

The EU's Energy Policy after the October-Summit: Energy Union and Climate targets revisited

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Structure

- A paradigm shift in the EU's Energy and Climate Policy
- „Moving Targets“: The negotiation process
- The new 2030 framework: Three lessons learned
- Next steps on the agenda
- Consequences for Germany's „Energiewende“-policy

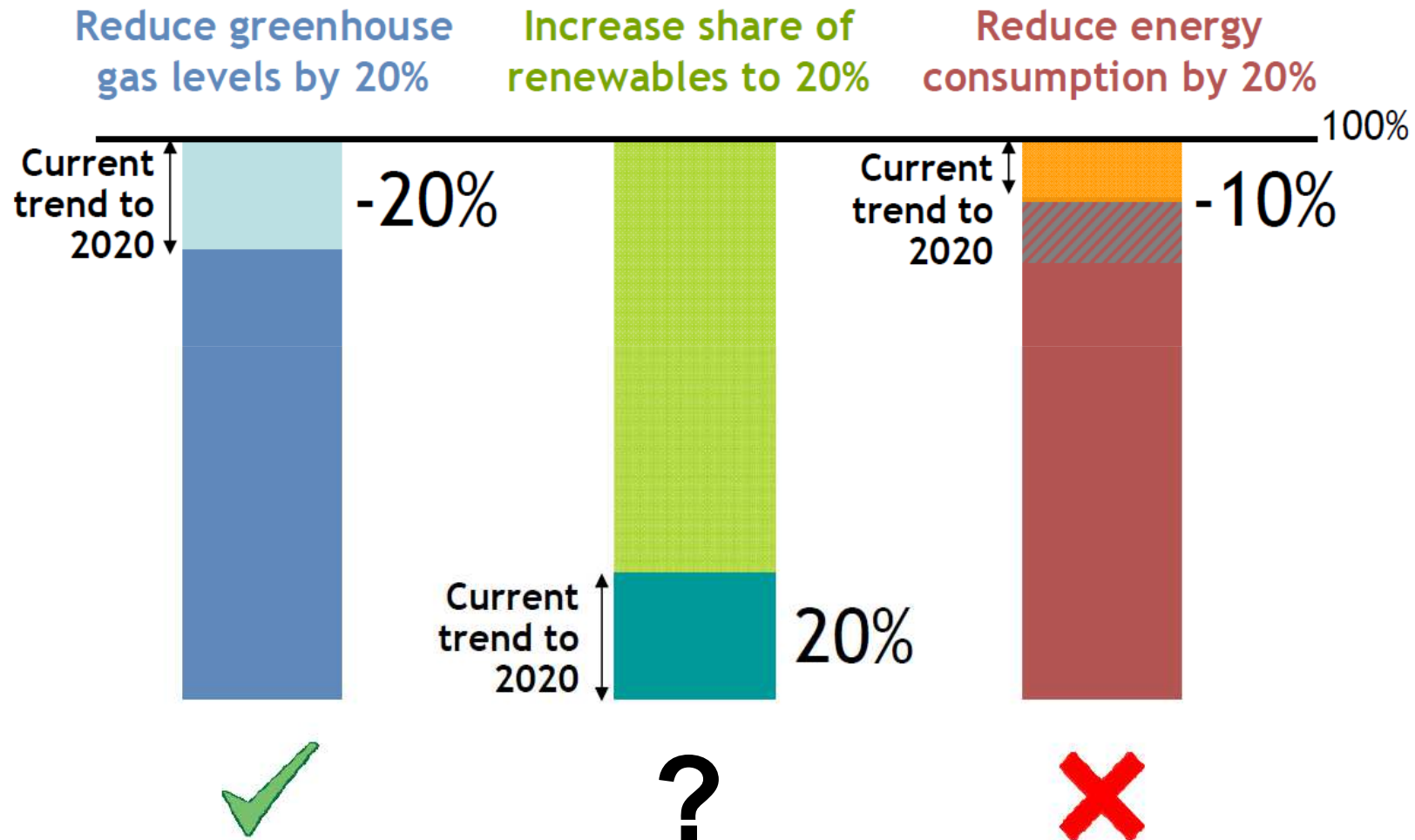
Paradigm Shift (1)

