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Committee on Industry, Research and Energy

2011/2012(INI)

12.5.2011

OPINION

of the Committee on Industry, Research and Energy

for the Committee on the Environment, Public Health and Food Safety

on analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage
(2011/2012(INI))

Rapporteur(*): Romana Jordan Cizelj

(*): Procedure with associated committees – Rule 50 of the Rules of Procedure

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SUGGESTIONS

The Committee on Industry, Research and Energy calls on the Committee on the Environment, Public Health and Food Safety, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas according to International Energy Agency (IEA) scenarios global energy-related carbon emissions are likely to increase by 21% over 2008 levels by 2035 if countries implement their commitments made in the Copenhagen Accord in a cautious manner, which would then make it impossible to limit further global warming to 2°C; whereas non-OECD countries are deemed to account for all of the projected increase in world emissions¹,
- B. whereas according to IEA figures the EU accounts for only 13% of global CO₂ emissions,
- C. whereas in accordance with the ETS directive the ETS scheme should promote reductions in greenhouse gas emissions in a cost-effective and economically efficient manner;

Analysis of the 20% target today

Industrial policy aspects

1. Stresses that the economic crisis has led to a significant reduction in industrial production and economic growth and to increased unemployment and, at the same time, to lower emissions and to a reduction in energy consumption; believes that this emissions reduction should not be interpreted as a sign that the EU is on track to meet its overall emissions reduction targets; acknowledges that although installations benefit from surplus allowances, the economic crisis may nonetheless have affected the capacity of industry to invest in further emissions reduction;
2. Stresses that China is the world leader in the installation of windfarms, that Chinese and Indian manufacturers of wind turbines number among the top ten such manufacturers, and that China and Taiwan currently produce most of the photovoltaic panels sold on the international market; calls on the Commission and the Member States to take steps to promote the eco-efficient development and production in the EU of these technologies and of the new, innovative technologies needed to achieve the ambitious targets for the reduction of greenhouse gas emissions;
3. Notes that according to the information received from various industrial sectors there are clear indications that existing EU climate policy provisions, such as the ETS, are already leading to a relocation of production, and is concerned that higher carbon prices would exacerbate this trend;

Energy policy aspects

4. Agrees with the Commission's and the IEA's assumption that any delay in investing in emissions reductions and the relevant energy technologies would lead to higher costs at a

¹ Report of the International Energy Agency (IEA) of 9 November 2010, entitled 'World Energy Outlook 2010'.

later stage; considers that, if it is to meet the long-term target of 80-95% reductions by 2050, as confirmed once again by the European Council on 4 February 2011, the EU will have to speed up its efforts; welcomes, therefore, the Commission's intention to draw trajectories designed to achieve long-term targets in the most cost-efficient and effective way;

5. Is deeply concerned that the EU is not on track to meet targets to reduce energy consumption by 20% as compared with the projections for 2020, owing to a lack of commitment, ambition and investment on the part of the Member States and the EU itself; fully endorses the conclusion to be drawn from the recent Commission communications entitled 'Energy Efficiency Plan 2011' and 'A Roadmap for moving to a competitive low carbon economy in 2050' that energy-efficiency policies are key to further reducing carbon emissions; calls on the Commission and the Member States to ensure that energy-efficiency measures - in particular in the areas of buildings, urban heating and transport - receive more funding under the next multiannual financial framework; deplores the fact that greater emphasis was not placed on energy efficiency when the European Council discussed energy priorities on 4 February 2011;
6. Draws attention to the fact that the current 20% target is based on an energy mix which in some Member States includes nuclear energy; welcomes the Commission's decision to subject the nuclear power stations in the EU to stress testing, so that the requisite measures can be adopted to ensure their safety; believes that the decision by some Member States to shut down some existing nuclear reactors, and the increased investment in the construction of new nuclear power stations, could lead to some Member States revising the national measures adopted to achieve the current 20% target;
7. Welcomes the fact that according to the recently submitted national renewable energy action plans the EU could go beyond its 2020 renewable energy goals if the action plans are fully implemented and financing instruments are improved; calls on the Commission to closely monitor that implementation and to work towards creating a stable investment environment in the period to 2020 and beyond and achieving better market integration for renewable energy; calls on the Commission to analyse and, if appropriate, increase the legally binding renewable energy target after 2020;
8. Calls on the EU to make greater efforts to increase the share of renewable energies in the electricity sector and to create the conditions for intelligent networks, in order to guarantee increasingly decentralised energy production; stresses that, if this is to be achieved, more must be invested in energy infrastructure projects;
9. Notes that owing to a number of market and regulatory barriers many energy-saving opportunities are still not exploited in the EU; calls for targets to be set for the use of renewable energies, for product standards to be established for energy-efficient products and vehicles and for environmentally conscious public procurement to be promoted;
10. Emphasises the important role of smart grids and smart meters in integrating electricity from different sources, including renewable sources; welcomes the work carried out by the task force on smart meters and standardisation mandate 441 of 12 March 2009 issued to CEN, CENELEC and ETSI concerning the development of an open architecture in the

