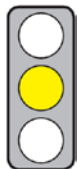


KEY ISSUES

Objective of the Communication: The Commission proposes concrete climate and energy policy targets for 2030 and provides information about other framework conditions.

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



Pro: The Commission's decision to hold back from proposing an energy-efficiency target is appropriate as the Member States still have time until 5 June 2014 to implement the Energy Efficiency Directive. Only after that will it be possible to gain an insight into the effectiveness of the instrument.

Contra: (1) The consultation process between the Commission and the Member States, provided for under the new "governance structure", may lead to continual uncertainty about the policy framework conditions.

(2) Whether manufacturers in the EU can extend their "technological leadership" by way of "EU-wide energy-efficiency standards" is questionable.

CONTENT

Title

Communication COM(2014) 15 of 22 January 2014: A policy framework for **climate and energy** in the period from **2020 to 2030**

Brief Summary

► Context and objective

- In March 2013, in the Green Paper "A 2030 framework for climate and energy policies" [COM(2013) 169, see [cepPolicyBrief](#)] the Commission reported on its ideas for shaping EU Climate and Energy Policy to 2030 and put various options up for discussion. Stakeholders were asked to express their opinion in the context of a public consultation.
- In this Communication, which builds on the results of the public consultation and an impact assessment [SWD(2014) 15], the Commission proposes concrete climate and energy policy targets for 2030 and provides information about other framework conditions, e.g. a new planning and monitoring structure ("governance structure").

► Status quo: Existing climate and energy policy targets for 2020

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

► New climate and energy policy targets for the period from 2020–2030

- For the time being, the Commission is only proposing new targets for GHG reduction and renewables development:
 - By 2030, GHG emissions will be reduced by 40% as compared with 1990 levels. This will take place exclusively by way of reduction measures in the EU rather than in non-EU countries (see [cepDossier](#) EU Climate Protection Policy, p. 7).
 - By 2030, at least 27% of overall energy consumption will be provided by renewables.
- The "best" way (p. 5) to deliver energy savings ("energy-efficiency target") will be analysed in the autumn of 2014 after implementation of the Energy Efficiency Directive [COM(2011) 370, see [cepPolicyBrief](#)] has been assessed.
- These proposals are the result of a scenario analysis [see SWD(2014) 15, p. 41 et seq.] involving a comparison of various scenarios each based on different assumptions for, inter alia, targets and the catalogue of measures.

