Climate Policy in the European Union

Jürgen SALAY
European Commission

EU Fellow 2017-2018
The EU Center
Jackson School of International Studies
University of Washington

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Disclaimer: The views expressed in this presentation are those of the author and do not necessarily reflect the official position of the European Commission.

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Overview

1. **The European Union**
2. Climate Policy in the EU
3. Climate and Clean Energy Legislation
4. Paris Agreement and international outlook

Key messages

- EU climate action is based on strong tradition of multilateralism and global environmental problems being addressed at UN level
- Climate policy in the European Union is based on practical policy implementation that evolved gradually in the last twenty years
- EU climate legislation is a combination of EU-wide instruments and national action based on legally binding Member State obligations
- EU climate policy is based on cost-effectiveness and fairness and relies on market-based instruments
- Emissions have been decoupled from economic growth
- Climate and energy policy is becoming increasingly integrated and are also increasingly affecting other policy areas such as agriculture and transport
- Renewable energy sources and energy efficiency are key for reducing emissions but also for energy security and lower costs

EU: Internal market with multi-level governance

- Freedom of movement for goods, services, labour and capital

- EU legislation valid in all Member States
- Co-decision process for new legislation with European Council and Parliament
- European Commission proposes new legislation and monitors Member States compliance with existing legislation
- Mandatory public and stakeholder consultations and impact assessment for all legislative proposals

- Split of competences between national and European levels: ***Subsidiarity principle***

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Diversity of EU Member States

- European Union grew from 15 to 28 countries in <9 years !
- 28 Member States. 510 million people. 24 languages.

How to design laws and policies that are acceptable to all?

- Economic activity levels
- Population
- Energy and carbon intensity:
  - **Economic structure**
  - **Structure of energy supply**
  - **Energy efficiency**

- Most environmental and climate legislation on EU level!

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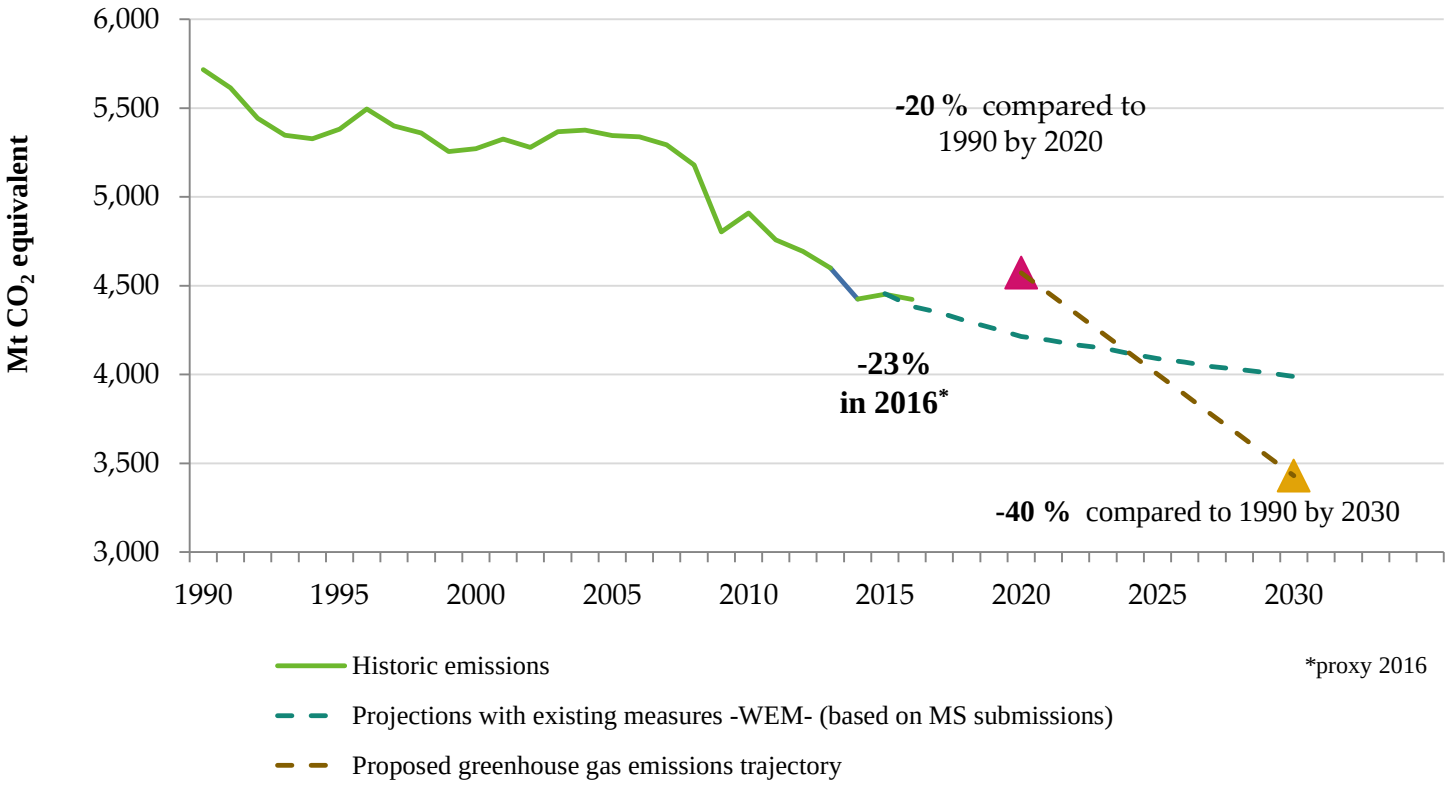
Progress towards meeting Europe 2020 and 2030 targets (EU total GHG emissions)