field of measuring instruments, and asks the Commission to put forward a number of recommendations and legislative proposals as soon as possible for the full use thereof, attaching particular importance to the drawing-up of standards and to the energy-saving potential of smart meters; reiterates its call to set as a policy goal that 50% of homes in Europe should be fitted with smart meters by 2015¹;

11. Stresses that ICTs could improve road transport and can do more to facilitate the use of safer, smarter and greener cars in Europe; emphasises the role of the Digital Agenda, which should prioritise the environmental potential of smart cars and smart roads and R&D pilot projects for V2V and V2R devices;
12. Points out that, as highlighted in the European Council conclusions of 4 February 2011, technical standards for smart grids should be adopted by the end of 2012 at the latest;
13. Stresses the imperative need to adapt ICT standardisation policy to market developments requiring interoperability, which will help to speed up work on technical standards for electric vehicles and smart grids and meters, with a view to its completion by 2012;
14. Notes that speeding up authorisation procedures and finding new ways of financing new and, in particular, energy-efficient and innovative infrastructure projects is a prerequisite if European energy and climate targets are to be achieved on schedule; stresses that new energy infrastructure projects must be consistent with the EU's long-term energy and climate policies;
15. Welcomes the agreement on using uncommitted funds from the European Recovery Programme (energy projects) to establish a dedicated financial instrument to support sustainable energy initiatives at local and regional level; calls for close monitoring of this instrument in order to assess whether this kind of funding could serve as model for future instruments to finance sustainable and low-carbon investments;

Research and innovation aspects

16. Points out that the political target for research spending under the EU2020 strategy of 3% of GDP is composed of a private (2%) and public (1%) expenditure share; notes that there are still specific problems in meeting the 3% target, in particular in the field of private research spending; points out that the lack of commitment in the field of research funding is hampering the development of highly energy-efficient climate-friendly technologies;
17. Deplores the fact that, by subsidising energy prices and applying no restrictions or quotas on CO₂ emissions, certain countries outside the EU are gaining comparative competitive advantages; stresses that, because their CO₂ emissions are unrestricted and thus cheaper, these countries might be less willing to join a multilateral global agreement to fight global warming;

Options and tools to move beyond the 20% target

18. Calls for the application of a general principle that the EU should follow the most cost-

¹ European Parliament resolution of 5 May 2010 on a new Digital Agenda for Europe: 2015.eu (2009/2225(INI)).

effective pathway to reduce CO₂ emissions while supporting the timely deployment of promising innovative technologies and investments which are in line with the EU's long-term climate target; believes that the subsidiarity principle has to be respected in the implementation of that principle;