- A "reference scenario" serves as the starting point for the scenario analysis. This assumes that no new measures will be adopted but that the measures passed up to 2012 are fully implemented and will continue to be effective beyond 2020. Under this scenario, by 2030 [SWD(2014) 15, p. 25]
 - GHG emissions would fall by up to 32% as compared with 1990 levels,
 - the level of renewables as a proportion of the overall amount of energy consumed would increase to 24%,
 - energy consumption would fall by 21% as compared with 2007 [SWD(2014) 15, p. 67].
- According to the Commission, the scenario analysis also confirms the results of the Energy Roadmap COM(2011) 885, see [cepPolicyBrief](#): The long-term aim of becoming a low-carbon economy would cost more than maintaining the status quo, but in return would result in a "shift of expenditure". Expenditure on fossil fuels would be replaced by expenditure on innovative low carbon investments. In turn, this would create "jobs and growth and improve the Union's trade balance" (p. 4).
- ▶ **40% reduction in greenhouse gas emissions**
 - In order to achieve the 40% GHG target,
 - the sectors subject to the EU-ETS – energy-intensive industries, power plants, aviation – have to reduce their GHG emissions by 43% as compared with 2005 levels,
 - the other sectors – inter alia transport, trade and services – have to reduce their GHG emissions by 30% as compared with 2005 levels, whereby this requirement is divided up into varying sub-goals for the Member States.
 - "Linear reduction factor": After 2020, the overall amount of permitted GHG emissions in the EU-ETS will be reduced annually by 2.2% – as against the existing annual reduction of 1.74% by the end of 2020 (Art. 9 Directive 2009/29/EC, see [cepPolicyBrief](#)).
 - Where, in international climate protection agreements, the EU commits to emission reduction above the 40% GHG-target, reduction measures achieved by EU-emitters in non-EU countries could also be taken into account in addition to emission reductions within the EU (see [cepDossier](#) EU Climate Protection Policy, p. 7).
- ▶ **Development of renewables by at least 27%**
 - The renewables-target of 27% will only be binding on the EU as a whole. In a change to the current situation, Member States will not receive binding targets for the development of renewables.
 - In order to meet the EU-wide renewables target, Member States will disclose their individual targets and draw up "plans" with measures for achieving them.
 - Targets will not be set for individual economic sectors, e.g. transport.
 - The Renewable Energy Directive (2009/28/EC, s. [cepPolicyBrief](#)) will be revised for after 2020.
- ▶ **Increasing energy efficiency**
 - The implementation of the Energy Efficiency Directive (2012/27/EU, see [cepPolicyBrief](#)) in the Member States and its subsequent evaluation by the Commission is still outstanding so that there will be no statement on a new target and no new measures until autumn 2014.
 - National measures will be enhanced by way of "EU-wide energy efficiency standards for appliances, equipment, buildings and CO₂ standards for vehicles" (p. 8). EU manufacturers will be able to extend their "technological leadership" due to the economies of scale offered by the internal market.
- ▶ **Additional targets**
 - The Commission calls for
 - a more flexible upper limit for emission certificates ("market stability reserve") in the EU Emission Trading System (EU-ETS) [cf. COM(2014) 20] in order to improve the "effectiveness" of the EU-ETS,
 - the completion of the Single Energy Market in order to achieve energy policy goals as cost-effectively as possible,
 - the retention of exemptions for energy-intensive industries in order to prevent the shifting of CO₂ emissions to non-EU countries ("carbon leakage"),
 - security of supply to be guaranteed by the development of energy sources within the EU, e.g. renewables and shale gas as well as by diversifying the "supply countries and routes" for imported fossil fuels.
- ▶ **New "governance structure" from 2020**
 - For consultations between the Commission and the Member States, a new "governance structure" (p. 12) will be created, based on the Member States' plans for climate and energy policy. This will ensure that
 - EU targets for climate and energy policy are delivered,
 - the Member States are allowed as much flexibility as possible in achieving the targets,
 - the national measures in the Member States will have "greater coherence",
 - "market integration and more competition" (p. 12) are promoted,
 - Investment security is delivered for the period after 2020.

- The governance structure involves three steps:
 - Step 1. The Commission develops detailed guidance which the Member States must follow when preparing their national plans.
 - Step 2. The Member States prepare their plans and in doing so consult with other Member States in order to take account of cross-border effects.
 - Step 3. The Member States' plans are assessed by the Commission as to whether they are sufficient to deliver the EU's objectives or whether they must be revised "subject to continual consultation" with the Commission.
- The Member States' plans will be available "well before 2020" (p. 13) and updated by 2030 where necessary.
- In the event that the governance structure is "not effective" the Commission may consider a legislative approach.

► **Indicators for competitiveness and security of supply**

- The Commission wants to monitor both the competitiveness of the EU compared with other countries and security of the energy supply within the EU by means of indicators so as to be able to counteract any negative trends.
- The indicators will include, inter alia:
 - energy price differentials between the EU and its major trading partners,
 - the physical interconnection of electricity markets between the Member States by way of cross-border power lines, and
 - technological innovation, e.g. R&D expenditure and patents.

Statement on Subsidiarity by the Commission

An EU-wide climate policy is necessary because climate change is a cross-border problem. An EU-wide – at least coordinated – energy policy is necessary because the Member States are increasingly dependent on each other in the energy sector. [SWD(2014) 15, p. 34 et seq.]