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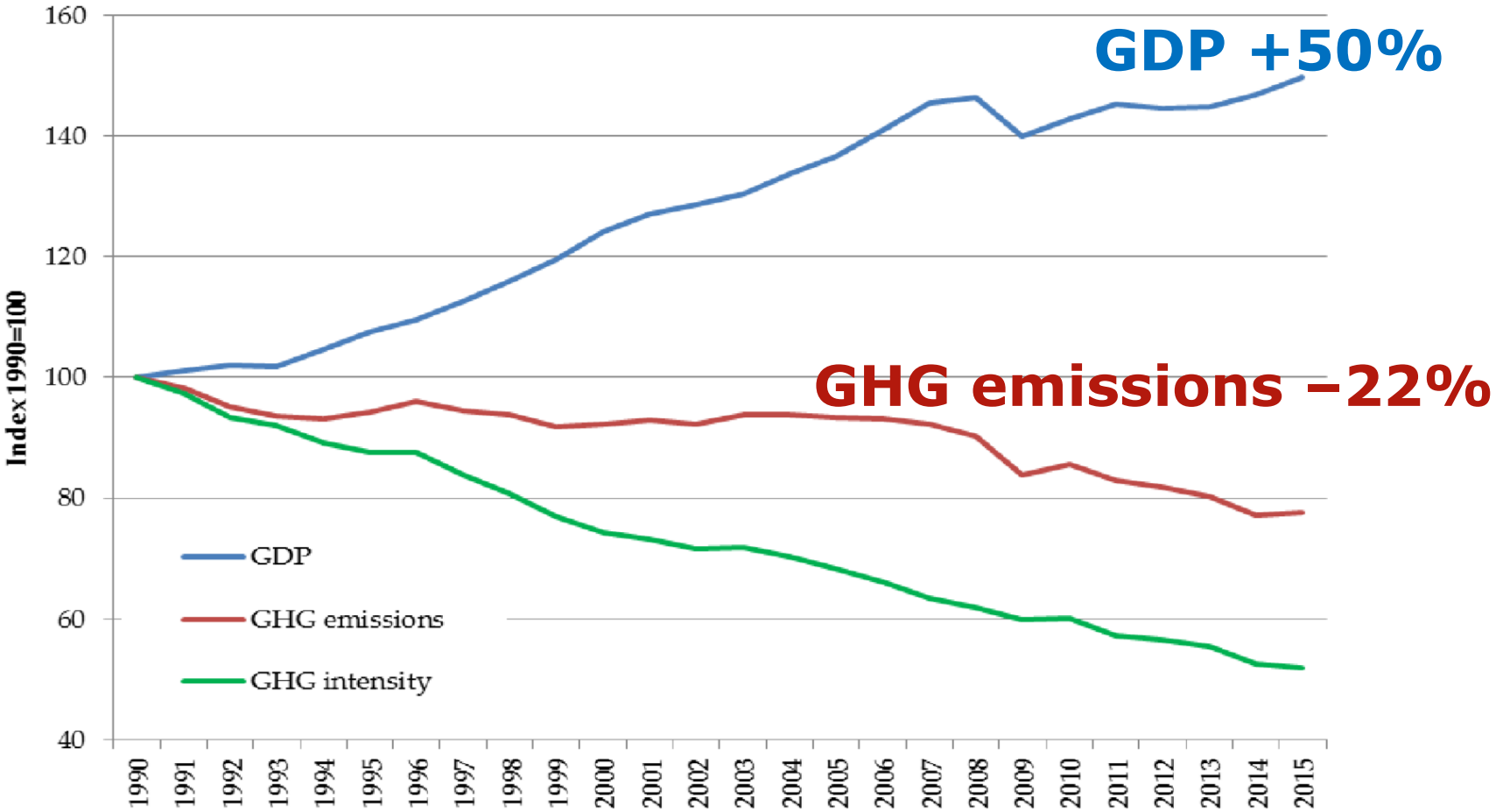
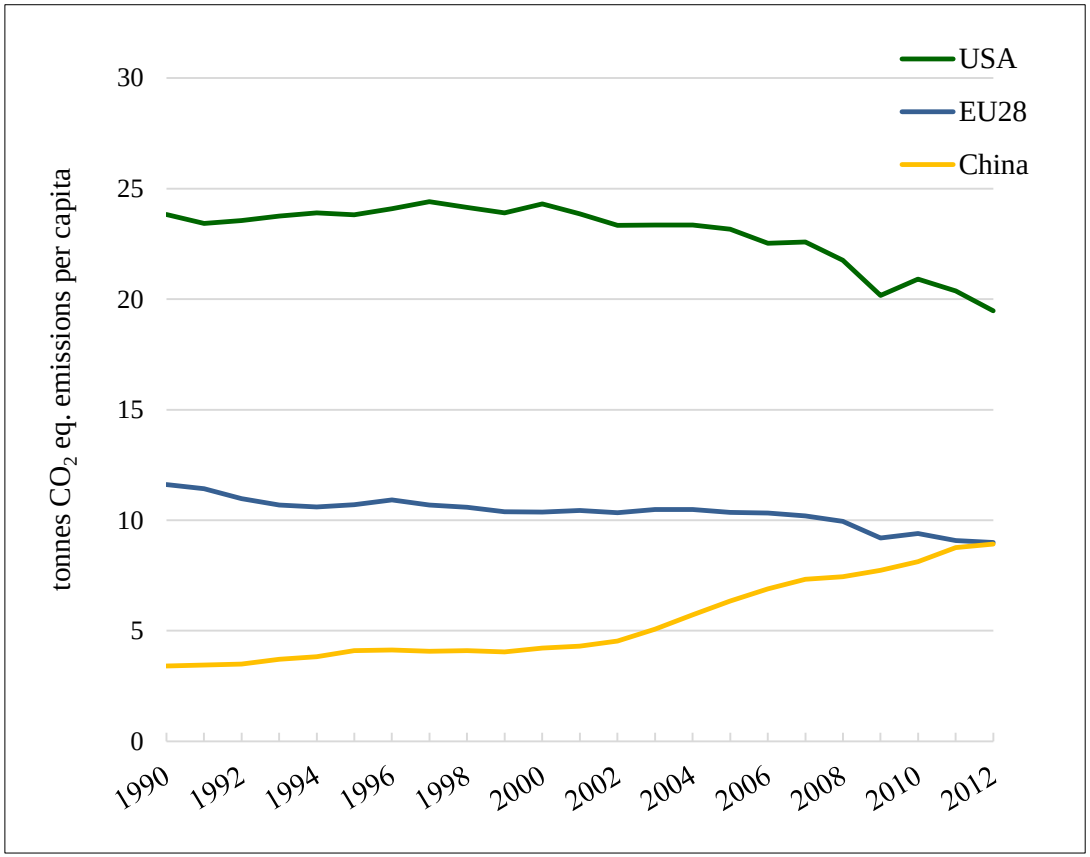
EU has decoupled economic growth from greenhouse gas emissions



