

Consultative Communication on the 2015 international climate change agreement

A EURELECTRIC response paper



The **Union of the Electricity Industry–EURELECTRIC** is the sector association representing the common interests of the electricity industry at pan-European level, plus its affiliates and associates on several other continents.

In line with its mission, EURELECTRIC seeks to contribute to the competitiveness of the electricity industry, to provide effective representation for the industry in public affairs, and to promote the role of electricity both in the advancement of society and in helping provide solutions to the challenges of sustainable development.

EURELECTRIC’s formal opinions, policy positions and reports are formulated in Working Groups, composed of experts from the electricity industry, supervised by five Committees. This “structure of expertise” ensures that EURELECTRIC’s published documents are based on high-quality input with up-to-date information.

For further information on EURELECTRIC activities, visit our website, which provides general information on the association and on policy issues relevant to the electricity industry; latest news of our activities; EURELECTRIC positions and statements; a publications catalogue listing EURELECTRIC reports; and information on our events and conferences.

EURELECTRIC pursues in all its activities the application of the following sustainable development values:

Economic Development

▶ Growth, added-value, efficiency

Environmental Leadership

▶ Commitment, innovation, pro-activeness

Social Responsibility

▶ Transparency, ethics, accountability

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WG Climate Change

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1. What can the power sector do for climate change?

Electricity is at the heart of the climate stabilisation challenge and the same time a substantial part of the solution. Achieving the emission reduction levels necessary to not exceed the 2°C temperature rise, can to a large extent be achieved by establishing a carbon-neutral electricity supply, with the simultaneous development of new business models through the merger of electricity, heating/cooling and mobility markets and their interaction with information and communication technologies into a single, consumer-focused market for energy services. In addition, strong improvements in energy efficiency need to play a key role. There are large opportunities to save energy at the end consumer/ demand side. This will lead not only to environmental benefits, but will also foster energy security and economic performance.

The European & global power sector have in recent years reduced carbon intensity through increasingly efficient and flexible power plants, more efficient grids as well as an increasing the share of power generated by renewable energy sources whilst maintaining a substantial role for nuclear. We will continue on this path. In March 2009, sixty-one Chief Executives of electricity companies representing well over 70% of total EU power generation signed a Declaration committing to action to achieve carbon-neutrality by 2050.

Through the International Electricity Partnership (IEP), electricity utility leaders from the developed world's largest economies stated that electricity can be the solution to climate change. Developed economies must lead and are committed to share technologies and experience to allow the developing countries to follow. This will be a long process, which requires a stable and predictable, yet ambitious policy framework. The best instrument for climate policy and to achieve our commitments is the Emissions Trading System (ETS). EURELECTRIC is encouraged by the recent decisions in Australia, California, China, New Zealand, Quebec, nine north-eastern US States, and South Korea to establish domestic carbon markets on the model of the ETS, as well as the on-going preparations for the introduction of carbon markets in Brazil, Chile, Colombia, Kazakhstan, India, Indonesia, Mexico, Morocco, Thailand, and Turkey, and for linking the Australian and EU markets.

We therefore call to:

- a) Strengthen the ETS in the EU and make it the main driver. EURELECTRIC is a supporter of a strong ETS as the centre of the EU's climate change policy. It is the most cost-efficient way to achieve our commitments¹
- b) Secure a global level playing field in climate action through a strong EU ETS

¹ The Polish association PKEE reserves a different position in this respect.

- c) In the long run link up global carbon markets and under the right conditions to maintain a level playing field and avoid carbon leakage. A global carbon price will be the most cost-efficient tool with the lowest level of economic distortions.

A failure to achieve these goals will result in the continuation of a period of halted investments due to high policy risks without a clear direction. In a sector with investment lead times of often several decades this outcome would not only delay the investments needed before 2030 but also drastically increase the future costs of lowering carbon emissions.

2. What should the EU be doing to make the 2015 agreement ambitious and successful?

EURELECTRIC supports the Commission's high ambitions for the negotiations of this agreement. To prevent a temperature rise above 2°C, all parties must go beyond their current level of activity in climate change mitigation.

A coherent and consistent global climate change policy for the EU must also be embedded in a strong and predictable European policy framework after 2020. In this regard, EURELECTRIC urges the Commission to connect these policies in light of their transparency, their predictability and the need for both to be based on market mechanisms. We are convinced that a balance has to be struck in order to aim for a realistic outcome of such an agreement, which all stakeholders can agree to. The crucial feature of the agreement is that it is based on action - implementing the policies and measures which are framed by e.g. carbon markets.

We believe that the main deliverable of the negotiations should be to reach a legally robust agreement which will include all major economies. All sectors of the economy must contribute, while fair burden sharing should be ensured. This will enable the efficient distribution of investments and assets.

Commitments:

The commitments pledged by many countries at the Copenhagen summit are a good start and should be the basis. Currently however, the combined commitments from individual stakeholder will not be sufficient to limit the temperature rise to 2°C. They have emerged via a bottom-up approach. We agree with the Commission that successful agreement on 2015 will be possible only with a mix of bottom-up and top-down approaches. EURELECTRIC is convinced that a strong European negotiation strategy will be based on a clear commitment in EU climate policy for 2030. A firm, economy-wide

emissions target of at least 40% reduction compared to 1990 must be met. Such an approach will underscore European commitment credibility in the negotiations.²

We also support the European Commission in arguing that it is time to move beyond a developed/developing country paradigm. The realities of the global economics from the signing of the Kyoto Protocol have evolved and an increase in economic growth with the consequence of increasing emissions of the countries that are growing faster should also be reflected in rising responsibility toward climate policies.

Instruments:

The currently existing flexible instruments should be preserved and developed under the new treaty. They have already led to emission reductions in many developing countries. This also includes the clean development mechanism (CDM), which has proven to be useful in delivering on the agreed commitments and can further play a vital role in technology transfers and lead to cost reductions. However, EURELECTRIC recognises the need for a substantial debate on improving the CDM through higher international standards.

To ensure the credibility of EU climate policy and its goal of steady decarbonisation on a global level, it is therefore vital to restore the credibility in its central instrument, the European emission trading scheme. We strongly believe that a weak EU carbon markets will undermine the credibility and the leverage of Europe in the international climate change negotiations.³

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