AUSTRIAN ENERGY AGENCY

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Directorate - General Climate Action
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Public consultation Green Paper "A 2030 framework for climate and energy policies" [COM(2013) 169, 27/03/2013]

Dear Sir or Madam,

The Austrian Energy Agency is pleased to take the opportunity to submit the statement to the questionnaire of the Green Paper "A 2030 framework for climate and energy policies".

General

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

  In the last two decades, the focus of the European energy and climate policy has significantly changed from designing the liberalised and regulated energy markets, especially the grid based energy markets electricity and gas, towards setting combined energy and climate targets like the 20-20-20-objectives. There are trade-offs between the market mechanism and the regulated parts of the energy sector. Especially the effects on prices that were expected as a consequence of the liberalisation of energy market did not come true.

  In detail:

  - Energy prices do not reflect external costs and, thus, are far away from a level playing field:
    - So far the EU-ETS has not given a sufficient price signal triggering a further de-carbonisation of the European economy. Therefore the

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ETS mechanism has to be re-designed in a way to guarantee its working (i.e. carbon prices are high enough to stimulate investment in energy efficiency and renewables) under changing boundary conditions like an economic crisis.

- Prices for electricity from nuclear power plants do not reflect all generation costs. Most of the costs regarding security, final storage and research are covered by society. These costs need to be internalized into the nuclear power prices to create an appropriate price signal contributing to an efficient energy market
- The same is true for fossil fuels as well as fossil power plants. Most of the external costs (CO_2 emission costs, local pollutant costs) occurring from usage of fossil fuels are still covered by society or rather future societies. An appropriate price signal is needed.

- Energy efficiency has become more and more prominent in the last years, but there is still a strong need to foster reaching energy efficiency targets and to strengthen the development and dissemination of energy efficiency services and efficient products.

- The supporting schemes for renewables have been necessary. Especially in countries like Germany with very high support of renewables, the goals for renewables have been reached. The result was a significant increase in the share of renewables. To fully integrate renewables in the electricity market, the following tasks have to be fulfilled:
  - Enabling enough flexible power capacities with gas power plants
  - Enabling enough power exchange between countries and regions by investments in electricity networks
  - Enabling the storage of power surpluses (hydropower, batteries, e-cars in combination with smart grids, renewable methane and hydrogen)
  - Encouraging diversification of volatile renewable production (to increase systemic supply security and minimize transport losses. Solar and wind power should be produced not only in single-site economically optimal places but in all places where it makes sense for systemic reasons)

- The distortions in today's electricity markets like negative effects on prices are a sign that these systemic tasks have not been fulfilled.
- There is a need to create a regulatory and economic framework that secures the transmission capacities to deliver energy efficiently to end consumers.

- The most secure system for Europe is an energy system based on renewable energy produced on as many divergent locations as possible inside Europe from the renewable energy sources sun, wind, biomass (used sustainably) and water in combination with gas power plants which produce flexibly adapting to demand. If the gas itself is produced from existing surplus of renewable energies we achieve a very secure supply independent from international crises, fossil depletion, international fossil price increases etc.

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 sectorial), and to what extent should they be legally binding?**

  Targets for 2030 should be introduced to support the 2050 energy and climate roadmap of the European Union. Therefore targets for GHG-emissions, energy efficiency and renewable energy sources are needed. They should be set up legally binding on a national level.

  - The targets should be applied on the level with the legal and executive capacity to implement measures (which is usually the national level).
  - The level on which the target is set shall take into account whether the technologies to achieve the target are coming from a national, European or international market (e.g. housing insulation is more national; cars are partly European, partly international) to account for the possibility of the different policy levels to influence the standards of the technology.
  - The setting of targets has to take into account the flexibility of a sector to achieve a target considering carbon leakage and effects on competition.

- **Have there been inconsistences in the current 2020 targets and if so how can the coherence of potential 2030 targets be better ensured?**
  - Inconsistences of the targets are driven by the
    - different extent of legal obligations on the European level as well as in terms of binding targets on the national level
    - implementation of burden sharing
    - heterogeneity of the instruments
    - the requirements due to internal market rules

- **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?**

  The targets for the transport sector should focus more on efficiency and GHG, not directly on renewable energy; avoiding GHG emissions in the transport sector by improving vehicle efficiency or through the reduction of the transport demand is easier and more cost efficient.

- **How can targets reflect better the economic viability and the changing degree of maturity of technologies in the 2030 framework?**
  Renewables have proven to be much more mature than CCS as a technology. That is why a high share of renewables and efficiency in combination with GHG targets are appropriate and the right way to ensure the transformation towards a sustainable, secure and competitive energy system.