Development of per capita emissions 1990-2012



Source: JRC EDGAR database

Climate policy in the EU

- Driven by science
- Global and transboundary problem
- Interaction with international agreements

- Legal basis in EU treaties: Environment since 1986
- Lisbon Treaty (2007) introduced EU climate change objective:
  support of international action for fighting climate change (Art 191)
- Mainstreaming: Climate policy increasingly integrated with economic objectives and policies
- Continuous review and fine-tuning of legislation

Evolution of EU climate policy

- 1991 First EU climate change strategy
- 1996 Aspirational 2 degree goal
- 2000 European Climate Change Programme
- 2005 EU Emissions Trading System starts
- 2009 Climate and Energy Package for 2020 enters in force
- 2010 Europe 2020 Strategy for Economic Development
- 2011 Roadmap 2050
- 2013 Adaptation strategy
- 2014 European Council agrees on 2030 Climate and Energy Framework
- 2015 European Energy Union
- 2015 Paris Agreement
- 2016 European Commission proposes 2030 legal package

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EU Climate Targets and Objectives

- Overall objective: Limit global temperature increase to 2˚ C (3.6˚ F) above pre-industrial level

- European Council 2007 set targets for **2020**:
  - **Greenhouse gas emissions 20% lower than 1990**
- European Commission proposed 2020 Climate & Energy Package in January 2008
- Legislation agreed in December 2008, in force since 2009

- 40% emission reduction target for **2030** agreed in 2014
- Builds on and expands 2020 package, adds provisions for land use, land-use change and forestry
- Legislation pending, expected end of 2017

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Essential elements of the 2020 package

- Directive to amend the EU Emission Trading System (ETS) to reduce greenhouse gas emissions
- Decision to share the efforts and set national targets for reducing greenhouse gas emissions in other sectors

- Directive to reach 20% renewable energy by 2020
- Directive on legislative framework for carbon capture and storage
- Directive on Energy Efficiency (in 2012) to support energy efficiency target
- Legislation on fuel quality and CO2 limits for cars

EU GHG Target by 2020:
-20% compared to 1990

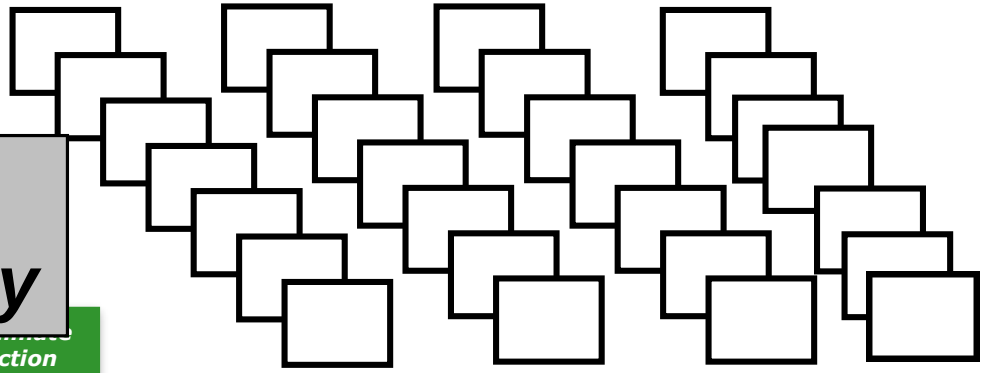
Commission

-14% compared to 2005

EU ETS
-21% compared to 2005

Non ETS sectors
-10% compared to 2005

28 Member State targets, stretching from -20% to +20%



Split ETS – Non ETS based on cost efficiency

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Effort Sharing for non-ETS sectors

- Covers about 55% of the EU's GHG emissions
- Very diverse sectors: transport, heating in buildings, services, agriculture, waste and possibly forestry
- Mostly "small emitters" as a result of our daily activities
- Major differences in cost-effective emission reduction potential (high for some non-CO_2 emissions and buildings, low in transport)
- Forestry not included in 2013-2020

