

EU 2030 framework for climate and energy policies - update

On 22 January the European Commission presented its proposal for the new framework for climate and energy policies up to 2030, almost one year after publishing the Green Paper and publicly consulting on this framework. This sets out the ambition beyond the current 20-20-20 by 2020 EU targets. It includes new targets for greenhouse gas reduction and renewables; a legislative proposal for the long-term reform of the EU Emission Trading System; a new governance system and new indicators for a secure energy system. The below update highlights the key aspects of the proposal, how they compare with Scottish ambition and likely impact on Local Government.

2030 EU energy and climate framework proposal

Setting the agenda for EU energy and climate policies until 2030, the Commission has published its proposal for the 2030 framework focusing on the following key elements:

- A renewed **binding greenhouse gas reduction target at 40%** (below 1990 level) by 2030; also as EU commitment for the upcoming international negotiations on a new global climate agreement by the end of 2015; this is an increase of 20% from the current target for 2020
- A renewed **binding renewable energy target at 27%** by 2030; this is an increase of 7% from the current target for 2020; a novelty here is that this target would not translate into national targets as with the current 2020 target but gives greater flexibility to Member States on how to implement measures; also, the Commission does not propose a new renewables target for the transport sector;
- **Energy efficiency** remains an important element. However, the Commission remains silent on revising 20% energy savings target for 2020 which is currently not legally binding. At the same time, the Commission makes explicit reference to possible amendments to the Energy Efficiency Directive (EED) once this legislation's review is to be completed later this year;

Apart from proposing a set of revised targets, the Commission puts options for the long-term reform of **the EU's Emissions Trading System (ETS)**: firstly, it proposes to establish a **market stability reserve** by 2021 in order to address the carbon allowances surplus that has flawed the system up to now. Secondly, it considers it necessary to increase the annual reduction factor, which determines the cap of carbon allowances, from 1.74% to 2.2% in 2021. Thirdly, the Commission will continue negotiations with third countries to link the EU's carbon market to other carbon markets to address the risk of 'carbon leakage' (i.e. companies moving abroad to avoid the carbon trading system). In reforming the ETS, the Commission seeks to particularly contribute to the achievement of the carbon emissions reduction targets (20% by 2020; 80-95% by 2050).

Additionally, the Commission proposes **new indicators** to assess progress and inform future policies towards a competitive and secure energy system. Among the proposed indicators are energy price differentials, supply diversification, reliance on indigenous energy resources, technological innovation, interconnections etc. to better take into account trends in energy markets and ultimately contribute to Europe's energy security.

Finally, the Commission wants to see a **new governance system based on 'national plans** for competitive, secure and sustainable energy' comprising information on carbon emissions (non-ETS), renewable energy, energy savings, energy security and diversification (incl. nuclear energy, shale gas, carbon capture and storage etc.), interconnections, and transition towards less carbon

intensive fuels. According to the Commission such plans will provide better investor certainty and more transparency as well as more coherence and coordination across Europe. It will follow up with more guidance on these national plans and how they will be assessed (and potentially revised) against the EU's energy and climate targets. *Considering the split of powers inside the UK (planning is devolved, energy is reserved) it remains to be seen how this would be articulated.*

Scottish angle

In Scotland, the **Climate Change Act (2009)** sets out a statutory commitment to reduce carbon emissions by 42% in 2020, and 80% (1990 level) by 2050. Additionally, the National Performance Framework sets a renewables target of 100% for gross electricity consumption as well as 11% of heat consumption by 2020. The latest figures published in December 2013 show that already around 40% of electricity consumption in Scotland came from renewable energy, which is well on track to achieving the Scottish interim target of 50% by 2015.

Scottish Local Authorities are contributing to achieving Scotland's climate and energy targets through fulfilling their **public sector duties (as set out in the Climate Change Act) and carbon management plans, as well as other activities including local sustainability plans and low-carbon investments** (e.g. hydro-fuelled public transport). In this way, they are also contributing to achieving the EU's targets.

All 32 Councils have also signed **Scotland's Climate Change Declaration (SCCD)** and committed to voluntary, annual reporting on low-carbon and sustainability work. Additional to corporate emission reduction plans, some Local Authorities have developed strategic plans for sustainability, low-carbon economies or energy action in their local areas. In this context, individual Councils have set their own ambitious emission reduction targets which are in line with the ambitious Scottish targets and above the EU's 2020 targets.

COSLA contributed to a broader Scottish response to the Commission's Green Paper (published in May 2013), in which we highlighted and local authorities' work towards a green economy through their carbon management and low-carbon activities, for instance the Scottish Climate Change Declaration (SCCD). This builds on previous work on specific legislation imposing obligations on Councils to meet the 2020 renewables, climate and energy efficiency targets. In November 2013 the COSLA DES Executive group agreed that COSLA *"will campaign to ensure that the new targets fall within Scottish long term plans. In particular we will look at any obligation imposed on local authorities over and above that set for other sectors"*.

In light of the Commission's proposal, COSLA will continue to highlight the role of Scottish Local Authorities in achieving climate and low-carbon energy targets at the European level.

In December, a group of local politicians including Cllr McChord (Stirling Council; also Member of the Committee of the Regions) met with several key MEPs that work on the environment and the sustainability agenda to discuss the future EU climate policy. At the meeting, Cllr McChord highlighted the role that Scottish Local Authorities play in achieving ambitious domestic climate and energy targets and how important place-based integrated policies are for bringing forward the European targets. He also stressed that EU policies and initiatives need to be more aligned if not integrated to have a more coherent and transparent approach towards tackling common climate and sustainability challenges.

