RESPONSE TO THE EUROPEAN COMMISSION'S GREEN PAPER CONSULTATION ON A 2030 CLIMATE AND ENERGY FRAMEWORK

Organization: Centre for Transport and Energy, Czech Republic
Transparency Register Number: 88183887439 - 50
Submitted: 02/07/2013

Centre for Transport and Energy welcomes the opportunity to share our views on the 2030 climate and energy framework.

We believe that systematic transformation to low carbon economy is an excellent opportunity as it will create new jobs and foster innovation. It will also reduce the bills that we pay for fossil fuels and increase independence on energy imports.

The current EU climate and energy framework is not enough ambitious. The 2020 targets are not in line with a cost-effective trajectory towards the upper end of the 80%-95% emission reduction target in 2050, as indicated in the European Commission's Roadmap for moving to a competitive low carbon economy in 2050. Therefore the EU must agree on robust, coherent and comprehensive post-2020 package to cost-effectively deliver on its long-term objectives.

QUESTIONS

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

The current framework shows how Europe can work with a common strategy on energy issues and decarbonisation policies.

It has positive effects not only on investments patterns, but also on the removal of administrative, market and economical barriers. These effects have been especially significant on the deployment of renewables energies, where the 2020 target is expected to be met.

In the case of energy efficiency, the quality of transposition and implementation of the Energy Efficiency Directive by Member States has yet to be demonstrated.

However there are also many lessons from the failures in the conception of the targets and the policies designed to achieve them, which have had serious consequences. These mistakes include:

- **Lacking coherence between the three targets**: In particular the impact on emission reductions of the energy savings target was not factored in: if both the renewable energy target and the energy savings target are met, emissions will be reduced by 24%[1].
- **Weak ambition in the emission reduction target and ETS**: The current low target will lead to a very steep post-2020 trajectory in order to achieve the 2050 emission reduction target. As a consequence of the emissions target being too low, the 'cap' of the Emissions Trading Scheme (ETS), combined with other design flaws, resulted in the carbon price being far too low to drive investment in low-carbon technologies. Other design flaws contributing to this have included excessive free allocation of emission allowances in the second phase (2008-2012) and many exemptions from the auctioning rule in the third phase of the ETS, such as free allocation to certain power producers under Article 10c of the ETS directive. The ETS could play a critical role in climate policy if well designed, but it cannot be expected to drive the EU's industrial and energy policy as a sole policy instrument. Structural reform of the current system is also urgently needed to ensure resilience to economic effects and interplay with other targets. Centre for Transport and Energy developed a number of recommendations and presented them to the European Commission during an open consultation.[2] Some of the needed measures include the increase of the annual linear reduction factor to 2.6 %, the permanent cancellation of 2.2 billion allowances and a review of the quality criteria for offset credits.
- **Greenhouse gas emissions targets for non-ETS sectors are too weak and not sufficiently integrated with other parts of the 2020 framework:** While most of the discussion on energy and climate policies so far has focused on the need to decarbonize the power system and large industry actors (the ETS sectors), the Effort Sharing Decision (ESD) is also in the need of structural reform. ESD sectors are responsible for more than half of the EU's greenhouse gas emissions, with buildings and transport being the largest emitters. However, due to very weak ESD targets combined with the impact of the economic crisis, Member States will have to do very little or even nothing to meet their targets.
- **Not making the energy savings target legally binding**: In the 2020 package energy efficiency was treated as an afterthought and the 20 % EU energy savings target for 2020 ended up being the only non-binding target, and the only one at risk of not being met. It would be a mistake to "wait to see how implementation of the EED goes" before

---

1 Scenarios on energy efficiency and renewables, European Commission 2006

2 http://ec.europa.eu/clima/consultations/0017/organisations/centre_for_transport_en.pdf

determining the post-2020 ambition for energy savings. Giving energy savings a secondary role, despite its importance for the reduction of greenhouse gas emissions and the transformation of the energy system, undermines the coherence of the target design.

