



# BULLETIN

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## What Is the Climate for EU Energy Policy?

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*The discussion on new climate and energy targets up to 2030 has recently been opened. Consensual acceptance of these targets will, however, pose one of the biggest challenges to the EU, since two divergent visions have emerged among Member States: concentration on ambitious climate targets vs. competitiveness and economic growth. The European Council meeting on 22 May will represent the EU's first attempt to come to grips with the subject. Poland should propose constructive solutions, in line with its own interests, and build a coalition of the Member States sceptical about the highly ambitious plans.*

The discussion on the EU 2030 framework for climate and energy policies has been launched. The upcoming European Council may already set EU strategic interests in this field. The reference for this discussion is now up and running in the form of the Climate and Energy Package, and a green paper called “A 2030 framework for climate and energy policies” has been published. It was assumed that the Climate and Energy package, and post 2020 priorities, should enable the achievement of competitiveness, security of supply and sustainable development. However, reaching those objectives simultaneously will not be easy.

**The Challenges of Implementing the Climate and Energy Package.** The current climate and energy policy consists of three main goals (“3x20”), which are to be achieved by 2020. These are to reduce the emission of greenhouse gases by 20% in comparison to the 1990 level, to reduce total primary energy supply by 20%, and to increase the share of renewable energy sources to 20% of the overall EU energy mix. However, various documents published recently by the European Commission, assessing progress in the realisation of the climate and energy strategy, reveal that the reality is far from the ambitious plans.

Although the EU reduces CO<sub>2</sub> emissions (by 16% in 2011 compared to the 1990 level), it does so only to a small extent by means of its flagship instrument—the EU Emissions Trading Scheme (ETS). The collapse of allowance prices (from €30 per tonne in 2005 to less than €3 at present) undermined the effectiveness of the ETS. In effect, low carbon prices do not stimulate companies to invest in energy efficiency and low-carbon technologies. The example of such technology is CCS (carbon capture and geological storage), which has lost support because it is still not technically and commercially viable, despite the EU's offer to support a dozen demonstration projects. Although climate change mitigation is still an important aim in many Member States, this trend has been diluted on the EU level. Some countries are considering the implementation of national instruments, such as the UK's carbon price floor, effective from 1 April, which may impair a common approach. The worst situation is in the case of the objective to increase energy efficiency, which, prior to last year's adoption of the relevant directive, was expected to reach only half the assumed level. Furthermore, in many Member States this area is considered as of secondary importance, even when taking into account that energy efficiency is believed to be the most cost-effective way to reduce GHG emissions. Another problem relates to the rapid growth of renewable energy sources, mostly possible due to costly and inefficient support schemes, and is a problem which the Commission and some Member States, such as Poland and Germany, have already acknowledged. EU policy towards biofuels has proved futile, since it has not reduced greenhouse gases emissions, nor has it enhanced the development of rural areas or security of supply. Hence, a huge catalogue of problems needs to be addressed if the EU is going to achieve its 2020 objectives and be able to construct a realistic post-2020 climate and energy policy.

**The Need for a New Strategy.** The EU has so far pursued a policy aimed at ensuring its role as a global leader in the mitigation of climate change. Yet the pace of implementing internal climate goals, which has been much slower

than expected, the lack of internal cohesion, and the European Parliament's veto on the introduction of some changes to the ETS (so called backloading), have undermined the EU's credibility in regards to achieving ambitious targets. In the context of the big question mark over the feasibility of achieving ambitious climate-energy targets, the introduction of new targets that adequately take into account different national energy mixes and GDPs might seem controversial. This has already been expressed by the Polish veto against the goal to decrease greenhouse gases emissions by 80–95% by 2050, which was proposed in the 2050 Energy Roadmap, a document that was eventually rejected. However, having noticed the need for a deep assessment of the further development of climate and energy policy, the Commission in March proposed the "2030 Framework" green paper.

The green paper is designed to only initiate discussion about the new climate and energy strategy for the EU in the period 2020–2030. This strategy will emerge from a broad debate, including public consultation, which will take place until 2 July. The most important topics identified in the green paper are new, long-term policy priorities. The Commission sustains its position, declared in the 2050 Roadmap, to increase the emissions reduction target to 40%. However, there are no concrete sectoral proposals regarding the share of renewables in the energy mix, or for energy efficiency. The Commission, leaving these factors to the consultation, will not settle the controversial issues. Among these issues are the level of targets (ambitious or moderate), the type (wide or sectoral) and nature (binding or indicative). Another question concerns policy instruments implemented on a national level, serving to achieve common goals. The present instruments have not brought the expected results, while their variety in the Member States creates new barriers to market integration. And the next main challenge to be addressed is how to reconcile climate change actions with fostering the competitiveness of the EU economy and the diverging capabilities of the Member States. In times of crisis, the impact of climate policy on energy and fuel prices, and in consequence the decrease in competitiveness, becomes a real problem.

**Conclusions and Recommendations.** The slow progress of global climate negotiations, the lack of a unified internal approach in the EU, and the collapse of the ETS, testify to a decline in the ambitious development path in the area of climate policy. The EU is facing a serious economic slowdown and a Eurozone crisis, while the leaders of the biggest Member States openly admit that this policy is not a priority issue right now. There is also no clear leadership in the EU. Even such an ambitious strategy as the German energy transformation (Energiewende), which aims to promote a low-carbon economy, is not inspiring enough to carry influence on the EU level. Economic affairs, such as building properly operating markets, capable of generating the necessary investment, and creating the conditions for the development of European industry, have become a priority. In this context, it seems that eliminating any inconsistencies between competitiveness and the higher requirements of the climate policy will take place increasingly at the expense of the latter.

However, there is a need for a regulatory framework, or even general direction for climate policy after 2020, in order to decrease uncertainty and risk in the energy sector, and also to strengthen the EU in the global negotiations over a multilateral climate agreement. To this end, it seems the Commission will seek to continue its policy of accepting a more ambitious strategy (probably another binding target of 40% reduction in CO<sub>2</sub> emissions and a suggested 30% share of renewable sources), and of implementing it at the national level by means of EU directives and regulations.

Poland should support efforts to adopt a comprehensive policy framework for EU energy and climate policy up to 2030. Maintaining a real impact on the shape of the policy should be a strategic goal for Poland, as the domestic economy is facing investment challenges, the construction of a competitive market, the need to enhance further market integration, and also issues relating to security and diversification of energy supply. Poland should also convince the EU to take into account the diversity of the Member States, based on primary energy balance and GDP. Since the Commission has signalled the need to address equal distribution of efforts among Member States, Poland should search for partners in the EU which have views close to the Polish position, thus avoiding charges of self-interest. Polish politicians should present a constructive approach, and the first chance to do so will be the European Council meeting on 22 May. It will focus on energy policy in the context of EU efforts to promote economic growth, job creation and competitiveness. An opportunity to present the Polish position to a wider forum will be the UN Climate Change Conference, to be held in Warsaw in November.