Energy measures

19. Calls for energy efficiency to be the priority in future climate-policy measures; acknowledges that, according to the Commission's 2050 Roadmap, if the EU delivers on its current policies, in particular achieving the energy-efficiency objective of 20% by 2020, this would enable it to reduce its emissions internally by 25% or more by 2020; notes that according to the Commission analysis this reduction level would still be on the cost-effective path towards the long-term target of a 80-95% reduction in greenhouse gas emissions over 1990 levels and that a less ambitious approach would result in significantly higher overall costs over the entire period;
20. Calls on the Commission to establish an effective legal framework to ensure that Member States fully implement their energy savings target commitments by 2020, by introducing a requirement that National Energy Efficiency Action Plans (NEEAPs) must be approved by the Commission, or by means of other measures; calls on the Commission to facilitate and monitor the implementation of NEEAPs and to consider infringement proceedings, when necessary, in the event of non-compliance; in that connection, recalls its resolution of 15 December 2010 on Revision of the Energy Efficiency Action Plan¹;
21. Considers that sectoral approaches combined with economy-wide caps in industrialised countries can contribute to reconciling climate action with competitiveness and economic growth; stresses the importance of adopting a holistic, horizontal, sectoral approach to industrial emissions as an added value in connection with international negotiations and European CO₂ targets;
22. Emphasises that energy savings achieved by means of improved energy efficiency offer the most cost-effective means of securing additional CO₂ reductions; draws attention to the untapped potential in the areas of life cycle energy performance of buildings, in particular existing buildings, the transport sector (including air transport), public procurement, the manufacture of energy-intensive products and energy production, transformation and transmission, including district heating and cooling; reiterates that concrete measures in these areas are essential and draws attention to the relevant proposals included in the Bendtsen and Kolarska-Bobińska reports; urges that energy-saving measures must be implemented first and foremost at national, regional and local level and that a communication strategy must be developed for EU projects so as to provide both undertakings and consumers with full information; underlines the potential in introducing a scheme for energy saving obligations for the energy industry, as suggested in the Commission's Energy Efficiency Plan, which has already had a positive effect in some Member States;
23. Draws attention to the energy saving potential of SMEs, as today only some 24% of

¹ Texts adopted, P7_TA-PROV(2010)0485.

European SMEs are actively implementing measures to reduce their environmental impact; stresses that while there is at least one financial consultant available for each SME, they receive no such an advice on energy saving and energy efficiency, and would need the assistance of an environmental and energy expert as well;

24. Points out that according to the Commission nearly €8 billion in EU energy-efficiency funding remains unclaimed; welcomes, therefore, the Commission's intention to facilitate and promote the use of the Structural Funds for energy-related building refurbishment projects; awaits concrete initiatives, including as regards the funding provisions;
25. Stresses that tightening the EU's climate targets would entail substantially increased effort and investment as regards the development and swift deployment of sustainable and low-carbon technologies, smart grids and energy-related research; considers it crucial that adequate financing for the SET-Plan should be ensured beyond 2013; stresses that an energy strategy with the ambition to meet climate targets beyond 20% must be based on all climate-friendly energy technologies;
26. Notes that the Commission has identified investment needs of €1 trillion in the area of energy generation capacity and the upgrading of the EU's energy transmission and distribution infrastructures by 2020, mainly to be financed through energy tariffs; calls for these investments to be made, with a view to completing an interconnected internal energy market ensuring security of supply, improving the integration of renewable energies in the European energy system, while taking into consideration the specific nature of each country's energy mix; increasing energy efficiency and enabling consumers to benefit from new technologies; stresses the need for electricity interconnectors between Member States in order to fully exploit the massive investments being made, in particular in renewable energy, in a number of countries;

Industrial policy measures

27. Calls for the EU ETS to ensure both long-term investment security and make provision for flexibility mechanisms in the event of economic downturns (e.g. to avoid over-allocations);
28. Considers that integrating sectoral approaches into the EU ETS would increase overall economic efficiency in all participating countries; stresses that it is worth considering the benefits of extending sectoral approaches to cover further sectors and countries;
29. Acknowledges the increasing attention given to carbon capture and storage (CCS) technologies, as a transitional stage on the road to a long-term fossil-free power supply, in reducing carbon emissions, not only in the energy sector, while noting that, in order to be economically viable, the investment in CCS would require substantially higher carbon prices by comparison with today's levels; stresses that social acceptance is necessary for a comprehensive evaluation of possible CCS projects; highlights the fact that, according to the IEA CCS roadmap, in 2030 half of all CCS projects will be in the industrial manufacturing sector; points out that fulfilling the criteria which new coal-fired power stations are required to meet in accordance with the climate and energy package provisions on CCS should be a precondition for starting construction of gas-fired power

stations; points out that implementing these technologies should not serve to reduce the competitiveness of European industry;

