# Energy: a thorny issue for the EU summit

Top billing at this week's EU summit (20 and 21 March) will go to the crisis unfolding in Ukraine. Beyond immediate security concerns, developments in Crimea are likely to focus the minds of EU leaders on the need to strengthen the EU's energy security, and in particular its independence from Russia. This will be the backdrop for discussions on another thorny item: the EU's climate and energy ambition after 2020. Decisions made at this summit and in the coming months on carbon cuts and renewable energy will have a major bearing on both global security and the chances of stopping runaway climate change.

**State of play**

The heads of EU governments will debate the European Commission's climate and energy policy proposals for 2030 [1]. The proposals include a binding target for the EU to cut domestic carbon emissions by 40 per cent by 2030 and an EU-wide target to increase the share of renewables in the energy system to at least 27 per cent by 2030, but do not recommend for this target to be broken down into legally binding targets for each EU country. The Commission has put the decision on an energy savings target on hold until a review of existing legislation later this year.

EU ministers have already discussed the proposals at Council meetings on 3 and 4 March and the Greek EU Presidency has summarised the results in a letter to Council President Herman Van Rompuy [2].

The 2030 package follows a trio of EU targets for 2020: a binding cut in carbon emissions of 20 per cent (compared to 1990 levels), a binding share of renewables of 20 per cent and a non-binding reduction in energy use of 20 per cent (compared to business-as-usual).

**What to expect**

It is likely that EU leaders will not endorse concrete targets for 2030 but only set out a timetable for agreement before the end of the year, as well as a list of issues to be resolved before such an agreement can be reached. This includes further information on the effects of policies on individual countries, which Poland and other countries have requested.

Another possibility is that EU leaders endorse something approaching the Commission proposals on carbon cuts and an EU-wide renewables target. This is the preferred option for the ministers of 13 EU countries, led by UK energy secretary Ed Davey and including ministers from France, Germany, Italy and Spain who signed a joint declaration calling for an agreement at the March summit [3].

Finally, there is a risk that an agreement could be even weaker than the Commission's proposals, with backing for a single climate target and no energy targets at all.

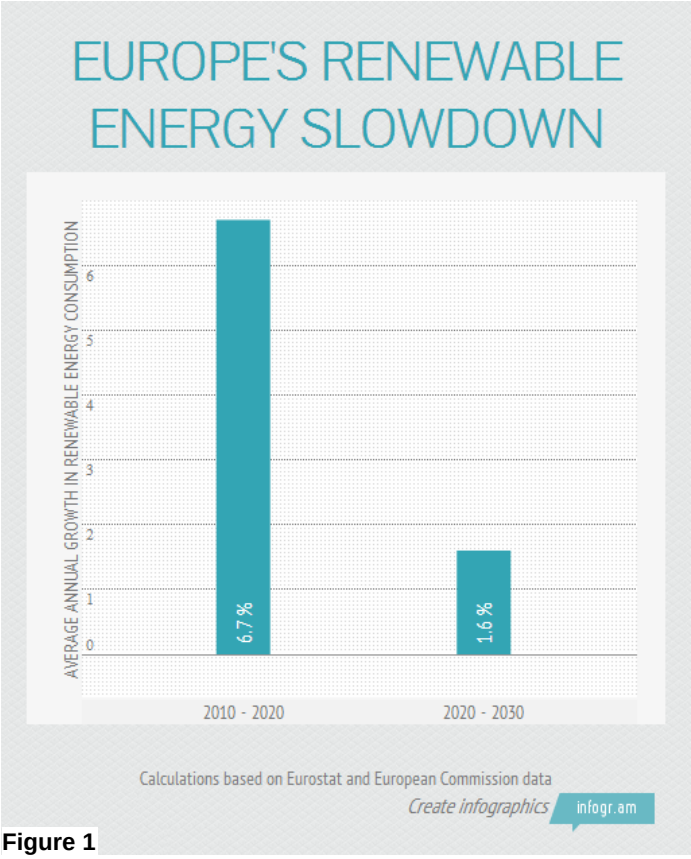


Figure 1

**What it means**

The 2030 targets and policies tabled by the Commission are inadequate to drive transformational change in the EU's energy sector towards safe and clean technologies. They do not deliver the emission reductions needed to avoid the worst impacts of climate change.