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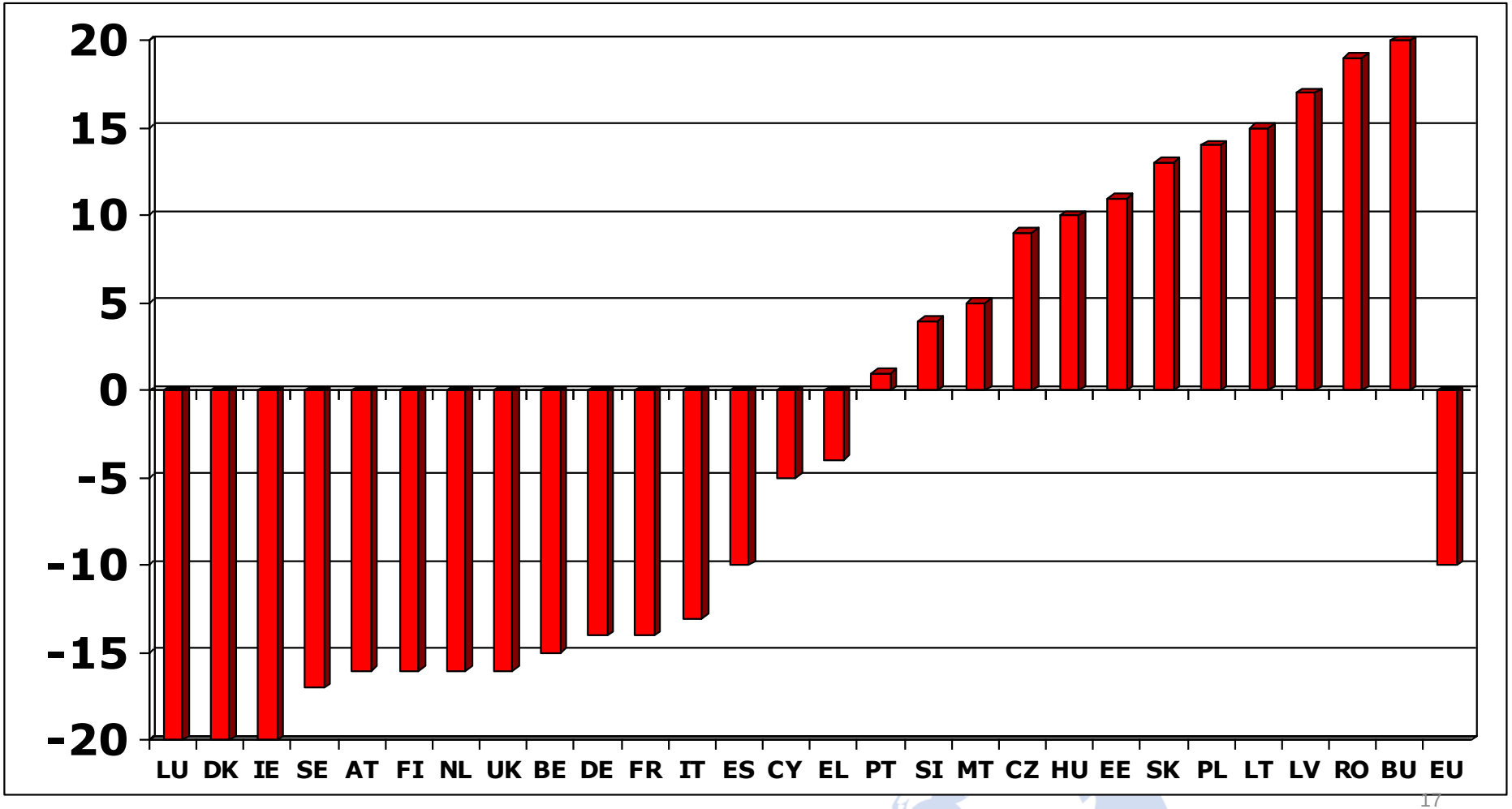
Targets for 2020 are based on 2005 emissions



EU Effort Sharing: Key points

- Binding national targets in 2020
- Flexibility for Member States in reaching targets
- Strict reporting obligations for Member States
- Annual compliance check for period 2013-2020
- Member States subject to penalties and corrective action if not meeting annual limits in 2013-2020
- Commission reports every year on EU progress

EU Emissions Trading System

- Cap-and-trade system started in 2005, now 3rd period, about 11,000 installations in EU+3 countries:
  - ✓ Each allowance represents the right to emit one metric ton of CO_2
  - ✓ Amount of allowances determine amount of emissions, emissions are "capped"
  - ✓ Allowances are distributed and can freely be traded on the market
  - ✓ Scarcity ("cap") and tradability of allowances determine price
- ✓ Cap determines and guarantees environmental outcome at least cost, gives price signal