30. Calls on the Commission immediately to propose ways in which the EU can best complement its climate-change mitigation measures with efforts to reduce emissions of non-CO₂ gases, such as the HFCs which are the fastest growing climate pollutant in the world and HFC23; calls on the Commission to promote the initiative to bring HFC production into the Montreal Protocol and to conclude bilateral agreements with third countries on mitigating the impact of HFC23, with a view to reducing emissions of non-CO₂ gases and mitigating the impact of HFC23 in a cost-effective manner, at a cost to the public orders of magnitude lower than current carbon prices;
31. Notes the contribution made by nuclear energy to reducing CO₂ emissions, since closing nuclear power plants operating in the EU would lead to a 50% increase in emissions;
32. Notes that as far as the future of hard coal and lignite is concerned, CCS technology should not be considered the only option for retaining coal use in the EU economy, and that other low-emission coal technologies should also be developed and introduced;

Research and innovation measures

33. Stresses that the development and deployment of breakthrough technologies hold the key to fighting climate change and, at the same time, convincing the EU's partners worldwide that emissions reductions are feasible without losing competitiveness and jobs; considers it essential that Europe should lead by example by substantially increasing expenditure devoted to research on climate-friendly and energy-efficient industrial technologies under the Research and Innovation Framework Programme, which should be properly aligned with the strategic energy technologies set out in the SET-Plan; stresses the need for Europe to assume a leading role in research into climate and energy-efficient technologies and to develop close scientific cooperation in the field with international partners, such as the BRIC countries and the United States;
34. Highlights the potential for agriculture to make a major contribution to tackling climate change and, in particular, the potential for using agricultural waste in the production of sustainable energy, thereby creating an additional revenue stream for farmers; believes that the future CAP should be a tool to help Member States reach environmental and climate-change targets and that it should help farmers exploit the benefits offered by green growth; believes that the greening component of the CAP must be a part of the direct payment arrangements under the first pillar, in order to avoid complicated administrative procedures, ensure that farmers' environmental commitments are incentivised and secure uniform implementation across Member States;
35. Attaches particular importance to coordination between European patent-protection mechanisms in the field of energy saving and renewables in order to facilitate access to valuable intellectual property which remains untapped; stresses the need to activate the planned European patent as a matter of priority in the fields of energy saving and renewables;
36. Stresses the need to curb CO₂ emissions in the transport sector through the provision of

standardised European infrastructures for electric vehicles and more incentives to use sustainable second-generation biofuel as an alternative to fossil fuels;

37. Considers that by smoothing the transition towards a low-carbon economy and paving the way for a global carbon market, sectoral approaches, combined with economy-wide caps in industrialised countries, might also be part of a post-2012 international framework for climate action;
38. Welcomes the Commission's intention to gear climate policies towards long-term trajectories and supports the idea of intermediate targets, for example for 2030; is convinced that realistic medium- and long-term objectives provide for clearer incentives for investors to engage in sustainable investments, and that setting higher targets within the current 2020 framework might be too ambitious from an investment perspective;

