

Brussels, 23 January 2008

Boosting growth and jobs by meeting our climate change commitments

The European Commission has today agreed on a far-reaching package of proposals that will deliver the European Council's commitments to fight climate change and promote renewable energy. The proposals demonstrate that the targets agreed last year are technologically and economically possible and provide a unique business opportunity for thousands of European companies. These measures will dramatically increase the use of renewable energy in each country and set legally enforceable targets for governments to achieve them. All major CO2 emitters will be given an incentive to develop clean production technologies through a thorough reform of the Emissions Trading System (ETS) that will impose an EU-wide cap on emissions. The package seeks to deliver the European Union to reduce greenhouse gases by at least 20% and increases to 20% the share of renewable energies in the energy consumption by 2020, as agreed by EU leaders in March 2007. The emissions reduction will be increased to 30% by 2020 when a new global climate change agreement is reached.

Commission President, José Manuel Barroso said, "Responding to the challenge of climate change is the ultimate political test for our generation. Our mission, indeed our duty, is to provide the right policy framework for transformation to an environment friendly European economy and to continue to lead the international action to protect our planet. Our package not only responds to this challenge, but holds the right answer to the challenge of energy security and is an opportunity that should create thousands of new businesses and millions of jobs in Europe. We must grasp that opportunity".

Commissioner for the environment, Stavros Dimas said, "Building on Europe's pioneering emissions trading system, this package demonstrates to our global partners that strong action to fight climate change is compatible with continued economic growth and prosperity. It gives Europe a head start in the race to create a low-carbon global economy that will unleash a wave of innovation and create new jobs in clean technologies. These proposals implement the commitments made by EU leaders last year through a fair share-out of the effort. Now all Member States must make their full contribution."

Commissioner for energy policy, Andris Piebalgs said, "In a time of growing oil prices and climate change concerns, renewable energy sources is an opportunity that we cannot miss. They will help us to reduce our CO2 emissions, strengthen our security of supply and develop jobs and growth in a high tech developing sector. If we do the effort now, Europe will be the leader in the race towards the low carbon economy that the planet so desperately needs"

Commissioner for Competition, Neelie Kroes said, "The state aid guidelines are a significant contribution to Energy and Climate Change policy in the Union and to the continuing process of the state aid reform. This is a win-win opportunity for the

Member States to finance environmental projects and for economic growth in the EU."

Building on the EU Emission Trading System (ETS), the Commission proposes to strengthen the single, EU-wide carbon market which will include more greenhouse gases (currently only CO₂ is included), and involve all major industrial emitters. The emission allowances put on the market will be reduced year-on-year to allow for emissions covered by the ETS to be reduced by 21% from 2005 levels in 2020.

The power sector – forming the majority of EU emissions – will face full auctioning from the start of the new regime in 2013. Other industrial sectors, as well as aviation, will step up to full auctioning gradually, although an exception may be made for sectors particularly vulnerable to competition from producers in countries without comparable carbon constraints. In addition, auctions will be open: any EU operator will be able to buy allowances in any Member State.

Revenues resulting from the ETS will accrue to Member States and should be used to help the EU to adjust to an environment friendly economy by supporting innovation in areas such as renewables, carbon capture and storage and R&D. Part of the revenues should also go towards helping developing countries adapt to climate change. The Commission estimates that the revenues from the auctioning could amount to €50 billion annually by 2020.

The EU Emissions Trading System, now in its fourth year of operation, has proved an effective instrument to find a market-based solution to provide incentives for cuts in greenhouse gas emissions. At present the system covers some 10,000 industrial plants across the EU – including power plants, oil refineries, and steel mills – accounting for almost half the EU's CO₂ emissions. Under the new system over 40% of total emissions will be covered by the ETS. To reduce the administrative burden, industrial plants emitting less than 10,000 tonnes of CO₂ will not have to participate in the ETS.

In sectors not covered by the ETS such as buildings, transport, agriculture and waste, the EU will reduce emissions to 10% below 2005 levels by 2020. For each Member State the Commission is proposing a specific target by which it must reduce or, in the case of new Member States, may increase its emissions up to 2020. These changes range from -20% to +20%.