- Discussion in the EU were so far based on 20-20-20 decisions from 2007
- „Integrated Energy and Climate Policy“ with a clear focus on the sustainability dimension
- Close link of EU domestic policy to international climate policies (Copenhagen; Conditional target 20/30)
- „Constructive ambiguity“
- Little experience in EU negotiations by „new“ member states in 2007

Paradigm Shift (2)

- UN Climate negotiations with disappointing outcome
→ Leadership role of the EU in question
- Economic Crisis
- Priority change for many governments: Competitiveness and Security of Supply back on the agenda

The EU's 20-20-20 targets: Mixed results on the „implementation score board“



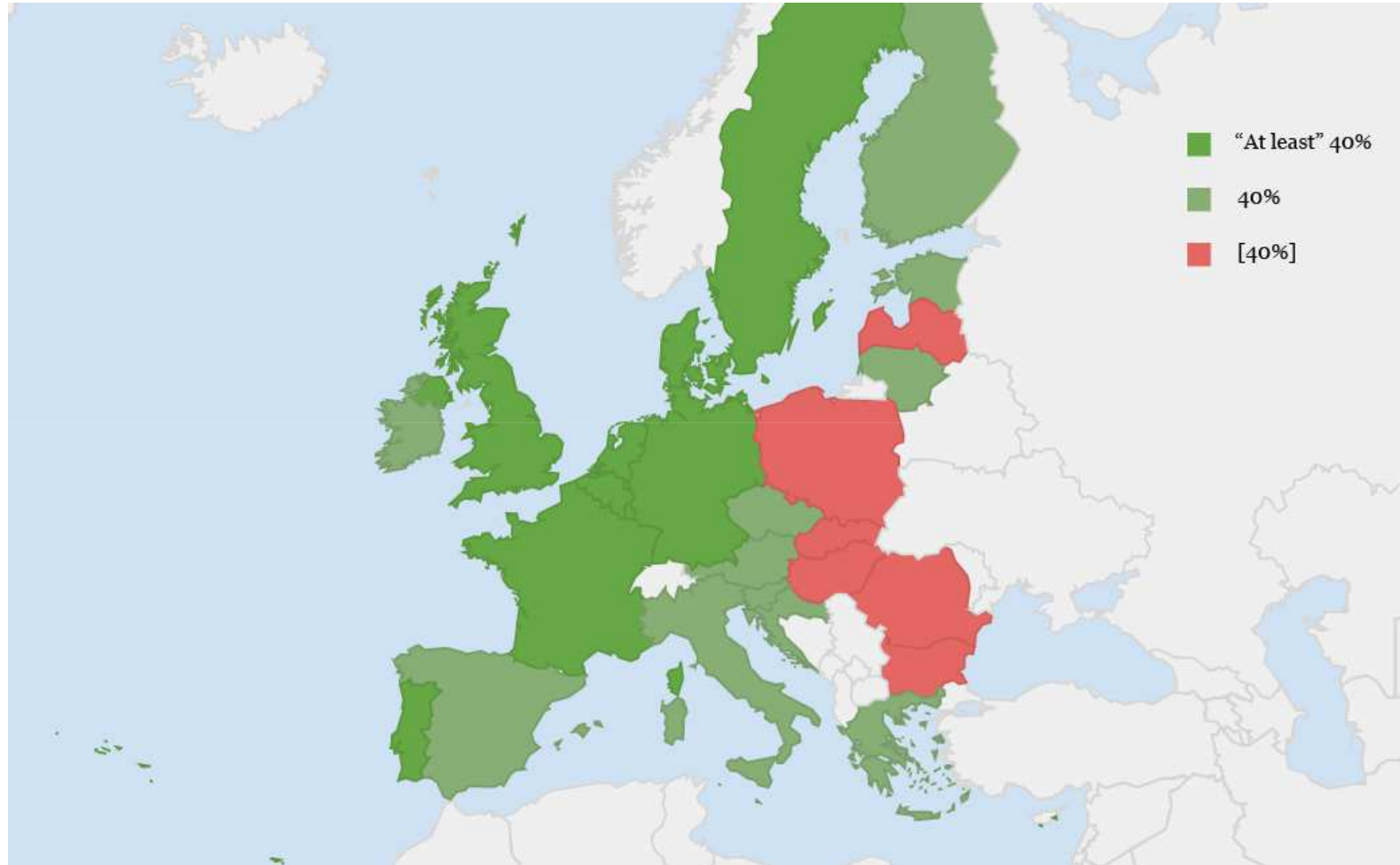
„Moving targets“: The negotiation process (1)

