EUROPEAN COMMISSION

Brussels, March 2009

COMMENTS OF THE EUROPEAN COMMISSION ON A RESOLUTION FROM THE ITALIAN CHAMBER OF DEPUTIES

COM(2008)16-17-18 - PROPOSAL FOR A DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON CLIMATE-ENERGY PACKAGE

The European Commission would like to thank the Italian Chamber of Deputies for sharing its opinion on environmental elements of the energy and climate package. The Commission notes that observations made by the Italian Chamber of Deputies are similar to the comments made by the Italian Senate to which the Commission has recently responded.

The political agreement reached between the European Council and the European Parliament in December 2008 represents a deal that will help Europe transform into a low-carbon economy and increase energy security. It will offer the opportunity for European industry to gain first mover advantage to become a world leader in low carbon technologies. This is also consistent with addressing the current economic crisis. We know that the fuel prices will continue to remain high for the foreseeable future, and over time our already very high energy import dependency will continue to grow. The best way to avoid a lock-in into relatively energy intensive production and consumption patterns tomorrow is to give the right signals today. As the first region in the world to commit to ambitious emission reductions for the year 2020, the adoption of the package shows once again Europe's strong commitment to tackle climate change, to give legal certainty to EU industry and citizens, and to reach the best possible outcome in the international negotiations culminating in the UNFCCC meeting in Copenhagen at the end of this year.

The final agreement on the legislation in the climate and energy package preserves the environmental integrity of the package and ensures a fair sharing of effort. It also includes some adjustments to the Commission's proposals which directly address the concerns raised in the opinion of the Italian Chamber of Deputies (and by Italy's representatives during the negotiations).

Regarding the draft Decision on the effort of Member States to reduce their greenhouse gas emissions, the final Decision contains increased elements of flexibility in order to achieve the national targets in the most cost-effective way. In particular, the final decision includes a possibility to transfer emission allowances between Member States, a possibility to benefit from investment in projects in other Member States, and an increased access to Clean Development Mechanism credits for Italy and a few other

Commission européenne, B-1049 Bruxelles / Europese Commissie, B-1049 Brussel - Belgium. Telephone: (32-2) 299 11 11.
Office: BERL 7/42. Telephone: direct line (32-2) 2953389. Fax: (32-2) 2992104.

Member States (up to 4% instead of 3% of 2005 emissions). This last point means that more than half of Italy's reduction commitment can be met through CDM. These flexibilities together mean that Italy has ample room for manoeuvre to meet its targets in the most cost-effective way.

Regarding the revision of the European Emissions Trading System, the revised Directive provides a high level of regulatory certainty and predictability to help industry make informed investment decisions. In particular, the agreed legislation includes clear criteria to identify sectors exposed to the risk of carbon leakage and provides for the free allocation of 100% of the allowances allocated to these sectors on the basis efficient benchmarks. It also provides for a longer transition to full auctioning for non-exposed sectors than initially proposed. In the absence of an international agreement the Directive also foresees the possibility for Member States to use state aid to compensate companies exposed to a significant risk of carbon leakage due to costs relating to greenhouse gas emissions passed on in electricity prices. In addition, the revised Directive contains flexibility provisions for the small installations: small installations with emissions of less than 25000 tonnes per year and, in the case of combustion installations, with a rated thermal input of less than 35 MW may be excluded from the scheme if they are subject to measures that will achieve at least an equivalent effect. Finally, the revised Directive also provides for greater access to CDM credits to up to 50% of the EU-wide reductions of the sectors under the scheme over the period 2008-2020.

As regards the costs of the package, the figures in the Commission's impact assessment show that the direct investment costs for Italy in the year 2020 would amount to 0.66% of GDP and a total of some € 70 billion over the entire period. This is half of the estimates circulated in the Italian media which showed figures of 1.14% of GDP in 2020, and € 181 Billion over the period. The greenhouse gas emission reduction targets should not simply be seen as a cost or a burden for Italy but rather as a major opportunity to help improve energy security and reduce dependency on imported energy and volatile global markets, for the continued reduction in greenhouse gas emissions that is anticipated also after 2020. These 'costs' also represent real investments into the Italian economy that will accelerate innovation, increase energy security and create jobs. In fact, our impact assessment showed that the macro-economic impact on GDP is as low as 0.1% of GDP in 2020, and employment effects are positive. These numbers also do not take into account that these investments can spur the export potential of Italian companies in high growth sectors.

The Commission hopes that the modifications introduced as part of the final agreement on the legislation in the climate and energy package address the concerns of the Italian Chamber of Deputies and that it will fully support the implementation of the legislation and the ongoing negotiations for an ambitious and comprehensive international agreement.