Climate Alliance

Response to consultation

A 2030 framework for climate and energy policies

Brussels 2 July 2013

QUESTIONS

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?

In 2007 the European Council adopted ambitious energy and climate change objectives for 2020; objectives for reducing CO_2 emissions, increasing energy efficiency and the share of renewable energy were set. The Communication "Energy 2020 – A strategy for competitive, sustainable and secure energy" launched in 2010 called for further actions in areas where new challenges are emerging such as energy efficiency, infrastructure, choice and security for consumers, energy technology and the external dimension of the internal energy market.

Even though ambitious measures were set, local authorities got little acknowledgement in the policy developments after 2008. Now, the recently launched Green Paper still does not mention at all the local authorities and their efforts in reducing CO_2 emissions. However, the Covenant of Mayors initiative launched in 2008 by the European Commission is a great success and accounts to almost 5000 signatories committed going beyond the EU climate and energy targets by 2020. With almost 3000 Sustainable Energy Action Plans under implementation, the Covenant signatories aim at reducing their CO_2 emissions on average by 28 % by 2020, thus showing the potential emission reduction target in Europe for 2020.

In light of the 2030 framework on climate and energy policies the efforts of local authorities need to be recognized and supported both with adequate policies and financing. The enthusiasm and engagement of local authorities should be used as an example for setting ambitious climate and energy policies for 2030.

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 **binding target for energy efficiency** is needed, in particular if Europe is to go towards energy service markets. The internal energy markets should go from making money from selling energy to markets based on energy services.

Renewable energy sources will play a major part in Europe's long term decarbonisation efforts. Local energy companies are seen more and more as an important source of this future energy production. Citizens, and local governments, are forming new initiatives to provide locally produced green energy for their community. There are communities that have set a target for using 100% renewable energy – or aim at becoming carbon free. Support for such policies is needed! Without renewed ambitious climate policy backing from the EU, many of these ambitions will be lost.

Climate Alliance members already have a CO_2 emission reduction target of reducing emissions by 10% every five years, which corresponds to a halving of emissions until 2030 (baseline year: 1990). An **ambitious CO_2 reduction target for 2030** is needed at EU level as intermediate step to achieve the target of 80 - 95% less CO_2 emissions by 2050.

The **Emission Trading Scheme (ETS)** – and the attempts to make it function – are crucial in light of the discussion on the future climate and energy objectives. The ETS needs to be strengthened and its proper functioning guaranteed. Without an adequate price the CO_2 reduction target will not be accomplished. If the ETS fails, the only way to ensure necessary emission reductions will be a carbon tax.

Ambitious, coherent and binding targets for CO_2 emissions, energy efficiency and renewable energy are necessary: Ambitious in order to mark the path for policies which lead far enough beyond the business as usual approach, and coherent in order to push related policies and legislation. The CO_2 emission reduction target alone is not sufficient to ensure ambitious climate and energy policies, and to use the existing opportunities to achieve a greener and more competitive Europe. The three targets reinforce each other and need to be continued.

The only target set for 2020 that is not binding today – the 20 % energy efficiency target – is also the only target lagging behind. The stock taking on the national targets (delivered by Member States by the end of April 2013) is crucial. A binding target will force Member States to commit for adequate efforts. At the same time, it will also provide a greater market certainty for investments.

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

There is a certain lack of coherence of the 2020 targets: Assuming that both the energy efficiency and the renewable energy targets would be fully achieved, this would lead to an emission reduction of 24 % (according to calculations from the European Commission back in 2006) Taking current target achievement into account, the 2020 target could have been set at 30%. (This is actually also supported by the local level actions as shown by the calculations done in the context of the Covenant of Mayors).

For 2030, coherence of the three targets should therefore be achieved by calculating the effects on emission reduction, when the energy efficiency and renewable energy targets are met. In the coming period, intermediate evaluations (for instance in 2022 and 2026) could be foreseen to decide upon increasing (and only increasing) the ambition level of the targets.

• 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?