  A key role of R&D is obviously given. Therefore especially the period from 2014 to 2020 is essential to bring the right initiatives into Horizon 2020. Knowing the positive effect of the IEE Programme, its integration into Horizon 2020 as a separate dissemination programme

  is recommended. Overall, the right strategic incentives designed in the framework of Horizon 2020 combined with an intelligent implementation on national levels are important to guarantee the economic viability especially in the international context and in solving the economic crises as well as to ensure to reach the long-term targets up to 2050.

- **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?**

  An option would be to introduce a monitoring process similar to the renewable or energy efficiency action plans that can result in an European progress report.

Instruments

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

  A broadly harmonised support framework is expected as sufficient; details should be left to Member States. The harmonisation of support schemes as a whole is seen as an overshooting target given the heterogeneity of the national law schemes, the RES-targets and the different economic performances.

- **How should specific measures at the EU and national level best be defined to optimise cost-efficiency of meeting climate and energy objectives?**
  The most effective way to reach climate and energy objectives would be to charge appropriate price signals including external costs, in order to create a level playing field on which only very little and careful support is necessary.

  Measures should allow the Member States to set their focus on the sectors and technologies where they can most easily achieve their targets.

  Support schemes for renewables shall explicitly take into account technology aspects, siting aspects and fuel aspects.

  The support of technologies should dynamically reflect their market readiness, e.g. monitoring should be linked with a technology index provided by a monitoring institution (e.g. by EC, ERC)

- **How can EU research and innovation policies best support the achievement of the 2030 framework?**
  Concerning research, the methodology used for the assessment and setting of goals and targets (PRIMES etc.) shall be reviewed by national experts. The detailed analysis of some country results and the roadmap assessment already showed significant flaws of the underlying country-specific data and (possibly) the methodology.

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 best way to promote job creation, growth and competitiveness is to lead the world in creating an efficient and renewable energy system. The technologies, systems and human resources created through this in combination with a prominent role of R&D will be a driver for the success of European Union's economies.

  The second wave of jobs is created by producing most of the energy within Europe to minimize import needs.

- **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?**
  ETS could be changed in a way to both set a cap on CO_2 emissions and not jeopardise competitiveness of the energy intensive industry by a combination of the following measures:

- no distribution of free certificates
- keep all industry branches under the ETS and introduce export subsidies for the products of the energy intensive industry to account for the difference in EU and outside EU carbon pricing
  - only the exports leaving the EU are not subject to the carbon pricing scheme (taxes or certificates)
  - this does not disturb the internal markets
  - link the export subsidy to the CO_2 emissions of the industry average or the best available technology - this motivates industry to stay below the average emission intensity
- or introduce carbon tariffs for imports coming from countries without carbon pricing to avoid market distortion

- **What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them?**
  - The support of renewables has led to a decrease in wholesale electricity prices. The fact that support schemes are financed by end users has had the contrary effect on end user prices. The financing of supporting schemes by national budgets (e.g. appropriation of energy taxes) could solve these contradicting trends and lead to a decrease in energy end user prices.

  - The EU can exert some influence by efforts to decrease the price for pipeline-imported gas from Russia; the EU shall not push towards an increase of EU shale gas production as it is not clear whether the US development is sustainable, what the environmental consequences are, and if the production level can be sustained for a longer time.
- **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)?**
  Create a real level playing field by internalizing external costs with only a few support schemes necessary (as mentioned above).

- **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?**
  Regarding the unconventional gas resources, an assessment shall be made whether the exploitation of non-conventional hydrocarbon resources is a substantial option or a "bubble". An assessment should focus broadly on a range of various factors,

including e.g. economic costs and benefits, environmental and landscape or technical issues.

In case it is a substantial change, the external costs of exploiting those resources have to be internalised.

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?**
  The equitable distribution can only be assured by an accurate and transparent assessment of the potential of each MS to contribute to the Union's targets, based on its status quo, its economic potential, the technological progress, the potentials for GHG reduction, energy efficiency and renewable energy; such an assessment has to be started long in advance of the negotiations.

  Key indicators have to be developed and defined to enable an equitable distribution in an objective manner on the one hand and implementing a long-term monitoring system on the other hand.

- **Are new financing instruments or arrangements required to support the new 2030 framework?**
  - It has to be assessed how the build-up and the extension of capital-intensive long-term infrastructure investments can be financed under the conditions of a liberalised market.
  - Alternative CO_2 schemes concerning GHG-reductions in the area of private households and transport are needed to complement today's ETS-System. The best instrument including climate effectivity, economic and social aspects should be taken into consideration.

Best regards

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