



European
Commission



2030

FRAMEWORKfor**CLIMATE&ENERGY**

#EU2030

Outline

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- 2. Why a new framework for 2030?**
- 3. Main elements**
- 4. Challenges and benefits**
- 5. How it works**
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- 7. Other elements**
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1. Climate and energy: where do we stand?

- **Main changes**

Renewable energy saw rapid cost decreases
Technologies are gradually becoming competitive

Impact of the financial crisis
Fall in private investment, tight financing conditions

Fukushima

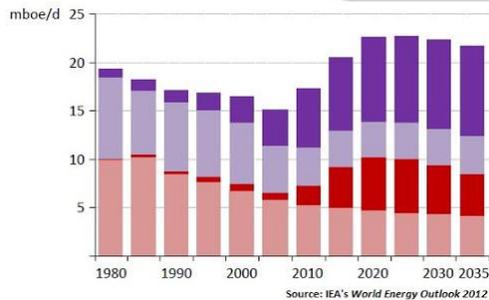


Some countries phase out nuclear power production

Rising demand -> rising prices
By 2030, world economy set to double and energy demand to rise by 1/3

Shale gas

US oil and gas production



Unconventional gas
Unconventional oil
Conventional gas
Conventional oil

1. Climate and energy: where do we stand?

- **Prices and costs**

In the EU:

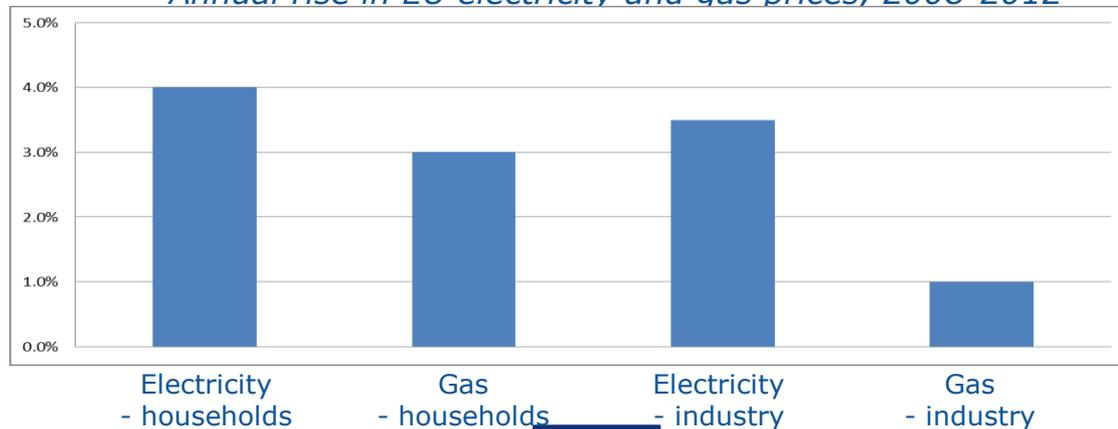
- **Wholesale prices** have been **stable or low**
- **Retail prices** have **risen**, often above inflation, mainly driven by:
 - taxes and levies, network costs and energy supply costs.

Elsewhere:

- Prices (especially gas) have **fallen**.

Europe needs to contain energy costs to remain competitive.

