Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on: A policy framework for climate and energy in the period from 2020 to 2030'

COM(2014) 15 final

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On 8 May 2013, the Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the:

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on: A policy framework for climate and energy in the period from 2020 to 2030

COM(2014) 15 final.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 22 May 2014.

At its 499th plenary session, held on 4 and 5 June 2014 (meeting of 4 June), the European Economic and Social Committee adopted the following opinion by198 votes to23 with 13 abstentions.

1. Conclusions and recommendations

1.1 The EESC concludes that:

— the Commission's communication is aiming at making climate and energy policies more predictable,

— the communication takes due account of the massive changes and experiences which have occurred since the adoption of EU policies to 2020, and

— in addition recent observations by the IPCC makes the preparation of EU's climate and energy policies beyond 2020 even more timely.

1.2 The EESC supports:

— the proposal to set the target for reducing GHG emissions by 2030 at 40 %, because this is in accordance with the target of a 80-95 % reduction by 2050 while still being ambitious,

— the proposal for a common target of at least 27 % for the share of renewable energy sources, but in contrast to the Commission proposal considers it necessary to fix specific national targets,

— the Commission's intention to present new proposals on energy efficiency after its assessment of present measures later this year, and

— the proposal for a new iterative governance method.

1.3 The EESC recommends:

— using the most cost-effective measures for implementation in order to diminish harmful consequences and protect the most vulnerable energy users,

— consideration of sectoral targets for energy efficiency, for instance in the building sector, in order to tap the huge potential of this most promising way towards energy policy goals in a cost-effective manner,

— developing methods of drawing up and implementing the proposed national plans with the genuine involvement of civil society and making consultation of neighbouring countries mandatory before national decisions with far-reaching consequences,

— taking a decisive step towards a real European Energy Community by coordinating national plans, particularly with a view to securing the EU's energy supply,

— pursuing decisive action to decrease the EU's very high dependence on energy from unreliable sources, including by setting binding national targets for renewables expansion,

— providing stronger assistance for associated countries covered by the European Neighbourhood Policy in developing a low-carbon economy,

— providing more information on plans to step up action in the non-ETS sector, particularly in the transport, agriculture and land use sectors,

— providing more information on achievements in the creation of green jobs,

— ensuring sufficient measures to avoid carbon leakage in energy intensive industries,

— taking radical action on innovation and research as the providers of real solutions to the challenges, in combination with measures to promote the manufacture of equipment for the low carbon economy, while ensuring that delivery by industry is supported by better training, and

— making the international development of climate policies the top priority and in parallel paying more attention to adaptation to climate change. This also means representing the legitimate interests of European industrial sectors under pressure from international competition due to stricter European energy and climate policies, in the WTO negotiations as well as the TTIP.

2. **Introduction**

2.1 Since the European Council in March 2008 decided upon the climate and energy policy targets of 20-20-20 by 2020 **many things have changed**. **Firstly**, the worst economic crisis since the war, with recovery in Europe only just starting and still weak. **Secondly**, other main players have not followed the EU in setting targets and measures to mitigate climate change. **Thirdly**, the shale gas revolution in the USA has changed the energy scene, at least in sectors affected by the gas sector, thus altering the balance of competition. **Fourthly**, retail energy prices have increased rapidly in the last few years in large parts of the EU, putting industrial competitiveness and vulnerable consumers at risk. **Fifthly**, recent political developments in Ukraine have also dramatically highlighted the importance of decreasing the EU's dependence on Russian fossil energy sources. **Sixthly**, there have also been some genuinely revolutionary developments in renewable energy technology, which are making low-carbon energy production increasingly cost-effective. In this context, the EESC recommends that the Commission disseminate its analysis that 'the costs of a low carbon transition do not differ substantially from the costs that will be incurred in any event because of the need to renew an aging energy system, rising fossil fuel prices and adherence to existing climate and energy policies' more widely. Furthermore, 'energy system costs are expected to rise over the period to 2030 to a level of around 14 % of GDP compared to about 12,8 % in 2010. There will, however, be a major shift away from expenditure on fuels towards innovative equipment with high added value that will stimulate investments for innovative products and services, create jobs and growth and improve the Union's trade balance'. **Seventhly**, in some Member States there have been some interesting decentralised renewable energy production initiatives, with direct civil society involvement. These show that active and direct involvement of ordinary citizens, local councils and regional authorities unlocks new regional value added potential, thus significantly enhancing social acceptance of a new climate and energy policy. And **eighthly**, it is becoming increasingly clear that leadership in the field of renewable energy technology offers great economic potential for the future, and that regional development must go hand-in-hand with energy policy.

