



EU leaders should not be afraid to already embrace the climate change and energy package

By Louise van Schaik



The spring European Council of 13 and 14 March 2008 will present a first opportunity to seal at the political level the climate action and renewable energy package the Commission proposed on 23 January 2008. The proposals are meant to ensure implementation of ambitious targets set at the spring European Council of 2007: to reach by 2020 a 20 per cent reduction of greenhouse gas emissions compared to 1990 levels and a 20 per cent renewables share in the EU's final energy consumption that includes a 10 per cent share of biofuels for transport. They are currently being discussed in various formations and committees of the Council of Ministers and the European Parliament. Economics and Finance Ministers have already indicated that costs of climate change policies should not be too high. Environment Ministers have emphasised the need for stringent sustainability standards for biofuels and other environmental aspects of the package, and their Energy counterparts the competitiveness effects for energy industries. Agriculture Ministers will undoubtedly point to the opportunities of biofuels for European farmers. The European Parliament will have its own wish list and each EU member state seems to have a special circumstance for why the targets allocated to it in fact represent a disproportionate burden. Business lobbies attempt to shift the burden to other sectors and do not forget to emphasize supposedly negative effects of the proposals on employment and competitiveness. Renewable energy producers underline the need for a continuation of subsidy schemes. Environment NGOs state the proposals are not nearly as far reaching as needed to save the planet, but that specific measures, notably the use of biofuels, should not harm other environmental objectives of the European Union, such as those on biodiversity and development cooperation.

In such a situation it may help when the EU's highest political level leads the way. The European Council can, at this stage, not be expected to conduct negotiations on the details of the proposals, but it could provide a 'political signal' that is strong enough to ensure the package will not be unravelled into disconnected pieces by all the specific interests involved. The political leaders may be a little hesitant, since the proposals are complex, stakes are high, and they may not want to intervene too deeply in the policy remit of their fellow Ministers. They may also be afraid of giving away their national negotiating position. They, moreover, may see a risk of being accused of just endorsing the package for short term political gains and the EU's self-comfort, given that climate change has become such a fashionable policy issue to which

the EU has clearly tied its political faith. Nevertheless, there is also a good number of reasons why political endorsement at this stage is important.

First of all, it is important that the EU's political leaders acknowledge in full that the Commission has come up with what the European Council asked it to do one year ago. Although the EU system is one in which the Commission has the right of initiative for new policy proposals, its agenda is usually tuned in with policy preferences of the EU member states and other relevant stakeholders. In the field of climate change there is a considerable synergy between the Commission, EU member states and other stakeholders that all want the EU to undertake further action to reduce greenhouse gas

emissions and to reduce its energy dependency on oil and gas producing countries. However, views on policies to achieve these objectives are not always in agreement. All policy options have their own drawbacks and contradictions with other EU policy objectives, such as economic growth, food production and (nuclear) safety, are easily found. The political support of the European Council for an integrated climate and energy policy with ambitious targets made it possible for the Commission to make policy choices and to develop a coherent package of proposals. Now it is important for this policy to become a reality.

A second issue to emphasise is the balance achieved within the package and between the proposals and other EU policies (e.g. energy efficiency standards, research policy, structural funds, agriculture, finance and investment, industrial policy, etc). Initial reactions by key stakeholders were rather predictable, which created a general feeling that the package as a whole is rather balanced. This is not surprising since the proposals build upon a range of EU policies already tested and in place. Moreover, all Commission services have been involved in drafting the proposals and intensive consultations were held with stakeholders and EU member states before adopting the proposals. It was the Commission President who oversaw the development of the package and who coordinated the consultation with the EU member states, and oversaw the inter-service consultation between the Commission services.

With regard to setting the national targets, a key concern by the new EU member states was addressed by using GDP/capita level as one of the criteria for distribution. It has been applied to redistribute 10 per cent of the revenues EU member states will receive from auctioning emission allowances to the sectors covered by the emissions trading scheme, for the effort-sharing in the other sectors where emissions have to be reduced, and for allocating 50 per cent of the renewable energy share to be achieved in 2020. This approach is generally perceived as fair, since it takes into account the different levels of economic prosperity of the member states. It was also much needed in political terms since the new member states felt they needed to be compensated for their

emission reductions in the period 1990-2004¹. These reductions were set aside by the fact that in the proposals 2005 has become the new baseline for measuring achievements. It is fair to say though that the "1990 reductions" were not due to climate policies, but the result of a general reconstruction of economic activities in these countries in the early 1990s. The same applies for most of the reductions Germany and the UK achieved in the same period.

Third, and perhaps most important, is to underline that these proposals are of vital importance for the EU's credibility; towards the EU citizens and internationally. The package is not just another set of sophisticated and ambitious EU objectives with little teeth, such as the Lisbon strategy, the EU's constitutional aspirations, and its eagerness to play a role in the world. Implementing the proposed policies will actually come at a cost, will transform societal and economic developments, confront vested interests, and will impact the relationship with other countries and regions in the world. EU citizens have asked for action on climate change in various opinion polls. Endorsing the package would demonstrate that the EU is able to respond to this call and would demonstrate the EU's ability to tackle policy issues deemed important by EU citizens. The package moreover contains strong signals for the international negotiations. The package has incorporated a provision that the 20 per cent greenhouse gas reduction target will be scaled up to a 30 per cent reduction target in case other industrialised countries commit to a similar target. Also, an extended use of credits from projects to be implemented in developing countries (the so-called Clean Development Mechanism) is foreseen in case an international agreement is reached. Another signal is the 2005 baseline that, if extended to the international negotiations, could be expected to make negotiations with the US a little less difficult. Finally the use of the GDP/ capita criterion for target distribution and the possibility of considering in 2010 a "carbon equalisation mechanism", which in fact is a tax on imported

¹ Some of the new EU member states have negotiated a different baseline year than 1990, since their emissions were larger at that time, but for the sake of clarity we refer to 1990.

energy intensive products, are clear signals to negotiating partners to join the EU's commitment to combating climate change.

The climate and energy package can be considered a strong package, but the EU is not there yet. Without strong political leadership by the European Council, there is a risk that specific interests within the EU will be raised and that negotiations will be strained. Such a process could lead to an opening of Pandora's box with regard to unravelling the carefully crafted balance achieved within the package and thereby jeopardise its adoption in Council and European Parliament. Setbacks could in turn endanger the tight time schedule that is foreseen for the adoption of the proposals. It is of utmost importance to reach agreement before the end of

2008, or early 2009 at the latest, given that in June 2009 European Parliament elections will take place. A sense of urgency is also felt with regard to the EU's position in the negotiations on an international climate treaty. Following the Bali Summit, these have now officially started and are supposed to be finalised by the 2009 Copenhagen Summit. Therefore EU leaders could better consider whether it would not be wise to already fully embrace the package at the upcoming European Council meeting.

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