Co-benefits and impacts

39. Notes that, according to the Commission's assessment, setting a higher reduction target would lead to a reduction in oil and gas imports of up to EUR 40 billion by 2020 at an assumed oil price of US\$ 88 per barrel in 2020; welcomes the fact that the EU's dependence on energy imports could thus be reduced by up to 56%;
40. Recognises that while serving as an incentive to develop low-carbon technologies, tightening the ETS reduction target would lead to a further increase in electricity prices and - if not accompanied by ambitious energy efficiency measures - in electricity costs, which would be a major concern for EU industries and for consumers; considers that according to the recent Eurobarometer survey stable and secure energy prices are a major concern for the public; points out that the ETS directive allows Member States to offset higher electricity prices for electro-intensive industries by granting State aid;
41. Emphasises the potential increase in European competitiveness, through innovation and increased investment, which could result from a transformation to a sustainable economy; highlights the fact that greater EU mitigation efforts would create cost advantages for the EU's international competitors in a number of sectors and, at the same time, lead to competitive margins for EU companies in the area of climate technologies; considers that for the EU's competitors in the sectors concerned signing up to an international agreement would mean giving up those cost advantages, whereas the EU's competitive margin would be likely to remain unaffected;
42. Stresses that climate-friendly innovation in Europe is necessary to maintain a strong position in a rapidly growing global market for low-carbon technologies and that this would allow the EU to be more competitive with larger market players; emphasises the need to ensure the market deployment and commercialisation of innovation output in Europe; takes the view, therefore, that proper financial instruments should be available to support the introduction of successful technologies on the EU market; warns against the risks associated with 'green jobs leakage', as delays in the creation of an inclusive and sustainable European economy would divert investments and jobs in green sectors to other regions;
43. Notes that despite a temporary fall in energy consumption in 2009, more energy will be

used in future as the economies of the Member States recover, so that the dependence on energy imports will continue to grow;

44. Is concerned that a shift in sustainable technology innovation away from Europe to other parts of the world is already occurring, which may turn Europe into a net importer of these technologies and related finished products; states that, according to recent surveys, out of the 50 companies identified as clean technology leaders, 24 were based in Asia, 22 in the United States, three in Europe, and one in Canada; stresses that, according to the Ernst & Young 2010 barometer, China and US are the most attractive regions of the world for the development of renewable energy sources;
45. Notes that Europe should now invest more in energy efficiency, which will strengthen local economies by supporting local jobs that cannot leak to third countries with lower production costs;
46. Recognises the job-creation and competitiveness effects associated with the transition to a low-carbon economy, as the EU becomes a global leader in the area of renewable energy technologies and energy-efficient products and services;

Assessing the risk of carbon leakage

47. Stresses that Europe's mitigation policy is effective in promoting a greener restructuring of its production system, but points out that, if implemented unilaterally, its environmental effectiveness might be reduced by carbon leakage¹;
48. Points out that under the proposed benchmarking provisions a share of the emissions certificates will still have to be purchased by those industrial installations which are not going to meet the benchmark, generating costs for EU companies facing international competition that their global competitors do not have to contend with; notes that, owing to the flexible architecture of the ETS, companies will be able to carry over unused allowances from the second to the third phase;
49. Believes that ETS benchmarking should also take into account what sources of energy are available in a Member State and allow for adjustments as energy mixes and sourcing options change;
50. Deplores the fact that the additional impact on electricity prices has not been sufficiently reflected in the Commission's assumptions on carbon leakage; stresses that 40% of EU electricity is used by industry, which is significantly affected by any increase in the carbon price as a result of the passing-on of costs by the electricity sector; points out, however, that the Member States can, in the context of aid schemes, use the proceeds of auctions to limit this effect;
51. Emphasises that there is no single solution for industrial sectors that are vulnerable to carbon leakage, and that the nature of the product or the structure of the market are essential criteria for choosing between the tools available (free allocation of allowances, State aid or border adjustment measures);

¹ Conclusion of a study of 3 March 2011 by the Euro-Mediterranean Centre for Climate Change on the 'Macroeconomic impact of EU mitigation policies beyond the 20% target'.

52. Notes that forecasts for the 2020 carbon market - as used by the Commission in its May 2010 communication on the basis of a 30% domestic reductions scenario - vary substantially, therefore calls on the Commission to submit a new projection for a carbon leakage risk assessment which takes account of such scenarios;

Further opportunities and challenges

53. Considers that potential changes in labour and energy costs as a result of EU climate change policies should not lead to social dumping or carbon leakage, and calls on the Commission to investigate any such risks; for this reason, also calls on other developed or developing countries to undertake to make appropriate or comparable efforts;

54. Calls on the Commission to support, on the one hand, measures to meet labour market requirements arising from the change to a low-carbon economy and, on the other, restructuring measures covering workers who become available in the new sectors;