A binding 40 per cent domestic reduction in carbon emissions is not enough. Under current policies, carbon emissions will drop by 32 per cent by 2030, even without supplementary measures or targets for 2030 [4]. A 40 per cent cut would be insufficient for the EU to deliver its fair share of global emission reductions [5] and to 'eat up' the surplus of emission allowances that is undermining the functioning of the EU's emissions trading scheme [6]. Greenpeace supports a science-based domestic carbon target of at least 55 per cent by 2030, without the use of offset credits.

An EU-wide binding 27 per cent share of renewable energy by 2030 would not drive additional green energy investments. With today's policies in place and no supplementary carbon or energy targets for 2030, the share of renewables would reach 24 per cent by 2030 [7]. The pull effect of a carbon target of 40 per cent would slightly increase the share to 27 per cent.

Growth in the renewables sector would drop from almost 7 per cent per year, between 2010 and 2020, to under 2 per cent, between 2020 and 2030 [see figure 1].

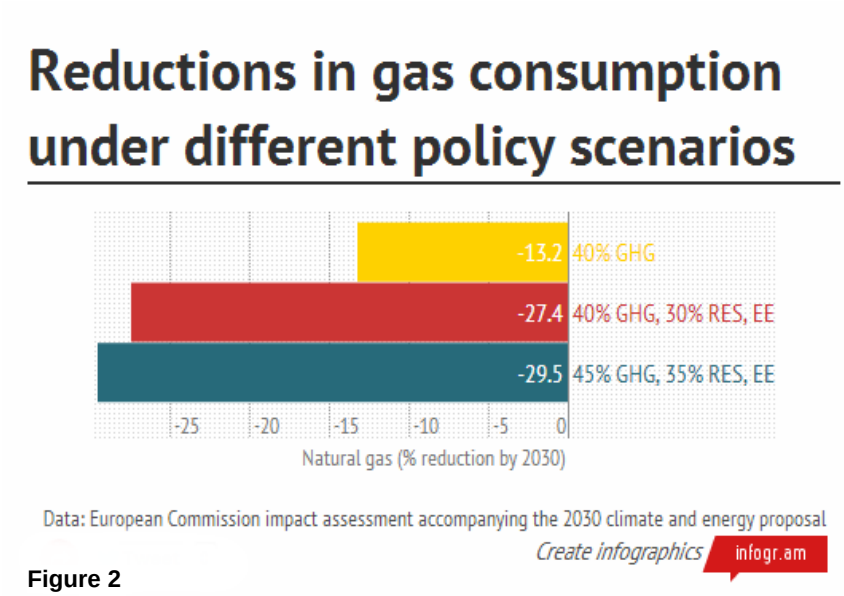


**Figure 2**

To realise Europe's clean energy potential, the EU should set an ambitious renewables target of 45 per cent by 2030.

The Commission's proposal would reduce energy imports compared to current policies, but an additional 35 per cent renewables target and ambitious energy efficiency policies would cut net imports by more than half by 2050, according to the Commission's own 2030 impact assessment. Under the same scenario, the EU's gas consumption would decline by 29.5 per cent by 2030 [see figure 2] and 54.4 per cent by 2050.

**Country positions**

A large majority of EU countries support the proposed 40 per cent carbon target, with the exception of **Poland, the Czech Republic, Slovakia**, **Hungary** and **Bulgaria**, which demand a country-specific impact analysis before any decision is made. But the Commission's 2030 impact assessment already provides detailed economic data on impacts at national level, including effects of 2030 targets on GDP development and pollution control costs.

