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Greenpeace briefing on the Commission 'Climate & Energy Package'

Introduction

Tomorrow, the European Commission will be presenting new legislation on climate & energy to secure the EU objectives it set itself last year. This will include a breakdown of Member State climate targets for 2020, a new framework for renewable energy, as well as new rules for the Emissions Trading Scheme after 2012 and for carbon capture and storage.

Greenpeace sees the climate package as an invaluable opportunity to start implementing the energy revolution – a radical change in the way energy is produced, consumed and distributed - in the interest of climate protection. The only alternative to dangerous climate change is a boost in the share of renewable energy sources and increased energy efficiency and conservation. Nonetheless, the Commission's proposals as they currently stand contain certain major flaws that need to be fixed for the EU to make real and adequate climate progress.

According to our information, there are still a few outstanding questions in these proposals that need to be resolved by tomorrow (the open questions that we know of are marked in this briefing with a star).

EU Climate Target

The backbone of the climate targets within the package is the internal EU agreement struck in spring last year in which the EU promised it would reduce its greenhouse gas emissions by 30% by 2020 (compared to 1990 levels) as part of a new global deal. The 2007 spring summit also agreed that until the new deal is concluded, the EU would only commit to reducing its emissions by 20%.

Greenpeace believes that setting this 20% cut as the 2020 climate target is a political and scientific mistake for the following two reasons:

- Firstly, as the Commission has already recognised, this target is inconsistent with the EU objective of keeping mean temperature increase below 2 degrees Celsius compared to pre-industrial levels. The EU committed to this temperature threshold over a decade ago with the intention of preventing the most devastating impacts of climate change. Only if the EU commits to reducing its emissions by at least 30% domestically will it respect its own objective - this -20% target is a purely arbitrary number.
- Secondly, this cut is weaker than what was agreed for developed countries during the international negotiations in Bali in December 2007. There, the range agreed for developed country reductions was set at 25-40% by 2020.

In light of recent international political developments and the scientific evidence consistent with the 2-degree objective, Greenpeace urges the EU to unilaterally commit to an overall 30% reduction of its emissions by 2020, compared to 1990 levels.

Within the package, the Commission will suggest a new approach for setting targets on greenhouse gas emissions for 2020 – to divide total EU emissions into two categories: those coming from sectors covered by the Emissions Trading Scheme (ETS emissions) and those coming from sectors not covered by it (non-ETS emissions).

Within the new ‘effort-sharing’ proposal, the Commission will only be setting 2020 targets for each of the 27 Member States for their non-ETS emissions (primarily caused by transport, waste, agriculture, chemicals and buildings). Within the revision of the Emissions Trading Scheme, the Commission will be proposing a separate, EU-wide cap on the emissions from the ETS sectors (large point sources of carbon dioxide, such as the power sector, oil refineries and factories making cement, glass, lime, brick, ceramics, pulp & paper, etc.).

‘Effort-Sharing’ Between Member States

“Decision on the effort of Member States to reduce their greenhouse gas emissions to meet the Community’s greenhouse gas emission reduction commitments up to 2020”

Within the effort-sharing proposal for non-ETS emissions, the Commission has already decided to use each country’s GDP per capita to fix its future share of emissions, so that wealthier countries have to reduce their emissions more than poorer EU states. To be in line with a total 20% cut of EU emissions by 2020, compared to 1990 levels, the EU non-ETS emissions have to be reduced by 10% by 2020, compared to 2005 levels.

Greenpeace’s first criticism is on the magnitude of the total non-ETS emission cap, given that it has not been set to match a total 30% reduction by the EU by 2020, but is instead derived from the inadequate 20% cut. The Commission, however, leaves the door open for correcting this target in the future by integrating a ‘trigger’ mechanism in the proposal, so that as soon as an international deal is made, the EU-wide target and the respective country objectives will be revised.

In the current draft, there is a limit on the maximum emission cut for any individual Member State. In our view, each Member State would need to reduce its emissions so that it adequately contributes to meeting a 30% domestic cut by the EU as a whole. In certain cases, this will mean setting reduction targets that are considerably more ambitious than the maximum cuts set in the current draft.

