

Report on

“EU Climate Policy: Emissions Trading and Fuel Quality Directive – Insights for Canada”

April 10, 2013
Carleton University

Speakers:

Dr. Oliver Geden & Severin Fischer, Stiftung Wissenschaft und Politik, Berlin

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For more information about the event, please visit <http://www6.carleton.ca/ces/cu-events/eu-climate-policies-emissions-trading-and-fuel-quality-directive-insights-for-canada>

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Introduction

Carleton University's Centre for European Studies, and the Friedrich Ebert Foundation offered a briefing about the EU Climate policy on April 10, 2013 at Carleton University. The analyses were provided by Dr. Oliver Geden and Severin Fischer from the German Institute for International and Security Affairs (Stiftung Wissenschaft und Politik, SWP).

Presentation

Severin Fisher and Dr. Oliver Geden from the Stiftung Wissenschaft und Politik (SWP) in Berlin spoke on aspects of European Union (EU) climate policy. Specifically, they discussed the EU Emissions Trading Scheme (ETS) and the EU Fuel Quality Directive (FQD). The presentations explained the institutional and political context of EU climate policy, discussed recent developments and considered what the future may hold. The speakers also commented on the implications of these EU policies for Canada.

A number of factors drove the evolution of EU climate policy in the past decade. The 2004 enlargement brought a new demand for energy security, especially for the eastern Member States that feared disruption of natural gas supplies from Russia. In 2007-08, oil prices reached new highs. Also, the public within the European Union were expressing concern about climate change. In 2007, Germany assumed the rotating Presidency of the EU Council and saw an opportunity to advance climate policy in the EU. In March 2007, the EU Council announced the 20-20-20 by 2020 strategy: to reduce greenhouse gas (GHG) emissions by 20%, to increase share of renewables in the energy mix to 20% and to reduce energy consumption by 20% compared to 1990 levels and business as usual scenarios.

An important tool in achieving these climate policy targets is the Emissions Trading Scheme (ETS). The ETS is the largest greenhouse gas (GHG) cap and trade system in the world. (Australia's cap and trade scheme will be linked to it). It is exclusively an EU competency, for which the EU, not Member States, decides the overall emissions cap. (It would have been much more difficult to impose an EU carbon tax because taxation is not an EU level competency). To date, the scheme covers emissions from electricity generation, industry and domestic aviation only.

The ETS has faced significant challenges. Due to the financial crisis, GHG emissions have dropped substantially; in 2011, they were down 17.6% from 1990 levels. The inclusion of international credits from Kyoto mechanisms contributed to an oversupply of credits, especially from China and India. As a result, the price for emissions certificates has plunged and the cap has no effect on further restricting emissions.

Given the current weakness of the ETS, some member states would like to pursue national carbon taxes. However, businesses in the EU prefer the uniformity and certainty of the ETS over national level initiatives. Consequently Severin Fischer believes that ETS will continue to have support from the EU and its Member States in the future. However, without reform the EU-ETS will not be the driver for low-carbon investments in the EU, as the political will among Member States remains limited.

According to Dr. Oliver Geden, the FQD remain a relatively minor issue for EU officials, despite the controversy it is causing in Canada because of concerns that fuel from the oil sands will be labeled as less clean than conventional oil. The issue is largely symbolic, because Canada's oil sands exports to the European Union are trivial and will remain very small for the foreseeable future. Dr. Geden contrasted Canada's high profile lobbying against the Directive with

Malaysia's low key, behind the scenes approach to influencing Brussels on this policy. For now, the priority of the EU within the FQD is the regulation of the European biofuel sector. Dr. Geden called it "the politics of non-decision making." No serious decisions will be made on the FQD until the political support is there. The talk concluded with a discussion of the future of the EU climate policy. The European Commission has already begun planning for the post-2020 policy and will release a report in December 2013. In late March of 2013, the European Commission released its initial draft plans for the post-2020 target architecture, the Green Paper entitled ["A 2030 framework for climate and energy policies."](#) This document launches a public consultation lasting until July 2, 2013, allowing Member States, other EU institutions and stakeholders to express their views on energy and climate targets for 2030.

The EU learned many lessons from the 20-20-20 policy, such as the volatility of the global economy highlighted the importance of accurate GHG emissions accounting. The ETS's effectiveness as an incentive may require setting a floor price for certificates. The EU climate policy roadmaps would suggest a goal of a 40% GHG emission reduction and a 30% increase for renewable energy sources (RES) by 2050. However, given the diversity of energy policies within the EU, some individual Member States are likely to be less ambitious. Discussions about climate and energy strategies for 2050 have highlighted areas of conflicts, such as whether emission reductions should continue to be the benchmark in EU energy policies, and questions of Member State sovereignty in national energy policies. Given the uncertainty within the EU financial markets, there is some debate as to whether EU leaders will develop a policy before or after the 2015 UN Climate Summit. The two presenters also foresee a paradigm shift, with an EU climate policy focused more on competitiveness rather than sustainability. Under current conditions, the EU's front runner role in climate policy may not be sustainable.