Most countries, including **France, Spain** and **Italy**, would probably also support the proposed renewables target. **Portugal, Ireland, Luxembourg, Germany** and **Denmark** have called for a share of renewables higher than 27 per cent. Denmark, Germany and Luxembourg want a renewable energy target of 30 per cent; Portugal advocates a 40 per cent share for renewables. But the **United Kingdom** has strenuously opposed an EU renewables target and would only accept an EU wide binding target as long as it is not translated into national targets.

While it favours a three target approach (for carbon cuts, renewables and efficiency), Germany has focussed its attention mainly on investigations by the Commission's competition department into its renewable energy law, including on industry exemptions and the use of state aid. With Germany largely on the sidelines, the UK and other less progressive countries have had free reign to lobby in favour of a single carbon target.

**Arguments over costs**
Proponents of a single carbon target approach have argued that the renewables target has come with oversized national support schemes, which are too costly for consumers and national budgets. But the Commission's report on costs and prices accompanying its policy proposals shows that *"the net effect of renewable energy on retail prices can be to reduce, not raise prices."* This has been the case in Spain and Ireland, but not in Germany so far [8].

Furthermore, the cost of renewables is compensated by lower fuel import bills. In 2010, support for renewable energy in the EU amounted to €26 billion, according to the International Energy Agency [9]. In the same year, renewables avoided €30 billion in imported fuel costs. In 2012, Europe spent a total of about €545 billion on energy imports [10]. According to the European Wind Energy Association, an increase in the share of renewable energy to 27 per cent by 2030 would result in fuel import savings of €9 billion per year between 2011 and 2030, whereas a 30 per cent renewable energy target would save €22.5 billion a year [11].

Alternatives to renewables are hardly a bargain. The nuclear and fossil fuel energy sectors soaked up a combined €60 billion in public subsidies in 2011 – double the amount given to renewable energy producers in the same year [12]. The UK, which is arguing that EU countries should be free to decide how they move to a low carbon energy system, is planning to subsidise a wide range of energy technologies, including by dedicating at least €21 billion in taxpayers' money to a new nuclear plant [13], in addition to support for gas and renewable energy. While the final details are yet to be agreed, the proposed levels of nuclear subsidies have left some economic analysts *"flabbergasted"* [14].

**Intense lobbying**
Some of Europe's largest electricity companies, such as GDF-Suez, RWE, E.ON, ENEL and Vattenfall, reject any targets for renewable energy and energy savings. They have mainly invested in coal, gas and nuclear power and want to continue selling energy based on these technologies. By bringing down wholesale energy prices, the growth of renewables is eating into their profits, as many of the company's recent annual earnings have shown. However, where they have invested in renewables, these parts of their business are performing well [15]. For example, in 2013, E.On made €1.4 billion from 10 gigawatts of renewables but only €1.9 billion from 40 gigawatts of conventional energy. J.P. Morgan also puts a much higher value on E.ON's renewables business than its conventional generation business [16].

The CEOs of six energy companies, including Acciona Energía, Alstom, ERG, Enercon, RES and Vestas, have backed a 30 per cent renewable energy target for 2030 that is binding on all 28 EU member states [17]. The companies are part of a wider coalition, which includes EnBW, SSE, Dong Energy and Verbund, calling for a strong 2030 policy framework and targets [18].

The European Parliament also backs a binding 30 per cent target for renewable energy, as well as a target to increase energy efficiency by 40 per cent by 2030.

Europe's energy regulators (CEER) said Europe should not only establish a headline target of at least 27 per cent but also "*establish clear, national [renewables] targets*" since uncertainty about future levels of renewables could "*lead to significant network planning and cost implications for regulators in managing uncertain system balancing and financial arrangements*" [19].

Eight European power grid operators, including the UK's National Grid and France's RTE, have also backed an ambitious 2030 renewable energy target and described it as *"essential"* to facilitate the evolution of the grid with a fast-growing share of renewable electricity [20].

Business Europe, an industry lobby network, has rallied behind fossil and nuclear energy companies [21], but some of its most prominent member companies, including Philips [22] and Unilever [23] have expressed their support for multiple targets.

