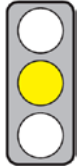


KEY ISSUES

Objective of the Green Paper: The Commission provides information about its ideas for the EU Climate and Energy Policy to 2030 and asks all stakeholders to give their opinion.

Affected parties: Entire economy, particularly electricity suppliers and energy-intensive industries.



Pro: The Commission rightly argues in favour of an early agreement on Climate and Energy Policy to 2030 because companies need to have certainty about the political framework conditions in order to make investment decisions.

Contra: (1) The Commission should urgently adjust its "roadmaps" to take in the fact that an international Climate Change Agreement might fail.

(2) The EU should only decide on an EU-wide target for renewables once the way to achieve a harmonised supply system in the EU has been identified and agreed.

(3) The Commission should not introduce a target for energy efficiency because not all use of energy gives rise to environmental damage.

CONTENT

Title

Green Paper COM(2013) 169 of 27 March 2013: A **2030** framework for **climate and energy policies**

Brief Summary

► Objectives of Climate and Energy Policy

- The EU wants to limit the rise in global average temperatures to a maximum of 2°C as compared with pre-industrial levels ("2°C goal"). In the long term, therefore, it wants to become a "low-carbon economy" and by 2050 reduce its greenhouse gas emissions by 80–95% as compared with 1990 ["Decarbonisation", cf. Energy Roadmap 2050 COM(2011) 885, see [cepPolicyBrief](#); Roadmap for a low-carbon economy by 2050 COM(2011) 112, see [cepPolicyBrief](#); Transport White Paper COM(2011) 144, see [cepPolicyBrief](#)].
- The EU Climate and Energy Policy is striving towards the following "policy objectives" (p. 2):
 - Greenhouse gas emissions ("GHG emissions") are to be reduced.
 - Energy supply is to be secured.
 - Growth, competitiveness and employment are to be supported by way of "a high technology, cost effective and resource efficient approach" (p. 2).

► Status quo: Climate and Energy Policy to 2020

- The "policy objectives" are to be delivered by 2020 by way of three "headline targets" ("20-20-20 targets", p. 2):
 - By 2020, GHG emissions are to drop by 20% as compared with 1990.
 - By 2020, the forecast level of energy consumption is to fall by 20% as a result of greater energy efficiency.
 - By 2020, the level of renewable energy as a proportion of overall consumption is to rise to 20%.
- In order to implement these three headline targets, the EU has introduced the European Emissions Trading System (EU-ETS) for many sectors – e.g. energy production, metal and chemical industry, aviation – and numerous other measures (see [cepDossier](#) and [cepPolicyBrief](#) on EU Climate Protection Policy, see [cepCompass](#) and [cepPolicyBriefs](#) on EU energy policy).

► Early Agreement on Climate and Energy Policy to 2030

- Since the 2008/2009 agreement on Climate and Energy Policy to 2020, the framework conditions have fundamentally changed due to
 - the "consequences of the on-going economic crisis" (p. 2);
 - the difficulties of Member States and businesses in financing long term investments;
 - developments on EU and global energy markets, including in relation to renewables, unconventional gas and oil – e.g. shale gas –, and nuclear;
 - higher energy prices which reduce the disposable income of households and the competitiveness of businesses;
 - the stark differences between the international partners in the level of commitment to reducing GHG emissions.

- The Commission considers an early agreement on Climate and Energy Policy to 2030 to be necessary because
 - investment in the energy infrastructure has a long term effect and requires legal certainty;
 - the demand for efficient and low-carbon technologies should be increased;
 - the EU must clarify its position in advance of the negotiations on a Climate Change Agreement 2015 [COM(2013) 167, see [cepPolicyBrief](#)].
- In this Green Paper, the Commission sets out its ideas for shaping EU Climate and Energy Policy to 2030 and puts various options up for discussion.
- ▶ **Basic Assumptions for the Climate and Energy Policy to 2030**
 - In order to achieve the 2°C goal and to be able to decarbonise the EU economy by 2050, the following has to be achieved by 2030:
 - GHG emissions have to drop by at least 40% as compared with 1990 so that a reduction of 80–95% can be achieved by 2050, and
 - the level of renewables, as a proportion of total energy consumption, must rise.
 - By 2030, irrespective of decarbonisation, the need "to modernise the energy system" will lead to rising energy prices (p. 3).
- ▶ **Agreement and Shape of Targets**
 - **Key Issues**
 - Instead of three headline targets, should there be just one headline target – the reduction of GHG emissions?
 - Are partial targets for individual sectors – e.g. renewables – necessary?
 - Should targets be agreed at EU, national or sector level?
 - Should targets be legally binding?
 - How can "synergies" be achieved and conflicts avoided when pursuing several objectives? For example, the price of emission rights may fall due to increases in efficiency or electricity from renewable sources, which means the desired incentives for investment in energy-efficient low-carbon technologies, which are to be brought about by the European Emissions Trading System (EU-ETS), are lost.
 - **Greenhouse Gas Emissions**