- **Limit access to international credits**: Centre for Transport and Energy strongly supports ban on use of offset credits in the EU ETS after 2020. By 2012 international credits have become a major driver for the build-up of the current surplus accumulated on the EU carbon market. According to the European Commission offset credits are responsible for "two thirds of the EU ETS over-supply" and could represent as much as three quarters of the expected glut of credits by 2020, if no action is taken[3]. A ban on offset credits after 2020 is needed to avoid the similar problem in ETS Phase IV and to preserve the environmental integrity of post-2020 global climate agreement. Furthermore limited access to offset credits would incentivise domestic emission reduction boosting investment and employment in renewable and energy efficiency sectors.

  Centre for Transport and Energy also recommends an urgent review of quality criteria of offset credits available in the EU ETS for compliance: ban on offset credits coming from coal and large hydro investment as well as credits generated by business as usual, "non–additional", projects[4] which do not deliver additional emission reductions. At the same time the EU must ensure that decreased financial support for clean investments in developing countries, a consequence of ban of offset credits after 2020, will be properly addressed and other financing mechanisms will be put in place to assist developing countries in low-carbon transition.

- **Lack of binding commitments on the EU's share and delivery of international climate finance:** Despite repeated commitments by finance ministers to contribute the EU's fair share (30-40 % of the global figure) to the commitment on providing financial resources to developing countries and in particular the Copenhagen promise to mobilize 100bn USD annually by 2020, nothing has been done so far to make sure climate finance will not fall off a cliff after the Fast Start Finance has ended in 2012.

Targets

2. 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?

In order to ensure that the post-2020 policy framework puts Europe on track to the 2050 target, current 2020 climate and energy targets and policies will need to be improved. In particular the current 20 % emission reduction target needs to be increased to a domestic emission reduction target of at least 30 %, as part of an overall (domestic and non-domestic) emission reduction target of at least 40 % by 2020.

This urgent action to improve current policies needs to be complemented by agreement on a set of 2030 ambitious, coherent and binding EU-wide and national targets for emission reductions, energy savings, renewable energy production and international climate support. Based on these targets, policies will have to be agreed.

The three-target strategy is supported by organizations such as the International Energy Agency that has concluded that three legally binding targets will be more effective to deliver the outcomes required to reduce the risks of dangerous climate change than a system based on carbon price alone.[5] Some of the reasons behind this are long-term investment

---

[3] European Comission (2012). The state of the European carbon market in 2012. http://ec.europa.eu/clima/policies/ets/reform/docs/com_2012_652_en.pdf

[4] Projects that would be realised even in the absence of the CDM mechanism.

5 Summing up the parts: Combining Policy Instruments for Least-Cost Climate Mitigation Strategies, Christina Hood, International Energy Agency, 2011

certainty, long-term low carbon abatement potential cost, and removal of non-market barriers.

Looking at the state of current emissions, as well as the pathway that the European Commission is proposing in its low-carbon roadmap (the post-2030 pathway), adopting a 40% target would be a substantial deviation from this pathway. Applying the low-carbon roadmap pathway from 2010 onwards would lead to emission reductions beyond 55% by 2030.

Scenarios developed by the German Space Institute and Ecofys for Greenpeace and for WWF respectively[6], have indicated the potential in the EU for deep emission reductions through substantial efforts to support the further development of renewable energy and energy savings. These scenarios show that a combination of energy savings and renewables have the potential to reduce CO2 emissions from energy use in the EU by more than 55% by 2030. And there is more carbon abatement potential by addressing the remaining use of fossil fuels with a well-functioning EU emissions trading scheme (high-efficient gas plants, combined heat and power). For the non-ETS sector, national and EU (carbon taxation) measures can provide a direct incentive for emission reductions. Moreover, specific sectoral policies (car standards, sustainable agriculture programmes, forest protection) can enable non-ETS emission reductions.

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

Even with the current low GHG target and the oversupply of emission allowances in the ETS, there is no inconsistency between the current policies composing the 2020 package. The deployment of renewables and the ETS policies are mutually reinforcing, as originally designed. The crisis and the unsustainable use of international carbon credits are undermining the carbon price, and not renewables deployment, as suggested by some stakeholders.

