shown by economist Dieter Helm, the extra costs we put on energy consumption in Europe, has cut the CO_2 emitted here. At the same time, this has led to more import of goods made outside the EU, by which we 'import' the CO_2 that has been emitted in the production of these goods.

Therefore, when addressing the carbon leakage problem in the 2030 framework we should act in cooperation with all (major) non-EU actors.

• *What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them?*

Energy costs in many EU member states are strongly influenced by taxes and levies. These taxes and levies have been increasing in recent years, in order to stimulate renewable energy. So, taking these stimulants into account, energy costs in most EU member states are rising. Furthermore, we see Germany abandoning nuclear energy, while Finland and the UK are building new reactors. We see some EU member states blocking shale gas, while others try to pursue the exploration of it. All in all, there are a lot of opposite national policies that don't bring further the EU as a whole. The EU can mitigate these opposite policies by supporting cooperation between member states concerning their energy objectives and by creating one single EU goal for 2030 and beyond.

• *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 only solution to this uncertainty is that we must act on a global scale, in cooperation with all other economically important nations. The EU should not act unilaterally.

• *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)?*

A single emission target creates the least uncertainty, when it goes without targets for renewable energy or other sub targets. A single emission target is also best comparable to the efforts and results of other states.

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

The most important for innovation is a competitive free market and low costs for enterprises. Innovation is best stimulated by keeping government policy clear and straightforward with only a single emission target and a functioning ETS. The granting of emission rights within the ETS could give free emission rights to the 10% best performing corporations, based on their past and present emissions and benchmarks. This rewards good performance and gives thus an incentive to find innovative solutions to cut emissions.

• *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 best the EU can do is to ensure price stability and leave decisions to the market. Unlike most government policies, the market doesn't exclude techniques and doesn't exclude solutions that are currently unknown. Therefore it stimulates innovation and development best. This is most efficiently reached by a single CO_2 emission target without additional policies and sub targets. Furthermore, by cutting CO_2 emissions we make the use of fossil fuels less attractive. In that way a CO_2 emission target contributes to our pursuit of energy independence.

• *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 member states should cooperate in their build-up of back-up capacity and energy infrastructure. If the EU improves its energy supply internally, it will automatically reduce its dependency externally. Because a strong interconnected EU market makes it easier to bypass certain energy supply channels. For instance gas imports from instable regions can then more easily be replaced by LNG imports from other regions that are shipped no our seaports and transported through the EU because of our strong internal infrastructure.

4.5. 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?*

A single emission target as a percentage of present emissions seems most equitable, since it takes into account present emissions (e.g. a 20% reduction of a low emission level is in real terms a smaller effort than a 20% reduction of a high emission level). We should not start creating exceptions. Creating exceptions only leads to demands for more exceptions. It will lead to endless bargaining, unclear outcomes and a drifting away of the goals pursued.

• *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?*

A single emission target and a functioning ETS puts the same burden on all actors. Therefore it leads to a fair burden sharing among them. We already explained the cost-effectiveness of this policy.

• *Are new financing instruments or arrangements required to support the new 2030 framework?*

No, new financing instruments are not required. We only need to devise a well-functioning emissions reduction system. A renewed, improved ETS will do.