



The Foundation for the Economics of Sustainability
"Designing systems for a changing world"

2nd July 2013

FEASTA Response to Commission Consultation on a 2030 framework for climate and energy policies.

FEASTA, the Foundation for the Economics of Sustainability welcomes the opportunity to participate in this consultation on EU climate and energy policies.

4.1 General

- *Which lessons from the 2020 framework and the present state of the EU energy system are most important when designing policies for 2030?*

FEASTA drew lessons from the pilot phase of the EU ETS and input them to the Irish Department of the Environment in 2005¹ and to the Commission in 2007.² Those documents identified ongoing problems with the design of the ETS, but the lessons were not learnt. Now we have a further opportunity to learn. The key lessons are:

- 1. There should be no grandfathering of emission rights;**
- 2. The cap should be an upstream cap applying to all fossil fuels at the point of extraction or import; and**
- 3. The proceeds of auctioning should be redistributed to the public on a per capita basis.**

Many of the problems with the EU ETS would not have arisen if these conditions had been in place.

It may seem strange to point it out at a time of low ETS prices, but lesson 3 above will be sorely learnt when the ETS price is high enough to drive the necessary decarbonisation the EU economy. The consequent high energy prices will have significant negative impacts on poorer European households unless the proceeds of an auctioned ETS are used to compensate those households.

FEASTA and many other organisations warned of the flaws in the EU ETS from the start. We advocated for a Cap and Share³ when the EU ETS was being piloted and then when it was initially rolled out and we continue to advocate for Cap and Share as an efficient, fair and transparent means of capping greenhouse gas emissions. In 2009 Cap and Share was selected by the UK's Sustainable Development Commission as one of its 'Breakthrough ideas for the 21st Century'.⁴

It is not too late to reform the EU ETS in line with the three lessons above.

1 www.feasta.org/2005/11/23/reforming-the-eu-emissions-trading-scheme/

2 www.feasta.org/documents/energy/emissions2007.htm

3 Matthews, L., 2010, Cap and Share: Simple is Beautiful, in Douthwaite, R. (ed.), 2010, Fleeing Vesuvius, FEASTA <http://fleeingvesuvius.org/?p=386>

4 SDC, 2009, Breakthrough Ideas for the 21st Century. London: Sustainable Development Commission. (www.sd-commission.org.uk)

4.2. Targets

- Which targets for 2030 would be most effective in driving the objectives of climate and energy policy? At what level should they apply (EU, Member States, or sectoral), and to what extent should they be legally binding?
- Have there been inconsistencies in the current 2020 targets and if so how can the coherence of potential 2030 targets be better ensured?
- Are targets for sub-sectors such as transport, agriculture, industry appropriate and, if so, which ones? For example, is a renewables target necessary for transport, given the targets for CO₂ reductions for passenger cars and light commercial vehicles?
- How can targets reflect better the economic viability and the changing degree of maturity of technologies in the 2030 framework?
- How should progress be assessed for other aspects of EU energy policy, such as security of supply, which may not be captured by the headline targets?

4.3. Instruments

- Are changes necessary to other policy instruments and how they interact with one another, including between the EU and national levels?
- How should specific measures at the EU and national level best be defined to optimise cost-efficiency of meeting climate and energy objectives?
- How can fragmentation of the internal energy market best be avoided particularly in relation to the need to encourage and mobilise investment?
- Which measures could be envisaged to make further energy savings most cost-effectively?
- How can EU research and innovation policies best support the achievement of the 2030 framework?

We support the application of renewable energy and energy efficiency targets as at present.