The Commission argues in favour of interim targets in order to reach the aspiration of an 80–95% reduction in GHG emissions by 2050. A reduction target of 40% by 2030 is seen as cost-effective.
 - **Renewables**

As many technologies for using renewable energy "will no longer be in their infancy" (p. 8), careful consideration must be given to whether there should be a 2030 target for renewables and whether such a target can be achieved

 - "with or without sub-targets for" some "sectors" – e.g. transport, industry, agriculture,
 - "and/or" by way of "other specific measures" (p. 8),
 - "without undesirable impacts of renewables support schemes on energy markets and energy prices and public budgets" (p. 8).
 - **Energy Efficiency**

According to the Commission, it should be considered

 - whether targets should apply to sectors or to Member States,
 - whether targets should be legally binding,
 - whether these targets should be absolute or relative values,
 - whether additional measures are necessary if no targets are imposed, and
 - whether energy prices – influenced inter alia by the EU-ETS – offer incentives to increase energy efficiency?
 - **Competitiveness and Security of Supply**
 - According to the Commission, competitiveness and security of supply cannot be guaranteed either by a higher proportion of renewables or a higher level of energy efficiency. Additional "dedicated policies" are in fact necessary (p. 7–8).
 - "There may also be a need to look at additional indicators" of competitiveness and security of supply (p. 8).
- ▶ **Coherence of Policy Instruments**
 - Different climate and energy policy instruments at EU level and national level may
 - on the one hand complement one another,
 - on the other hand, may lead to a "fragmentation of the internal market" (p. 9).
 - The Commission wants to examine whether there is "balance" and "coherence" in this regard.
- ▶ **Competitiveness**
 - Whilst energy prices in the EU are rising, in other regions of the world they are falling.
 - Although "clean and more energy-efficient technologies, products and services" (p. 10) are expected to generate 5 million jobs by 2020, the corresponding supporting measures contribute to the increase in energy prices.

- In order to increase competitiveness, the Commission is considering
 - regulating GHG emissions from international aviation and maritime transport;
 - realising the internal energy market in order to reduce costs by way of increased competition and improved use of the infrastructure;
 - using unconventional energy sources – shale gas –;
 - allowing energy-intensive sectors that are subject to international competition, to be exempt from price increases caused by regulation.

► **Capacity-based Contributions of Individual Member States**

- In view of the varying financial capacities of the individual Member States, the Commission is trying to achieve a "fair sharing of effort" (p. 12) whilst seeking the most cost-effective delivery of objectives.
- The Commission asks whether
 - Member States should be given "differentiated" targets; this could, however, increase the overall cost of achieving the targets,
 - financially less well-off Member States with cost-effective options, e.g. for renewables development, should be given easier access to financial support.

Statement on subsidiarity by the Commission

The Commission does not consider the question of subsidiarity.

Policy Context

See [cepDossier](#) and [cepPolicyBriefs](#) on EU climate protection policy; [cepCompass](#) and [cepPolicyBriefs](#) on EU energy policy.

Options for Influencing the Political Process

| | |
|--|--|
| Leading Directorate General: | DG Climate |
| Committees of the European Parliament: | Environment, Health, Food Safety (leading) |
| Federal Ministries: | DG Climate and Energy |
| Committees of the German Bundestag: | N.N. |

ASSESSMENT

Economic Impact Assessment

Ordoliberal Assessment

The Commission rightly argues in favour of an early agreement on Climate and Energy Policy to 2030. This is necessary **because companies require certainty about the policy framework conditions in order to make investment decisions.**

Insofar as GHG emissions lead to global warming and the consequences of this result in costs for third parties, the reduction of GHG emissions is a legitimate aim. Updating the EU-wide objective of reducing GHG emissions is therefore appropriate in principle. When defining this objective, however, the Commission must consider that an international Climate Change Agreement might possibly fail. A unilateral climate protection policy places a cost burden on the EU which is not accompanied by any benefit in terms of climate protection. The Commission itself assumes that currently less than 11% of global GHG emissions derive from the EU, in 2020 it will only be 9%, [Climate Change Agreement 2015 COM(2013) 167, see [cepPolicyBrief](#), and the accompanying Impact Assessment SWD(2013) 97].

The Commission's proposal of a reduction target of 40% by 2030, as compared with 1990, is in line with the long-term "roadmaps" [Energy Roadmap 2050 COM(2011) 885, see [cepPolicyBrief](#), A Roadmap for moving to a competitive low carbon economy in 2050 COM(2011) 112, see [cepPolicyBrief](#)]. However, the roadmap scenarios are based on the assumption that there will be an international Climate Change Agreement. **The Commission should therefore adjust its "roadmaps" as a matter of urgency, to take in the fact that an international Climate Change Agreement might fail** and develop a reduction target for each situation; one with and one without an international consensus on climate change.