Policy Context

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

Options for Influencing the Political Process

Directorates General:	DG Climate and DG Energy
Committees of the European Parliament:	Environment, Public Health and Food Safety (leading); Industry, Research and Energy; Internal Market and Consumer Protection; Transport and Tourism; Agriculture and Rural Development
Federal Ministries:	Environment, Nature Conservation, Building and Reactor Safety; Economic Affairs and Energy (jointly leading)

ASSESSMENT

Economic Impact Assessment

Ordoliberal Assessment

The Commission's proposal that the 40% GHG target can only be achieved by way of reduction measures within the EU brings to an end the existing possibility whereby emission reductions achieved by EU companies in non-EU countries were eligible for inclusion. This eligibility was brought in, firstly because, for the purposes of climate protection, it is irrelevant where the GHG emissions are reduced since the effects are global in nature; and secondly in order to promote the transfer of technology from industrialised countries to developing and emerging countries. International emission certificates have proven to be a cost-effective way for companies to comply with their obligations. However, increasing doubts have been cast on whether the certified emission reductions do correspond to actual reductions in emissions. Shifting away from eligibility may make negotiations on a new international agreement on climate protection more difficult; it puts the acceptability of climate protection policy under strain because the developing and emerging countries gave their previous commitments on the basis of receiving support from industrialised countries. Against this backdrop, it is appropriate for the Commission to at least tone down its proposal by allowing eligibility where stricter EU reduction obligations apply under an international climate protection agreement.

Although the new "governance structure" allows the Member States greater flexibility in the promotion of renewables, this is precisely where the problem lies because Member States attach varying levels of importance to climate protection and renewables development depending on the structure of their respective energy markets. **The consultation process between the Commission and the Member States provided by the new "governance structure" may therefore lead to drawn-out conflicts, delays and irrelevant ancillary**

agreements and thus ultimately **to enduring uncertainty about the policy framework conditions**. Companies require clarity, however, in order to be able to make investment decisions.

In principle, the Commission should not propose an energy-efficiency target, whether at EU or national level; since not all use of energy is damaging to the environment there is no reason to define greater energy efficiency in itself as a policy objective. Irrespective of this, **the Commission's decision to hold back from proposing a – binding or non-binding – energy-efficiency target is appropriate since the Member States still have until 5 June 2014 to implement the Energy Efficiency Directive** (Art. 2 (1) Energy Efficiency Directive 2012/27/EU). **Only after that will it be possible to gain an insight into the effectiveness of the instrument**. It is even doubtful whether the matter will be any clearer as early as autumn 2014.

Impact on Efficiency and Individual Freedom of Choice

Whether manufacturers in the EU can extend their "technological leadership" as a result of "EU-wide energy-efficiency standards", e.g. on equipment, **is questionable**. Clarification is required, in particular, on the question of over whom they are supposed to be striving to achieve technological leadership. Manufacturers from non-EU countries who sell their products in the internal market are just as bound by the EU efficiency standards as manufacturers in the EU. They do not give rise to any particular incentives for EU companies so the technological leadership of manufacturers in the EU cannot automatically be inferred. Such an inference could be drawn where manufacturers from non-EU countries decide against manufacturing products which comply with the energy efficiency standards and withdraw from the EU market, but the consequence of this would be that competition on the EU market would be reduced to the detriment of the consumer.

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.

Impact on Growth and Employment

Not yet apparent. Although climate and energy requirements for the transition to a low-carbon economy create incentives for investment in innovative products and services, whether, on balance, this gives rise to more growth and jobs depends on the global trend in climate protection. Non-EU countries will only demand innovative products and services if they themselves pursue corresponding climate and energy policy targets or if such products and services bring economic benefits.

However, the lack of eligibility of emission reductions in non-EU countries increases the cost of European climate protection policy and thus has a negative impact on growth and employment.

Impact on Europe as a Business Location

Unilateral emission reductions in the EU also result 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.

The failure to take account of emission reduction in non-EU countries increases the cost of European climate protection policy and has a damaging effect on Europe as a business location.

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

Climate change is not only a cross-border problem but a global one which, at best, can only be solved not by individual Member States but by EU measures forming part of worldwide efforts by the international community of countries. Whether the energy-policy measures, proposed by the Commission, require EU action, depends on their form and cannot be determined at this point.

Conclusion

The consultation process between the Commission and the Member States, provided for under the new "governance structure", may lead to continual uncertainty about the policy framework conditions. The Commission's decision to hold back from proposing an energy-efficiency target is appropriate as the Member States still have time until 5 June 2014 to implement the Energy Efficiency Directive; only after that will it be possible to gain an insight into the effectiveness of the instrument. Whether manufacturers in the EU can extend their "technological leadership" by way of "EU-wide energy-efficiency standards" is questionable.