

## Europe's climate and energy targets for 2030 announced

By Adam Davidson (10 February 2014)

The European Commission has published the EU's targets for greenhouse gas emissions, renewable energy and energy efficiency for 2030, but the European Parliament wants stronger targets. Energy law expert Adam Davidson examines the proposals, latest developments and industry reaction.

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On 22 January 2014 the European Commission (the Commission) published the European Union's '2030 Framework for Climate and Energy', setting out targets for greenhouse gas emissions, renewable energy and energy efficiency. The proposals will now be discussed by member states, the European Parliament and the European Council. On 5 February 2014, the European Parliament voted for stronger targets than those the Commission had proposed.

### Background: current 2020 targets

The EU's current targets for 2020 are as follows:

- a 20 per cent. reduction in greenhouse gas emissions on 1990 levels
- at least 20 per cent. of energy consumption to come from renewable sources (quotas sharing this target between member states gave Britain the binding national target of 15 per cent.)
- a 20 per cent. increase in energy efficiency (this target was not binding).

If current trends continue Europe is likely to exceed these targets given that the current reduction in greenhouse gas emissions on 1990 levels is 18 per cent. However, prior to the Commission's announcement, commentators remarked that the Commission's 2030 proposals are being put forward from a very different economic perspective than the 2020 proposals were in 2009. Furthermore it has been suggested that the cost of subsidising expensive renewable technology has been responsible for increased energy prices – one study found that there would be a £400 increase in energy bills in the next six years in order to pay the Government subsidies required to meet renewable energy targets.

### The Commission's proposals for 2030 and the European Parliament's response

The key elements of the new proposals from the Commission are:

- A binding greenhouse gas reduction target of 40 per cent.: This target is to be achieved through domestic measures alone and the annual reduction in the cap on emissions from the EU ETS sectors will be increased from 1.74 per cent. to 2.2 per cent.. Emissions from those sectors outside the ETS will need to be cut by 30 per cent. below the 2005 level and this effort will be shared equally amongst member states. According to studies, this target should be achievable

by Europe without any economic difficulties. It was also suggested that once this target is agreed by the European Council and the European Parliament it should be put forward as part of international negotiations on a new global climate agreement to be concluded in Paris in 2015. The European Parliament agreed with this 40 per cent. target.

- An EU-wide binding target of 27 per cent. of energy consumption to come from renewables: The Commission argued that a binding renewable energy target brings significant advantages in terms of energy trade balances, reliance on indigenous energy sources, jobs and growth. However, it was confirmed that the target will not be translated through legislation into national targets for individual states, giving member states more flexibility to make changes based on specific national circumstances. Compliance with the target will instead be ensured through a new governance framework based on national energy plans (see below). The European Parliament voted for a stronger target of 30 per cent. and also for binding national renewable energy targets.
- An indicative target of a 25 per cent. improvement in energy efficiency: The Commission confirmed that energy efficiency was an essential part of the transition towards a competitive, secure and sustainable energy system. This area of policy will be further developed in a review of the Energy Efficiency Directive later this year and member states national energy plans will also have to provide for improvements in energy efficiency. The European Parliament voted for a 40 per cent. binding target.
- Reform of the EU ETS: At the beginning of the next EU ETS trading period in 2021, the Commission plans to establish a market stability reserve to address the surplus emissions allowances that have built up and to improve the system's resilience to major shocks by automatically adjusting the supply of allowances to be auctioned. The reserve will operate entirely under pre-defined rules leaving no discretion to the Commission or to member states on its deployment. This should provide a more stable environment for those investing in low carbon technology.
- Competitive, affordable and secure energy: The Commission has proposed a new set of indicators to measure progress over time and therefore provide a factual base for any policy responses going forward.
- A new governance framework: This framework will be based on national plans for competitive, secure and sustainable energy. The Commission will provide further guidance in due course but the plans will be produced by member states under a common approach. The Commission and member states will work together to ensure the plans are sufficiently ambitious and to ensure that member states continue to comply.

### Report on energy prices

At the same time as publishing the above proposals, the Commission also published the report on energy prices which had informed the 2030 proposals. The report found that prices have risen in nearly every member state since 2008 and also highlighted price differentials between Europe and

other economies. This could potentially undermine Europe's competitiveness and Europe may therefore need to go further in terms of improvements as its competitors also improve their energy industries. The Commission also discussed how shale gas is changing the landscape of energy with the UK, Poland and Lithuania forging ahead.

