

# The State of Climate & Energy Policy in Europe

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# What Can I Say?

- A more informed audience than I
- Pointless to describe EU climate and energy policy to you
- Instead, an outsider's perspective on two points
  - Objectives and Interactions
  - Continuity or change?

# Objectives (1)

- Are climate & energy policy separate?
- Energy policy has a longer history
  - Focused on energy security and market integration
- But more recently, a transformative goal
  - Present before, but now fortified by climate
- Climate policy concerned with radiative forcing and limitation of GHGs
- Now increasingly conflated to climate/energy

# Objectives (2)

- Question: Climate policy will affect energy use, but will it transform it?
- Answer: Don't know; depends on technology
  - 2100 as different from 2000 as 2000 from 1900?
  - And if so, more or less CO2 intensive?
- The unresolved issue: Is the goal is GHG limitation or transformation of the energy system?
  - If the latter, ETS is a weak, unreliable & inappropriate policy; need more directed policies.
  - If the former, ETS is performing as it should and more directed policies only add cost & no incremental reductions

# Interactions

- Nice academic distinction, but impossible to separate
- Interactions are ubiquitous and unavoidable in ETS
  - Coal and gas price relation
  - “Secular stagnation” (aka slow/no GDP growth)
  - Technological change
  - National/MS preferences in the EU (or world)
- A more refined case: RE incentives
  - Legitimate efficiency reasons, but when to stop?
- Current “low” EUA prices are good or bad news depending on the objective

# Continuity or Change?

- 2020 policy had a little for everyone
- 2030 proposal is more spare
  - 40% GHG reduction by 2030 for Paris
  - Technical fix for ETS (MSR) and later tightening
  - Host of other issues to be decided later
  - New coordination/governance mechanism
  - The surprise: NO binding MS RE targets
- Energy Union is elaboration of this new coordinating mechanism

# Separating Climate & Energy?

- ETS marches ahead while everything else (energy) is swept together under new mechanism to ensure 40% goal (and other objectives)
- Implicit in 2020 policy
  - Only ETS has post-2020 provision (-1.74% decline)
- No political support for binding MS goals? Tough love?
- National Energy Plans (my term) to ensure achievement of all goals

# Energy Union (1)

- Significantly, an Energy Union
  - Climate goals recognized but subsidiary and one among several (No need for climate union; it exists with ETS)
  - Generally, fleshing out of coordination mechanism for non-ETS (read: energy) policy as introduced in 2030 proposal
- Some important items despite generally hortatory tone
- Energy security concerns clearly resurgent
  - Commission asserting itself more forcefully in MS Intergovernmental Agreements
  - Alternative gas supply strategy to be developed

# Energy Union (2)

- New legislation promised in several areas
  - Electricity market design (concept in 2015, legislation in 2016)
  - New RE Package to ensure cost-effective achievement of 2030 target (27% EU-wide)
  - Legislation to enable ETS and non-ETS to reach 40% target
- Modesty in expectation warranted
  - Energy remains a MS prerogative requiring unanimity
  - But institutional and rhetorical envelopment laid out in the Energy Union proposal is the way progress is made (and has been made in the EU)

# Wrap-up

- Underlying objectives are still under debate
  - Limiting GHG or transforming the energy sector
  - Are not the same and confusing the two serves neither well
  - Commission appears to be trying to separate the two
- More continuity than meets the eye
  - 2030 Proposal confirms what was unsaid in 2009 (only ETS continues beyond 2020)
  - Energy Union is further step to coordinating MS energy policy along lines laid out in 2030 Proposal
  - In the absence of real power, institutional and rhetorical envelopment remains the only strategy