In addition to a properly functioning market for pollutants, all Member States have to urgently start changing the structure of their energy consumption. Today, the share of renewable energy in the EU's final energy consumption is at 8.5% which means that an average increase of 11.5% is needed to meet the target of 20% in 2020.

In order to achieve this, the Commission is today proposing individual, legally enforceable targets for each of the Member States. The options for developing renewable energy vary from one Member State to another and lead times for bringing renewable energy on stream are long. Thus it is important for Member States to have a clear vision of where they intend to act. The national action plans to be prepared by Member States will set out how they intend to meet their targets and how progress can be monitored effectively.

As long as the EU's overall target is met, Member States will be allowed to make their contribution by supporting Europe's overall renewables effort, and not necessarily inside their own borders. This would shift investment to where renewables can be produced most efficiently, which could cut €1.8 billion from the price tag for meeting the target.

Today's proposal also addresses the minimum target of 10% for use of biofuels in transport in the EU to be reached by 2020. This is the same for each Member State.

Sustainability is essential in implementing this target – the directive includes clear sustainability criteria.

The Commission has also adopted new State aid guidelines on environmental protection which will help Member States to develop a sustainable European climate and energy policy. In comparison with the 2001 guidelines (see [IP/00/1519](#)), these new guidelines broaden the scope of aid projects as well as increase the aid intensities. The guidelines set out new conditions for State aid measures to promote environmental protection and strike a very important balance between delivering larger environmental benefits and minimizing distortions of competition.

If aid is not well targeted, it will not deliver environmental results and it risks distorting competition which can lead to lower economic growth in the European Union.

Background

On 10 January 2007 the Commission adopted an energy and climate change package, calling on the Council and European Parliament to approve:

- an independent EU commitment to achieve a reduction of at least 20% in the emission of greenhouse gases by 2020 compared to 1990 levels and the objective of a 30% reduction by 2020, subject to the conclusion of a comprehensive international climate change agreement;
- a mandatory EU target of 20% renewable energy by 2020 including a 10% biofuels target.

This strategy was endorsed both by the European Parliament and by EU leaders at the March 2007 European Council. The European Council invited the Commission to come forward with concrete proposals, including how efforts could be shared among Member States to achieve these targets.

This package is the reply to that invitation. It comprises a set of key policy proposals that are closely interlinked. They include:

- (1) a proposal amending the EU Emissions Trading Directive (EU ETS);
- (2) a proposal relating to the sharing of efforts to meet the Community's independent greenhouse gas reduction commitment in sectors not covered by the EU emissions trading system (such as transport, buildings, services, smaller industrial installations, agriculture and waste);
- (3) a proposal for a Directive promoting renewable energy, to help achieve both of the above emissions targets.

Other proposals that are also part of the package include a proposal for a legal framework on carbon capture and storage, a Communication on the demonstration of carbon capture and storage and new guidelines for environmental state aid.

The complete press pack and a copy of the Commission's proposals can be found at http://ec.europa.eu/commission_barroso/president/index_en.htm

Legally binding targets for Member States in 2020

	Reduction target in sectors not covered by the EU ETS compared to 2005	Share Renewables in the final energy demand by 2020
AT	-16.0%	34%
BE	-15.0%	13%
BG	20.0%	16%
CY	-5.0%	13%
CZ	9.0%	13%
DK	-20.0%	30%
EE	11.0%	25%
FI	-16.0%	38%
FR	-14.0%	23%
DE	-14.0%	18%
EL	-4.0%	18%
HU	10.0%	13%
IE	-20.0%	16%
IT	-13.0%	17%
LV	17.0%	42%
LT	15.0%	23%
LU	-20.0%	11%
MT	5.0%	10%
NL	-16.0%	14%
PL	14.0%	15%
PT	1.0%	31%
RO	19.0%	24%
SK	13.0%	14%
SI	4.0%	25%
ES	-10.0%	20%
SE	-17.0%	49%
UK	-16.0%	15%