Standards for products such as electric and electronic appliances, as well as CO_2 and other targets for vehicles have a large effect on emission reductions, give industry a clear long-term perspective and

help boost technological innovation and growth. The revision of the Ecodesign Directive will have also an important role to play here.

Sector specific reduction targets could be considered in particular for tackling transport related emissions. However, support for agrofuels, harmful to biodiversity, human rights and food security has to stop. More emphasis should be placed on urban mobility, and the linkages between municipal Sustainable Energy Action Plans and Urban Mobility Plans should be further explored.

• 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?

Taking the expected increase in oil prices into account, to which gas prices are linked, Europe's dependence will have a severe impact on its energy bill, security of supply and overall competitiveness.

In contrast, energy savings, renewable energy, investments in infrastructure and innovation are 'no regrets' options. The two targets for energy efficiency and renewable energy already provide some evidence about Europe's self-reliance for its energy demand. An additional indicator to measure progress on security of supply could be done through the setting of a 2030 indicative target, defining the minimum share of the energy mix (% of overall primary energy demand) that would need to be provided by **locally produced energy sources**.

In addition more emphasis should also be put into systematically collecting data on job and growth implications of the local / renewable energy as well as the energy efficiency work.

3. Instruments

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

A central turnaround in future energy policy instruments will need to be the abolition of subsidies for fossil fuels and nuclear. The European Commission has a central role in this process by collecting, publishing, and assessing the impact of the subsidies and imposing corresponding actions on the individual Member States.

Variety of policy instruments are required both at EU and national levels. The ETS is an important instrument and could, if working adequately, support the CO_2 emission reductions considerably. The ETS is crucial, but just one of the policy instruments available. It is time to give more attention to other means to cut CO_2 emissions – from industry but also elsewhere. Directives, such as the European Energy Efficiency Directive are already showing the way for such actions.

The ETS is not a solution for decarbonising the transport sector and the buildings sector. Other policy instruments need to be developed or harmonised (e.g. energy taxation). Local authorities have an important role in tackling both sectors. The work done locally both in transport and in buildings, in particular within municipal buildings and the residential sector needs to be reinforced.

Some concrete examples, which could be multiplied, can be found at:
http://www.eumayors.eu/media/case-studies_en.html

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

Cost-efficiency cannot be the only criterion for optimising policy as many measures which bring benefits to local economies and citizens in the longer term would not be taken into account under current conditions (example: retrofitting of the building stock). Linked to the recommendation above on abolition of subsidies for fossil fuels, transparent prices (inclusion of external costs) would immediately lead to making investments in renewable energy and energy efficiency the only acceptable option.

Cost-efficiency should also be increased by aligning funding instruments at European and national level to the energy and policy framework, for instance no more provision of European funds for fossil fuel plants, reversing the share of R&D funding for nuclear and non-nuclear energy, etc.

In general, a more decentralised energy management system would enable better use of local energy resources close to where energy is consumed. The European energy system must therefore also undergo a transition in terms of promoting microgeneration and local/regional distribution.

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

Everyone can have a role in the new energy system –and therefore help in shaping it (see also answer to Question 8). There are more and more people producing their own energy via microgeneration or building houses that are net zero energy buildings (NZEBs). Also small cooperatives and community based energy solutions are getting more popular. See for example the RESCoop database: http://www.rescoop.eu/rescoop-lite

Local authorities can facilitate the set up and development of the local cooperatives. They can be either drivers of such work, as shown by the example of Beckerich (LU), or provide support for such activities as shown by the work done by Ecopower (BE). Judith Merkies (MEP) has recently launched a Resolution on Microgeneration. This resolution is a good example to show how 'teaming up with the citizens' can speed up the energy transition.

In addition to supporting local energy investments, local authorities will have a central role in bringing together the private sector and other stakeholders to develop and implement new ideas and innovations in the field of climate and energy, and thus facilitating the transition towards a more sustainable future.