Member States continue to disagree

Member States will discuss the Commission's proposal at the European Council on 20-21 March 2014. However, as the Green Paper consultation already confirmed, **disagreement** remains among Member States and between Member States and the EU Commission about the continuation of existing targets (three vs one target), new levels of commitment (30% to 50% carbon emission reduction) and nature of targets (energy efficiency target currently non-binding). Repeatedly, the UK Government has called for a single carbon reductions target - a 40% target applicable to EU and additional 10% through the international credit scheme. At the moment, the UK, Latvia, Estonia, Bulgaria and Croatia all prefer a single target.

European Parliament calls for three binding targets

In January, the European Parliament's Committees for the Environment (ENVI) and for Industry, Energy and Technology (ITRE) adopted their joint report on the 2030 framework in which they call for three legally binding targets (reduction of greenhouse gases, renewable energies and energy efficiency). MEPs therefore deviate from the Commission's preference to support only two legally binding targets, with energy efficiency remaining indicative, as well as some Member States' positions.

The European Parliament will vote on the report in the February plenary to adopt the resolution in time for the EU summit in March. However, inter-institutional negotiations on this dossier will most likely continue after the European Parliament elections in May this year.

Report on energy price development

Accompanying the Commission's proposal is a [report on energy prices and costs](#) in Europe which looks at the price development in gas and electricity across Europe. It also looks at the drivers behind the price evolution, in comparison with the EU's main trading partners, and compares the situation in different Member States.

Unsurprisingly, it finds that retail prices for households and industry have risen over the last five years, whereas household electricity and gas prices have on average rise above inflation rate (4% and 3% respectively). At the same time, the Commission identifies that cost effective energy and climate policies in combination with competitive energy market are able to offset rising energy costs for households and industry. In the report, it recommends to complete the internal energy market for more investment and competitive prices, increase energy efficiency to lower consumption, develop energy infrastructures, diversify energy supplies and supply routes and to take better into account the implications for consumers and tax payers in policy decisions.

Current progress on EU 2020 targets

In taking stock of progress towards EU's energy and climate targets, the Commission has found that Member States are on track to achieve the emission reduction (18% of 20% by 2012), and have made good progress on reaching the renewables target (12.7% of 20% by 2011) with more national efforts needed. However, progress towards energy efficiency as the only non-binding target is falling behind. Only four of the 28 Member States (France, Belgium, Bulgaria and Denmark) show significant progress towards 20% energy savings. Indeed, the latest European Environment Agency (EEA) report finds that primary energy consumption is on track to reach a reduced consumption level (1 483 Mtoe) set out in the Energy Efficiency Directive (EED), partly due to the impact from the economic crisis and partly due to lowered energy intensity. However, it will remain insufficient to achieve the EU's 20% energy savings target.

Shale gas

At the back of the 2030 framework proposal, the Commission has published a paper on minimum principles for environmental and climate safeguards related to fracking of unconventional gas (e.g. shale gas). These principles are complementary to the existing environmental legislation, taking into account the latest technological development. It is recommended that Member States:

- Carry out a **Strategic Environmental Assessment** prior to granting licenses for hydrocarbon exploration and/or production which are expected to lead to operations involving high-volume hydraulic fracturing in order to analyse and plan how to prevent, manage and mitigate cumulative impacts, possible conflicts with other uses of natural resources or the underground;
- Carefully assess environmental impacts and risks through site specific risk characterisation and assessment, related to both the underground and the surface;
- Ensure that the integrity of the well is up to best practice standards

- Conduct a **baseline reporting** (e.g. of water, air, seismicity) in order to provide a reference for subsequent monitoring or in case of an incident;
- Control air emissions, including greenhouse gas emissions, by capturing the gases;
- **Inform the public** about the composition of the fluid used for hydraulic fracturing on a well by well basis as well as on waste water composition (incl. chemicals), baseline data and monitoring results;
- Ensure that operators apply best practices throughout the project (e.g. venting is limited to most exceptional operational safety cases; this is needed to mitigate negative effects of emissions on the climate, as well as on local air quality)

As this is a recommendation, Member States are not legally bound to these principles but are expected to apply them within six months and, from December 2014 onwards, to report annually on the measures taken to ensure these principles. On the basis of this information, the Commission will then publish a scoreboard. In light of the recent proposals for completing the internal energy market, the Commission is concerned about a fragmentation of the energy market in this field.

In Scottish terms it should be noted that this concerns the discussions on unconventional gas as part of the ongoing Planning reform. It is indeed welcome that the Commission has decided against legislating in this area, as the subject matter concerns directly planning, which is clearly an area without EU powers. It should be noted however that the Commission does have powers on environmental impact assessment and environmentally sensitive areas thus it might eventually be keen to use its powers there once it reconvenes after the summer.

Next Steps

COSLA has been working on this EU dossier in the past year and will continue to engage with EU policymakers to emphasise the local dimension in global climate developments.

We are working to ensure that the level of ambition of new EU proposals and new targets are complementary in regard to existing Scottish plans and do not bring disproportionate financial or regulatory burdens upon Councils. We anticipate that the reason that no more ambition or binding provisions were absent from the package is mainly due to the fact that the Commission is starting to wind down. This is too strong a political issue to be done in the lame-duck period.

We anticipate that there will be after the summer at least a new Energy Efficiency Directive to take up where the current directive left off (including obligations for Local authorities) , and in general the current package is the staging work for more legislation to come from the new Commission once it takes office after the summer.

In the coming months, Member States and the European Parliament will adopt their formal position on the Commission's proposal for the 2030 framework for energy and climate. Next week CoR is already voting its reaction to the package and our members will participate in the discussion.

COSLA will continue to make representations to key policymakers and officials to highlight the role of Local Authorities and local sustainability, in particular in cooperation with other European local authority associations and our EU umbrella CEMR.

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