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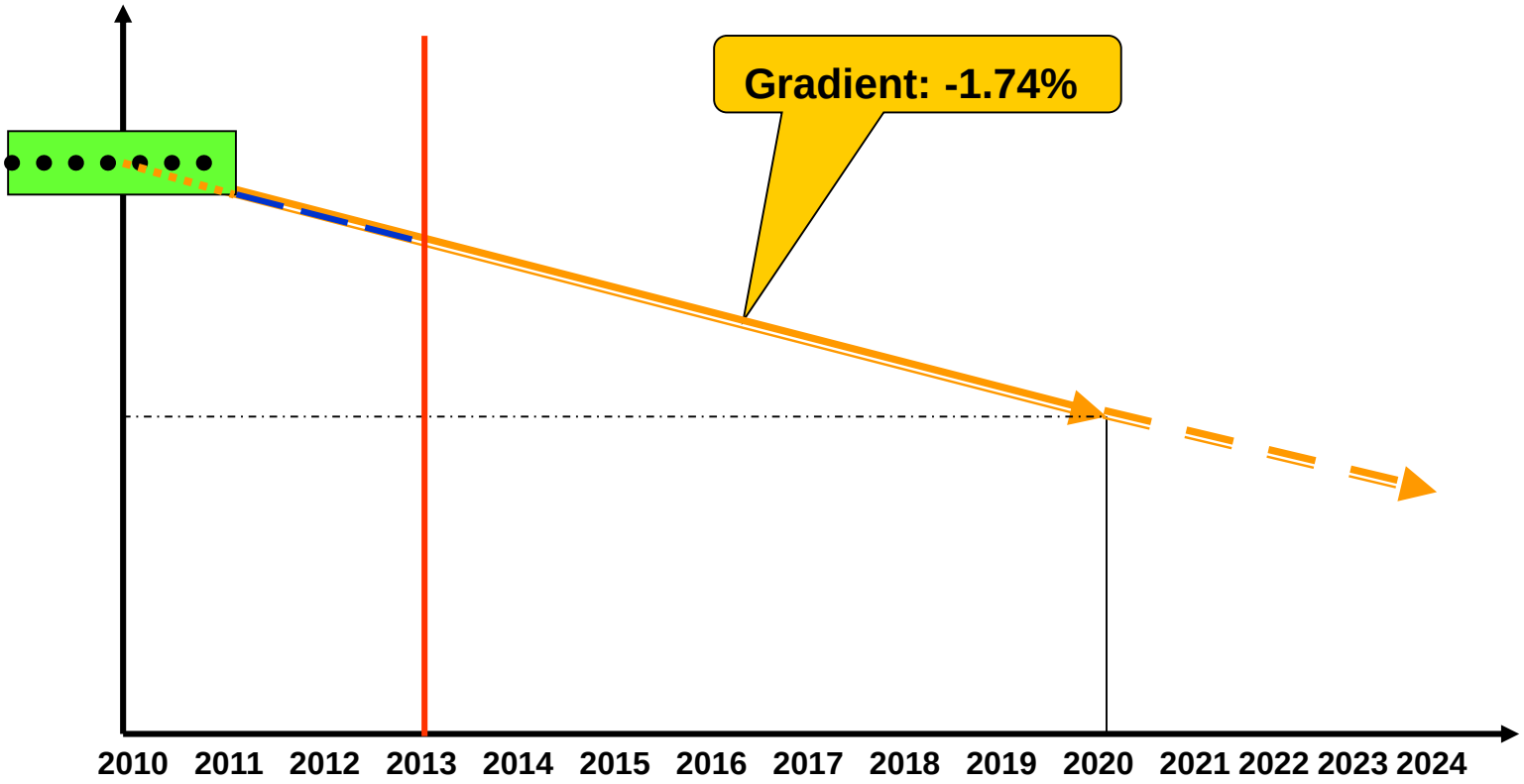
Key feature of the EU ETS:
A robust EU-wide cap beyond 2020



- ETS emission cap decreases gradually each year.