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

Horizon 2020, the new EU Framework Programme for research and development, is a part of the drive to create sustainable growth and new jobs in Europe. The Intelligent Energy Europe (IEE) Programme, initially not part of the Commission's proposal, should be the main tool within Horizon 2020 allowing bridging the gap between low carbon R&D and the wide market uptake of the innovations. As Climate Alliance members repeat continuously: While the technology for the energy transition is mostly available, what is needed is to overcome non-technical barriers and to find ways to create the adequate structures.

The IEE programme is a **key European funding instrument**, which supports sustainable energy policies of local and regional authorities. For example the Covenant of Mayors initiative, financed by the IEE, currently involves some 4,800 cities and towns committed to deliver on EU energy & climate objectives. Almost 3000 Sustainable Energy Action Plans are under implementation aiming at

reducing CO2 emissions by 28 % by 2020. Binding and ambitious climate targets for 2030 provide the necessary support for these initiatives.

In addition IEE has stimulated new innovative financing mechanisms such as European Local Energy Assistance (ELENA) and Mobilising Local Energy Investments (MLEI). €36 million of ELENA funds were granted until now to local and regional authorities, amount expected to trigger local investments of €2.8 billion in energy efficiency, renewable energy and sustainable urban transport. Therefore, IEE programme provides much needed EU support for local actions that are essential in achieving EU sustainability goals on the ground.

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?

European institutions should consider local authorities as an important ally in both shaping and implementing the EU wide climate and energy objectives –now and in light of the 2030 framework. European Initiatives such as Covenant of Mayors should be continued and reinforced with other initiatives supporting local action and in particular providing targeted financing.

For example the European Local ENergy Assistance (ELENA) has made available considerable funds for technical assistance to mobilise energy investments. The substantial investments are also expected to have a great impact in terms of employment. For instance, the Province of Barcelona, a member of Climate Alliance and a Covenant Coordinator, estimates that 3,000 jobs linked to the installation and maintenance of photovoltaics and 2,000 jobs linked to energy efficiency will be created/sustained as a result of the €500 million investment programme.

•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?

During the last weeks we have heard that 'competitiveness' is being widely used by the energy intensive industry as the argument to lower ambition in the design of the future climate and energy policies. At the same time not enough consideration is given to the positive aspects of renewable energy and energy efficiency: innovation head start, creation of smart infrastructure, qualification of workforce and therefore creation of advantages for the EU in emerging markets. As already mentioned in our earlier answers, fair market conditions for all types of energy would easily turn around all arguments in relation to carbon leakage.

It is therefore essential to conduct an open and transparent debate about the real extent of competitiveness concerns and to identify ways to incentivise innovation, substitution and rapid improvement. The global markets for resource efficient infrastructure and renewables are huge and innovative policy in this area could drive strong competitive advantage for EU companies in emerging markets. Clear and proven data is needed to support and demonstrate the competitiveness of the greener and innovative policies.

• What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them? 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 (global) price for fossil fuels is the driver of current energy costs. The EU can only influence them by reducing dependency from fossil fuels by promoting energy efficiency and creating/proposing adequate support mechanisms for renewable energy and decentralized energy production and distribution in order to reduce costs for energy infrastructure.

In its Energy Roadmap 2050, the Commission finds average total EU energy costs in the period 2013 - 2050 to be comparable in both the decarbonisation scenario and the business-as-usual scenario: decarbonisation policies make total energy costs increase, but are counterbalanced with time by reduced costs for energy imports. To give an example at a regional level, the North Karelia region (FI) estimates that providing heating with renewable energy locally will bring a net economic benefit of €700 million per year to the region.

• 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)?

Binding targets and a coherent policy framework are the basis for regulatory certainty for businesses. Adjustments to changing circumstances could be made by a regular evaluation.

• 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 most unexploited energy source in Europe is energy efficiency, leading not only to less energy demand but also numerous economic and social benefits. The second priority should be increasing the share of renewable energy sources. Regionally adapted strategies and support mechanisms will support their cost-efficient exploitation.

