2030 framework for climate and energy policies

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PURPOSE: to open a debate on the 2030 framework for climate and energy policies (Green Paper).

BACKGROUND: **the EU has a clear framework to steer its energy and climate policies up to 2020**. In parallel, the EU has put in place a regulatory framework to drive the creation of an open, integrated and competitive single market for energy which promotes the security of energy supplies. While the EU is making good progress towards meeting the 2020 targets, creating the internal market for energy and meeting other objectives of energy policy, there is a need now to reflect on a new 2030 framework for climate and energy policies.

Early agreement on the 2030 framework is important for three reasons: (i) long investment cycles mean that infrastructure funded in the near term will still be in place in 2030 and beyond and investors therefore need certainty and reduced regulatory risk; (ii) clarifying the objectives for 2030 will support progress towards a competitive economy and a secure energy system by creating more demand for efficient and low carbon technologies and spurring research, development and innovation, which can create new opportunities; (iii) while negotiations for a legally binding international agreement on climate mitigation have been difficult, an international agreement is still expected by the end of 2015, the EU will have to agree on a series of issues, including its own ambition level, in advance of this date in order to engage actively with other countries.

This framework for 2030 must be sufficiently ambitious but it must also reflect a number of important changes that have taken place since the original framework was agreed in 2008/9:

(i) the consequences of the on-going economic crisis; (ii) the budgetary problems of Member States and businesses; (iii) developments on EU and global energy markets; (iv) concerns of households about the affordability of energy and of businesses with respect to competitiveness; (v) and the varying levels of commitment and ambition of international partners in reducing GHG emissions.

The 2030 framework must draw on the lessons from the current framework: what has worked, what has not worked and what can be improved. It should also take into account the longer term perspective which the Commission laid out in 2011 in the Roadmap for moving to a competitive low carbon economy in 2050, the Energy Roadmap 2050, and the Transport White Paper. The European Parliament has adopted resolutions on each of the Roadmaps.

CONTENT: this Green Paper gives an overview of the current framework and what has been achieved and then presents the issues where stakeholder input is sought. The experience and views of stakeholders, backed up where possible with sound evidence, are essential on four broad issues: targets; other policy instruments; competiveness; and the different capacity of Member States to act.

(1) Targets: fundamental issues for a new 2030 framework for climate and energy policies concern the following issues:

- the types, nature and level of targets and how they interact. Should the targets be at EU, national or sectoral level and be legally binding;
- identify inconsistences in the current 2020 targets and ensure that the coherence of potential 2030 targets can be better ensured;

- examine the need for sub-sectors such as those set out for transport, agriculture, industry appropriate and, if so, which ones? For example, is a renewables target necessary for transport, given the targets for CO2 reductions for passenger cars and light commercial vehicles;
- identify how targets can reflect better the economic viability and the changing degree of maturity of technologies in the 2030 framework;
- address the issue of whether having only a GHG emissions target for 2030 would be appropriate, taking into account other objectives such as security of supply and competitiveness;
- assess progress for other aspects of EU energy policy, such as security of supply, which may not be captured by the headline targets.

(2) Coherence of policy instruments: a combination of instruments is likely to be needed to address the different policy goals and market barriers. These instruments will interact with one another. The 2030 policy framework should, therefore, strike a balance between concrete implementing measures at EU level and Member States' flexibility to meet targets in ways which are most appropriate to national circumstances, while being consistent with the internal market.

The main issues to be examined are as follows:

- examine if changes are necessary to other policy instruments and how they interact with one another, including between the EU and national levels;
- define how specific measures at the EU and national level should be defined to optimise cost-efficiency of meeting climate and energy objectives;
- avoid fragmentation of the internal energy market particularly in relation to the need to encourage and mobilise investment;
- envisage which measures could make further energy savings most cost-effectively;
- identify how EU research and innovation policies can best support the achievement of the 2030 framework.

(3) Fostering the competitiveness of the EU economy: one of the fundamental objectives of EU energy policy is to ensure that the energy system contributes to the competitiveness of the EU economy. Energy and climate policies can drive demand and growth in the low carbon economy. Issues to be dealt with are:

- the elements of the framework for climate and energy policies to be strengthened to better promote job creation, growth and competitiveness;
- the identification of evidence that there is carbon leakage under the current framework and how this problem could be addressed;
- the extent to which the EU can influence specific drivers in observed trends in energy costs;
- take account of uncertainties about efforts that other developed countries and economically important developing nations will make in the on-going international negotiations;
- enhancing the regulatory certainty for business while building in flexibility to adapt to changing circumstances (e.g. progress in international climate negotiations and changes in energy markets);
- the increase of innovation capacity of manufacturing industry and the role for the revenues from the auctioning of allowances;
- the EU’s exploitation of the development of indigenous conventional and unconventional energy sources within the Member States to contribute to reduced energy prices and import dependency;
- the EU’s contribution to improving security of energy supply internally by ensuring the full and effective functioning of the internal energy market (e.g. through the development of necessary interconnections), and externally by diversifying energy supply routes.

(4) Acknowledging the differing capacity of Member States: Member States are very diverse in terms of comparative wealth, industrial structure, energy mix, building stocks, carbon and energy intensity, exploitable renewable resources, and social structure. Individual consumer groups have different capacities to invest and adapt. This diversity must be taken into account when developing :

- concrete steps to be taken to reflect their different abilities to implement climate and energy measures;
- mechanisms to promote cooperation and a fair effort sharing between Member States whilst seeking the most cost-effective delivery of new climate and energy objectives;
- the need for new financing instruments or arrangements required to support the new 2030 framework.

The consultation with stakeholders will be open until 2 July 2013.