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EU Climate Change Policy Post-Kyoto in the Context of Global Competitiveness

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Finding the right long-term policy approach

- It is important to avoid that the “Kyoto methodology” based on:

  - absolute targets and timetables

  - establishing regional markets for emission trading

  is seen as fully capable of ensuring by itself the technological and behavioral adaptations needed at all levels of societies.

- A much more sophisticated agenda is needed to progress eco-efficiency, as highlighted by the report “A Clean, Clever and Competitive Europe”, January 2006, (CCC report).

- http://cleanclevercompetitive.com/index.php?option=com_docman&task=cat_view&gid=25&Itemid=35

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The need for smart regulatory processes

- The Clean, Clever and Competitive Europe report stresses that eco-efficiency and competitiveness can only move forward by implementing smart regulatory processes combining:

  - the power of private sector initiatives;
  - output oriented incentives and learning processes;
  - shaping of norms and regulations.

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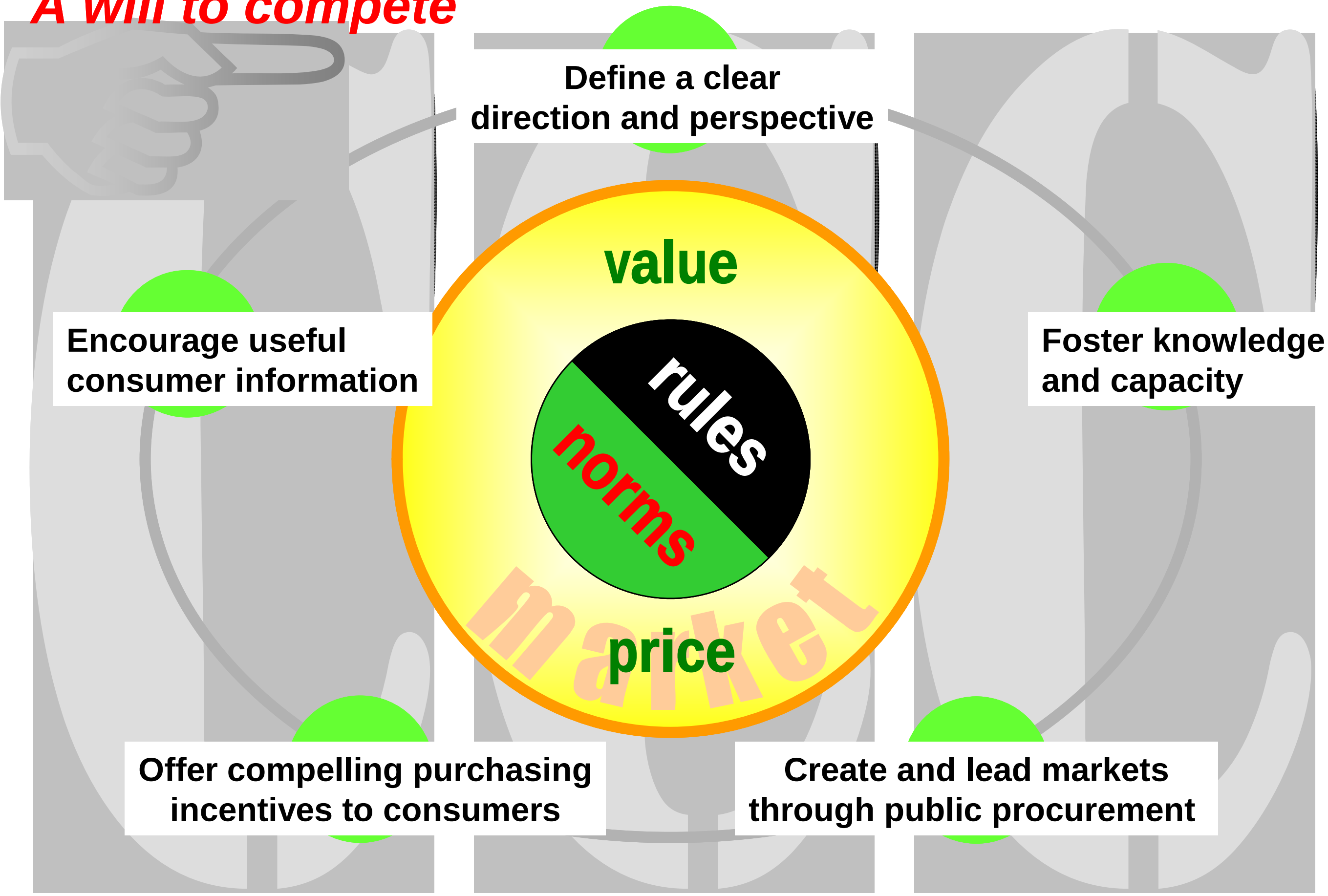
The CCC policy cycle

A will to compete



CCC tools for defining a clear strategic perspective

- Develop shared scenarios for technology sectors:

  - involving developers, suppliers and consumers

  - defining ambitions and milestones

  - specifying roles and responsibilities for different stakeholders.

Managerial approach for implementing the CCC policy cycle

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- The competitiveness improvement cycle must be implemented in a managerial manner, with:

  - ex-ante regulatory impact assessments;
  - definition of key performance indicators;
  - ex-post reviews to evaluate cost-efficiency.

- Recommendation: apply such thinking on the climate change policy post-2012.

Applying CCC thinking to climate policy (1)

- Further implementation of an EU Kyoto-type approach for 2013-2020 based on differentiated absolute targets and timetables is unlikely to gain the acceptance of the global community. The EU represents 14% of global emissions, expect to decline to 10% within a few decades.

Applying CCC thinking to climate policy (2)

- First step: developing multi-stakeholder cooperation on specific themes, paying close attention to what is needed for these ventures to be successful.

- Second step: The level of ambition of possible indicative EU objectives for reducing ghg emissions would be set after evaluation of the functioning of such ventures and of a broader policy cycle.

EU ETS review recommendations (1)

- Harmonise NAPs, in particular new entrants and closure rules;
- Extend the scope of the Directive based on thorough impact assessments;
- Exclude small installations from the scope of the ETS Directive;

EU ETS review recommendations (2)

- No auctioning of allowances
- Develop a global carbon market by linking up with other schemes;
- Increase predictability for investors by extending the trading periods;
- Use JI/CDM to lower allowance price and thereby also power prices. No artificial limits to JI/CDM credit inflow in the EU. International transaction log must be set up by UN or by another framework.

Other strategic recommendations

- Full implementation of EU legislation regarding liberalisation of the electricity and gas markets;
- Need for substantial investments in the energy sector, especially in electricity generation, to adapt to the challenge of climate change;
- Long term predictability, access to primary fuels and accurate market conditions are necessary for investments;
- From a perspective of burden sharing and of meeting climate change objectives, vital to develop equally ambitious policies in other sectors;

2005 verified emissions data

- Commission released data on 15 May 2006
- 44 million excess allowances, few compared to the total number of allowances!
- The release gave an immediate signal to the market – the price started to fluctuate
- First analysis show that many installations have already reduced its emissions
- Further in-dept analysis needed
- Do not withdraw allowances for the next allocation period – European companies want to grow without even higher power prices!