By mentioning 'unconventional' energy sources, reference is indirectly made to shale gas. For its almost nil contribution to reducing gas prices, no acceptance among citizens and its high environmental and health risks, Climate Alliance is pledging for not considering shale gas at all in a European energy supply scenario.

• 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?

Based on the integrated approach (energy demand side management and renewable energy) infrastructure will need become much more flexible and capable to balance high fluctuations in energy production. The 2030 policy framework will need to take this into account. The European wide energy infrastructure needs to be ready to tap into the huge variety of energy producers within Europe (vision: each energy consumer is also an energy producer). This whole new energy system will also contribute to security of supply and stability of energy prices.

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?

The climate and energy efforts should be distributed amongst the EU member states in an equitable way. With GDP being used as a general indicator for economic capacity, can be used as a basis for

distributing the efforts among Member States. However, the detailed effort sharing should also be based on studies on the RES and energy efficiency potentials.

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

Securing long term financing is crucial to help enabling implementation of long term strategies such as Climate Plans and Sustainable Energy Action Plans (SEAPs) locally. More attention needs to be placed on introducing innovative financing models, and redefining and improving existing funding schemes.

The Cohesion policy funding, with hopefully some 23 billion euros dedicated to energy will provide both an opportunity and a challenge to implement energy investments. Sustainable Energy Action Plans (SEAPs) prepared in the context of the Covenant of Mayors could be used as a 'passport' for EU funding. SEAP could facilitate receiving EU funding, as the evaluation is carried out by the Joint Research Centre of the European Commission, and ensures that the local authority has a strategy with defined targets and mature projects and actions on sustainable energy. Financial engineering – such as the investment funds could be useful tools for having a better leverage of the EU funding and multiplying its effects. However, the forms and functioning models of investment funds will need t be further investigated. Also guidance on how to best combine different financing sources and how to better leverage on private sector financing should be provided.

EU Research funding and in particular the Horizon 2020, the new EU Framework Programme for research and innovation, needs to fund also non-technical innovation (such as new ways of working, innovative partnerships), capacity building and new financial mechanisms. Innovations need to be rolled out widely and the Intelligent Energy Europe programme under the "Market uptake of energy innovation" can ensure this. Climate Alliance strongly believes that the outstanding actions of local and regional actors currently financed under the IEE programme should be continued and reinforced within the Horizon 2020.

To conclude

The 2030 climate and energy policy framework will be the stepstone for the EU strategy also towards 2050 perspective. The executive director of the EEA, Hans Bruyninckx, concluded the first panel discussion during the High Level 2030 Event on 19 June highlighting that the discussions of the future climate and energy policies are concentrating on technology and energy supply. The essential societal issues linked with these policies are being forgotten. The EU climate and energy policy needs to go beyond the discussions of the industry and the carbon leakage.

During the General Assembly of Climate Alliance on 16 of May, our members unanimously adopted a resolution on the EU climate and energy policies in light of the 2030 framework. In the resolution Climate Alliance calls for binding - and ambitious - targets for energy efficiency, renewable energy and CO_2 emission reductions. A more decentralised energy management system would enable better use of local energy resources close to where energy is consumed. The EU energy policy needs to put emphasis on demand side management and increasing the share of renewable energy, and recognize and support local authorities with adequate policies, and financing.

The European Energy System is in transition, and the future is challenging. We are building a new economy, which is clean and innovative. Governments at all levels need to change and adopt a new role as a facilitator and - "rethink all".

Contact details:

Pirita Lindholm, Head of Office, Climate Alliance Brussels, p.lindholm@climatealliance.org, +32 2 213 8346

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Climate Alliance is the largest European local government network dedicated to local climate policies. The association represents some 1,700 European local authorities in 20 countries committed to ambitious target of reducing their greenhouse gas emissions by 10 percent every five years. Climate Alliance supports its members via various activities. It develops instruments and tools to help members in setting up local climate strategies, organises exchanges of experiences, coordinates European projects with and for its member cities and represents its members interests at national and European levels.