2.2 **Substantial progress** on the targets set for 2020 has been achieved. Greenhouse gas emissions had in 2012 decreased by 18 % from 1990, and based on the measures agreed on so far, are expected to reduce further by 24 % by 2020 and by 32 % by 2030. The share of renewable energy in final energy use was 13 % in 2012 The European Commission is expecting a further increase to 21 % and 24 % by 2020 and 2030 respectively. The energy intensity of the EU economy fell by 24 % from 1995 to 2011, although it seems that the indicative target of 20 % energy improvements in energy efficiency will not be achieved. These figures are partly explained by the prolonged economic slowdown, carbon leakage and better energy efficiency.

2.3 The challenges ahead are, however, all the more serious and require urgent action. The Intergovernmental **Panel on Climate Change** (IPCC) has recently published parts of its Fifth assessment report, which shows that global emissions of greenhouse gases have risen to unprecedented levels despite the mitigation policies in place. According to the IPCC only major institutional and technological change and substantial investments will give a better than even chance that global warming will not exceed the 2 degrees Celsius limit.

2.4 In 2008, the European Council decided on a **GHG emissions reduction target of 80-95 % by 2050**, in line with the international commitment to stop global warming at plus 2 degrees C. The Commission has presented corresponding climate and energy roadmaps to 2050.

2.5 **The EESC has actively supported** and closely followed the decisions on and implementation of the EU's climate and energy policy. Many opinions on related subjects have been issued either on referral or on the Committee's own initiative, including opinions on international climate negotiations ([1]), a European Energy Community ([2]), energy costs ([3]), energy poverty ([4]) and, most recently, market-based instruments for a low-carbon economy ([5]).

2.6 This opinion builds on earlier opinions and complements them. It is, like other EESC opinions, a compromise between different divergent views. It covers only the communication 'a policy framework for climate and energy in the period from 2020 to 2030' ([6]). The EESC will issue separate opinions on the other parts of the package: the reform of the ETS ([7]), the communication on energy prices ([8]), recommendations on shale gas ([9]) and the communication on industrial renaissance ([10]).

3. **The Commission's framework proposal**

3.1 On the basis of the climate and energy roadmaps to 2050, a green paper for public consultation and an impact assessment, the Commission has presented **a package of proposals** under the framework communication on 2030 climate and energy policy mentioned in paragraph 2.8.

3.2 The Commission proposes a **40 % target for reduction of GHG emissions** from 1990. The ETS sector would have to deliver a decrease of 43 % compared to 2005, and the non-ETS sector 30 %. The yearly factor to decrease the ETS cap of emissions will increase from the current 1,74 % to 2,2 % after 2020. The non-ETS-target is to be allocated to the Member States by mainly the same method as presently applied.

([1]) OJ C 67, 6.3.2014, pp. 145-149.
([2]) OJ C 68, 6.3.2012, pp. 15-20.
([3]) OJ C 198, 10.7.2013, pp. 1-8.
([4]) OJ C 341, 21.11.2013, pp. 21-27.
([5]) OJ C 226, 16.7.2014, p. 1.
([6]) COM(2014) 15 final.
([7]) EESC opinion on the *EU greenhouse gas emission trading scheme* (not yet published in OJ) EESC-2014-00800-00-00-AC-TRA.
([8]) EESC opinion on *Energy prices and costs in Europe* EESC-2014-01113-00-00-AC (see page 64 of the current Official Journal).
([9]) EESC opinion on the *Exploration of hydrocarbons with fracking* EESC-2014-01320-00-00-AC (see page 34 of the current Official Journal).
([10]) EESC opinion *For a European Industrial Renaissance* (not yet published in OJ) EESC-2014-00746-00-00-AC.

3.3 The Commission proposes a target of **at least 27 % for the share of renewable energy** in the EU's final energy consumption. This target is binding at EU level but would not be distributed to the Member States; it is therefore unclear who could be held accountable if the target is not met. The share of renewable energy in the electricity sector would increase from 21 % today to 45 % in 2030.

3.4 **No proposals on** energy **efficiency** are presented. An assessment of the implementation of the Energy Efficiency Directive will be presented by mid-2014, and further proposals considered on this basis.

3.5 The Commission proposes to **reform the emissions trading system** ([11]) by establishing a market stability reserve, and has presented a draft regulation on this point.

3.6 The Commission also touches upon **competition in the integrated markets** and promotion of security of energy supply. The Commission has presented a separate communication on **energy prices** ([12]).

3.7 **A new method of** governance is proposed, based on national plans.

3.8 **A broader set of** indicators is proposed to take better stock of progress.

3.9 Key **complementary policies** — agriculture and land use, CCS, innovation and finance — are also touched upon.

3.10 Finally, the Commission presents a brief overview of **the international context** of GHG mitigation.

4. The EESC comments on the 2030 framework

4.1 The EESC welcomes the communication because it aims to ensure that climate and energy policy objectives remain **predictable**. A stable and predictable regulatory framework and, in particular, its coherent implementation, are prerequisites for the long-term decisions and massive investments that are needed to turn developments in the desired direction.

