Building an Europe of Climate

REE : The Clean Energy Package and its objectives for 2030 have been adopted at the end of 2018 but voices in the Parliament have advocated that the objectives should be revised and increased. At the same time however, other people claim that they are too ambitious. Are we on track with the objectives set for 2030?

Mauro Petriccione : The EU is well on track to deliver on our target to reduce greenhouse gas (GHG) emissions by 20% by 2020. Between 1990 and 2018, the EU reduced its emissions by 23%. For 2030, we have set a target of at least 40% greenhouse gas emissions reduction compared to 1990, a 32% renewable energy and 32.5% energy efficiency target. We have put in place the legislation that will enable us to deliver on this commitment. The effective implementation of all climate, energy and mobility targets laid down in Union law could even lead to emission reductions up to around 45% in 2030 compared to 1990. This will have benefits well beyond 2030, putting us on the path towards climate-neutrality by 2050, which we have proposed in our "long-term strategic vision".

One of our key priorities now is to implement fully the agreed legislation. In 2018, for the first time, Member States prepared draft integrated national energy and climate plans (NECPs) on how they plan to deliver the 2030 targets. They show that Member States have made significant progress, although further efforts are still needed, in particular on energy efficiency and renewables. With the implementation of the planned measures or stated ambitions in the draft plans, we are on track to reach the at least 40% emission reduction target, but as they stand, the draft NECPs fall short both in terms of renewables and energy efficiency contributions. Member States will now submit their final plans by the end of the year. This planning iterative process has helped us identify the gaps early on to make the needed adjustment to reach our objectives.

This is all the more important as in response to the demand for increased ambition, Commission President-elect Von der Leyen has proposed a new "European Green Deal", which includes increasing our ambition for 2030 by raising our greenhouse gas emission reduction target to 50% and towards 55% in a responsible way.

REE : The Commission has proposed to achieve climate neutrality by 2050 and a majority of Member States supports that stance.

Is this objective realistic and why, in your view, is it a necessity that it is endorsed by all Member States?

M. P. : I am convinced that the 2050 EU climate–neutrality objective is realistic, and very hopeful it will be endorsed by all Member States. On 28 November 2018, the Commission presented its Communication “A Clean Planet for All - a European strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy”. The proposal outlines a vision of the deep economic and societal transformations required, in all sectors of the economy and society, to achieve the transition to a climate-neutral economy by 2050.

The Commission recommends to endorse the objective of achieving carbon neutrality by 2050

The Commission has analysed different scenarios, with different levels of ambition. However, the Commission clearly recommends that the Union should endorse ambition, with the objective of achieving climate-neutrality (that is, a net-zero balance of greenhouse gas emissions) by 2050.

This would be achieved first and foremost by reducing GHG emissions as much as possible. Any remaining emissions would need to be compensated for with an equivalent absorption of GHG in other.
sectors to get us to net-zero. Climate-neutrality covers all GHGs, not just CO₂.

Considering the scale of the challenge, we are very encouraged by the fact that the majority of Member States have already endorsed this objective. This is a project for the radical transformation, modernisation and clean-up of our economy and our society. We can’t start this transformation without the kind of broad and deep democratic debate that the Commission proposal has engendered. Of course it is not surprising that in some Member States a bit more time is needed to better understand the approach, and to work out how to address both the challenges and the opportunities.

Nevertheless, I am confident, that very soon we will have agreement amongst all the Member States, because climate-neutrality by 2050 is not only realistic, as our detailed analysis shows, but is also crucial for the health of the planet and the prosperity of Europe.

**REE : What is your view on Member States’ current state-of-play in regard to their commitments?**

**M. P. :** Our climate policy is based on a combination of national and EU level policies and targets which relies on well coordinated and properly implemented action at both levels to reduce emissions. As I have mentioned, the absolute priority is ensuring proper implementation of both the EU level measures like the EU ETS (EU emissions trading system) and fuel efficiency of vehicles, and ensuring proper action and implementation by all Member States on issues like improving energy efficiency of buildings and increasing the share of renewable energy in their national energy mix.

By the end of this year, Member States will have finalised their national energy and climate plans, for 2021 to 2030. In these plans, Member States outline their policies to achieve the 2030 targets. The draft plans, already presented showed that the EU is already on track to meet the overall GHG reduction target of 40% by 2030, if Member States fully implement the policies and ambitions presented in the draft plans. At the same time, for the sectors outside the EU Emissions Trading System (EU ETS), Member States’ planned measures are projected to fall short of their 30% emission reductions target, and instead reduce emissions by about 28%. To fill the remaining gap, Member States will need to identify additional measures in their national energy and climate plans, and the Commission will continue to work with them on this. Further efforts are also needed on renewable and energy efficiency targets. Fortunately, with the process under the “governance regulation”, we have a mechanism to identify and address shortfalls early on, which we are doing with this iterative process.