55. Takes the view that cohesion funds must be used more effectively to promote renewable energies, energy efficiency and low-carbon energy technologies;

56. Stresses that increases in carbon prices will lead to further increases in electricity costs; states that every €1 increase in the carbon price results in more than €2 billion in extra costs for society in the form of electricity charges, 40% of which is accounted for by industry; calls on the Commission to consult all parties involved, with a view to proposing appropriate solutions which do not distort competition;

57. Stresses that according to the IEA's World Energy Outlook 2010 the 2°C goal can only be achieved if current commitments are vigorously implemented in the period to 2020 and by much stronger action thereafter; calls, therefore, on the Commission and the (European) Council to push for more rapid, internationally coordinated implementation of the abolition of fossil-fuel subsidies agreed by the G20 and to present corresponding proposals at EU level;

58. Recalls, in this context, the Commission communication on the EU2020 strategy calling for a shift in the tax burden from labour to energy; welcomes the announcement in the annual growth survey of a proposal to adapt the European framework for energy taxation in line with the EU energy and climate objectives;

59. Expresses concern that imports from countries with less stringent CO₂ restrictions have been the chief contributors to a 47% increase in consumption-related CO₂ emissions in the EU between 1990 and 2006; notes that this is entirely unrelated to recent EU climate policies and the EU ETS in particular; nevertheless, asks the Commission to assess whether such trends have continued after 2006;

60. Calls on the Commission to take the following practical measures:

- assess the effects of domestic emissions-reduction policies on employment, including job opportunities, and promote the improvement of low-carbon literacy, energy-related reskilling and upskilling needs and education and training, in particular for SMEs;

- analyse to what extent Member States meet their commitment to spend at least 50% of the auction revenues on mitigation and adaptation measures and propose measures, if necessary;
- analyse the impact of the EU's increased emissions reduction targets at Member State level, as indicated in the Environment Council Conclusions of 14 March 2011;
- provide proper financing for the SET-Plan;
- promote the efficient use of the structural and cohesion funds by the Member States, in particular for energy-efficiency measures, whilst taking full account of the principle that such investments must be regional and reduce economic and social disparities within the EU;
- introduce innovative financing mechanisms (such as revolving schemes);
- earmark additional funds for weaker and disadvantaged regions to cover measures in non-ETS sectors (buildings, transport, agriculture);
- give priority to climate and energy research under the Eighth Research Framework Programme, including energy efficiency, and to research into the causes of climate change and adaptation to it;
- to analyse what impact a unilateral move by the EU beyond 20% greenhouse gas emissions reductions could have on other countries' willingness to join an international agreement;
- investigate the potential impact in terms of green jobs leakage and reduced investments and competitiveness in green sectors.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	9.5.2011
Result of final vote	+: 38 -: 4 0: 2
Members present for the final vote	Jean-Pierre Audy, Zigmantas Balčytis, Ivo Belet, Bendt Bendtsen, Jan Březina, Maria Da Graça Carvalho, Giles Chichester, Pilar del Castillo Vera, Lena Ek, Ioan Enciu, Adam Gierek, Norbert Glante, Fiona Hall, Romana Jordan Cizelj, Krišjānis Kariņš, Lena Kolarska-Bobińska, Philippe Lamberts, Bogdan Kazimierz Marcinkiewicz, Marisa Matias, Jaroslav Paška, Herbert Reul, Teresa Riera Madurell, Jens Rohde, Paul Rübig, Amalia Sartori, Britta Thomsen, Evžen Tošenovský, Ioannis A. Tsoukalas, Niki Tzavela, Marita Ulvskog, Kathleen Van Brempt, Henri Weber
Substitute(s) present for the final vote	Matthias Groote, Françoise Grossetête, Cristina Gutiérrez-Cortines, Satu Hassi, Jolanta Emilia Hibner, Yannick Jadot, Oriol Junqueras Vies, Silvana Koch-Mehrin, Vladko Todorov Panayotov, Algirdas Saudargas, Silvia-Adriana Țicău
Substitute(s) under Rule 187(2) present for the final vote	Alexandra Thein