4.2 An important element of predictability is the message that the core elements of the climate and energy policy **framework up to 2020** will remain unchanged.

4.3 The communication does, however, also **take into account the massive changes** that have taken place since the adoption of the 2020-policy. Notwithstanding the need for predictability, the challenges of the changing international context, the need for economic recovery, better competitiveness and rising energy costs render it necessary to adapt present policies.

4.4 Global warming is a massive long term threat to our planet and the wellbeing of future generations, as well as to economic prosperity in general. Even today, it is already costing us a lot of money. Efforts in the EU must be directed towards the target of 80-95 % GHG emissions reduction in 2050. **The EESC supports the Commission's proposal of setting the target for 2030 at 40 %**, even if this can be seen as **ambitious**. According to the impact assessment accompanying the communication a target of 35 % would be sufficient to keep reductions on track for the 2050 goal.

4.5 When the target of decreasing emissions by 20 % in 2020 compared to 1990 was decided on in 2008, emissions had already gone down by 10 % compared to the starting point. It now seems that a reduction of 24 % will be achieved by 2020, which means a reduction of 14 % in 11 years. **A further reduction of 16 % would have to be achieved within a decade**, which may not be too difficult in view of technological progress decreasing renewable energy costs, and an increase in fossil energy costs. However, the efforts since 1990 have been considerably eased by the economic slowdown, a massive restructuring in the former communist economies and the use of the Kyoto mechanisms.

([11]) COM(2014) 20 final.
([12]) COM(2014) 21 final.

4.6 However, in order to reach this target without negative impacts on other aspects of sustainability — economic and social — it is of utmost importance to **ensure the most cost effective measures** for implementation. The EESC is therefore pleased that the Commission has stopped setting targets for the biofuel sector, one of the most expensive options for greenhouse gas reductions; this is something which the Committee had already recommended in 2008 ([13]). In this respect the use of the flexibility mechanisms that the Commission is now proposing to exclude after 2020 should be thoroughly assessed and broadly discussed; this assessment should factor in observed problems as well as the benefits of global cost efficiency and the development of international climate cooperation.

4.7 Policies will affect different sectors of the economy in different ways. Therefore, measures should be carefully designed and targeted in order to **diminish harmful consequences** and protect the most vulnerable energy users. The transition to a low carbon economy has to be fair. Central issues are training, good quality jobs and workers participation, and possibly also compensation measures.

4.8 The EESC also **supports the Commission's proposal for a common target of at least 27 % for the share of renewable energy sources**. The 40 % GHG emissions reduction target can be seen as a major climate policy signal, not least in view of the forthcoming COP 20/COP 21 negotiations; on the other hand, developing renewable energy sources in order to reduce our currently excessive dependence on imports is more of an energy policy objective. The Committee is critical of the proposal not to adopt individual binding targets for each Member State. It is completely unclear how the Commission could monitor compliance with the shared target, still less sanction non-compliance.

4.9 Improved **energy efficiency** is the most promising way of working in a cost-effective manner towards all energy policy goals — environmental, economic and security-of-supply. The potential is big but radical action is required. The EESC expects the Commission to present effective policy measures based on its assessment later this year, taking into account the broad range of issues to be addressed in this area. The experiences of the current and only recently approved legislative framework need to be taken into account. As to targets, sectoral ones could be considered, particularly with a view to tapping the major potential of the building and transport sectors.

4.10 **The EESC welcomes the new governance method** proposed by the Commission, with its iterative process for establishing national plans. Drawing up these plans could offer a good opportunity to involve not only stakeholders but broader civil society as well in energy policy issues, including commitment to implementation. The most important aspect of the proposal is the requirement to **consult neighbouring countries,** which should be made mandatory before national decisions with potentially far-reaching consequences for other parties are taken and could form a decisive step towards a real **European Energy Community**. Combining different national resources and approaches and thereby different energy mixes could provide cost-effective regional systems and markets, contributing to balancing, generation adequacy and security of supply. The EESC therefore calls on Member States to respond positively on an effective governance procedure and to determine with the Commission and civil society how it can be implemented. This new governance method should be transparent and include involvement of civil society, while also minimising additional administrative burdens on Member States.

4.11 Sustainability and diversification are core objectives in the exercise of Member States' right to **decide on their own energy mix**. Increasing the use of renewable sources will remain necessary on both counts, complemented by other low-emission sources. EU policies must not constrain Member States who so wish from using nuclear power or exploiting indigenous energy resources, including unconventional gases.

4.12 More assistance for associated countries covered by the European Neighbourhood Policy in developing a low-carbon economy is needed, together with easier access to the requisite technologies and support for research centres from these countries specialising in the field.