**Outside the EU ETS, Member States planned measures are projected to fall short of their emission reduction targets. The gap will have to be filled**

**REE :** In France, according to the new law “Energie-Climat”, the deadline for the withdrawal of coal-fired power plants from the electricity mix is 2022. At the European level, when do you believe that such a withdrawal could occur?

**M. P. :** The significance of this legislation in France should not be underestimated. Moreover, France is not the only country to make this commitment. Several Member States have introduced or confirmed objectives and timelines to phase out coal for electricity generation – Italy, Ireland, Denmark, Spain, The Netherlands, Portugal, Finland and Germany. This becomes even more important in light of the plans to increase the climate ambition for 2030.

Member States are free to decide on what sources to have in their energy mix, and as a result, the importance of coal varies from country to country. That is why we have also underlined the importance of developing measures to assist workers and families affected by coal phase-out in order to ensure a “just transition” to climate-neutrality.

We should also be clear, that a fully decarbonised power sector is a prerequisite for climate-neutrality in Europe by 2050. Member States need first to subscribe to this vision, and then we will follow up with the necessary measures.

**A fully decarbonized power sector is a prerequisite for climate-neutrality in Europe by 2050**

**REE :** Nowadays, every party or politician claims that climate issues are their priority. When taking a closer look however, it seems that the objectives that are put behind “fighting climate change” are not the same for everyone. How do you recommend to articulate these various objectives of saving energy, cutting carbon emissions, increasing the share of renewables, etc.?

**M. P. :** No two Member States are the same. Economics, geography and local
We want Europe to be the first climate-neutral continent

We will also continue our international climate diplomacy efforts, to encourage other countries to commit to climate-neutrality and develop feasible decarbonisation strategies.

We will look into ways to put a price on greenhouse gas emissions in sectors not (yet) covered by the ETS or other forms of carbon pricing. We clearly need to address greenhouse gas emissions from aviation and maritime transport. In the “Sustainable Europe Investment Plan” we will aim to step up investment in our climate-neutral, sustainable future.

Most importantly, we will continue working on the “just transition” – as our President-elect said: “What is good for our planet must be good for our people, our regions and our economy. We will ensure a just transition for all.”

REE: Do you consider that the low-carbon technologies that will be needed to meet the EU’s Paris Agreement commitments and to achieve climate neutrality are already available?
M. P.: Many of the technologies we need are available now, some are still emerging and require accelerated deployment on the ground, while others will need further research and innovation. The rapid deployment of new low carbon technologies and solutions will become even more urgent with increasing our ambition for reducing emissions for 2030. The transition to climate-neutrality certainly requires technological innovation in energy, buildings, transport, industry and the agriculture sectors. It can be accelerated by breakthroughs in digitalisation, information and communications, artificial intelligence and biotechnology. The expansion of new systems and processes, with cooperation across sectors, is also required.

REE: What should be the EU’s priorities regarding the climate action for the next five years?
M. P.: We want Europe to be the first climate-neutral continent. To make this happen, Commission President-elect, Ursula von der Leyen has pledged in the first 100 days of the new Commission’s mandate to set the 2050 climate-neutrality target into EU law.

Along with analysing the options to increase our 2030 GHG reduction target, we will also continue our international climate diplomacy efforts, to encourage other countries to commit to climate-neutrality and develop feasible decarbonisation strategies.

A good example is the circular economy, which will harness a range of advanced solutions and foster new business models. It will also require cooperation at different levels among regions and Member States to pool resources and knowledge together. We want the private sector to invest, but we also recognise that research and innovation needs public support, so it is proposed that the Innovation Fund, endowed with revenues from the EU ETS, that will support low carbon demonstrations projects in the power sector and energy intensive industry.

The circular economy will harness a range of advanced solutions and foster new business models

European manufacturing is competitive, but is also under pressure from both developed and emerging economies. Yet, Europe is at the top of the league when it comes to new high-value patents for low-carbon energy technologies. We need to transform this scientific advantage into commercial success.

REE: The carbon price in the EU ETS is now close to 30 €/t, which is the highest level ever reached since its implementation. Do you believe that the carbon price will keep increasing? What would be the optimum level in the EU ETS?
M. P.: The carbon price has increased significantly since the last reform of the ETS, which entered into force in 2018. A higher carbon price means increased incentives to reduce CO₂ emissions but it is not up to the Commission to predict the price or price development.

My priority is that our emission reduction targets are achieved. The cap on emissions guarantees that the ETS...
delivers at least its contribution to the intended emissions reductions of 40% by 2030 (compared with 1990), while the market-based approach of the system ensures that we meet these targets at the lowest possible cost.

The President-elect has announced that she will propose to extend the EU ETS to cover the maritime sector, traffic and construction, as well as to introduce a Carbon Border Tax to avoid carbon leakage. A Carbon Border Tax would of course be a major new policy instrument and will have to be carefully assessed - politically, legally, technically and economically. It will have to be fully compliant with World Trade Organization rules and require an evaluation of how it would interact with other instruments, including the ETS allowances that exposed sectors currently receive for free. In any case, it is likely to start with a number of selected sectors and be gradually extended.