- Linear factor to become steeper after 2020

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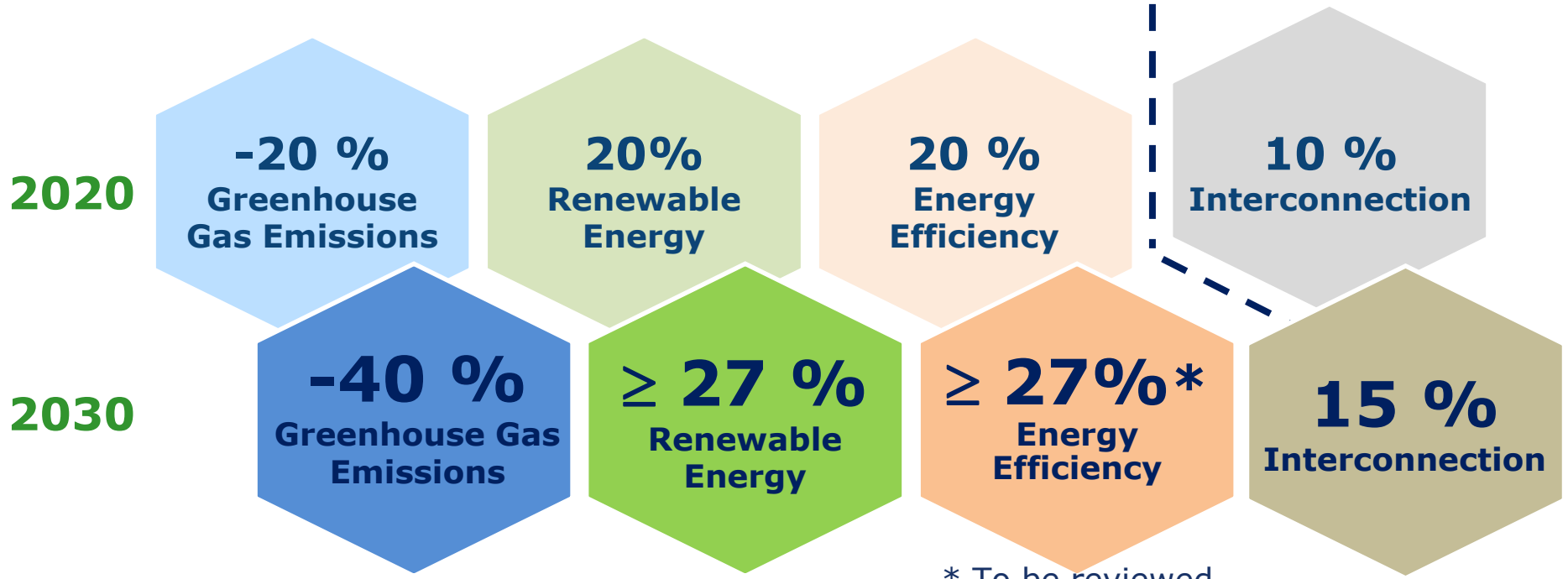
Emissions Trading is the EU's main instrument for climate action