- EU Commission proposal in January 2014:
 - 40% THG by 2030
 - 27% Renewables only EU level binding by 2030
 - A new Governance Mechanism

- In July added by:
 - 30% indicative Energy Efficiency Target
 - Introducing the „Energy Union“ idea, based on Polish PM Donald Tusk’s proposal

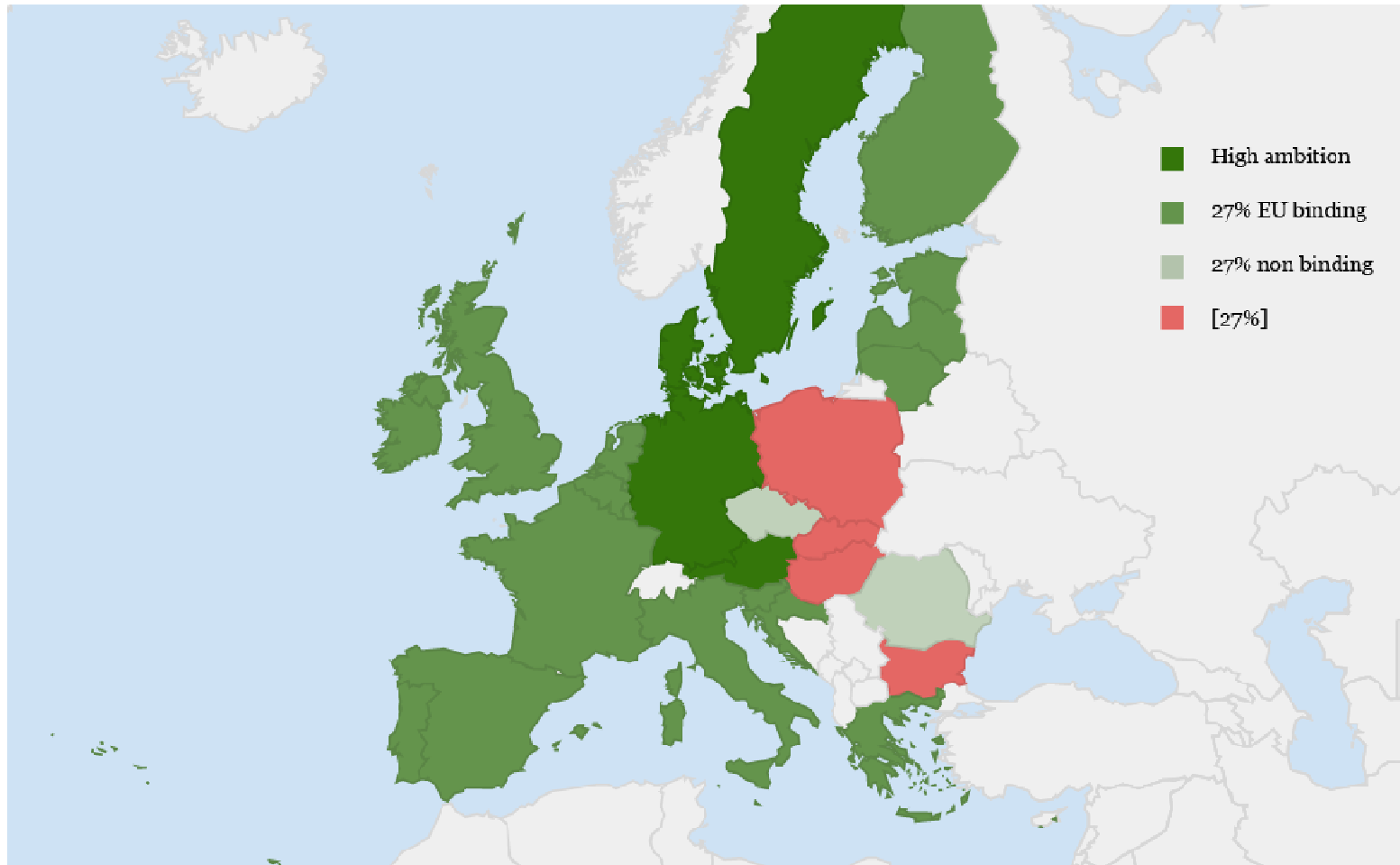
- Member States regionally divided on these issues

