

# Proposed EU Energy Package

Friends of the Earth presentation to the  
Joint Oireachtas Committee on Climate Change and Energy Security  
as part of the Irish Environmental Network delegation

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Chair, members, thank you for inviting us to contribute to your consideration of the EU's proposed energy package. The Irish Environmental Network is made up of 27 national environmental NGOs, 5 of whom are represented here today. This committee is central to the effort to forge Ireland's response to the climate challenge, "the defining challenge of our age" as Ban Ki-moon has called it. Network members look forward to developing and deepening the dialogue we are starting today.

EU policy has been the key driver of Irish climate change policy for the last 10 years and more. This package is probably the most significant development in EU climate policy since the Kyoto burden-sharing deal 10 years ago this month. The analysis and proposals relating to the package that I'll make in this presentation are in line with those made at the European level by Friends of the Earth Europe, WWF and Greenpeace in conjunction with the NGO specialist coalition known as the Climate Action Network, of which Grian is a member.

## 1. Overarching issues

Friends of the Earth welcomes the Commission's publication of the proposed EU energy package but unfortunately the draft package is not strong enough to deliver the emissions cuts required for Europe to do its fair share to prevent dangerous climate change.

### **The emissions targets are inadequate**

In Bali last December the EU fought hard for the inclusion of the IPCC's figures on required emissions cuts. The IPCC calculates that industrialized countries will have to cut emissions by 25 to 40% by 2020 to do their share to put the world on the path to climate protection. By contrast, the EU package aims to achieve cuts of just 20% by 2020 with the possibility of 30% cuts in the context of a new international agreement for the post-2012 period. This is an inadequate contribution to delivering the EU's policy of limiting global warming to 2 degrees above pre-industrial levels.

- **The EU package should be designed to deliver cuts in Europe of at least 30% by 2020.**

**The compliance mechanisms are not strong enough** to ensure delivery of the cuts that are proposed. A study for Friends of the Earth Europe concludes that a direct penalty system, like that for the milk quota, would be most effective.

- **The Commission should be given the strongest enforcement tools available to make sure that Member States reduce their emissions in a linear annual manner as foreseen in the proposals.**

## 2. Effort-sharing decision

Friends of the Earth accepts the proposed method of sharing the effort between member states as a relatively fair and balanced compromise between 27 national interests. I'll comment on what that means for the Irish target below. We do, however, believe the effort-sharing decision needs to be strengthened in the following ways:

- The proposed targets must be strengthened to be in line with a 30% domestic EU reduction target by 2020 compared to 1990 levels.
- Member states should only be permitted to use external credits (e.g. from the Clean Development Mechanism) above and beyond the achievement of a 30% cut domestically.
- External credits must fulfil strict environmental, social and additionality criteria. These standards should as a minimum be equivalent to the “CDM Gold Standard” developed and supported by NGOs.<sup>1</sup>
- The package includes a legal obligation on member states to deliver annual emissions reductions (“Member States shall annually limit those greenhouse gas emissions in a linear manner”). This provision is essential to drive step-by-step progress to achieve the targets and must not be watered down as the package proceeds through the EU institutions.
- Targets, to be meaningful, must be accompanied by a timely and effective compliance and enforcement mechanism to ensure that member states adopt and implement the policies required to actually deliver annual national cuts. This is not only in the interest of climate protection and the EU as whole, but also of individual member states. It establishes a level-playing field between them by applying financial penalties to those countries that are underachieving or not reporting on time.

A study commissioned by Friends of the Earth Europe ([available online here](#)) proposes that the most effective system would be to give the Commission access to a direct penalty system not unlike the milk levy used to enforce the milk quota. The recommendations include:

- **A swift penalty procedure**, as opposed to the current lengthy infringement procedure involving the European Court of Justice, is key to make emission cuts happen across the EU in the short- and long-term.
- **Strong penalties** should be applied to **Member States not reaching the targets** for both ETS and Effort Sharing. The same penalties should be applied per tonne CO<sub>2</sub> equivalent for underachieving in both the ETS Directive and Effort Sharing Decision. This would be equivalent to the 100 Euro/tonne of the national ETS fines.
- **Flexibility in between the periods** needs to be given **for the Effort Sharing Decision**. In this case, Member States should have the flexibility of at most 1% by borrowing from emissions of the next year. If Member States underachieve, the amount of emissions they underachieve by should be added to the target of the following year with a mandatory additional reduction restoration factor of 1.3. If Member States overachieve, then the target of the next year can certainly be reduced.
- Reporting and processing of the data needs to be **speeded up** to be able to assess whether or not reductions have been achieved each year. Member States should

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<sup>1</sup> [www.cdmgoldstandard.org](http://www.cdmgoldstandard.org)

**report** on their emissions of year X in March of year X+1. The Commission **verifies** this before end of April of year X+1.