### Industry reaction

The Commissioners were asked why the renewables target was so low and José Manuel Barrosa, the Commission's President, stressed that this target was a 'function' of the target for a 40 per cent. reduction in greenhouse gas emissions and stated that what mattered was the reduction of emissions however that was achieved – for example, through emissions trading, renewables, energy efficiency and so on. Nevertheless the renewables target was still important to give stability for investors in renewables and to create 'green' jobs. Some analysts prior to the official announcement commented that it would be "business as usual" given the existing pace of renewable construction. In the press conference Günther Oettinger, the Commissioner for Energy, pointed out that Commission forecasts suggest that at least 33 per cent. of energy will come from renewable sources by 2030.

Ed Davey, the UK's energy and climate change secretary, had previously opposed inclusion of a renewable energy target in the proposals. However, in his response he stated that the proposals "*provide the flexibility to tackle climate change in the most cost effective way so that British consumers aren't paying over the odds to go green*". He also stated that the target for a 40 per cent. reduction in greenhouse gas emissions will lead to large increases in investment in low carbon energy, including many more renewables, but went on to suggest that Europe must "*be ready to adopt a 50 per cent. target if the world is prepared to sign an ambitious global climate deal in 2015*". As well as welcoming the recognition by the Commission that shale gas has an important role to play in cutting carbon, Ed Davey further argued that the debate has moved on within the UK Parliament and the British green movement to technology neutral options (such as decarbonisation) as the most cost effective and practical way of fighting climate change. This could therefore suggest there would be a move away from renewables once the national energy plan is finalised.

Other commentators also suggested that the proposals may rebalance national energy policies towards achieving carbon savings through reduced energy consumption and more efficient energy consumption, rather than renewables. However, Nina Skorupska (the chief executive of the Renewable Energy Association) argued that, whilst (in theory) a technology neutral approach is economically efficient, experience shows that binding renewables targets both boost long term investor confidence and maintain investment levels throughout any short term fluctuations in political enthusiasm for renewables at a national level. Furthermore, with increased investment comes a greater number of potential generators and therefore more competition. Increased competition leads to further mass production of renewable technology, bringing the price of such technology down. Subsidies for renewable technology will then be required less and less.

Thomas Becker of the European Wind Energy Association (EWEA) supported this and stated that the renewable energy target was too weak and could cost potential jobs. He quoted a study by the Commission which had concluded that a 30 per cent. renewable target would have created more than

560,000 jobs and boosted economic growth by saving on expensive fuel imports. Other representatives of the renewables industry have urged the UK government to create an ambitious national plan for renewables. However, on the other hand, the chief executive of the Carbon Capture and Storage Association suggested that binding renewables targets disproportionately drive investment in renewables and therefore disadvantage other low carbon technologies.

Reaction to the European Parliament's decision on the proposals was more positive, with the stronger binding targets being welcomed. Stephane Bourgeois of the EWEA said "*The European Parliament has again shown it is the most forward-thinking of the EU's institutions. It has resisted lobbying from backward-looking organisations – this enlightened result is a kick in the teeth for the European Commission and its bloodless 2030 proposal last month. Heads of State must pay heed to the Parliament.*"

### Next steps

Clearly there is still much debate on the manner in which the UK and Europe as a whole should implement the proposals and tackle climate change. The true effect of the Commission's proposals and the European Parliament's response will not be clear until the proposals have been debated within member states and the European Council. Member states will take the European Parliament's vote into account when they meet to discuss this subject in March, but if they choose not to set binding national renewable energy targets, the European Parliament cannot change that.

Member state governments have committed to publishing their binding national emissions targets for 2020 onwards within the next year in advance of the UN global conference on climate change held in Paris in 2015. At the 2015 conference, governments are expected to forge a fresh agreement that binds both developed and developing countries. It is likely therefore that the impact of these proposals on the renewables industry will become clearer in the coming months. In the meantime, uncertainty over whether member states could be forced to set 2030 targets could lead firms to delay schemes or banks to increase the cost of borrowing