MS positions on GHG target



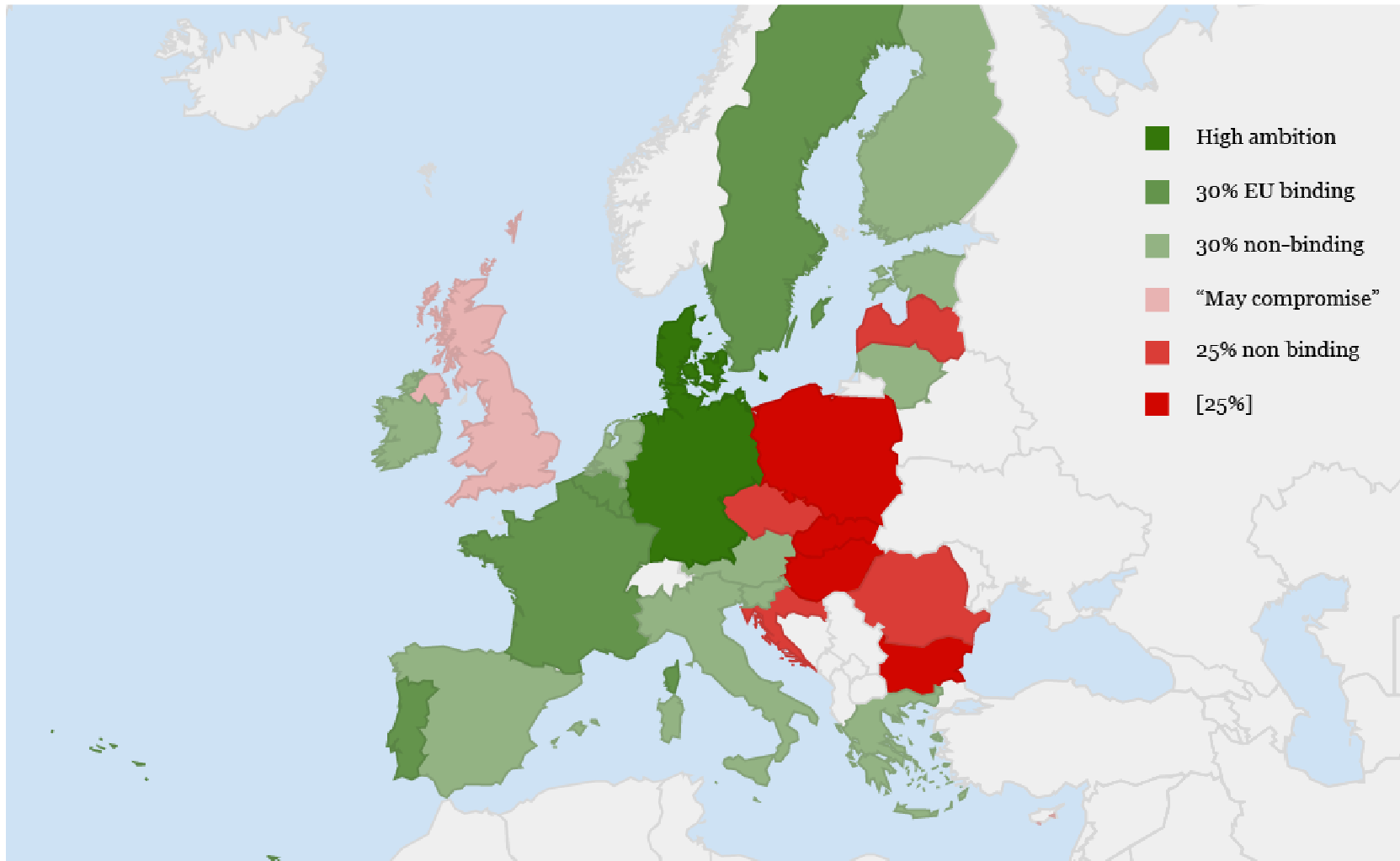
Source: Carbon Brief 2014

MS positions on Renewables target



Source: Carbon Brief 2014

MS positions on Energy Efficiency target



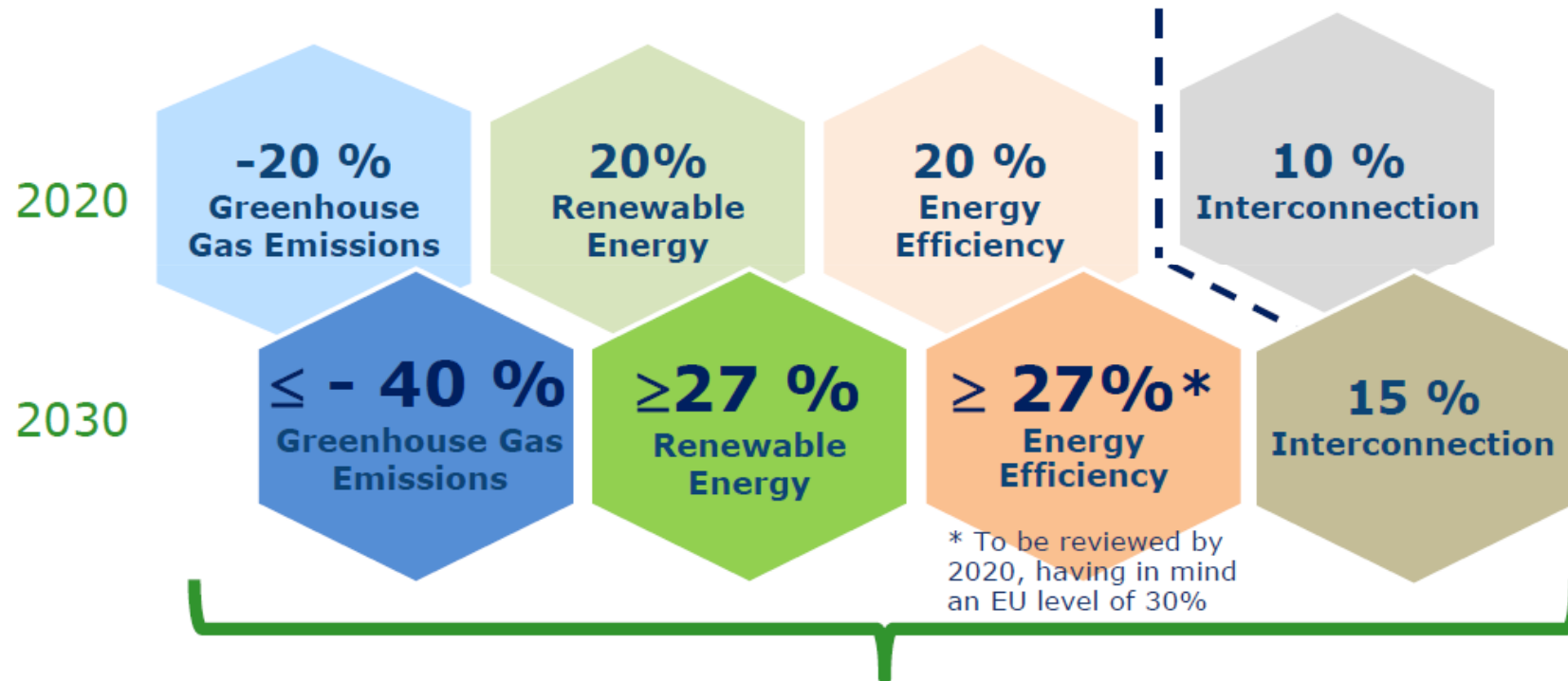
Source: Carbon Brief 2014

„Moving targets“ (2)

- Important: Decision taken by European Council in consensus
- Change in narrative on climate target: Visegrád+2 group argues for a wait and see approach
- Domestic politics in Poland dominate the negotiation process:
 - Ewa Kopacz as new Prime Minister
 - EU climate policy sceptic domestic scene
 - But: Delay of decision-making process would move decision by European Council in Polish election campaign

