

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

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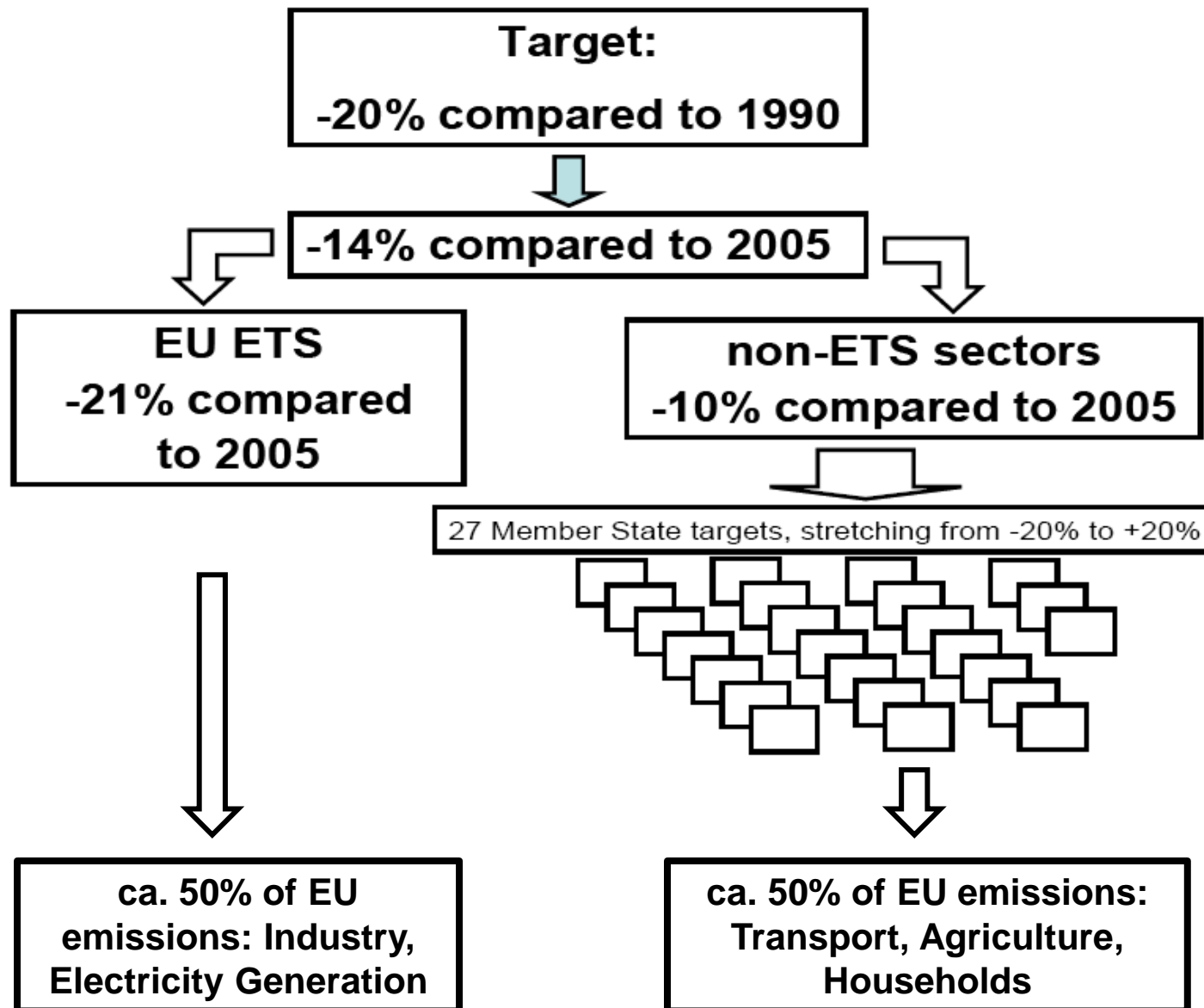
**Carleton University
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The point of departure: 20-20-20 (by 2020)