**Next steps**
The next EU summit in June and intervening energy and environment Councils are expected to continue to discuss EU measures on climate change and energy for 2030.

The EU should agree its 2030 targets ahead of a leaders' summit hosted by UN secretary-general Ban Ki-Moon in September 2014, where global post-2020 climate action will be discussed. Under UN climate negotiations, all governments have agreed to put forward their *"contributions"* to post-2020 climate action by the first quarter of 2015, ahead of a global climate conference in Paris at the end of that year.

**Notes**:
**[1]** Greenpeace, 22 January 2014: Commission president Barroso sells out on climate and energy policy.
**[2]** Greek Presidency, 13 March 2014: Letter from Yannis Maniatis to Herman Van Rompuy.
**[3]** Green Growth Group, 3 March 2014: Ministers' statement on climate and energy framework for 2030.
**[4]** Commission staff working document, 22 January 2014: Impact assessment for a 2030 climate and energy policy framework.
**[5]** Ecofys report, June 2013: The next step in Europe's climate action: setting targets for 2030.
**[6]** Greenpeace, January 2014: The impact of a dysfunctional EU carbon market on 2030 climate action.
**[7]** Commission staff working document, 22 January 2014: Impact assessment for a 2030 climate and energy policy framework.
**[8]** Commission staff working document, 22 January 2014: Energy prices and costs in Europe.
**[9]** International Energy Agency, 9 November 2011: World Energy Outlook 2011.
**[10]** European Commission, 22 January 2014: Energy Economic Developments in Europe.
**[11]** European Wind Energy Assocation, March 2014: Avoiding fossil fuel costs with wind energy**.**
**[12]** Euractiv, 24 October 2013: Why is Oettinger scared of fossil fuel subsidy figures?
**[13]** European Commission, December 2012: Letter regarding decision to open in-depth investigation into UK measures supporting nuclear energy.
**[14]** Liberium Capital, 30 October 2013: Flabbergasted – The Hinkley Point Contract.
**[15]** Greenpeace, February 2014: Locked in the past. Why Europe's big energy companies fear change.
**[16]** J.P. Morgan, 19 November 2013, German Utilities: RWE: balance sheet story continuing to unfold, maintain preference vs. EON.
**[17]** Reuters, 12 February 2014, Green energy firms clash with big utilities on EU policy.
**[18]** EuropeBusiness, 12 February 2014: Business statement for binding renewable energy target in 2030 framework.
**[19]** Council of European Energy Regulators, March 2014: Position on the European Commission's Policy Framework for Climate and Energy 2020-30.
**[20]** Renewables Grid Initiative, February 2014: RGI Position on the EU 2030 Framework for Climate and Energy Policies.
**[21]** Business Europe, 27 February 2014: Business Europe reaction to the EU climate and energy package.
**[22]** Philips, 8 April 2013: Memorandum (in Dutch).
**[23]**Unilever, May 2013: Unilever Statement on Climate and Energy Policy.

**Contacts**:
**For energy**:
**Frederic Thoma** - Greenpeace EU energy policy adviser: +32 (0)486 401 895, Frederic.Thoma@Greenpeace.org
**Tara Connolly** - Greenpeace EU energy policy adviser: +32 (0)477 790416, tara.connolly@greenpeace.org
**For climate change and the emissions trading scheme**:
**Joris den Blanken** - Greenpeace EU climate policy director: +32 (0)476 961375, joris.den.blanken@greenpeace.org
**Greenpeace EU pressdesk**: +32 (0)2 274 1911, pressdesk.eu@greenpeace.org

This media briefing is also available on **www.greenpeace.eu**
For breaking news and comment on EU affairs: **www.twitter.com/GreenpeaceEU**

Greenpeace is an independent global campaigning organisation that acts to change attitudes and behaviour, to protect and conserve the environment and to promote peace. Greenpeace does not accept donations from governments, the EU, businesses or political parties.