

### **The 2030 climate and energy framework**

Following the Environment and Energy Councils, the European Council as well held a first discussion on the 2030 policy framework for climate and energy in March 2014. The conclusions of the European Council set out certain basic principles of the future framework, as well as a number of elements to be further developed, to enable the European Council to take stock of progress at its meeting in June and come to a final decision at the latest in October this year.

Based on those conclusions, a roadmap towards agreement on the 2030 framework was developed and presented to delegations in Coreper on 30 April. The roadmap aims to translate the orientations contained in the European Council conclusions into a realistic timeline, concrete steps and specific tasks to be carried out with a view to reaching the stated objective of early agreement on the policy framework.

Based on the views and ideas emerging from discussions so far (see following background note prepared with the support from the Commission) and to help make further progress on some of the key issues, the Presidency invites the Ministers to an exchange of views on the 2030 climate and energy framework with a focus on the following questions:

- Which do you see as the most essential elements of the framework that need to be defined in order to agree on a package in October? what can be left for later ?
- Should the distribution of efforts in the non-ETS sectors be based on a multicriteria approach and if so, which should be the key criteria to consider in the further exploration of such an approach?

### **The 2030 climate and energy framework**

The Commission adopted on 22 January a policy framework for climate and energy in the period from 2020 to 2030. This framework proposes a reduction target for domestic greenhouse gas emissions of 40% by 2030 compared to 1990, together with a EU wide renewables target of at least 27%. The Framework will be complemented by an Energy Efficiency Review later this year. The ETS sector would have to deliver a reduction of 43% in GHG in 2030 and the non-ETS sector a reduction of 30% both compared to 2005. The targets for the non-ETS sector remain to be allocated among the individual Member States. The Commission also proposed a Market Stability Reserve to improve resilience of the ETS. Finally the framework proposes a governance process through national plans for competitive, secure and sustainable energy that is enhanced by a set of indicators.

The Directors General for Climate Action (ECPG) had twice a constructive discussion on the proposed 2030 framework. The Meeting of 27 March focussed on a number of questions related to the current system of free allocation and how to avoid the risk of carbon leakage, on the effectiveness of the solidarity mechanisms of the 2009 climate and energy package, on how to foster the modernisation of the energy sector and on how European tools can contribute to the investment challenge. At the meeting of 29 April five Member States (UK, DE, PL, FI, and DK) made presentations followed by a discussion focussing on the ongoing Member States' analyses and Member States' policy plans and objectives for 2030.

The majority of Member States reported they were working on national analyses of the implications of the 2030 framework. Many indicated this may be finalised in the coming weeks/months. A limited number of Member States indicated that they had quantified GHG reduction targets for the period after 2020. Germany elaborated on its 3 targets including a 2030 target for GHG reductions. United Kingdom indicated they have defined a fourth carbon budget, covering the period 2023–27, as well as a 2050 target. Many mentioned having long term strategies and aspirations in place or in preparation. Some Member States underlined they will overachieve their 2020 GHG reduction targets.

Both Poland and Finland presented first results of their ongoing analysis providing information on what they expected as impacts on their economy of the proposed 2030 framework. Poland's analysis concluded it would have higher impacts than other Member States. Finland presented results of impacts of 3 different reduction targets for Finland's non-ETS sectors, with costs rapidly rising for the scenario with the most ambitious target.

The United Kingdom and Germany made interventions focussed on potential target differentiation for the non-ETS sectors.

The United Kingdom presentation showed results of a modelling exercise that would see targets in the non-ETS increase for all Member States based on updated GDP/capita criteria. The presentation by the Öko-Institut for Germany focussed on different possible criteria for effort sharing listing advantages and disadvantages (a pure cost-effective distribution, a distribution based on GDP per capita and a distribution based on convergence towards a 2050 per capita emissions target). The Danish presentation focussed on potential benefits of an extension of the scope of the EU ETS to all energy use.

Interventions by delegations indicated that the mechanisms used in the 2020 package, i.e. differentiation of non ETS targets and distribution of auctioning across Member States, are mostly seen as a starting point for further policy discussion.

Many expressed the need for a more sophisticated multi-criteria approach going beyond GDP/capita. To give a few examples, many underlined the need to include also cost efficiency in the approach, some thought that divergence in non-ETS targets should not be as wide as was the case for the 2020 targets, that particularities of Member States need to be taken into account, that other criteria should be looked at, for instance public debt levels or intensity levels. But most were confirming that GDP/capita is likely to remain one of the key criteria.

Flexibility through trade, also in the non-ETS, was raised as a way to combine both cost-efficiency and allow for fairness while some suggested flexibility between the ETS and non-ETS sectors. Several Member States brought forward their concerns regarding specific sectors, for instance transport, waste and agriculture with some proposing to include the land use sector in the national targets.

A number of Member States underlined that costs of implementing the 2030 climate and energy framework basically concern investment needs. In that sense, it was noted that a clear distinction needs to be made between normal investment to replace ageing infrastructure on the one hand and on the other hand incremental investment following the establishment of 2030 climate and energy targets. Examples were given of expected or estimated investment needs and how they compare to for instance EU funding streams.

Related to the investment challenge, the importance of clear policy signals/targets and a stable regulatory environment as well as of the ETS carbon price were listed by several Member States. Specific EU level financing instruments that were seen as important by some are funding tools like the NER300 but then also focussed on industrial innovation, the role of Community funds, climate mainstreaming in the EU funds and the role of the European Investment Bank. Member States highlighted also the role of energy prices and resource taxation, as well as supportive state aid rules.

Contrasting views were given on the usefulness of free allocation in the power sector for some specific countries with a view of modernising this sector (article 10c ETS) and its compatibility with the further development of the Internal Energy Market. Some Member States were favourable, but many were critical, including some that have implemented it.

Continuing free allocation was seen by most Member States as the right tool to address carbon leakage, while many argued at the same time for a better focus.

Some Member States highlighted the dependence upon the results of the COP in Paris in 2015. There were delegates arguing also for support for industrial innovation and for improved benchmarking. The Commission informed about a stakeholder process that will start soon on this issue.

Energy security and the concerns raised due to the Ukrainian crisis were listed as important also for the 2030 framework discussions.

Examples of actions that contribute to both are the need to incentivise energy efficiency and renewable energy, modernisation of the energy system and more investment in interconnections and in sustainable district heating.

Finally on the issue of how national plans for competitive, secure and sustainable energy can contribute to the achievement of the climate and energy targets, delegates underlined similar issues as already mentioned during the meeting of Directors General for Energy on 10 April 2014. The new governance system should find the right balance between sufficient flexibility and respect of Member States competences for determining the national energy mix.