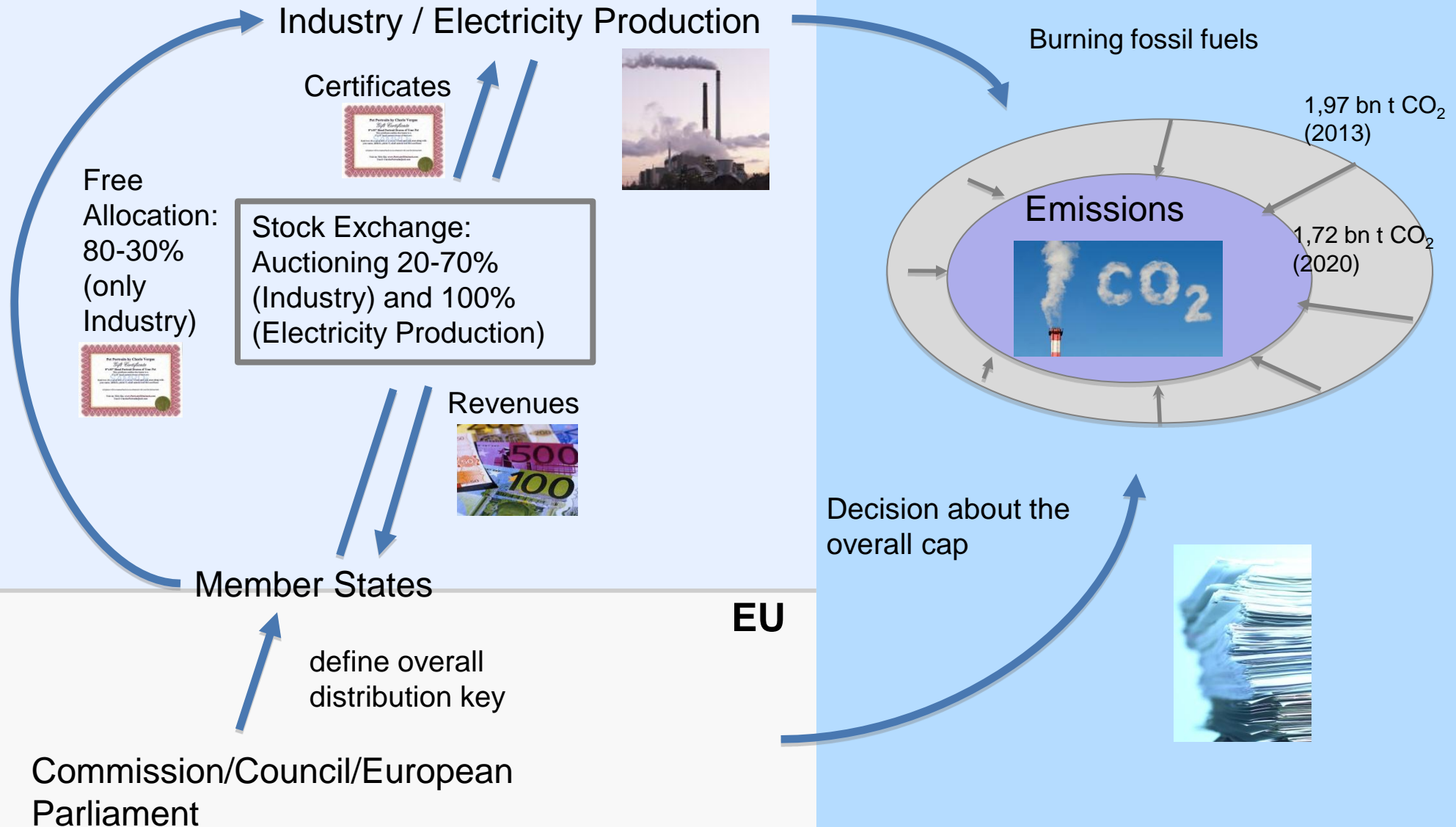
An “integrated energy and climate policy” for Europe

- European Council, March 2007:
 - Reducing GHG emissions by 20% until 2020 (base year 1990)
 - Increasing the level of ambition to 30%, if other industrialized countries and emerging economies take part
 - Increasing the share of renewable energies in the energy mix to 20% by 2020
 - Separate target for the transport sector: 10%
 - Reducing the energy consumption by 20% compared to business-as-usual scenarios by 2020
- Implementation of Climate and Renewables Targets via the Climate-and-Energy-Package in 2008

