



The Greens | European Free Alliance
in the European Parliament

A pact for climate and energy security:

Ambitious targets, clear responsibilities and an innovation-friendly economic framework

Context:

European climate change policies are deadlocked -The deadlocked state of the EU's climate change policies was highlighted by this month's report from the European Environment Agency, which shows that the EU-15 will miss its Kyoto target. On top of this, the European Commission recently sent back most of the national CO₂ allocation plans proposed by the Member States for the 2008-12 trading period due to their **failure to propose sufficient cuts**.

Over-allocation and the attempt by the EU coal sector to **undermine the price setting mechanism** by introducing free allowances for new coal-based power investments is now threatening the European CO₂ emissions trading scheme (ETS), the centrepiece of the EU Kyoto strategy.

There is also **no common European strategy on energy security**, a key factor for getting new Member States on board in the EU's response to climate change.

Ambitious targets are achievable without nuclear - To overcome this deadlock and the lack of a concrete vision from the EU Commission, the Greens in the European Parliament commissioned a detailed scenario analysis by two institutes - Oeko-Institute in Berlin and ICE in Paris. This scenario clearly shows that **greenhouse gas emissions can be reduced by 30% by the year 2020 and by 40% by the year 2030, compared to 1990 levels without new investments in nuclear power and without lifetime extension of the existing power plants** (see annex). The same measures would also lead to enhanced energy security, reducing exposure to price volatility and reducing EU dependency on oil, gas, coal and uranium imports from 74% in a 'business as usual' scenario to 49% in our 'vision scenario'.

A pact for climate and energy security in Europe:

The Greens propose to launch a European pact for climate and energy security. This instrument will provide an enhanced and more stringent framework to bring the EU and its Member States back to the Kyoto track, to create the necessary platform for EU leadership in the post-Kyoto negotiations and to combine these policies with the security of supply dimension.

One weakness of the current system is that there are insufficient incentives for governments to stick to their commitments. The Greens propose combining the existing mechanism for monitoring Community greenhouse gas emissions and for implementing the Kyoto protocol (280/2004 EC) with a **penalties mechanism** (e.g.

financial sanctions for not meeting targets or reduced emissions allocations), which should be a crucial element of the new pact.

The pact should also set the ground for the necessary new targets to be achieved by the EU: the EU has to set an **early and ambitious EU target for 2020** to lead the post-Kyoto-negotiations. The EU should set a minus 30% target for greenhouse gases by 2020 for the EU-27 and reaffirm the minus 60-80% target by 2050, which was initially announced at the March 2005 Environment Council, at the Spring Summit in March 2007.

Energy efficiency and the construction of renewable energy facilities should be at the heart of the pact as there is a political consensus around them. The priority to energy efficiency and renewables must be clearly flagged by putting a **2020 target for binding minimum 20% to 25% improvements of energy efficiency for the EU** and by **setting 2020 binding sectoral targets for renewables**. The lack of consensus on the nuclear issue, both among citizens and the Member States, and the potential damaging division that it could cause means that nuclear should be explicitly excluded from the pact.

The measures taken to reduce EU's greenhouse gases also provide a basis for enhancing **EU's security of supply**. Additional measures like solidarity between Member States in case of oil, gas and electricity emergency situations should be part of the pact. In addition the EU needs a common gas strategy, notably to address the dependency of Central and Eastern European countries on Russian gas imports.

The pact should also provide a framework for developing an **innovation friendly economic framework**: this should include a long-term price setting framework for greenhouse gases through a **harmonised Emission Trading Scheme (ETS)**. The ETS has the potential to become the centre of a world carbon market. For this to happen, key changes must occur: the second National Allocation Plans must be revised in order to prevent future over-allocation and provide a stronger immediate incentive for greenhouse gas emission reduction.

A prerequisite for innovation is ensuring **functioning energy and transport markets**. Today markets have a strong price-bias in favour of old technologies. On top of that there is little competition and new market entrance due to market and infrastructure dominance of oligopolies. Breaking up the market dominance of these oligopolies is a precondition for innovation. This will only happen if the interests between the big power producers and the grid operators are separated through ownership unbundling and with regulators and infrastructure operators working closer together on a cross-national and EU level.

The green pact for climate and energy security will be **business-friendly and contribute to employment in Europe**. The largest contribution to generating wealth in the EU will come from companies that build and renovate houses, produce consumer goods like appliances and office equipment, develop infrastructures like rail, gas or electricity grids, develop renewable energy and run climate friendly services like public transport. The Greens will cooperate with these climate-friendly businesses to make their voice better heard. In this way the EU internal market with its 500 million consumers would become a **lead market on energy innovation** and give EU businesses a head start in a globalised economy.