- to achieve emissions reductions cost-efficiently
- to ensure consistency with the internal market, no competitive distortions between sectors and states
- to spur innovation and promote sustainable jobs & growth
- to reward and accelerate low carbon investments
- to protect energy intensive industries against the potential risk of carbon leakage, while they can contribute to emission reductions
- auction revenues can be recycled back in the economy for investments, to reduce labour costs, avoid fuel poverty

October 2014 European Council agreed headline targets of the 2030 climate and energy framework



Energy policy in the EU

- Historically a national competence that only recently became EU-wide priority
- Driven by energy security, economic and environmental concerns
- Lisbon Treaty (2007) introduced for first time EU energy policy objectives (Art 194):
  - **Functioning energy market**
  - **Security of energy supply**
  - **Energy efficiency and renewable energy**
  - **Interconnection of energy networks**
- Energy and climate policy increasingly integrated since 2007
- European Energy Union agreed in 2015

EU Energy policy – Renewable energy

- Mandatory national targets set for 2020
- Member States decide themselves how to reach targets that only recently became EU-wide priority
- Generally good progress towards 2020 targets, but
- Different and changing national support systems have resulted in fragmented EU market
- Falling costs and rapid globalisation put national support and subsidy programmes under pressure
- Biofuels: first vs second-generation, unintended environmental effects

Renewable energy – key issues

- Cost-effectiveness and market integration
- Fairness of support systems
- Integration and flexibility of network infrastructure

- Interaction with other policy instruments:
  - **Emissions trading**
  - **Agriculture and forestry policies**
  - **Biofuels (transport, heating, imports)**
  - **Environment (air quality, land use)**

EU Energy policy – Energy Efficiency

Several EU-wide instruments and legislation in place:

1. Standards for energy consuming equipment
2. Energy labelling
3. Energy performance of buildings
4. Energy Efficiency Directive (energy savings obligations)

Energy efficiency – key issues

- Market barriers (split ownership, information gap etc)
- Fairness of support schemes – how to best target groups for which energy costs matter most
- Interaction with other policy instruments:
  - **Emissions trading**
  - **Renewable energy**
  - **Air quality (e.g., diesel cars)**

EU tools and challenges for low-emission mobility

Tools:

- Emission standards for cars and vans (2015 and 2021 targets in law, legal proposal for 2030)
- Aviation (within the EU) included in emissions trading system
- Proposal pending for heavy-duty vehicles and for shipping

Challenges:

- Ineffective compliance system for emission standards has allowed car industry to cheat
- Slow progress in limiting emissions from international aviation and shipping
- Focus on car fuel-efficiency resulted in rapid expansion of diesel cars and created local air quality and health concerns

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A historic Agreement

- **A new chapter in international climate governance and action**
- **A win for multilateralism**
- **A strong signal to policy makers, investors and businesses**
- **Great example of EU unity and leadership**

