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TOWARDS A “POST-CARBON SOCIETY”: ECONOMIC INCENTIVES AND SOCIAL BEHAVIOUR

Presentation by Mr d’Adda, Chairman of BUSINESSEUROPE Industrial Affairs Committee:

“How to facilitate business anticipation and reaction”

1. The need for new concepts and managerial processes for promoting innovation in eco-efficiency

The most promising strategies to move to a post-carbon society will be those combining the objective of carbon emission control with the objective of enhancing the competitiveness of European industry.

Such win-win strategies will need to use completely new concepts to promote innovation in eco-efficiency, which is an approach to production and consumption that creates more economic value while reducing the use of natural resources and ecological impacts.

Very interesting proposals for such concepts were put forward in a report published in 2005 by a Multistakeholder Task Force (composed of governments, business and NGO representatives), which had been set up by the Dutch Presidency in 2004. The title of the report is “A will to compete: a competitive, clever and clean Europe” (www.cleanclevercompetitive.com) (CCC report).

This report rightly takes as starting point that a market approach is a critical element for promoting eco-innovation. It also rightly underlines that shaping a market framework is ultimately a political responsibility. Such a responsibility can only be undertaken if the goals pursued are clearly and coherently defined, and if their definition remains stable over a sufficiently long time.



The CCC report proposes a model for promotion of eco-innovation rooted in a “competitive improvement cycle” (CIC). BUSINESSEUROPE believes that this model can be applied in a wide spectrum of national or Community contexts and on themes of varying scope, ranging from specific sectoral themes to more complex clusters of sectoral themes. The “CIC” methodology comprises five basic elements:

1. Define a common strategic vision and perspective

Public authorities and private stakeholders should:

- a) develop shared long-term scenarios
- b) set objectives and propose cost-effective instruments
- c) monitor implementation of these instruments and discuss any corrective action needed. This monitoring and evaluation process must encompass all stages of the cycle. Among other things, it must compare the ex-ante estimate of benefits and costs of putting measures in place with the actual benefits and costs observed on the ground.

2. Foster knowledge and capacity

This component of the cycle relates largely to improving the effectiveness of technology-push actions.

3. Create and lead markets through public procurement

4. Offer compelling purchasing incentives to end-users

5. Encourage useful consumer information

On the basis of careful joint monitoring throughout the policy cycle, it is possible to adjust the strategic vision and perspective and initiate a new policy cycle.

The transition towards a low-carbon society implies massive investments by companies, local communities and private individuals. This in turn means that European business must continue to be able to create wealth on a sustained basis while engaging in designing, developing, demonstrating and disseminating new generations of products and services. Wealth creation is not only necessary to finance climate-friendly corporate investments. It is also essential to generate the stable flows of wages and taxes to enable local communities and private individuals to play their part in climate-friendly investments.

This demonstrates the fundamental relevance of the Lisbon agenda for ensuring effective climate protection. In this context, national and Community initiatives to promote climate-friendly production systems and energy supplies must be subjected to thorough impact assessment measuring the direct and indirect effects on the economy, and be calibrated in such a way that they do not impose unreasonable burdens on companies in the context of international competition. This is particularly important



when we think or design the radical changes imposed by many of the Community initiatives in the areas of emission trading and renewables, to avoid dramatic increases in the price of energy and primarily electricity

II. Focus on some key energy technology areas for the post carbon society

Four key elements must always be benchmarked in a CIC approach to a sustainable energy road to a post-carbon world

- Improved energy efficiency,
- Carbon capture and sequestration (CCS) projects
- Intelligent renewable energy policies
- A nuclear new wave

A delay in development of efficient policy measures to promote any one of these four technological resources would have very harmful effects regarding the possibility to ensure an acceptable level of probability to achieve the ambitious goals we are discussing today.

Renewables

Regarding Community policy for renewables more particularly, BUSINESSEUROPE underlines that the EU target of covering 20% of its 2020 energy consumption with renewables is very high. We therefore urge public authorities to take great care when designing incentives for renewables, adopting only those with high economic efficiency. As priority measures, it is important to harmonise support schemes for renewables across Europe, encouraging the use of market-based approaches. To help Member States reach their national renewables targets, trading between them in electricity from renewable energy sources should also be facilitated. The current EU system for tradable Guarantees of Origin (GoOs) should be developed to this end, with the Member States mutually recognising GoOs from other countries.

In addition, major governance improvements are needed to strengthen European power grids so that they can deal with increased use of solar and wind electricity. Here we must dedicate substantial resources to enable a shift that could be comparable with the substitution of analogue by digital telecom networks.

Nuclear

It is unrealistic to talk of post-carbon society without inserting the nuclear variable in the equation.

As the Commission shows in its document “Indicative nuclear programme” (PINC), nuclear energy has excellent economic and technical characteristics to help meet the challenges of competitiveness, security of supply and climate protection in a post carbon society.



The size of the energy challenges that the EU must meet is such that it is crucial to deploy the nuclear option actively along with all other options.

Reducing the contribution of nuclear energy in countries where it today plays a substantial role would cause additional specific difficulties for these countries, causing very negative impacts.

The potential that nuclear energy offers to help tackle energy-related economic and environmental challenges can only be exploited if national and European strategic discussions give nuclear energy the same level of attention accorded to other energy or manufacturing sectors. This attention should target elimination of the obstacles which unnecessarily hold back the development of nuclear energy. In this regard, the following priority measures are required:

- greater harmonisation of safety requirements for nuclear installations in the EU;
- establishment of national plans for management of radioactive waste in countries which do not yet have one;
- simpler and more harmonised licensing procedures, aimed at maintaining the highest safety standards;
- support for research, development and demonstration projects;
- promotion of an open and well informed debate on nuclear energy, facilitating the understanding of economic issues, and highlighting the existing solutions regarding safety and long-term disposal of hazardous nuclear waste.

In all these areas, there is a wide margin for Community initiatives, from a better regulation assessment model through to a set of serious benchmarking tools which must be deployed and exploited to enable European business to transform the vision of today into tomorrow's reality.

Carbon capture and sequestration (CCS)

In view of the market constraints, many future energy scenarios forecast that a "flight into coal" will be inevitable between now and 2050, which will result in a strong increase in CO₂ emissions.

Deployment of CCS technologies at large scale will be one of the critical responses to deal with this development. If CCS is to be progressed in the EU, it is essential to consider the introduction of stable, market-based funding mechanisms that close the cost gap between electricity production with and without CCS. An option would be to give companies ETS allowances according to tonnes of CO₂ sequestered by CCS equipped coal fired power plants. According to certain analysis, introducing very rapidly such incentives could win 7 years of benefits in the timing of large-scale introduction of CCS.