WWF

Q&A

EU

2011

Straight Answers to tough Questions on the EU's 2020 climate target

Q

EUROPE EMITS A SMALL AND SHRINKING PORTION OF GLOBAL EMISSIONS. ARE GREATER EMISSIONS REDUCTIONS IN EUROPE REALLY NECESSARY TO HELP AVOID DANGEROUS CLIMATE CHANGE ?

A

The answer is unequivocal : to put us on a pathway to avoid overshooting 2 degrees warming, the **IPCC** indicates cuts of 25-40% for 2020[1], where, taking into account latest scientific findings and aiming for a reasonable chance to avoid dangerous climate change, **Europe's fair share must be 40% by 2020.** Current 2020 reduction ambitions are putting us on a pathway to over 3 degrees, which will be **disastrous**[2+3].The EU-27 is the third largest world emitter, with per capita emissions twice the global average, and five-times over the long-term sustainable level. Reductions in the EU are essential to fighting climate change.

1 Intergovernmental Panel for Climate Change (IPCC), AR4, Summary for Policymakers, Table 5
2 See http://www.climateactiontracker.org
3 http://www.climnet.org/component/content/article/292-home/306-latest-scientific-results-on-climate-change-impacts-are-shocking

Q

IS A NEW EUROPEAN TARGET REALLY NECESSARY TO ACHIEVE DEEPER CUTS? IS IMPLEMENTATION OF GOOD MEASURES NOT SUFFICIENT?

A

A target is a primary tool in European policy to provide guidance on the ambition of policies and measures. The failure of the voluntary CO_2 standards for vehicles and the current trend to underperform on the non-binding energy savings target demonstrate what happens when we do not set meaningful EU targets.

Tightening the emissions target will allow adjustment to the Emission Trading System (ETS) cap, to correct the over-supply of pollution permits. This is essential for the future effectiveness of the **EU ETS as a meaningful carbon pricing mechanism.** Secondly, a revised target will provide a much-needed incentive to fully implement the energy efficiency policy to ensure reaching the 20% target. **Top-down targets are not the answer, but they are an important part of it.**

Q

THE EUROPEAN COUNCIL AGREED TO GO TO 30% ONLY AFTER AN INTERNATIONAL AGREEMENT WAS REACHED. SHOULDN'T WE WAIT FOR THAT AGREEMENT ?

A

The council's 2007 language has been overtaken by both the current economic situation and international developments.

Economic - numerous recent studies emphasise the potential to create a **new, sustainable economy, where Europe can play a leading role**[4]. The economic advantages to the EU of moving to 30% are unmistakable[5] – independent of action by other countries. It is therefore in Europe's own self-interest to act now. Raising the EU's climate target from 20% to 30% can foster the following outcomes by 2020 :

- increase the growth rate of the European economy by up to 0.6% per year
- create up to 6 million additional jobs Europe-wide
- boost European investments from 18% to up to 22% of GDP

4 UNEP : Towards a Green Economy : http://www.unep.org/greeneconomy/GreenEconomyReport/tabid/29846/Default.aspx

5 PIK et al. "A new growth path for Europe", http://www.european-climate-forum.net/fileadmin/ecf-documents/Press/A_New_Growth_Path_for_Europe__Synthesis_Report.pdf

- increase European GDP by up to $842 bn
- increase GDP by up to 6% both in the EU15 and EU12 member states.

International - in 2007 it was expected that Europe's position would change with a global deal in Copenhagen in 2009. The situation has changed since then, with countries, including developing countries, setting individual goals for 2020 reductions. The pledges have been formalised in the United Nations Framework Convention on Climate Change (UNFCCC) process and are now the subject of scrutiny to clarify and strengthen them, with the goal of inclusion in a legally **binding** treaty. The target pledges are decided in capitals based on willingness to take leadership positions.

Europe's best effort is NOT 20% cuts. Retaining this position simply perpetuates a cycle of low ambition that will inevitably lead to dangerous climate change.

Given the 30% target is a no-regrets position for Europe economically, and that retaining 20% does nothing to advance international ambition, it is logical to now move to a 30% target.

Q

EUROPE IS STILL REELING FROM THE FINANCIAL DOWNTURN. IS IT TIME TO IMPOSE FURTHER BURDENS, WHEN COMPETITORS AREN'T TAKING SIMILAR ACTION ?

A

Moving to 30% will take additional investment, but these costs are now estimated to be about the same as what was estimated in 2008 for a 20% target – about 0.31% of GDP, with the potential to spark growth of 0.6%.

The **major cost burden** is likely to come from **ever higher oil and gas prices**, and the consequences of systematic **under-investment** in new technology.

Last year the European Commission estimated that achieving a 30% target would reduce imports of oil and gas by €45.5 billion in 2020. However, that estimate was based on oil prices rising to levels in 2020 that we have already surpassed[6]. Energy savings and domestic renewable energy are now more important and cost-effective than ever.

6 The European Commission has based its work on the 2009 PRIMES model assumption of an oil price reaching $88/bbl in 2020 – a price already exceeded.