However, the current targets do not address a major part of the climate change challenge. **There also should be targets for carbon sequestration and storage.** The role of natural coastal/marine⁵ and terrestrial ecosystems, especially peatlands⁶ in climate change is not given sufficient attention by EU policymakers. In *Fleeing Vesuvius* we argued for a Carbon Maintenance Fee system to incentivise land management, conservation and restoration which acts to increase biosphere carbon storage.⁷ The multiple co-benefits of such approaches and the low or negative abatement costs mean that biosphere carbon should be treated as an important part of climate policy. Research and innovation policies should give greater emphasis to the management and enhancement of carbon sinks and stores. At the moment, to judge by practice, policy, engagement in UNFCCC negotiations and even simply by the content of the current consultation and the recent consultation on the 2015 deal, these important policies are almost ignored at EU level.

4.4. Competitiveness and security of supply

- Which elements of the framework for climate and energy policies could be strengthened to better promote job creation, growth and competitiveness?
- What evidence is there for carbon leakage under the current framework and can this be quantified? How could this problem be addressed in the 2030 framework?
- What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them?
- How should uncertainty about efforts and the level of commitments that other developed countries and economically important developing nations will make in the on-going international

5 www.bluecarbonportal.org/

6 www.epa.ie/pubs/reports/research/land/STRIVE_75_web_SC.pdf

7 Byrne, C. 2010, Refocusing the purpose of the land: from emissions source to carbon sink in Douthwaite, R. (ed.), 2010, *Fleeing Vesuvius*, FEASTA <http://fleeingvesuvius.org/?p=319>

negotiations be taken into account?

•How to increase regulatory certainty for business while building in flexibility to adapt to changing circumstances (e.g. progress in international climate negotiations and changes in energy markets)?

•How can the EU increase the innovation capacity of manufacturing industry? Is there a role for the revenues from the auctioning of allowances?

•How can the EU best exploit the development of indigenous conventional and unconventional energy sources within the EU to contribute to reduced energy prices and import dependency?

•How can the EU best improve security of energy supply internally by ensuring the full and effective functioning of the internal energy market (e.g. through the development of necessary interconnections), and externally by diversifying energy supply routes?

We are surprised by the question asking how to exploit “indigenous conventional and unconventional energy sources”. Normally the distinction drawn is between renewables and fossil fuels, or sustainable and unsustainable energy sources. We suspect that this question is in fact about conventional and unconventional *fossil fuels*. This interpretation is confirmed by this reference earlier in the document:

“there is a need to enable the future exploitation of indigenous oil and gas resources, both conventional and unconventional in an environmentally safe manner, as they could contribute to reducing the EU's energy prices and import dependence.”

It has been repeatedly demonstrated over the last few years, most recently by the International Energy Agency in a presentation to the UNFCCC in Bonn⁸, that we have discovered far more fossil fuels than we can safely extract. In this context **it makes no sense for the EU to promote exploration for and development of fossil energy sources**. Indeed it is profoundly undermining of the EU's commitment to climate protection.

4.5. Capacity and distributional aspects

•How should the new framework ensure an equitable distribution of effort among Member States? What concrete steps can be taken to reflect their different abilities to implement climate and energy measures?

•What mechanisms can be envisaged to promote cooperation and a fair effort sharing between Member States whilst seeking the most cost-effective delivery of new climate and energy objectives?

•Are new financing instruments or arrangements required to support the new 2030 framework?

A Europe-wide Cap and Share would automatically have a positive effect on the equitable distribution of effort, not just between Member States, but also within Member States. We do foresee that additional financing instruments would be appropriate. We have not considered the question of complementary policies to Cap and Share specifically at an EU level but have looked at the matter in principle in our book *Sharing for Survival* and suggest that the consideration in the relevant chapter is relevant.⁹

FEASTA The Foundation for the Economics of Sustainability

1 Ard na gCapaill, Cloughjordan, Co. Tipperary, Ireland

Tel: +353 (0)86 364 2728

www.feasta.org

info@feasta.org

website@feasta.org

⁸ unfccc.int/files/meetings/bonn_jun_2013/application/pdf/iea_presentation_130611.pdf

⁹ Bardsley, N., 2012, Policy Packages in Davey, B. (ed), 2012, *Sharing for Survival*, FEASTA www.sharingforsurvival.org/index.php/policy-packages/