The development of renewables as a long-term strategy is a done deal in the EU. It currently involves unnecessary expense, however, because it principally takes place in areas where it receives particularly large subsidies from the Member States rather than in places with the best energy yield where it can also be used. In addition, national subsidies undermine competition in the internal energy market because, in many cases, they lead to "production prices" which are not determined by the market but by policy in the Member States. **The EU should therefore only set an EU-wide target for renewables once the way to achieve a harmonised supply system in the EU has been identified and agreed.** Since supporting renewables tends to be accompanied by a reduction in GHG emissions, which form the basis of the EU-ETS, a conflict between the two instruments is ultimately unavoidable. The aim should therefore be to phase out support for renewables.

There is no economic reason for making energy efficiency a policy objective – either at EU or national level – **since not all use of energy gives rise to environmental damage** or other loss to third parties. Since the

economic assessment of long term investment in energy efficiency is based on uncertain assumptions about future energy prices, those who make the decisions should also bear the economic risk.

A list of additional targets – e.g. for security of the energy supply – should be dropped because the system of targets would be so complex and unavoidably contradictory that it would no longer be able to fulfil its function of providing orientation for policy decisions.

Impact on Efficiency and Individual Freedom of Choice

Pursuing several objectives – as the Commission observes – does create "synergies", particularly when it comes to the reduction of GHG emissions. However, these come at a high price, namely the currently inefficient support for renewables and mandatory energy efficiency measures. In addition, they have a dampening effect on prices in the EU-ETS if their effect is not accurately taken into account when determining the upper limit for emissions. These "synergies" therefore tend to indicate that this is a contradictory instrument mix rather than a coordinated approach.

Differing targets for the Member States – irrespective of whether e.g. for renewables or for reducing GHG emissions – could, as the Commission itself points out, increase the cost of reaching the targets. This occurs when Member States with a high potential for taking cost-effective measures – e.g. in the area of renewables or reduction of GHG emissions – fail to make full use of these due to a lack of EU regulations or when other Member States opt for very expensive measures. In order to guarantee that cost-effective potential is used to the full, on an EU-wide basis, where Member States are given differing targets, instruments would have to be implemented – e.g. trade in certificates for electricity from renewable energy sources analogous to the EU-ETS – which result in an overall net reduction in cost across all Member States. Thus Member States that only have relatively expensive options could pay for other Member States, with relatively cheap options, to implement these on their behalf.

The existing multiplicity of targets and instruments for the various sectors of an economy gives rise to varying sector-specific costs for the last emission reduction unit ("marginal abatement costs") and thus to an inefficient solution. In addition, they prevent the systematic discovery of the most cost-efficient savings available across sector boundaries. This should not be continued.

Impact on Growth and Employment

Not currently assessable. The Commission assumes that, as a result of climate and energy policy measures in the areas of "clean and more energy-efficient technologies, products and services" (p. 10), 5 million jobs and new impulses for growth will be created by 2020. In this regard, it fails to take account of the fact that jobs in other areas will be lost, e.g. because energy costs go up. There is no comprehensive survey. As long as GHG emission mitigation efforts are not undertaken internationally, "ambitious" climate and energy policy measures will always have a negative impact on growth and employment in the EU.

Impact on Europe as a Business Location

Unilateral emission reduction in the EU also results in unilateral increases in energy costs for the EU. This damages Europe as a business location. This can only be remedied by international climate change agreements. By comparison with earlier statements, the Commission therefore rightly refrains from calling for unilateral EU regulation of aviation and maritime transport in the event that international regulation does not come into effect. It is now proceeding on the assumption that solutions must be sought at international level.

Legal Assessment

Legislative Competency

Unproblematic. The EU is empowered to issue environmental measures for the protection of the climate (Art. 192 TFEU). In addition, it is also entitled to issue energy policy measures in order to secure the functioning of the energy market, to guarantee security of energy supply, to promote the interconnection of energy networks as well as to support energy efficiency, energy savings and the development of new and renewable energy sources (Art. 194 TFEU).

Subsidiarity

Not currently assessable.

Conclusion

The Commission rightly argues in favour of an early agreement on Climate and Energy Policy to 2030 because companies need to have certainty about the political framework conditions in order to make investment decisions. The Commission should urgently adjust its "roadmaps" to take in the fact that an international Climate Change Agreement might fail. The EU should only decide on an EU-wide target for renewables once the way to achieve a harmonised supply system in the EU has been identified and agreed. The Commission should not introduce a target for energy efficiency because not all use of energy gives rise to environmental damage.