Annual rise in EU electricity and gas prices, 2008-2012



2. Why a new framework for 2030?

Reducing Greenhouse Gas
Emissions (GHG) **cost-**
effectively

2050 objective: -80% to -95% GHG

2. Why a new framework for 2030?

Security of EU energy **supplies**

EU oil and gas imports:
€ 400 billion per year

2. Why a new framework for 2030?

Competitive energy and
new **growth** and **jobs**

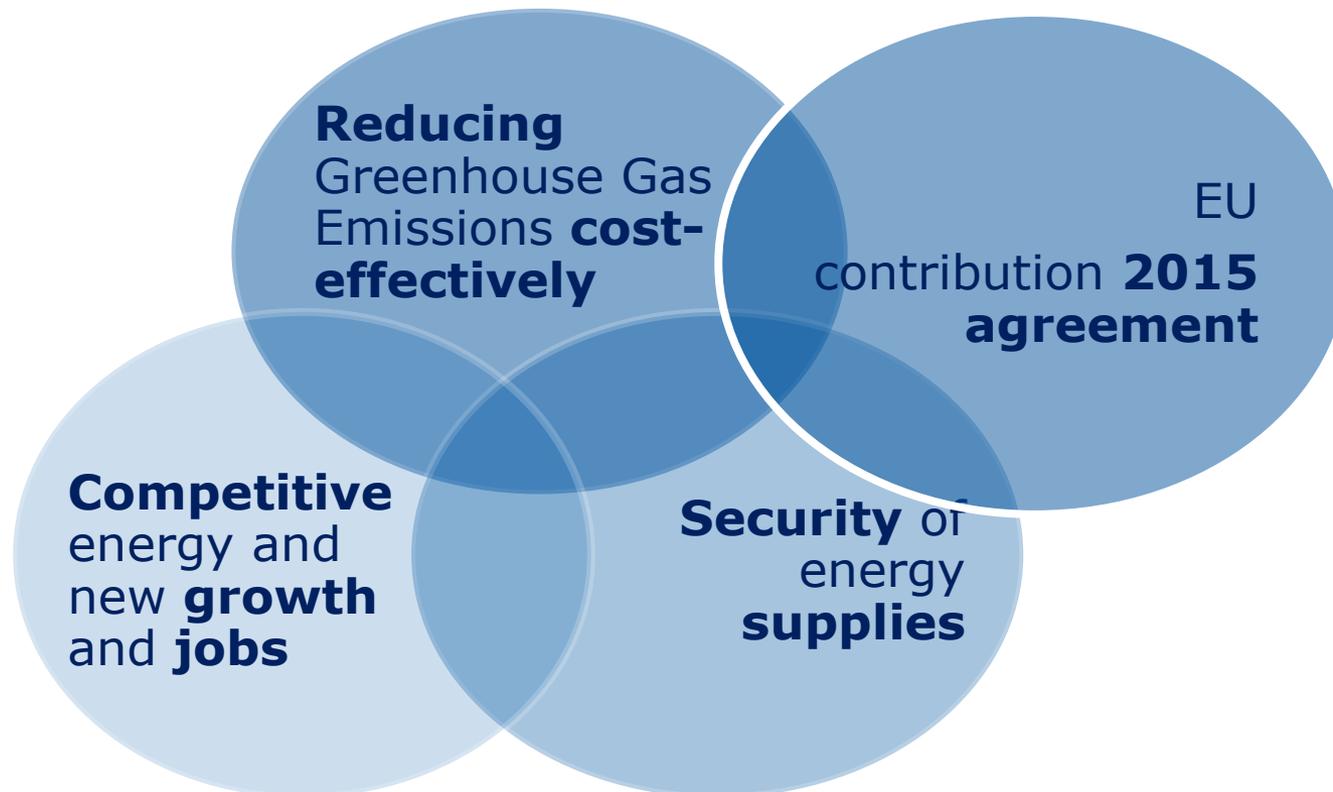
Eco-industry already employs
4.2 million