Furthermore, the draft decision already announces the number of credits from external projects that can be used towards fulfilling each national climate target, such as those currently obtained through the Kyoto Protocol’s Clean Development Mechanism. The current draft is therefore not only proposing an insufficient level of climate action, but also diluting the ambition of this action even further by undermining the requirement for domestic emission reductions within the EU territory. **Greenpeace is asking for any external credits to be used on top of a total 30% domestic emission reduction effort.**

Another concern arises with respect to the use of a 2005 baseline for emission reductions instead of using 1990, the year mostly used for the Kyoto Protocol commitments set for 2008-2012. This creates an unwelcome effect – EU countries that have shown little climate progress by the year 2005 towards their existing Kyoto commitments will have more lenient targets (than the ones they would have been allocated had they done more). This applies to all the EU climate laggards, like Spain, Italy, Luxembourg, Austria, Ireland, Denmark, Portugal, Slovenia, Greece....

Finally, there is no compliance mechanism included in the current draft, which is needed to specify the penalties that countries would face if they do not respect their individual climate commitments. This is a critical oversight that needs to be corrected.

Emissions Trading Scheme

“Directive amending Directive 2003/87/EC so as to improve and extend the EU greenhouse gas emission allowance trading system”

The package will also include the new rules for the operation of the emissions trading scheme after 2012. Although the EU emissions trading scheme (ETS) is supposed to encourage measures leading to cost-effective emission reductions, it has so far not been fully successful in meeting its objectives, primarily because the existing legislation contains loopholes. Governments have used these to the fullest by producing weak National Allocation Plans. The scheme is currently not delivering the necessary climate benefits in the sectors it covers. Overall, the importance of improving the scheme through this new legislation is double: to demonstrate to the rest of the world that the EU is taking its commitments seriously and to ensure that it actually delivers domestic emission cuts in the sectors it will cover in the future.

Cap: As highlighted earlier, the Commission is suggesting an EU-wide, top-down cap, abolishing the need for National Allocation Plans and ensuring that all companies in the same sectors can operate according to the same ETS rules across Europe. The EU-wide cap will be set according to an overall (insufficient) reduction of total greenhouse gas emissions by 20% by 2020, compared to 1990 levels. For the emissions covered by the ETS, this translates into a 30% cut compared to 1990 levels or a 20% cut compared to 2005 levels. Similarly to the effort-sharing decision, the moment a new EU target is agreed under the next international agreement, the ETS cap would be changed through a ‘trigger’ in the legislation.

Greenpeace asks that the Commission set an ETS cap in line with an overall EU greenhouse gas domestic cut by 30% by 2020.

Auctioning: A very positive aspect of earlier leaks of the new legislation were that the overwhelming majority of allowances would now be auctioned in most sectors. In the power sector, in particular, full auctioning of permits was foreseen from 2013 onwards. This would eliminate windfall profits¹ and apply the polluter-pays principle. At today’s levels, full auctioning would generate up to €50 billion a year which - if spent on additional climate-friendly measures - could increase the indirect positive impact of the ETS. Nonetheless, vocal industry representatives have been asking for exemptions and loopholes in the draft law, including more free carbon credits – we urge the Commission to resist their pleas until the last minute and **to support full auctioning as the only fair and effective allocation method.**

Quantity of external credits: One of the weakest points in the current proposal refers to the number of credits obtained from projects outside the EU that can enter the domestic carbon market. The current scheme allows the use of external Kyoto credits (Clean Development Mechanism and Joint Implementation) by installations. Current practice with the use of these credits is appalling. The maximum annual flow of external credits after 2008 into the ETS will be as high as double of the required reductions by the scheme! This means that the EU emissions covered by the ETS will be allowed to increase – and this can not continue. **The ETS should deliver real emission reductions in Europe.**

¹ Some companies made ‘windfall profits’ (unexpected profits) in the first trading period of the ETS because they increased the cost of the product they were selling, although their costs due to their participation in the ETS did not go up given that they had obtained their permits for free. This phenomenon has been most prominent among electricity producers covered by the ETS.

Instead of attempting to close this loophole, the Commission proposes that, in the absence of an international agreement, installations covered by the ETS can use the very significant volume of external credits that have been approved so far - this amounts to 1.4 billion tonnes of carbon dioxide.

Quality of External Credits: The present criteria on the quality of external credits are restricted to some minimum safeguards on hydroelectric projects and the fact that sink credits² are presently excluded from the ETS. Again, the experience so far is not good. Some of the external projects that are currently being financed through the ETS are of dubious additionality (i.e. they might have happened anyway and funding could have been used in other projects that would have had an added climate benefit) or even environmental integrity.