([13]) OJ C 198, 10.7.2013, p. 56.

4.13 The problem of the EU's very high dependence on fossil **energy from unreliable sources** has been highlighted in recent weeks and needs urgent attention. Decisive action has to be taken to diversify energy supply, as described in point 4.10, focusing on resources which will continue to be available in the long term and produce the lowest possible level of emissions. A real internal energy market and a common external energy policy is also needed with a view to diversifying sources of supply.

4.14 The EESC welcomes the proposal to use a broader set of **indicators** for more accurate progress reviews. Insufficient transborder transmission capacity is still the most important obstacle to a real internal energy market. The proper way to screen progress here is to monitor the development of price differences between regions and countries.

4.15 An important role for the Commission with regard to this development is to ensure a **level playing field** by phasing out harmful subsidies and scrutinising public support schemes ([14]). This should also apply to the support measures provided for within the ETS system to compensate industries threatened by carbon leakage for indirect climate costs, e.g. higher electricity prices. This compensation should be an EU-wide system in order to avoid distortion of competition between Member States. The EESC also issues a separate opinion on the proposal to reform the ETS ([15]). The Commission must also push for a level playing field at international level, which means that this issue will have to be addressed in the WTO negotiations, as well as the TTIP agreement.

4.16 One important part of the national energy plans is policies for **the non-ETS sector**. The transport and heating sectors are particularly important. The Committee has already repeatedly expressed its views on the biofuels policy, and refers to its opinions on the subject ([16]).

4.17 **Agriculture and land use** will play their part in climate change mitigation, but the policies need more analysis and reflection. Sustainable biomass from agriculture and forestry has a role to play in diversifying energy sources. If the sector of land use change were to be included in the non-ETS targets, the net increase in the carbon sink of forests would have to be deducted fully.

4.18 The communication is also missing **information on achievements in the creation of new green jobs**, which was an important objective for the 20-20-20 decisions. Studies so far point to neutral or only a small positive net influence on employment, while job structures will change radically.

4.19 A massive **greening of existing activities** in the EU has probably taken place, as proven for instance by the much improved energy efficiency of manufacturing industries. So far, energy intensive industries have been able to react to the climate challenge by improving their efficiency, but as much of the potential has been tapped, the threat of carbon leakage should be taken even more seriously in the future.

4.20 Many branches of **energy-intensive industries** in Europe are competing in open global markets without any possibility of unilaterally adding extra costs to their prices, and are therefore at risk of carbon leakage. These industries are also in most cases the most energy and carbon-efficient globally. In such circumstances, carbon leakage could even lead to an increase of global emissions. The EU's policies should therefore not result in increased energy costs, either direct or indirect, for these industries, or they should include clear provisions for offsetting these increased costs. The provisions for preventing carbon leakage need to provide a completely free allocation of emission permits, based on technically achievable benchmarks, until new technologies are proven to deliver substantial emission reductions in an economically sound manner.

([14]) OJ C 226, 16.7.2014, p. 28.
([15]) OJ C 177, 11.6.2014, p. 88.
([16]) OJ C 198, 10.7.2013, p. 56.

4.21 The ultimate real solution to climate and energy policy challenges is **innovation**. The EU and Member States as well as other financial actors must act radically to tap this potential by supporting both deployment of new technologies and attempts at more risky breakthrough innovations. Without real technology jumps in many sectors, the long-term goals cannot be achieved. In order to deliver these innovations we need a competitive industrial sector, and by adapting to this challenge the sector can remain competitive and conquer new ground. The key enabling factor here is high-quality training. Industry specialising in the manufacture of equipment for the low-carbon economy could contribute to the European economy's competitiveness and facilitate access to such equipment. For this to happen, combined research and support measures will be needed.

4.22 Meeting the challenges of climate change and continuing to provide secure, safe and affordable energy for everyone in Europe require changes in attitudes and behaviour by all. Whichever policy line is chosen by EU decision-makers, its smooth **implementation depends on involvement** at an early stage by all stakeholders. As mentioned in paragraph 4.9, civil society has a role to play, and this can be supported by the EESC.

4.23 The **most important** question with regard to climate policy is, however, **international development**. The policy framework presented in the communication would considerably decrease the EU share of global GHG emissions from the present level of 11 %. The IEA has concluded that even current policies would decrease the EU share to 7 % by 2035. Europe has a particular historic responsibility to act on climate change, but acting alone it would not make much difference in limiting change to 2 degrees. An ambitious international agreement and its effective implementation are key objectives for EU policies. If this is not achieved, the EU could be forced to reconsider its own policies. In parallel, much more attention and activity should be directed towards **adaptation** to climate change, which cannot be neglected any longer.

Brussels, 4 June 2014.

The President
of the European Economic and Social Committee
Henri MALOSSE