The top-down-approach of the EU Climate Policy



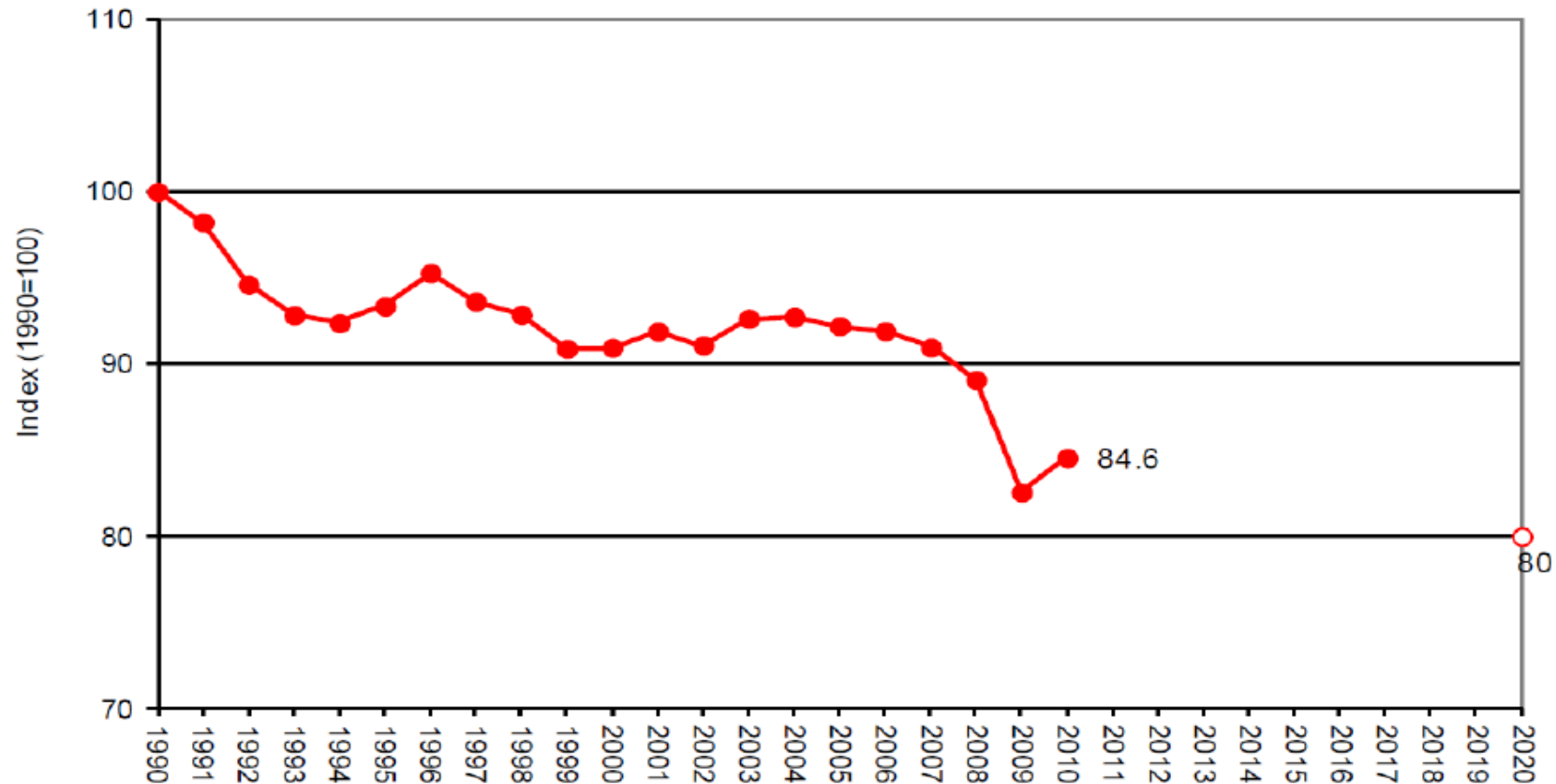
The EU Emission Trading Scheme: Phase III (2013-2020)



The international outreach of the EU-ETS

- Inclusion of international credits from Kyoto-mechanisms (CDM/JI)
 - Massive oversupply of credits especially from China and India
- Linking: Connecting the EU-ETS with other carbon markets
 - Australia first carbon market to be linked with the EU ETS
- Inclusion of international air traffic in the EU-ETS
 - All flights out of and into the EU are included
 - Agreement 2013: “Stopping the clock” – waiting for measures from ICAO

The impact of the economic crisis on EU GHG emissions



Impacts on the price developments in the EU-ETS



Summing up:

- The EU-ETS has been reformed and adjusted in 2008/09
- The slow progress on international negotiations has influenced “pioneer instrument” of the EU negatively
- The international outreach of the EU-ETS as model for market-based instruments remains limited
- Without reform, the EU-ETS will not be the driver for low-carbon-investments in the EU
- The political will for reform among member states remains limited

Fuel Quality Directive (2009/30/EC)

- Important issue for Canada, only minor for EU policymakers
- Requirement to reduce GHG intensity of fuels for road transport (6% by 2020) and new sustainability criteria for biofuels → establishment of GHG “life cycle analysis”
- Priority for EU: Regulation of biofuel sector, GHG values of fossil fuels serve as important benchmarks (GHG savings of 35-60%)
- Review/Amendment process behind schedule, not mainly because of oil/tar sands dispute but “indirect land use change” (ILUC) factors

The way forward...

- “Politics of time”/Politics of non-decisionmaking
- Complexities and uncertainties in environmental accounting, prone to lobbying
- No systemic need for FQD within EU climate policy (non-ETS targets), although stringent regulation of transport sector necessary
- Future of FQD mainly depends on EU’s post-2020 energy framework

40(?)-30(?) by 2030(?) – the next milestones for EU energy and climate policy

- Headline targets and policy framework needed post-2020
- What kind of target architecture? “GHG only” or “GHG+RES”?
 - Commission: Consultation + detailed proposals (Dec 2013)
 - European Council: (unanimous) decision before or after the 2015 UN Climate Summit?
 - European Parliament/Council of EU: Implementation of new headline targets into law
- Commission Roadmaps and Green Paper indicating GHG target of 40% and RES target of (30%), but Member States’ ambitions seem to be considerably lower
- New sectoral targets (transport, electricity, heating)?
- Paradigm shift ahead: from sustainability to competitiveness