- If Member States do not hand in their **reports in time**, a meaningful penalty should be enforced immediately.
- Annual reporting should be placed at the **highest policy level** and trigger high-level policy debates by the **European Parliament and the European Council**

### **The Irish reduction target**

Under the current proposals for an EU reduction target of 20% by 2020 the national target for Ireland under the proposed effort-sharing decision is a 20% reduction by 2020. This produced calls from some quarters for the Government to seek to renegotiate this proposal. Friends of the Earth makes the following observations:

- Far from being discriminatory or punitive on Ireland this proposal actually lets us off the hook somewhat. Any other plausible way of calculating the national targets would deliver a figure at least as tough.
- The replacement of the 1990 baseline with a 2005 baseline for the purposes of measuring the 2020 national targets is greatly *advantageous* to Ireland. Our abject failure to meet our Kyoto target for cutting emissions will not be carried over into the new period. Our emissions rose by 25% between 1990 and 2005, as compared to a 13% Kyoto target. Using 2005 as the new baseline essentially wipes the slate clean for Ireland.
- The limit on the range for national targets from -20% to + 20% also helps Ireland. Without that limit Ireland's reduction target would be tougher than -20%.
- The GDP vs GNP question is a red herring. Using GDP figures for the EU-27 the Commission calculated a -20% target for Ireland. Denmark, whose GDP is similar to Ireland's GNP, was also given a -20% target. So even if the Commission ran the calculations using GNP figures for Ireland's our reduction target would, in all likelihood, be as near as makes no difference to -20%.

The Commission's formula for the proposed national reduction targets is relatively rational, fair and balanced. Any effort to re-negotiate it by Ireland would be seen as greatly disruptive, liable to open a can of 27 worms and would almost certainly be doomed to failure.

### **3. ETS directive**

Friends of the Earth welcomes the thrust of the proposed reforms of the ETS.

- **Setting the cap at EU level from 2013 is a positive development.** It demonstrates an ability to learn from past mistakes. National caps, particularly in the pilot period, were too easily influenced by special pleading from national vested interests, leading to the collapse of the carbon price at the end of the pilot period. An EU wide cap will also lessen the administrative burden for member states and increase the efficiency of the EU carbon market.
- **The move towards auctioning of permits from 2013 is welcome.** The free allocation of pollution permits on a "grand-fathering" basis led to windfall profits for ETS participants in previous phases and distorted the price signal.

➤ **100% auctioning should apply to all sectors from 2013.**

Excluding some sectors from full auctioning will harm the environmental effectiveness of the EU ETS. Without a clear price on carbon we will miss the development and introduction of stepping stone technologies that can take us to the necessary reduction target of at least 80% by 2050. Postponing the introduction of 100% auctioning will therefore only increase the reduction costs in the longer term, due to the absence of R&D and market introduction of EU developed mitigation technologies.

#### **4. Renewables directive**

Friends of the Earth welcomes the 20% renewable energy (RE) target, and recognises that the national targets are challenging but also achievable and necessary in order to move the EU towards its own energy security and a sustainable economy. A firm commitment to achieving the target within the EU creates more certainty for investment, and should boost both energy efficiency (as a cost effective means of reducing the size of the RE target) and RE itself.

The directive needs to be improved and efforts to weaken it by some countries, notably the UK, must be resisted.

##### **Trading within the EU**

The text of the proposal creates “guarantees of origin”, GOs, which are certificates for each MWh of renewable energy produced. These can be traded between Member States and between companies according to the draft text.

We accept that some flexibility may be useful since some countries have less potential to develop renewable energy sources than others. But we consider that unlimited trading would:

- undermine strategic achievement of the EU and national RES targets,
- interfere with development of a coherent EU grid that can integrate renewable energy generators,
- discourage investment in still maturing RES technologies – the market would flock to the cheapest technologies.

In addition, a number of countries already have well-functioning support schemes in the form of feed-in tariffs for renewable technologies and it would be folly to interfere with these schemes by increasing uncertainty in the market.

- **Trading should only be permitted between member states and only to fulfil 20% of their national target, 80% should be achieved domestically.**  
There should be no trading permitted between companies. The purpose of this directive is not to design a trading instrument between companies but to stimulate Member States to make progress in developing renewable energy production.

##### **Trading outside the EU**

The UK has proposed that to permit the purchase of renewable energy certificates from outside the EU. We consider that this would damage the purpose of the Directive and undermine investment in EU resources and skills. In the longer run this would not be good for our competitiveness nor our energy security. Neither would it be consistent with the need to de-carbonise the EU (and world) economy very rapidly -

the EU must do this at some point if we are to avert dangerous climate change. However we can imagine a flow of physical renewable energy (such as electricity from concentrating solar power projects) on a small scale between the EU and third countries close to the EU.

