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3M Response to the EC Public Consultation

on a 2030 framework for climate and energy policies

General

3M is a global technology company with nearly 20,000 people in Europe as well as more than 50 manufacturing sites and 18 research & development centers in this key region for the company. 3M has a diversified portfolio of innovative solutions in healthcare, energy, water, transportation, security and communications. In particular, 3M develops sustainable alternatives in the areas of power generation, transmission and distribution, e-Mobility, energy storage, smart buildings, and ICT.

In discussing the future EU climate and energy policy, 3M believes it is critical that its objectives are clearly identified and well understood. Binding targets, e.g. for energy efficiency and renewable energies, as well as instruments such as the EU Emissions Trading Scheme (EU ETS) closely aligned with other climate policies should be the key components of any post-2020 Climate and Energy framework.

A long-term and predictable policy environment is key for companies to be successful in Europe and will restore confidence in the region. In order to achieve the EU's emission reduction objectives and to stimulate low carbon investments, there should be continuous targeted support and public funding focused on research and development (R&D) of low-carbon technologies. In this respect 3M would like to see more coherence between EU level objectives and national support schemes, as well as better implementation of EU legislation at national levels.

Last but not least, there should be a global approach to reducing greenhouse gas (GHG) emissions. In this respect the EU should strengthen its efforts to convince other major countries to commit to ambitious GHG reduction targets. To this end 3M supports the on-going United Nations Framework Convention on Climate Change (UNFCCC) negotiations aimed at reaching an international agreement by 2015 and will engage with stakeholders at the upcoming COP-19 meeting in Warsaw this November.

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

Energy Efficiency

The EU is not capturing the vast potential for energy savings and efficiency in many sectors, particularly in the buildings sector and on the supply-side that include power generation, transmission and distribution. 3M believes the economic potential of energy savings and efficiency in EU Member states should be a bigger political priority and more should be done to ensure its implementation through national allocation plans. This would create local jobs, savings in public budgets and reduce energy import dependency.

The EU needs to properly calculate the long-term risk and missed opportunities from not focusing on energy efficiency. Progress towards 20% target has been limited, due to low prioritization by Member states. This is especially seen in the building sector, which accounts for 41% of Europe's energy consumption. Studies indicate that the deep renovation of Europe's existing building stock can bring up to a 32% saving of the total primary energy used in Europe and there are many already existing sustainable solutions, such as window films, which can significantly increase the energy performance of buildings through solar heat absorption and reduced heat loss. 3M would like to encourage the EU and Member states to recognize that the environmental effects of cooling can be at least as significant as those of heating and should be included in guidelines related to energy saving to help targets to be met.

Renewable Energy (RES)

The 2020 climate and energy framework, including its binding renewable energy targets, has provided the energy sector with the necessary stability and predictability. The EU should continue those policies, which have proven to be successful in ensuring the market deployment of RES technologies and large-scale cost decrease. In order to expand the use of wind and solar power in the grid, it is essential to increase the current capacity of electricity storage facilities and develop systems to deal with excess power created due to weather conditions, but not needed immediately.

To increase the amount of renewable energy power used in the network, it must be effectively transmitted and distributed. The expansion of small distribution systems is essential and regional utilities need to invest in new power plants, photovoltaic energy sources and wind turbines to integrate these into the network. It is essential to ensure the further development of energy infrastructure, along with more consistency and coherence between EU level objectives and national support schemes.

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Apart from the construction of new power lines or retrofitting of existing ones, Smart Grids are needed to provide the missing link enabling the intelligent networking of producers and consumers. These modern power networks will bring reliable renewable energy to customers. Consumption in households and businesses can then be adapted to optimize the most convenient times and network loads. Keys are to ensure reliable production of electricity, enhance the existing utility grid, improve the efficiency of the power network, make homes and businesses more energy efficient and reduce emissions.

Targets

EU level targets are essential, as they send a broad strategic message and encourage investors to take advantage of the single market's economies of scale. To be most effective, targets must be set for a long timeframe, be simple, clear and binding in order to be implemented. Consistent with the long-term 2050 objectives of the 80-95 % CO2 reduction target, **3M supports an ambitious economy-wide GHG reduction target for 2030**, together with energy efficiency and RES being recognized as key policies to be promoted. Apart from extensive CO2 reduction levels, the EU should also focus on phasing-out other highly potent GHG emissions, such as F-gases, for example.

Future climate and energy policies should continue on the basis of a three-target approach. However, in order to avoid any potential discrepancies between them, as well as to encourage synergies, the EU should ensure that all three targets are set at the right level of ambition and opt for in-built safety measures, in order to ensure their coherence.

EU targets could be broken down at national level to provide Member states with some flexibility on the strategy to reach the set targets and ensure their legal responsibility. There should also be more coordination between the EU and Member states vis-a-vis implementation. Lack of coordination at EU and Member state level have in some cases led to support schemes which have not been cost-efficient, raised the financial burden on consumers and affected competitiveness.

Specific efforts should be made with respect to the transport sector, still a growing source of GHGs. In the White paper on Transport published in 2011 the Commission called for a reduction of at least 60% of GHGs in the Transport sector by 2050 (20% by 2030). In order to build a competitive and clean transport system for the next decade, the climate and energy framework should include also aspects of electrification of the transport (especially automotive) sector and promote further environmentally-friendly and efficient solutions in reaching the GHG (CO2 reduction) target.

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Instruments

The EU Emissions Trading System (ETS) is the flagship policy in the EU's climate and energy framework which is now being imitated by other international players (e.g. China, Australia). In order for it to remain the key instrument of ensuring emission reductions at the lowest cost to the economy, it should be revised in light with the post-2020 EU policy objectives. Structural reform measures are needed for the EU ETS to be able to take into account unforeseen (economic) developments and to attract further low carbon investments.

At the same time, the EU should also allow for the continuation of other innovative financial instruments and ensure a strong coordination between EU level instruments (such as EU ETS) and national support schemes (such as feed-in tariffs). Any instruments should be brought in line with the overall CO2 reduction target.

EU climate and energy policy in the future should be addressed in conjunction with EU industrial policy and should recognize and support both current and future opportunities for industry to provide low carbon technologies and solutions. To keep its front-runner advantage in developing low carbon technologies on a commercial scale, a real industrial policy would strengthen further local investments. Such a policy should be based on:

- Implementing a transparent and efficient European energy market that provides an attractive investment climate;
- Ensuring investment security through a stable and favorable policy framework with long-term 2030 binding targets;
- Setting high standards through qualitative public procurement processes (rules) to leverage already existing sustainable technologies;
- Simplifying sustainable support schemes, streamlining administrative procedures and implementing efficient grid connections;
- Using the new energy infrastructure package - notably the Connecting Europe Facility (CEF) as well as the structural funds to support the realization of the climate and energy targets.

An ambitious Climate and Energy framework for 2030 should be a key driver for R&D and innovation. By 2030, Europe needs to have developed, demonstrated and deployed a wide range of low carbon and energy efficient technologies. Programs should not only target research but also demonstration in order to shorten the time to commercialization for the most promising technologies. Main areas of action should also focus on the cost and energy efficiency aspects by promoting the retrofitting solutions, which can upgrade the already existing networks, technologies and products - for example in energy transmission as well as buildings. Financial instruments should be adapted to the 2030 objectives and support the deployment of innovative energy projects.

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