A similar approach should hence be taken to 2030, setting 3 targets supporting each other. The GHG target should be defined ambitiously enough to take the emissions reductions of the separate 2030 renewable energy and efficiency targets into account and provide additional incentives for emissions reductions beyond efficiency and renewable energy. To ensure a stable investor framework an (automatic) ETS cap adjustment could be introduced to guarantee the health of the carbon price to respond to a fall in demand for EUAs.

If only a GHG target was set, national renewable energy targets and efficiency plans would interfere with the ETS/carbon price because the equivalent in emissions reductions may not be properly forecasted and thus not factored in. Setting targets for renewable energy and energy efficiency are therefore necessary to avoid undesirable effects.

4. 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?

Sub-sectoral targets are not necessary nor are recommended under the renewable energy or energy savings targets. Member States should have the freedom to decide how to reach their national targets. However, we do acknowledge that a number of the policies set in place to achieve the targets would have specific targets, such as the cars emissions standard, the building renovation policies or the f-gas regulation.

---

6 See both: Energy Revolution scenario for EU-27, Greenpeace, 2012 and Renewable energy: a 2030 scenario for the EU, Ecofys 2013

Instruments

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

Direct and indirect fossil fuel subsidies must be phased at EU and national level. European Heads of State and Government and energy ministers have repeatedly identified fossil fuel subsidies as the main market distortion to mitigate climate change in an effective way. All harmful subsidies should be eliminated before 2020. And the European Commission should assess and provide transparency on the level of the direct and indirect fossil fuel subsidies on a national level in the EU, assess its economic and environmental impacts, and subsequently propose phase out requirements.

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

The auctioning revenues should in our view finance robust programmes for energy savings and installation of RES in the buildings sector as this has multiple positive impacts: on economy, job conservation and creation, quality of life, air pollution, health, carbon emissions, resilience to climate change impacts and energy security. Secondly, the revenues should also contribute to climate change adaptation and mitigation in developing countries, for example through the Green Climate Fund of the UN.

18. 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?

Europe needs to focus on tapping our truly indigenous energy resources: energy savings and renewable energy, which will increase energy productivity and will reduce our massive €406 bn energy trade deficit allowing this instead to be reinvested in Europe. There it will create new jobs and industrial leadership. Reducing energy consumption and shifting supply to renewable sources will also reduce greenhouse gas emissions in a safe and sustainable manner.

It is worth mentioning shale gas in this context, since there has been an increased attention by policy makers, based on the false promises of the price decrease revolution, following the case in the US. Shale gas is not the silver bullet for Europe's energy policy but rather a dangerous bet that could lock-in Europe further into a miserable situation. The geographical and demographical situation in Europe is even more unsuitable and we should not make the same mistakes here.

We strongly disagree that shale gas will help Europe to decrease energy prices, or to gain significant energy independence. Furthermore, the associated environmental and health risks, which include water reservoir pollution, methane emissions and increased seismic activity, are not acceptable.

The political hype about shale gas, based on unrealistic assumptions, may delay investments into adequate technologies, such as renewables and energy efficiency which can tackle EU energy policy objectives much more effectively and enjoy wide support from European citizens.

Capacity and distributional aspects

20. 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?

We strongly believe that any future climate action should be distributed amongst the EU member states in an equitable way, so as to ensure that those with the biggest capacity to act carry the biggest part of the effort while enabling reductions to be made there where

the biggest opportunities for immediate action are available. Therefore we advocate for a combination of measures that built on a distribution of efforts on a GDP per capita and emissions per capita basis.

The Czech Republic has huge potential especially in energy savings, as identified in the two recent alternative scenarios up to 2050, commissioned by Czech NGOs: Smart Energy and Energy Revolution.[7] According to both scenarios, it is possible to reduce Czech CO2 emissions by 70 % to 2030 (from 1990 levels).

21. 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?

There should be a link between the allocation of the Cohesion funds and other European funding mechanisms to the effort sharing both for GHG abatement and energy savings in order to enable MS to tap into their potentials.

Contact Information
Barbora Hanzlova
Centre for Transport and Energy
barbora.hanzlova@ecn.cz
+420 274 822 150

[7] http://chytraenergie.info/images/stories/smart_energy_summary.pdf, http://www.greenpeace.org/czech/PageFiles/228910/energyrevolution.pdf