

CEEP OPINION ON THE POLICY FRAMEWORK FOR CLIMATE AND ENERGY IN THE PERIOD FROM 2020 TO 2030

Executive summary

- CEEP welcomes the Commission's Communication as it contributes to the overall aim of climate change mitigation, protection of resources and security of energy supply.
- CEEP supports the Commission's proposal of a binding reduction target for green house gas emissions by at least 40 per cent until 2030. In general, the emission trading system is seen as the right instrument towards the realization of this target, but has to be reformed due to existing insufficiencies. Nevertheless, it is also necessary to define the cost-efficient allocation of reduction efforts among Member States for the non-ETS sector. Moreover, the internal reduction target should not let the EU lose sight of the long term objective to build a global carbon market.
- CEEP embraces the proposal for a binding EU-wide expansion target for renewable energies. However, it has to be ensured that all Member States firmly commit to contributing in a substantial manner to the goal achievement. Additionally, CEEP highlights the need of an economic mid- to long-term view that includes interconnectors and energy generation capacities. In an energy market partly dominated by renewables, not only the generation of electricity but also the provision of secure generation, which is supplied mainly by conventional power plants and hydro storage plants, has to be taken into consideration.
- With regard to energy efficiency, CEEP welcomes the Commission's approach to examine first to what extent the target for 2020 has already been reached. In order to achieve market-based policy solutions, it is necessary to move away from defining absolute consumption targets that can lead to growth inhibition.
- For CEEP the design of the according governance process is decisive. The reliability of the national plans and a fair effort-sharing has to be guaranteed.¹
- An ambitious approach is needed in order for the EU to continue to be a worldwide leader towards a success of the world climate negotiations.

¹ There is a tendency that the European governance process is very elaborate, detailed and non-transparent. Some countries have a culture of governance which is more bottom-up from a company perspective. Network codes should be less detailed and focused on cross-border issues.

Assessment of the Communication from the Commission

Since 2009, the European energy industry has aimed at ensuring a CO₂ neutral energy supply by 2050 in order to conciliate sustainable climate protection and a secure and affordable energy supply. CEEP explicitly supports the Commission's proposal of a binding reduction target for greenhouse gas emissions by at least 40 per cent until the year 2030. Due to long-term investment cycles, it is vital to European energy undertakings to be given as early as possible a reliable and binding European framework for 2030.

In order to reach the energy and climate goals, complementary measures or instruments for a functioning emission trading system are necessary. Therefore, CEEP is in favour of reliable goals for greenhouse gas emissions and renewables giving Member States sufficient scope for implementation. Before setting the goals, the EU-Commission should undertake a comprehensive impact assessment taking current developments on the energy market into account (e.g. the development of renewable energy and its impact on electricity prices and the secure operation of the electricity grid as well as the development of fuel and electricity prices and its impact on the overall security of supply).

The greenhouse gas emissions target 2030

The target to reduce 40 per cent of the CO₂ emissions compared to 1990 is consistent with the "Roadmap for building a competitive low-carbon Europe by 2050". The target represents a milestone towards the realization of the Roadmap's reduction target of 80 to 95 per cent in a cost-effective way.

Therefore, CEEP supports an ambitious reduction target for greenhouse gas emissions. The European market based instrument for emission reductions – the EU-ETS – currently fails to provide the necessary incentives for investment in low-carbon technologies. Furthermore the EU needs a fair effort-sharing between the ETS and non-ETS sector to avoid an asymmetric burden for sectors in direct competition.

Concerning the industry, energy undertakings and the transport sector, the 2030 reduction target at Community level should be realized inter alia through the instrument of emission trading. In this context, it seems necessary to define, as soon as possible, the cost-efficient allocation of reduction efforts among Member States for the non-ETS sector.

In principle, CEEP embraces that the reduction target should be reached by means of measures in the Member States as well as the budgeting of the ETS through an increase of the linear reduction factor. Combined with other measures like the proposition for a market stability reserve, this can create incentives for investment towards an efficient and sustainable energy production and energy use as well as the construction of long-term cost-efficient infrastructure. Nevertheless, focusing on an internal reduction target should not let the EU lose track of the long-term target to build a global carbon market.

Furthermore, appropriate measures in order to prevent the migration and job losses of the energy intense industry that is exposed to international competition have to back up this process as long as the corresponding industry sectors in other countries are not subject to equal measures, such as the use of offset instruments.

The renewable energies expansion target 2030

CEEP argues for a binding target for the share of renewable energies in the gross final energy consumption beyond 2020. In this context, the governance process is of decisive importance in order to reach agreements on reliable, clear targets at national level.