2. Why a new framework for 2030?



EU contribution to 2015
**international climate
agreement**

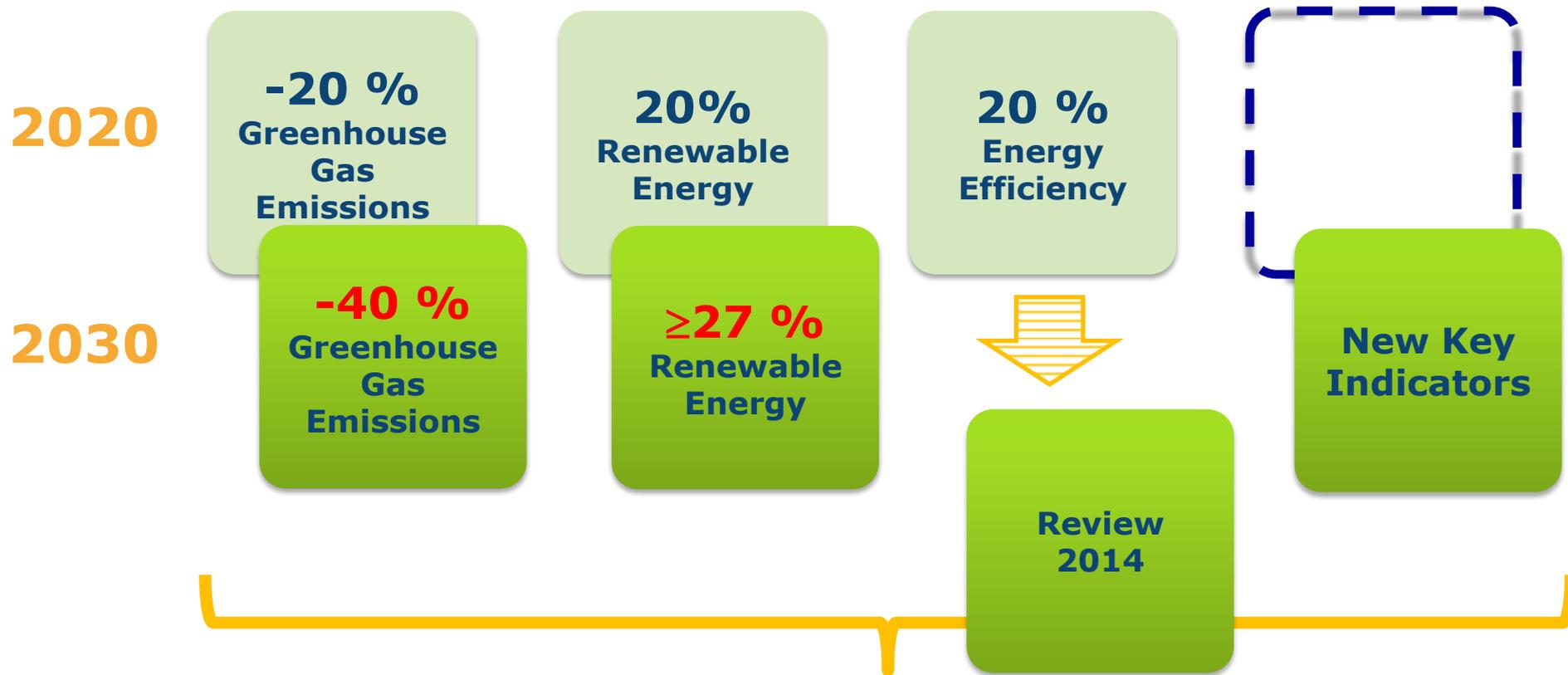
2. Why a new framework for 2030?



3. Main elements

- A Communication on A policy framework for climate and energy in the period from 2020 to 2030
- A Communication and a report on Energy Prices and Costs for the European Council
- A Decision concerning the establishment and operation of a market stability reserve
- A Recommendation on the safe and environmentally friendly exploitation of shale gas
- A Communication on industrial policy "For a European industrial renaissance"

3. Main elements



New governance system

4. Main challenges...

Energy costs

- **Increasing** in any event: renew **ageing** energy system, rising fossil **fuel prices**, adherence to **existing policies**

Additional **investments** to achieve 2030 framework

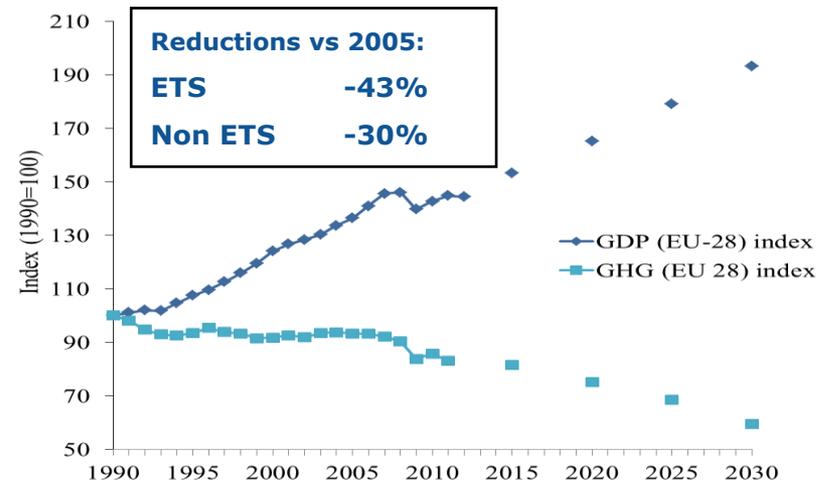
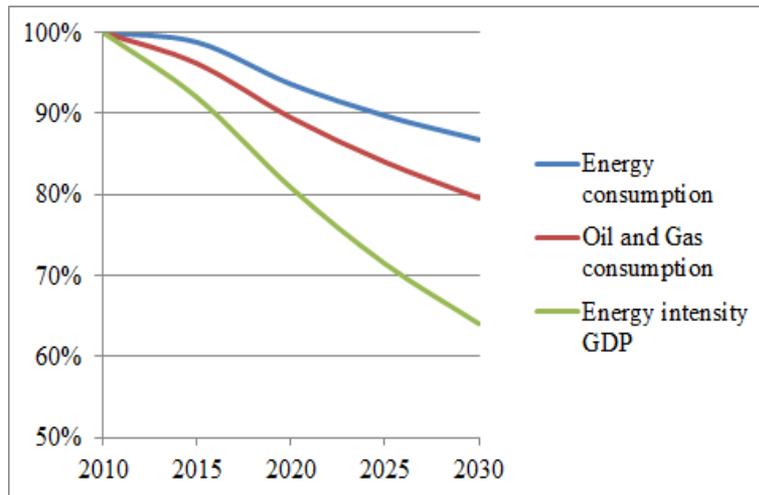
- Shift away from **fuel expenditure** towards investments, additional **€ 38 billion** investment/year 2011-2030 compared to the reference scenario