**The President-elect has announced that she will propose to extend the EU ETS and to introduce a Carbon Border Tax**

**REE** : More generally, what kind of solutions can future policies bring in order to support consumers and also encourage them to use low-carbon solutions which are often costly?

**M. P.** : Low-carbon solutions are often more cost effective. A more energy efficient appliance might cost a little more up front but has the potential to save a lot of money on energy bills over its lifetime. Our eco-labelling and eco-design legislation has empowered consumers by allowing them to make informed decisions when they buy products both in terms of the economic and of the environmental costs. This has drawn consumers to more efficient products, and incentivised manufacturers to innovate, taking the least efficient products off the market.

In the future, we will also need to focus on affordable energy services, such as "a warm home", rather than on cheap energy. The same is true for accessibility and mobility, where smart and shared mobility services powered by renewable energy can reduce the carbon footprint of a trip. However we shouldn’t overlook the simple solutions, such as walking and cycling, which are both cheap and healthy. But for each of these, policy needs to create favourable environments for these solutions to thrive and infrastructure needs to be in place to allow consumers to make the choice.

At the same time, low-carbon technologies figure prominently in the EU’s research and innovation policy and will help bring down costs of new climate-friendly solutions. This goes hand in hand with collaborating with the private sector and organisations such as yours. Electrification will also give an important role to consumers that produce energy themselves as “prosumers”, and local communities to encourage residential take-up of renewables.

Finally, citizens are increasingly considering the climate aspects of what they eat, how they travel, and what they buy. Policies aimed at providing transparent and reliable information on the climate footprint of products and services can go a long way by raising consumers’ awareness.

**Citizens are increasingly considering the climate aspects of what they eat, how they travel, and what they buy**

**REE** : Many fear that our efforts towards delivering the energy transition might lead to a decrease in competitiveness for the EU. What is your view on this? Can the EU be both sustainable and competitive?

**M. P.** : I do not agree that we are bound to lose competitiveness, because the transition to a climate-neutral economy is an investment agenda that will decrease energy consumption and reduce energy costs over time. Increased investments stimulate economic growth, reduce air pollution and improve public health in the EU whilst making us much more energy secure.

Rapid deployment of new technologies has shown that costs come down rapidly too. Renewables are becoming the cheapest source for new-built power. The drive to near-zero-energy housing decreases the energy costs over the lifetime of buildings, similarly decreasing costs for electric cars and batteries are making electric mobility much more cost competitive.

Europe has an important industrial base that we need to preserve and strengthen. Nevertheless, investments in low-carbon technologies and innovation will not hamper, but in many cases improve the competitiveness of our industries, creating a clear “first mover” advantage.

Today, the investments that our industry has made in energy efficiency have been crucial to its ability to remain competitive in an increasingly challenging international environment. But we need to make sure that industry remains fit for the future. Developing and deploying low-carbon technologies and products also means more energy efficient production processes, lower costs and greater competitiveness. Acting now allows EU companies to be among the first to develop the low carbon technologies, for which there is growing global demand.

**The transition to climate-neutrality is also a path to prosperity and jobs**

There is no better way of convincing international partners to follow our example than by showing that the transition to climate-neutrality is also a path to prosperity and jobs.
REE: What do you think should be the role of the market, versus the role of policy, in delivering the changes that are necessary to achieve the energy transition?

M. P.: We have seen that often the private sector will not act without some direction being set out by regulators. For good reason, investors need regulatory certainty before committing to major changes. Our responsibility is to give clear signals and work with Member States to ensure that whatever the national or regional circumstances, the private sector has the right regulatory environment to make the investments that will lead to the energy transition we need.

The EU ETS is a prime example of using regulation to build a market-based solution to address climate challenge. Equally, regulation gives us the tools to support investment where it is needed, and through state aid rules, ensure that certain sectors are not unfairly disadvantaged by market distortions.

REE: What is your analysis of the role played by the lobbying sphere in the energy sector? Are energy lobbies efficient in making the industry’s voice heard and in which ways do you think that they could become more efficient?

M. P.: The energy sector is extremely diverse, representing a wide range of different technologies and supply chains, so it is difficult to generalise on whether the sector is effective in making its voice heard. In reality, there are many voices to be heard in the energy sector and the important thing is to listen to all before making proposals.

The Commission works hard to ensure broad and transparent stakeholder consultation in all policy areas as part of the better regulation agenda. Industry lobbying, along with lobbying by NGOs and civil society play an important role in informing policy makers, but this must always be done whilst fully respecting transparency rules. This is crucial both in ensuring the trust of European citizens but also in ensuring that the best interests of citizens are at the heart of our decision-making.

REE: If the Brexit indeed happened, what kind of impact would it have on the European Climate Policy?

M. P.: The departure of the UK from the EU will not diminish our ambition on climate action. We hope that when there is clarity on the status of the UK and its future relationship with the EU, we can continue strong cooperation with UK on climate action.