From CEEP's point of view, it is crucial to ensure that every Member State contributes in a reliable manner its fair share to the goal achievement. This means that each Member State has to firmly commit to substantial, reliable and transparent contributions. In doing so, the EU should allow individual national measures. In this context, the proposed governance process remains unclear.²

It has to be clarified how to handle a possible gap between the announced targets of the Member States and the EU-wide target. The Commission announced that it would undertake corrective measures before 2030 if it was foreseeable that the EU target would not be met. Nevertheless, without substantial, reliable and transparent contributions, the question of how to decide whose responsibility it is to make greater efforts remains open. It is then possible that the Commission goes one step further towards a harmonised European support framework for renewable energies. Irrespective of that, a harmonisation of the European target with the national targets that have already been fixed has to be ensured.

Further support for energy efficiency

CEEP regards energy efficiency as a key objective of the EU since the efficient handling of primary energy contributes to resource efficiency, emission reduction and security of energy supply. In the first instance, the EU Commission proposes no target for energy efficiency for 2030. It should be examined to what extent the Member States have already advanced with regard to the energy efficiency target for 2020. CEEP welcomes this approach. Based as well on high energy efficiency, the EU contributes, in principle, to climate change mitigation and protection of resources. Thereby, security of supply and competitiveness are strengthened.

The EU Energy Efficiency Directive sets indicative efficiency goals until 2020 for Member States and links this requirement to an absolute EU-wide consumption target. However, the link between indicative efficiency goals and absolute consumption targets can lead to growth inhibition. If, in contrast, the increase in energy efficiency is seen as well as an instrument towards the achievement of the CO₂ reduction target, the Member States possess a greater flexibility in order to avoid negative economic impacts, costly administration and red-tape. The increase in energy efficiency in the EU remains a major concern that is as well in the industry's own interest. In principle, binding targets do not address the real inhibiting factors for more energy efficiency (such as information barriers, the owner-tenant-dilemma, financing bottlenecks).

From CEEP's point of view, the use of the two indicators "primary energy consumption" and "energy intensity" should be considered as priorities with regard to energy efficiency. Policies aiming at efficient use of energy should move on to incentives for a higher efficiency of fossil energy

² The governance process is decisive to ensure this action at national level. However, CEEP cannot completely assess this issue, as it is not yet clear how the governance process can ensure the reliability of the targets for 2030 and the coordination between them. Should the governance process not be determined significantly ahead of 2020, the Commission should assess in time, whether instead a continuation of the current structures is required and preferable.

consumption instead of being targeted on final energy savings. Furthermore, all relevant sectors should be covered in order to create a level playing field. In this context, instruments and goals have to be defined in such a way that energy efficiency targets don't become a double burden for the ETS-sector. Market-based policy solutions should continue to be the driving force for energy efficiency.

Requirements for a successful governance process

While for the climate and energy package 2020 it was the European Commission who set the targets for the Member States, a bottom-up approach has been chosen according to which the Member States define their targets in consultation among them and with the Commission in an iterative process.

For CEEP the design of the related governance process is decisive. The main focus lies on reliability and coherence of the different national plans as well as on a fair effort sharing. Within the limits of their possibilities, in their national plans all Member States must support measures for a transformation towards a sustainable energy supply until 2050.

CEEP considers that this governance process requires a stringent time frame that has to be established in advance. In terms of planning certainty this is strongly needed. An indefinite delay would be particularly harmful to the energy industry. Therefore, CEEP calls upon the Commission to present its proposal for a governance process until the meeting of the European Council in June 2014. It should serve as a solid basis for further discussion. In particular, the Commission should outline by which means it intends to guarantee the reliability of an EU-wide target for renewable energies.

EU proposals on world climate negotiations

The resolutions of the UN climate conferences of the last years taken into account, at present, it is not predictable whether and, if so, to what extent States outside the EU will be seriously willing to enter into obligations concerning the limitation or reduction of their greenhouse gas emissions. Therefore, it is up to the EU to postpone pending decisions or to act under this condition of uncertainty.

However, in order to promote this approach to negotiations in a credible manner at the international level, the EU has to pursue its ambitious climate protection policy that has to be coordinated among all Member States. The Commission's proposal implies that the EU commits itself to the aim of continuing to be the worldwide leader towards the realistic and cost-efficient achievement of climate protection targets by market-based instruments. Therefore, the success of the climate negotiations is in the EU's own self-interest, in order to realise a level playing field for the energy industry as well at international level. CEEP supports this approach.

CEEP considers that, in the absence of clear and comprehensible criteria, the stipulated conditioning of the EU's mitigation commitments by 2020 ("provided that other developed countries commit themselves to comparable emission reductions and economically more advanced developing countries contribute adequately according to their responsibilities and respective capabilities"), has neither contributed in a significant manner to a negotiation success at international level nor to the planning and investment security for enterprises. In case of future conditioning of the use of credits, the European Commission should define clear criteria as well as a comprehensible time-frame for the decision process.