Therefore, another lamentable element of the package in our view is the absence of qualitative safeguards on the type of projects that will be admissible by EU installations after an international agreement has been made.

Greenpeace believes that external credits from certain projects should be explicitly excluded in the future: sinks, carbon capture and storage, large hydroelectric projects and, of course, nuclear power generation. Project-developers should provide evidence on whether all other projects are additional (see above) and environmentally friendly.

Renewable Energy Directive

“Directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources”

The new Renewable Energy Directive implements the EU target of an overall share of 20% renewable energy by 2020 and translates it into binding national targets, as well as intermediate targets. To achieve the European renewable energy target, the directive foresees the promotion of renewable energy in the three sectors, electricity, heating & cooling and transport. It contains:

- ❑ Continued and increased support for electricity from solar, wind, wave, geothermal and hydro energy, as well as biomass energy.
- ❑ New national support policies for renewable energy in heating & cooling, which will hopefully unlock the large and largely overlooked renewable energy potential in this sector. One significant new requirement is the installation of renewable energy technologies in all new or refurbished buildings.
- ❑ The support of biofuels in road transport and a sub-target of 10% for the share of these fuels for each country. To count towards this target, biofuels have to comply with a set of sustainability criteria established in the directive.

Greenpeace welcomes the implementation of the 20% renewables target into legislation. The realisation of this European objective will boost climate protection and reduce dependence on energy imports, while promoting technological development and innovation across the EU.

However, the 10%-target for *biofuels* in transport could have severe environmental and social impacts. This target was adopted by EU leaders under the condition that it would be met in a sustainable way. Evidence is growing that this condition can not be met. The amount of available biomass that is sustainable is limited and, in order to contribute towards the 20% renewable energy target, it is currently more efficiently used in electricity and heating sectors.

² Claiming credit for carbon stored in forests and other vegetation (‘sinks’) is one of the most contentious and problematic issues in the Kyoto Protocol. Sinks are not permanent and they can very easily turn into a carbon time-bomb. They are very difficult to monitor.

At the same time, Greenpeace believes the sustainability criteria that the Commission proposes for biofuels are insufficient. Substantial emission reductions through the use of biofuels are not guaranteed. The latest draft of the directive defined a minimum threshold of 35% emission reductions with biofuels when compared to the use of conventional fuels. To provide a real benefit for the climate, Greenpeace believes that this threshold should be at least 60%. Also, negative social and environmental impacts are not sufficiently taken into account and indirect impacts through land use changes are largely ignored in the proposed sustainability criteria.

Because of the more efficient use of biofuels outside the transport sector and of serious sustainability concerns, Greenpeace demands that the 10% biofuels in transport target should be dropped.

Carbon Capture and Storage

“Directive on the geological storage of carbon dioxide”

The environmental risks of CCS include (but are not limited to):

- reservoir leakage: the slow, long-term release of carbon dioxide from storage sites, for instance through faults;
- sudden leakage: the large-scale release of carbon dioxide from storage sites;
- escape of carbon dioxide into shallow groundwater;
- displacement of deep brine and mobilisation of toxic metals and organics which may result in contamination of overlying sediments and marine waters or of potable water;
- escape of other hazardous gases and materials captured with the carbon dioxide stream.

In general, Greenpeace does not support carbon capture and storage (CCS), due to the critical risks, limitations and uncertainties associated with the technology. We are opposed to any financial or political priority given to CCS at the expense of the real solutions to climate change in the energy sector: the promotion of renewable energy and energy efficiency.

The draft directive amends the large Combustion Plant Directive to ensure that all new fossil plants are 'capture ready'. In our view, this terminology is meaningless, given environmental concerns with CCS, as well as doubts over its eventual commercial viability. The requirement to construct “capture ready” power plants puts hope in an end-of-pipe technology that may or may not be realized in time to address carbon dioxide emissions from the power sector.

Rather than advocating this specific emission reduction technology, we urge the European Commission to tackle the broader concerns linked to the building of new fossil-fuelled power plants in Europe. Any decision to build a new coal plant will inevitably increase greenhouse gas emissions and has to be deemed as incompatible with EU climate commitments.



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NOTE: This assessment is based on earlier drafts of the legislation. As usual, Commission documents are subject to final negotiations and changes.