Decarbonisation can spur much needed investment. According to recent analysis by Barclays and Accenture[7], a credible policy framework to drive decarbonisation is essential to ensuring investor certainty in renewable energy – which is the largest focus of new energy investment. But if we falter, unsustainable investment will move forward, risking lock-in of old-fashioned high-carbon technologies and infrastructures.

Europe also has to consider its future competitive position. In the next Chinese five-year plan[8], **China is planning a 64% increase in renewable energy capacity, to exceed Europe's by nearly a quarter. Smart grid investment will be nearly half a trillion Euros, 20 times that envisioned for Europe**. €11.5 billion will be invested in alternative cars, producing a million units by 2015. India's share of the low carbon goods and services could be worth as much as € 92 billion over the coming decade[9]. Its compound annual growth rate of 17% is predicted to outstrip Europe, North America, China and the rest of the world. It is clear from these figures that it will take far more than business as usual for Europe to keep up.

7 "Carbon Capital : Financing the Green Economy", https://microsite.accenture.com/sustainability/research_and_insights/Pages/Carbon-Capital-Financing-the-Low-Carbon-Economy.aspx
8 E3G, 'Chinese challenge or low carbon opportunity', http://www.e3g.org/programmes/europe-articles/chinese-challenge-or-low-carbon-opportunity/
9 The Climate Group (2011), "India's Clean Revolution"

Q

CERTAIN IMPORTANT EUROPEAN INDUSTRIES LIKE ALUMINIUM OR STEEL ARE SUBJECT TO STRONG INTERNATIONAL COMPETITION. WOULD WE PUT THEM AT SIGNIFICANT DISADVANTAGE IF WE IMPOSE A FINANCIAL BURDEN ON THEM THROUGH FURTHER REGULATION ?

A

Very few parts of the European economy face international competitive pressure impacted by climate policy[10] – these sectors have explicit protections within current policy, and indeed have been enjoying economic benefits from free allocations and the monetisation of unused pollution permits[11]. A more comprehensive international system to address competition is desirable, but in the period to 2020 the current system should not be a limiting factor on the decision to move to 30%.

CAN Europe's study on long term decarbonisation in the cement, steel and paper industries[12] showed that the technologies of

10 E.g. EC, 2010, Analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage., or Climate Strategies: http://www.climatestrategies.org/research/our-reports/category/61.html
11 Sandbag, "Cap or trap : how the EU-ETS risks locking in carbon emissions", www.sandbag.org.uk/reports/
12 Climate Action Network (CAN) Europe and CE Delft, "Horizon 2050", available on www.climnet.org

tomorrow are already being demonstrated – what they need is **investment,** and that investment will come precisely through the instruments that are driven by Europe's climate targets, such as auctioning revenues originating from the EU Emission Trading System (ETS).

The OECD[13] has found **no empirical evidence** to support the theoretical argument that environmental policy hurts competitiveness, in its review of studies on linkages between environmental policy and competitiveness. Even where the adverse competitiveness impacts have failed to be corroborated, businesses still typically oppose environmental proposals by appealing to a loss of competitiveness.

13 Organisation for Economic Co-operation and Development OECD (2010), "Linkages between Environmental Policy and Competitiveness"

Q

AREN'T RECENT EMISSIONS REDUCTIONS DUE TO THE FINANCIAL CRISIS? DOES SAYING WE ARE NEAR THE 20% TARGET TAKE INTO ACCOUNT THE REBOUND IN EMISSIONS WE WILL HAVE WITH A RECOVERY ?

A

The most recent data shows the EU has reduced its emissions by 17.3% compared to 1990 levels, and has therefore almost reached its objective for 2020. This is not all due to the financial crisis : **European emissions have dropped each year since 2005.** Further, the European Environment Agency projects business-as-usual emissions to stabilise below 2008 levels – so a massive emissions rebound is not anticipated.

If existing and planned EU policies are effectively implemented, the European Commission estimates an emission reduction potential of 1.4 to 1.8 Gt CO2eq in 2020[14]. This alone would cover most of the gap even to a 40% target, provided Member States also take ambitious measures. Similarly, the full implementation of the energy efficiency and the renewables targets would lead to an emission reduction of up to 30% in 2020[15].

These results depend on the appropriate design and effective implementation of measures – which is undermined while the EU lacks the guidance of a deeper reduction target.

14 Staff working document accompanying COM(2010) 569 final, Progress towards achieving the Kyoto objectives, p13-18
15 Ecofys (2011) : "Consistency of policy instruments. How the EU could move to a -30% greenhouse gas reduction target

Q

WHAT ARE THE TANGIBLE BENEFITS OF A MOVE TO 30% NOW ?