The EU's new target architecture

Agreed headline targets 2030 Framework for Climate and Energy



New governance system + indicators

1. Ambiguity

„West“:

- Three targets
- Targets are all „at least“ targets
- Revision clause after Paris COP 21

„East“:

- Only GHG really „binding“
- No influence on national energy strategies
- Revision clause after Paris COP 21

2. Intergovernmentalism

- „Security provisions“ for Member States against far reaching interpretations of the conclusions
- In the future, European Council responsibility for all elements of the package, especially ETS, Non-ETS, Energy Efficiency, Interconnectors
- Consensus rule could become normal policy-making procedure outside of EU treaties
- European Commission and European Parliament would be more often side-lined

3. Fragmentation of Transformation

- Financial Compensation from West to East at around 12% of EU ETS allowances from 2021 on yearly
- Further exemptions for Central-Eastern electricity sector from full auctioning in ETS (40% of allowances)
- Less direct impact of EU level measures on system transformation in Member States

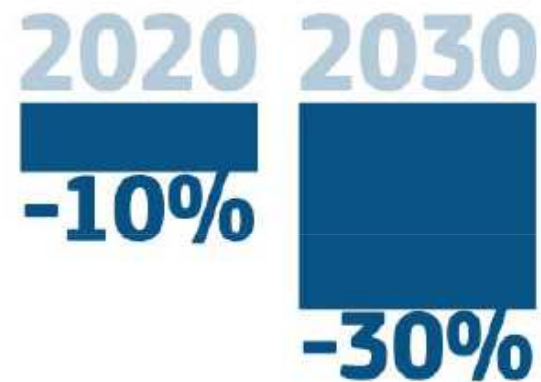
Next steps (1)

- ETS reform:
 - New rules for 4th periode (2021-2030)
 - System reform: Market stability reserve and dealing with oversupply in the ETS market

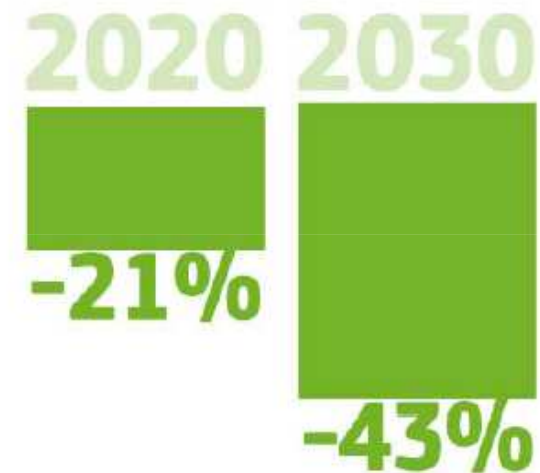
- Non-ETS decision:
 - Highly political because everyone needs to reduce emissions (range 0-40%)

Finding a new balance for the climate target

**EMISSION
REDUCTIONS
IN ETS AND
NON-ETS
COMPARED TO 2005**



**NON
ETS** INCLUDING
ROAD TRANSPORT,
HOUSING,
AGRICULTURE
etc.



ETS INCLUDING
POWER/ENERGY
SECTOR & INDUSTRY

Next steps (2)

- Governance Mechanism
 - How binding?
 - Principle of European Semester or Open Method of Coordination?
 - What do Member States have to commit to?
 - What would be the role of regional approaches?

- Energy Union
 - So far: Placebo for Polish government – new elements are missing in concept
 - Little interest in Western Europe (especially Germany) to give energy security measures in the hands of EU Commission
 - The new concept is keeping everyone busy and tries to hide a renationalization process that is going on inside the EU

Consequences for Germany's „Energiewende“-policy

- Ambivalence: More freedom, but less back-up in the EU
- More divergence in speed and aims of transformation between EU and Germany, eg. 80-95% GHG target by 2050
- Bilateral and regional problem-solving will dominate in the coming years
- How to deal with the two remaining EU-level policies: EU ETS and Electricity/Gas market?
- Development of new policy instruments on EU level is needed
- Germany needs to be able to talk about a broader perspective on Energy than the „sustainability dimension“ to find partners

Thank you very much!

SWP