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Negotiations

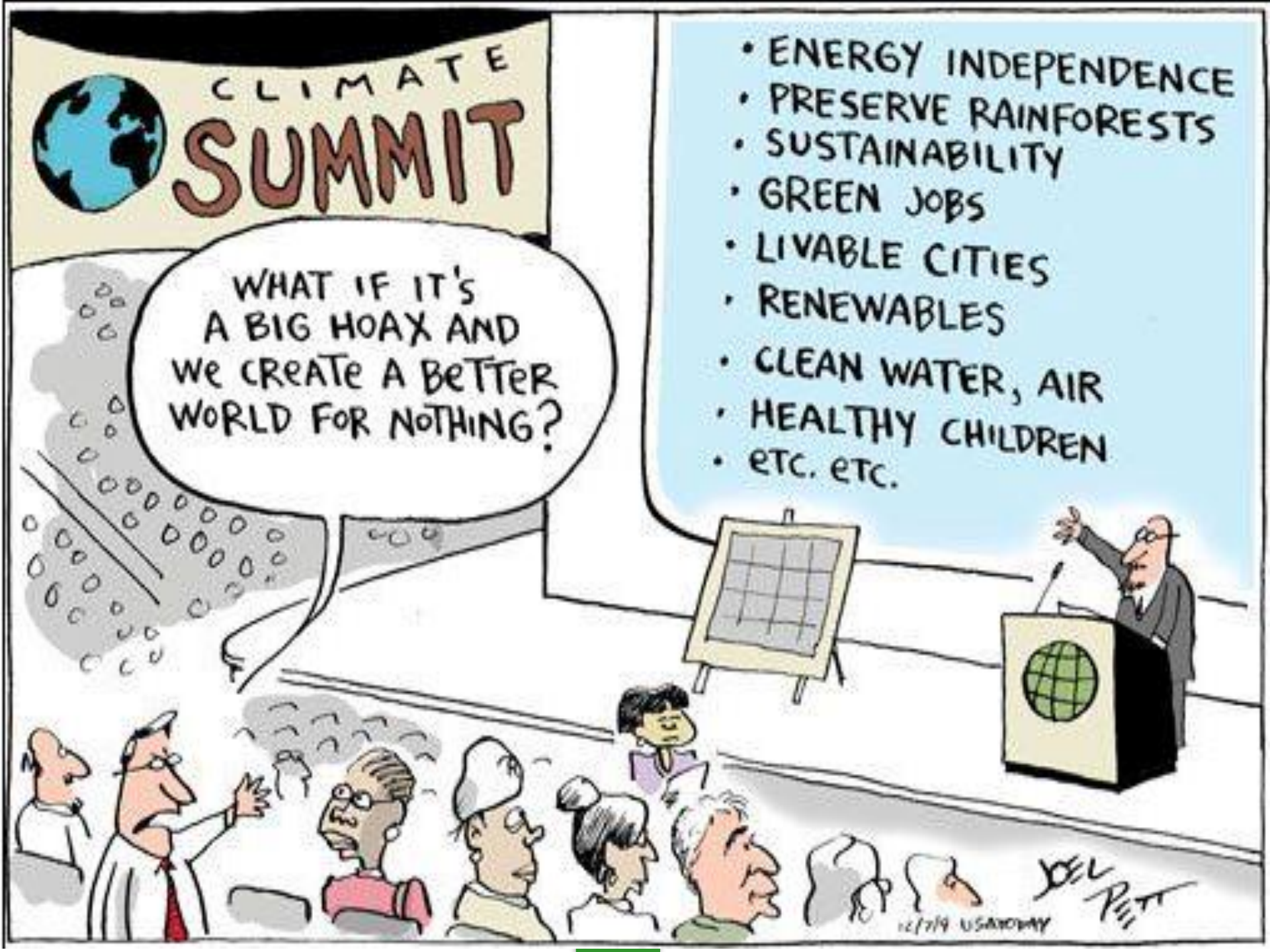
23 years of UNFCCC negotiations

Paris Agreement

- Ratified by 170 of 197 Parties. In force since 4 Nov 2016.
- Goal to limit global warming to "well below" 2° C
- Parties to contribute according to their capacities and formulate long-term low emissions strategies by 2020
- Regular reporting and monitoring of progress
- Paris Agreement will replace Kyoto Protocol as of 2021
- Paris Agreement sets new international governance structure based on 5-yearly stocktaking:
  - **global reviews starting in 2018, 2023, 2028….**
  - **Updating of pledges in 2020, 2025, 2030…**
- EU commits to 'at least 40%' emission reduction domestically compared to 1990 by 2030

COP23 in Bonn - Highlights

- Paris rulebook: transparency, accounting of emissions and finance, process for stocktaking
- Talanoa Dialogue – process for intensifying negotiations until COP24 in 2018
- Strengthened role for other actors (cities, business, civil society groups)
- Confirmed importance of agriculture, land use and forestry in Paris agreement while enhancing food security
- US non-federal actors (cities, states, companies) were very visible and confirmed continued American climate action


CLIMATE
SUMMIT
WHAT IF IT'S A BIG HOAX AND WE CREATE A BETTER WORLD FOR NOTHING?
• ENERGY INDEPENDENCE
• PRESERVE RAINFORESTS
• SUSTAINABILITY
• GREEN JOBS
• LIVABLE CITIES
• RENEWABLES
• CLEAN WATER, AIR
• HEALTHY CHILDREN
• ETC. ETC.
JOEL PETT

Thank you!

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