A

- **Decreased expenditure on fuels** – The European Commission estimated[16] that achieving a 30% target would reduce imports of oil and gas by €45.5 billion in 2020; even this estimate is clearly low as oil prices are rising more quickly than anticipated.
- **Increased energy security** – Europe can build resilience to energy price volatility and physical supply risks by enhancing efforts in renewable energy and efficiency.
- **Increased revenues from low carbon technologies** - Upgrading the EU's 2020 target to 30% would raise additional income of nearly €70 billion from auctioning allowances[17] under the EU Emission Trading System (ETS) alone between 2012 and 2020 – which could help Member States reduce mounting budget deficits and support clean investment.
- **New jobs** - A net increase of 6 million jobs could result from a domestic 30% reduction

16 SEC(2010) 650, Commission staff working document accompanying the Analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage, Part II, p60, 26.5.2010

17 Öko Institut, 2010

target by 2020[18]; 3.4 million European jobs are currently dependent on the low carbon economy, which will continue to expand, whereas employment in extractive and climate polluting industries, currently at under 3 million, will continue to decline[19].

- **Health** benefits of fewer air pollutants associated with a 30% target are estimated at up to €30.5 billion yearly savings for the EU by 2020; **two-thirds** of total implementation costs. These are in addition to health gains from avoiding climate change impacts, such as heat waves, flooding or increases in infectious diseases.

18 PIK et al. "A new growth path for Europe", http://www.european-climate-forum.net/fileadmin/ecf-documents/Press/A_New_Growth_Path_for_Europe__Synthesis_Report.pdf

19 WWF (2009), Low Carbon Jobs for Europe : Current opportunities and future prospects

Q

WHAT JOBS HAVE BEEN CREATED SO FAR IN RENEWABLE OR EFFICIENT TECHNOLOGY SECTORS, IN THOSE MEMBER STATES WHICH HAVE TAKEN EARLY ACTION ?

A

Evidence to date suggests that **green jobs** span a wide array of occupations, skill-levels, and salaries, potentially offering opportunities for broad sections of the workforce. In general, climate-friendly and energy-efficient industries and the products associated with those industries tend to be **more labour-intensive** than products associated with conventional and fossil fuel-based industries or less efficient products. In addition, saved fuels through energy efficiency do not only contribute to energy security but also increase the purchasing power of consumers.

The **German Alliance for Work and the Environment**, a partnership between the Government, building employers, trade unions and non-governmental organisations helped to retrofit 342,000 apartments with energy saving measures and renewable energy

equipment. Over the period 2001–2006, $5.2 billion of public subsidies stimulated a total investment of $20.9 billion, creating or maintaining about 140,000 jobs. The scheme reduced the annual emissions from buildings by 2 per cent. About $4 billion of the government input was recovered through tax and the need for unemployment benefits was averted. In 2005, the Government increased funding for the programme to almost $2 billion annually. This led to an estimated 145,000 additional full-time-equivalent jobs in 2006. Retrofitting of buildings has become one of the key elements of the strategy by the German Government to reduce emissions by 40 per cent by 2020.

Denmark, Germany and **Spain** are leading forces in creating jobs in the renewable energy sector in Europe. Important to note is the early policy frameworks that were set up and significantly contributed to the additional employment created in the renewable energy sector in these countries.

Q

WHICH INDUSTRIES AND BUSINESSES ACTUALLY SUPPORT AN INCREASED EMISSIONS TARGET ?

A

Industry leaders are confirming that the EU needs to race to the top in the low carbon economy in order to **be competitive** in global low carbon markets and unlock innovation and financing potential. Investments in renewable and efficient energies will improve the **security of European energy supply**, and will contribute to the creation of new direct and indirect jobs.

More than 30 large companies such as Alstom, GE Energy, Google, IKEA, Sony and Unilever have signed a declaration[20] calling on the EU to prepare to increase its greenhouse gas reduction target to 30% to drive low carbon investments. Several of these companies have installations that fall under the EU Emission Trading System (ETS).

20 http://www.theclimategroup.org/EU-30-per-cent-initiative

Q

WITH GERMANY HAVING CLOSED SOME NUCLEAR POWER PLANTS AND MORE SHUTDOWNS ANTICIPATED, WON'T EMISSIONS RISE, MAKING A 30% TARGET HARDER TO REACH?

A

Decarbonisation scenarios as diverse as those of Eurelectric and Greenpeace incorporate the previously planned **nuclear phase-outs** (and indeed more in the latter case). Accelerating those phase-outs, provided they are coupled with an effective package of complimentary measures, many of which are already in place, **should not lead to a significant burden on EU ETS prices or EU climate protection in general**[21]. This is particularly true as the issue is only applicable in a few countries.

New nuclear is not relevant to this debate since, even if a new reactor were ordered, it would not be built by 2020 and therefore would have no impact on emissions up to that date.

21 Öko Institut (2011), Accelerated phase-out of nuclear power in Germany. Short-term options, electricity and CO2 price effects

For more information

Sam Van den plas
Policy Officer Climate&Energy
WWF European Policy Office
Email : svandenplas@wwf.eu
Tel. +32 2 740 09 32

This programme is implemented with the support of the European Union.
The contents of this publication are the sole responsibility of WWF and can in no way be taken to reflect the views of the European Union.

Why we are here
To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

www.wwf.eu

Published in May 2011 by WWF-World Wide Fund for Nature (Formerly World Wildlife Fund), Brussels, Belgium.

WWF European Policy Office (EPO) - 168 avenue de Tervurenlaan Box 20 - 1150 Brussels - Belgium - Tel : +32 2 743 88 00

Layout : www.okidokidesign.net