Differences between Member States

- Future discussion will have to be centred on how to ensure an **equitable burden sharing** affordable for all

4. Challenges and benefits

- **Decoupling of Gross Domestic Product growth from Greenhouse Gas Emissions will continue**



- **Energy system costs:** 0.15% of GDP in 2030
- **Investments:** additional € 38 billion per year next 2 decades
- **Fuel savings:** additional € 18 billion fuel per year next 2 decades
- **Energy security:** additional 11% cut in energy imports in 2030
- **Innovation:** jobs & growth
- **Health and air pollution benefits:** €7-13.5 billion in 2030

5. How it works

- **New Governance** system
National plans for competitive, secure and sustainable energy

Plans to improve EU wide coherence and provide investor certainty well before 2020:

- How to achieve domestic objectives (non-ETS GHG target, contribute to EU renewable energy target, energy savings, etc).
- What other important choices such as nuclear, shale gas, low carbon fuels, CCS, etc.
- How it contributes to strengthens the internal market (renewables deployment, balancing markets, generation adequacy and construction of interconnectors).
- How it contributes to achieving the EU binding RES target of at least 27%

5. How it works

- **New Governance** system
National plans for competitive, secure and sustainable energy

Commission develops detailed guidance

Member States prepare plans based on an iterative process (including consultation neighbouring MS)

Commission assesses Member States' plans and commitments

5. How it works

**Overall 2030 domestic GHG target -40%
compared to 1990**

**ETS target -43% compared to 2005
Non ETS target -30% compared to 2005**

Translate into:

- Linear Reduction factor from 2021 onwards -2.2% for all ETS sectors**
- Non ETS targets for Member States**

