



A Lukewarm Frontrunner? The EU Climate and Renewable Energy Package for 2020

Arne Jungjohann

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On January 23, 2008, the EU Commission proposed a major legislative package to promote renewable energies and tackle climate change. The package is a proposal that will be negotiated in different legislative steps over the next two years. It has been highly controversial within the Commission and between the member states. The package includes proposals for strengthening the EU emissions trading scheme (ETS) after 2012; a new directive to promote renewable energies; new climate targets for sectors outside the ETS; and a legal framework on carbon capture and storage (CCS). The EU Commission also suggested to assess in 2011 whether any measures should be considered to protect European energy intensive industries if other regions fail to introduce similar climate regulations. Altogether, the legislative package aims to reduce EU greenhouse gases by at least 20% by 2020 compared to 1990 levels, and to reduce further by 30% should a new global climate treaty be agreed upon. Secondly, it aims to increase the share of renewable energies in overall energy consumption to 20% by 2020, including a 10% biofuels target.

One cap for all...

Within the package, the proposals for adjusting the cap and trade program and promoting renewable energies are the most remarkable ones. As for the former, the Commission aims to significantly strengthen, expand, and simplify the EU ETS after 2012. The biggest change towards the existing scheme is one EU-wide cap – instead of 27 national caps from each EU member state. The cap would lead to an EU-wide reduction of 21% by 2020, in comparison to 2005 levels (which equals -1.74% per year from 2013-2020). In the past, too many member states set less ambitious caps for their industries. The shift towards a single EU-wide cap will improve the ecological integrity as well as the economic effectiveness of the EU ETS.

The auctioning of permits is another important improvement foreseen in the proposal. While current auctioning is limited to 10% of all allowances, the power sector is scheduled to face full auctioning beginning in 2013. Other sectors - including aviation - would gradually phase into 100% auctioning until 2020. In total, around 60% of allowances would be auctioned in 2013. The Commission has announced, however, to review whether industries in strong international competition should continue to receive free allowances beyond 2020. Revenues of the auctioning – estimated to reach at least 50 billion Euro annually in 2020 – will potentially be spent on developing and deploying new technologies (renewable energies, CCS, and R&D in other areas) and financing climate change adaptation measures both in the EU and in countries in the Southern hemisphere. Finally, the proposal also includes a provision to open the EU ETS to other national and sub-national trading schemes if these work properly.

...but 27 individual renewable energy targets

With regard to renewable energies, the Commission has proposed a new directive in order to achieve a 20% share in overall energy consumption by 2020. This applies for the three sectors of electricity, heating & cooling, and transportation. Each of the 27 member states has a single national target which contributes to the EU achieving the 20% target (“effort sharing”); these national targets are based on the current share of renewables in the country, GDP, unused potentials, and other factors. Member states must submit national action plans to show how achieving the target is planned. They will be allowed to purchase renewable credits from other member states as long as the overall EU target will be reached. Aside from this requirement similar to a renewable portfolio standards (RPS), a lot of member states use feed-in tariffs (FIT) for electricity and mandatory standards for heating and cooling as successful instruments to promote renewable energies. In regards to biofuels, the new proposal addresses a minimum target of 10% by 2020 for each member state. The directive also includes some environmental standards for the production of these biofuels.

Between ambition and hesitance – The EU as a lukewarm frontrunner

With this proposal, the EU Commission has proven once again its intentions for shifting the EU towards a more aggressive climate policy. However, resistance from within the Commission (GD Industry) and some member states has weakened the proposal in comparison to previous drafts. An obvious weakness is that all measures are focused on a mere 20% greenhouse gas reduction by 2020 which is clearly below the 25-40% target for industrialized countries as agreed upon at the UN conference in Bali, Indonesia. To fulfill the role of a frontrunner in the international climate process, the

EU should do its homework and be more ambitious on climate targets. Areas of contention in the upcoming EU climate and energy debate will be the targets for reducing greenhouse gases and increasing renewable energy shares, as they are challenged by some member states as too ambitious. Also, the prominent role of biofuels will continue to receive strong criticism. With rising food prices around the world the pressure will rise to drop this target.

[NOTE: A summary of the EU Commission's climate and renewable proposal can be found here: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/80&format=HTML&aged=0&language=EN&guiLanguage=en>]

Arne Jungjohann (arne@boell.org) directs the Heinrich Boell Foundation's Environment and Global Dialogue Program from the Foundation's Washington D.C. office.