- **Purchasing RE certificates from outside the EU must not be included in the Directive.**

### **Intermediate targets**

The draft proposes a set of interim targets for the years 2011-2018. If the interim targets are missed, a Member State must submit a revised National Action Plan to the Commission. Some countries (the UK at least) think the indicative trajectory should be non-binding. Missing the interim targets would carry no penalty, and countries would not be forced to buy or sell GOs (in order to meet the interim target). But non-binding targets can slip with impunity and so contribute to ultimate failure. The urgency of tackling climate change is such that near-at-hand targets are needed, not distant targets which offer the temptation of delaying action yet again.

- **The interim targets should be legally binding.**

### **Compliance and Enforcement**

There is a very urgent need for both rapid development of renewable energy (i.e. a phase out of fossil fuel use) and steep emission cuts if we are to do our fair share in limiting global warming to 2 degrees. Existing infringement procedures against Member States for non-compliance in environmental matters are very slow and do not encourage speedy catch-up when targets fail to be met.

**The compliance mechanism of the RES Directive should be strengthened by including:**

- legally binding interim targets that should be met before trading between EU countries can be considered
- a direct, swift and effective penalty system with fines considerably higher than the average price for the support of renewable energy across the EU in case of non-fulfilment of the mandatory intermediate and final targets.

### **Off-shore Wind Farms and the Grid**

Offshore wind power has huge potential to deliver renewable energy to EU countries. To do this most effectively this will require grid connections that interconnect a wide spread of offshore turbines with more than one country (the Supergrid as proposed by Eddie O'Connor and Airtricity). The Supergrid would help to utilise wind power more fully since it can then supply energy demand across a wide geographical base. The draft text of the package urges the development of grid infrastructure, including interconnectors between Member States, but we consider that the establishment of an offshore grid should be seen as a strategic investment and supported financially at EU level.

- Friends of the Earth is calling for the timely financial support that is needed from the EU to create a large network of offshore wind power (the Supergrid).

### **Transport target (biofuels)**

The draft also proposes that the renewable energy share for transport alone must be at least 10% of the energy demand of this sector (as a sub-target of the 20% target). In

theory that could include cars with solar PV panels or run on electricity from wind farms, but the Commission is clearly thinking of biofuels. A growing body of research has exposed the numerous economic, environmental and social problems of the dash to biofuels, including [a study by the Commission's own Joint Research Centre](#), last month's [report from Oxfam](#) and, published just last week, [the Gallagher review for the British Government](#).

Last week the European Parliament's Environment Committee voted in favour of an amendment to the directive that would reduce the target to 4% by 2015 to be followed by a major review.

- **The 10% target promoting biofuels for transport should be dropped from the renewables directive.**

## **5. Key issues not addressed**

### **Energy efficiency – the missing link**

EU reports calculate that Europe could improve its energy efficiency by 20% by 2020 at zero net cost. The EU adopted an indicative target to this effect last year. Improving energy efficiency is the quickest and most cost-effective way to reduce carbon emissions and yet it is entirely lacking from the energy package.

- Existing legislation on energy efficiency, in housing and cars for instance, needs the muscle **of a mandatory energy efficiency target which should be adopted by the 2009 Spring Council** at the latest.

### **Support for mitigation in developing countries**

Given the historical and present-day responsibility of industrialized countries for climate pollution the EU must show a clear plan to support developing countries in addressing their greenhouse gas emissions and in achieving sustainable development. European NGOs propose the introduction of binding, measurable, and verifiable efforts, by EU Member States and EU ETS installations in contributing to GHG mitigation in these countries. To quantify these efforts, we refer to a report by the UNFCCC secretariat, which states that by 2030 a financial investment of around 69 billion EUR is required for mitigation in developing countries<sup>2</sup>. With the EU 27 responsible for 30% of greenhouse gas emissions from industrialised countries in 1990, this implies that the EU should invest around 21 billion EUR

### **Support for adaptation in developing countries**

According to the latest IPCC report anthropogenic climate change is already creating significant costs for developing countries. These are environmental, economic and human costs caused by the historical emissions of industrialised countries such as the EU Member States. Using the equity and polluter pays principles, this implies that EU Member States have to compensate for the damage already caused in developing countries by climate change. Friends of the Earth strongly supports the position of the Climate Action Network that at least 50% of the revenues from EU allowance auctioning should be invested to assist developing countries in adapting to the effects of climate change while at the same time further assisting in their efforts to mitigate future climate change through the development and transfer of technology, capacity building and support for sustainable policies and measures.

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<sup>2</sup> "Investment and financial flows to address Climate Change", UNFCCC, 2007