

## Unlocking Europe's potential in clean innovation and growth: Analysis of options to move beyond 20%

### Background

With the agreement on the Climate and Energy Package (20-20-20 goals), the European Union positioned itself as a pacemaker in global climate and energy policies. Besides an increase in renewable energy, the Climate and Energy Package has set the unilateral goal to reduce greenhouse gas emissions by 20% by 2020 across the European Union. Furthermore, it contains the offer of the EU to reduce emissions by 30% by 2020, should other industrialised countries commit themselves to comparable emissions reductions in the framework of a global, binding agreement and developing countries agree to contribute adequately.

### Draft communication of the Commission: "Analysis of options to move beyond 20%"

After the disappointing results of the Copenhagen climate conference, the European Commission plans to move away from this decision. In the communication "Analysis of options to move beyond 20%", the Commission reaches the conclusion that emission reductions of 30% are also economically and technically feasible, even if others do not commit to similar goals.

The following reasons caution against increasing the EU emissions reduction 2020:

- None of the conditions set by the European Council which have to be fulfilled to step up the unilateral 20% goals to 30% have been fulfilled: there is neither a binding follow-up agreement on Kyoto in place, nor have the largest emitters, China and the USA, agreed to binding CO<sub>2</sub> reductions that are comparable to EU reductions. The EU should not turn towards unilateralism after Copenhagen.
- More stringent emission reduction targets increase the costs for energy intensive industries and in consequence the risk of carbon leakage rises.
- The higher than expected emission reductions are not a result of sustainable development and further trends may not be based on the current economic growth rates.
- The setting of emission levels during the financial crisis acts as an obstacle to EU growth. For energy intensive industries, the EU continues to be become a less attractive production location.
- For companies in the ETS, a level playing field and equal worldwide CO<sub>2</sub> price should be the target.

### For the above reasons EUROCHAMBRES opposes any further increase of the already ambitious 20% reduction goal

The draft of the Commission communication breaks with the political guidelines of the European Councils, which state in which circumstances an increase of the reduction goals is possible. None of these conditions for a unilateral increase of the ambitious 20% goals until 2020 has been fulfilled.

### **International cooperation instead of stand-alone actions**

By moving towards unilateralism, the European Union is further hampering its negotiation position in international climate negotiations. None of the key international players have yet been sufficiently impressed by the European commitments to follow suit, nor seem likely to do so in the near future. EUROCHAMBRES is convinced that unilateral, stand-alone actions will hinder growth and thus devalue Europe as a business location. Sustainable climate protection can only be guaranteed globally by comprehensive, coordinated actions, especially by industrial countries. The aim must remain to achieve a comprehensive international agreement on climate politics.

### **Site relocation also damages climate protection**

If the costs for energy intensive industries become too high in Europe, industries will relocate to areas where there are currently no climate protection costs. This would result in an even higher increase of global greenhouse gas emissions.

### **No additional obstacles to growth – the 30% goal curbs the economic recovery**

The emissions reduction triggered by the economic crisis on the one hand contributes to the EU emissions reduction goal. On the other hand it highlights the difficult situation in which affected European industries find themselves. For EUROCHAMBRES, this situation does not imply that higher emissions reduction goals are “easy” to reach. On the contrary, it has become more difficult to raise the necessary funds for investments in sustainable development. The current economic situation may not be taken as a status-quo and using it as an indicator for long-term decisions is short-sighted and erroneous.

### **Recovery needs predictability**

Until now, European climate policies distinguished themselves through long-term, clear communicated targets (20-20-20 goals). For investors, who are of crucial importance for European recovery, predictability is a prerequisite. It is not acceptable that shortly after the finalisation of the legislative process, the package should be reopened and discussions started anew.

### **EU Emissions Trading System (ETS)**

Reopening the debate on the overall target means that those companies covered by the ETS will not know how many allowances will be available. This is unacceptable, as long-term planning is necessary in the affected sectors. Several ETS deadlines are coming up in the coming months, such as the 30 June 2010 where the Commission will publish the absolute Community-wide quantity of allowances for 2013, or December 2010, where the Commission will publish an estimated amount of allowances to be auctioned. Instead of creating uncertainties, a stronger focus should be placed on research and development of green technologies and the necessary funding.