BRIEFING

Promote a secure, competitive and climate-friendly energy system

BUSINESSEUROPE

Foster an international solution to the climate change threat

BACKGROUND

European business is committed to and has been taking action to reduce greenhouse gas (GHG) emissions. Climate change is a global challenge. Without a truly global agreement, including all major emitters, it will not be possible to resolve the issue. One of the key elements of the strongly needed international post-2012 climate change strategy should be the establishment of a long-term, well functioning, market-based policy framework with participation of all large emitter nations, which will give investors in climate change mitigation confidence in the long-term value of their investments. The revised EU Emission Trading Scheme (ETS) may provide the basis for such a framework, if it is implemented in a way that it prevents carbon leakage i.e. the relocation of production and emissions outside Europe .

Research, Development and Demonstration (R&D&D) – a key element for climate protection – is being pursued more intensely in the USA than in Europe. The EU should step up its action in this area and promote technological cooperation.

What BUSINESSEUROPE wants :

Work towards a truly global post-2012 agreement

In the current international negotiations, the EU must take all appropriate initiatives to ensure that other industrialised regions commit to binding emission reduction targets that are equally strong in terms of quantitative reductions and financial efforts needed. In line with the principle of common but differentiated climate protection responsibilities, advanced developing countries must commit to setting their own binding emission targets which limit the rise in their GHG emissions in 2020 by 15% to 30% below "business as usual" projections. A process must be started so that eventually industrial sectors exposed to international competition have equivalent obligations.

Strengthen global market mechanisms to reduce emissions

The Clean Development Mechanism (CDM) constitutes a very important vehicle for the transfer of technologies and is the first step towards a global carbon market linking different regions of the world. Furthermore, it enables the export of less-emitting technology to industrialising countries and reduces the cost of the abatement of greenhouse gases. The CDM must therefore be strengthened and enhanced. Restrictions by countries on the quantity of credits from CDM projects permitted to meet domestic obligations, such as in the EU, both undermine the development of projects in developing countries and damage the credibility of the CDM and the future of an international carbon market.

Implementation of the EU Emissions Trading Scheme (ETS)

BUSINESSEUROPE supports, in principle, market instruments like the ETS, which have the potential to deliver environmental progress at lower cost than traditional "command and control" regulation, subject to the respect of design criteria for protecting the international competitiveness of European industry.

The revision of the EU ETS must be seen in the context of global negotiations on a post-Kyoto climate change mitigation regime and in a way that does not place unreasonable burdens on European industry. An ETS that hurts European competitiveness will only drive production out of Europe and increase emissions in other parts of the world. Crucial details of the ETS Directive that aim at protecting EU competitiveness need to be rapidly determined in a way that effectively prevents carbon leakage.

The 100% free allocation for ETS sectors at risk of carbon leakage must remain in place as long as there is no equivalent burden on industry worldwide. As regards the issue of indirect competitive distortions that EU industry will suffer through higher electricity prices, it is anticipated that the need to compensate EU electro-intensive industries following the conclusion of an international agreement in Copenhagen may continue.