5. How it works

- **Key indicators**



Energy price
differentials



Diversification
imports,
share of
indigenous energy



Smart grids &
connectors
between Member
States



Intra-EU
coupling energy
markets



Competition and
market
concentration

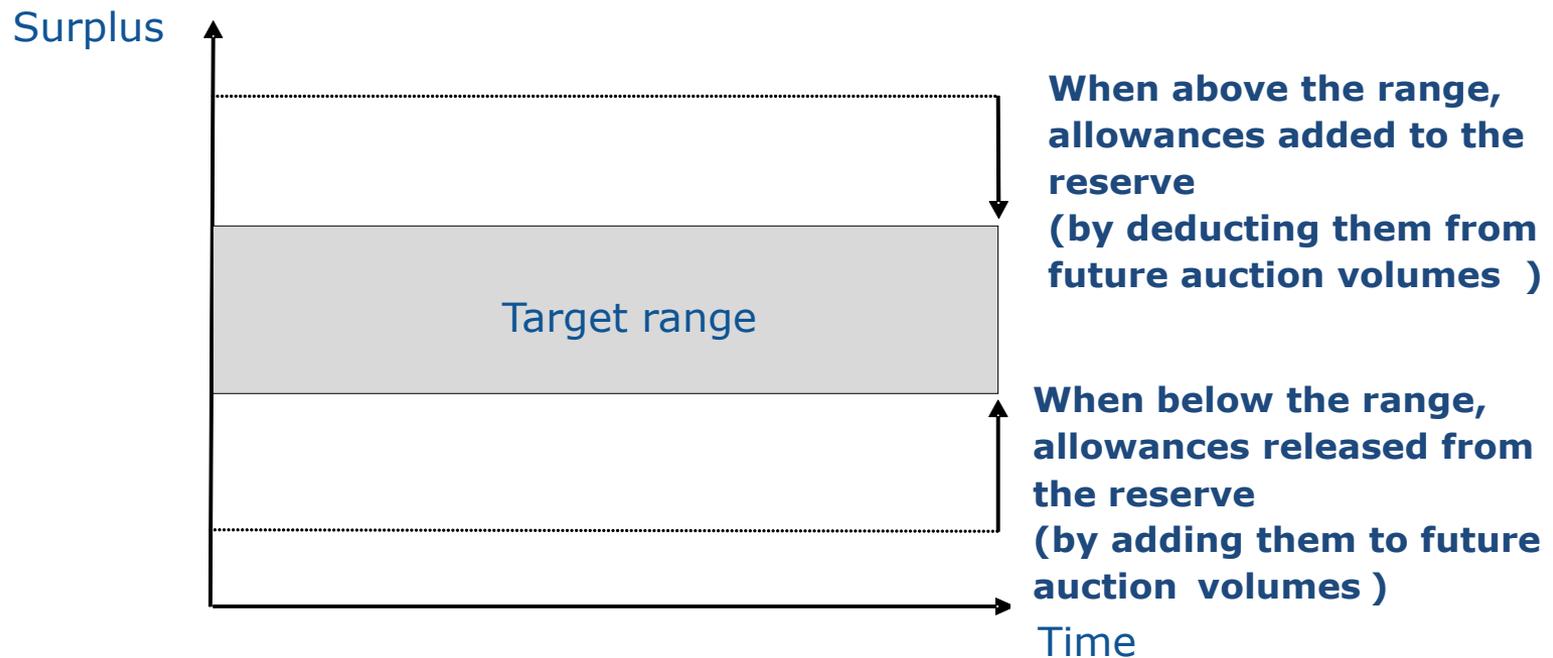


Technological
innovation

6. Reform of the EU ETS

- Large and persistent **market imbalance** (surplus >2 billion)
- **Back-loading** of auction volume only a first, temporary step
- Proposal to create a **market stability reserve** from 2021 onwards to make EU **Emissions Trading System more resilient** to demand shocks
- After decision on 40% Greenhouse Gas Emissions reduction target: Increase linear reduction factor as of 2021 from 1.74 % to 2.2% to **align the Emissions Trading System** cap to agreed 2030 target
- **Carbon leakage:** Stable framework for this decade, continued but more focused free allocation after 2020

6. Reform of the EU ETS



6. Reform of the EU ETS

Market stability reserve

- **Regular publication** of the market balance ("total number of allowances in circulation")
- In **case of large number of allowances** in circulation, i.e. not needed for compliance, **auction volume is reduced** by transferring allowances into reserve:
 - 12% of the nr of **allowances** in circulation, as long as this is equal to or larger than 100 million
- In case of **increasing demand and small number** in circulation, **auction volume is increased** by releasing **100 million** allowances from reserve
 - if number of allowances decreases to below 400 million allowances
 - if Article 29a applies
- Reserve transfers (in and out) **protect carbon market** from demand shocks

7. Other elements

Transport

- Transport White Paper goal to reduce GHG from the transport sector by 20% by 2030 compared to 2008.
- Will require gradual transformation of the entire transport system.
- Improving efficiency, development and deployment of electric vehicles, second and third generation biofuels and other alternative, sustainable fuels, smarter pricing of infrastructure usage, fuel and vehicle taxation, etc.
- No new targets for renewable energy or the GHG intensity of fuels used in the transport sector.
- Food-based biofuels should not receive public support after 2020.



7. Other elements

Innovation and finance

- Upscale **funding for R&D and innovation** beyond current Horizon 2020
- Use of an **expanded NER300 system** will be explored (including innovative technologies for industry)
- **EU funding 2014–2020** is available under the European Structural and Investment Funds (23 billion Euro ring-fenced for the "Shift to low-carbon economy")
- Reflections need to start on instruments for after 2020 to **leverage finance**, particularly in Member States that have less access to it, **empowering regional and local authorities** to invest and exploit low-carbon opportunities

8. Next steps

At **European level**

- **March 2014: European Council**
- **European Parliament**
- **Energy Efficiency Directive:** 2014 Review and proposals
- **Emissions Trading System proposal:** co-decision procedure
- Development/implementation of new governance structure
- Competitiveness and energy security indicators

And at **international level**

- 2014: Ban Ki-moon Climate Summit of World leaders
- 2015: contributions from Parties; Paris conference adopts **international agreement**