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BRIEFING PAPER

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2030 framework for climate & energy – The European Council must call for a more effective system

The European Commission has put forward a 2030 framework for climate and energy policies that is both technically and politically flawed.

- It fails to recognise recent science on the urgent need to tackle climate change.
- It misses the huge opportunity of modernising Europe's energy systems
- It effectively caps the potential of renewable energy and energy efficiency.
- It underestimates national support for a clean energy agenda leading to true climate protection.

The Commission has offered unacceptably weak 2030 options. The European Council must now join European Parliamentarians in sending a clear message that a more ambitious approach is not only necessary, it is also desirable and possible.

WWF asks the European Council to:

1. Make clear that an *at least* 40% greenhouse gas emissions reduction target would help to ensure that renewable energy, energy efficiency, and the Emissions Trading System (ETS) all reach their maximum potential
2. Call on the European Commission to propose a 2030 binding target for energy savings at the moment of the Energy Efficiency Directive (EED) progress review
3. Agree to the principle of legally binding national renewable energy commitments with a higher level of ambition on the share of renewable energy in final energy consumption
4. Call on the European Commission to propose a comprehensive solution for a well-functioning carbon market such as the permanent removal of surplus allowances or an increase in the emission reduction target before 2020
5. Call for an emissions performance standard (EPS) as a complimentary measure that tackles the worst polluters within a 2030 climate and energy package

Background

The central goal of this framework must be to put the European Union on a stable path to 95% decarbonisation by 2050. The European Commission's white paper fails to do so. Instead, it:

- Pays lip service to energy efficiency while making no concrete proposals to improve it.
- Proposes to cut the current pace of renewable energy development by more than half
- Proposes to allow surplus carbon credits currently debilitating the EU ETS to remain
- Does nothing to end the perverse revival of lignite, the most polluting form of energy.

Far from pushing the EU to the forefront of climate protection, the European Commission's paper puts Europe on the map as the first region to put forward numbers that would clearly *not* contribute to adequate global carbon cuts by 2030.

The European Council must take the reins and call for a more effective system when it discusses the Commission white paper for the first time on 20 and 21 March. EU Heads of State and Government must express their full support for a full climate and energy package, including an adequate 2030 greenhouse gas target, with appropriate supporting targets and policies. The world will be watching to see what the EU brings to the UN General Secretary's climate meeting in September of 2014.

WWF recommends that the European Council considers the following points

Construction of the European Commission's 2030 climate and energy white paper

The centre piece of Commission suggestions for the EU's 2030 energy and climate policies is a new 40% reduction target for domestic greenhouse gas emissions. However, the difference between this proposal and **the option of a target of *at least* 40% greenhouse gas cuts has very real implications.** Scenario modelling results in the accompanying impact assessment show that a fixed 40% target leads to energy efficiency, renewable energy, and carbon prices being traded off against each other, rather than complementing each other as they should.

By contrast, an *at least* 40% target could be met in line with the Commission's projections, but would allow for the possibility that energy efficiency and/or renewable energy becomes cheaper and easier to implement than is currently expected, leading to higher delivery. In a fixed 40% scenario, this would result in lower carbon prices and less effort in ETS sectors. However, an *at least* 40% scenario, supported by the proposed ETS stability reserve mechanism that would maintain an effective carbon price, would **allow for positive synergies between the policies that ensure the highest possible greenhouse gas cuts are met cost effectively**.

Energy Efficiency

The white paper, particularly its impact assessment, and the communication on energy prices and costs conclude that energy efficiency is an essential element in all decarbonisation scenarios. **Efficiency has positive impacts on GDP, reduces energy costs, and delivers considerable employment and health benefits**.

However, the Commission's 2030 proposals delayed any action to the Energy Efficiency Directive (EED) progress review this June. This review is intended not only as an assessment of whether the EU is on track towards its 2020 indicative target, but is also expected to lay the foundation of future efficiency policy.

Therefore, the European Council should call on the Commission to propose a 2030 binding target for energy savings at the moment of the EED progress review. Such a target is **the long-awaited complement to existing European and national efficiency measures**. It will help overcome those market failures that cannot be removed by a single greenhouse gas target based largely on a market instrument (ETS), and it will step-up the investments and the deployment of technologies by providing a stable regulatory framework for businesses and investors.

Renewable energy

The proposed EU binding target of 27% on renewable energy in 2030 lacks ambition – being only 3% higher than business as usual projections. It will not **help to secure the investments needed to ensure adequate deployment of renewable energy technologies up to 2030**. Such a low target will barely reduce the EU's energy import bill, or reduce the future risk of stranded fossil fuel investments. The European Commission's suggestions are compromised from the start because the impact assessment scenarios are based on outdated and overly pessimistic assumptions on the costs of renewable energy in Europe.

The Commission's options lack the option of effort shared national binding renewable energy targets. In a serious backward step, the proven success of national targets is to be replaced by **an as yet vaguely defined governance process**. Rather than providing much needed investment certainty, this approach generates the significant uncertainty of short-term national considerations.

Emissions Trading Scheme

Even with the EC's proposed stability reserve mechanism, under the Commission's 2030 proposals, the problematic functioning of the EU Emissions Trading System (EU ETS) remains uncorrected until well after 2020. The result will be **a price signal that is too weak to support much needed cost-effective decarbonisation investments**. By 2020 there will be a vast surplus of 2.6 billion pollution permits by 2020, undermining emission reductions achieved by renewable energy and energy savings during the current and next climate and energy package.

In order to ensure that the EU ETS plays its full role in decarbonising the EU, the Council must call on the European Commission to propose a comprehensive solution, such as the permanent removal of surplus allowances or an increase in the emission reduction target before 2020. **Without action, the EU ETS will remain redundant for at least another decade.** The existence of a carbon market cannot be an aim in itself. The EU ETS must be reconfirmed as a public policy instrument that has to deliver a policy outcome, and managed as such.

Emissions Performance Standard (EPS)

A complete climate and energy package would **ensure that the worst sources of pollution are curtailed as better alternatives are promoted**. An EPS would set a plant-level maximum of greenhouse gas emissions per unit of electrical output, leaving the ETS-driven carbon price to direct investments to decarbonisation technologies operating below that level. If it were set now at a level to rule out the worst offenders, it could be gradually tightened to ensure that only the least polluting technologies are investable.

Call for an EPS as a complimentary measure that tackles the worst polluters within a 2030 climate and energy package. **An EPS already features in parts of EU climate and energy policy** since the European Investment Bank's decision to establish an EPS standard for its investments, and EU member states consider EPS legislation.

WWF's position:

This paper presents a technical critique of the European Commission's communication on a policy framework for climate and energy in the period from 2020 to 2030. Recommendations are then made for ways in which the European Council can improve the Commission's suggestions, based on a political analysis of the ongoing debate as of February 2014.

WWF's own full position on what constitutes adequate 2030 EU climate and energy policies can be found at www.wwf.eu. WWF's main demands for 2030 are:

- **Domestic CO_2 reductions of at least 55% compared to 1990**
- **At least 45% renewable energy in final energy consumption**
- **At least 40% less energy use than in 2005**

The effort needed to deliver these targets should be shared between all EU Member States and implemented through national binding targets.

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