

KEY MESSAGES

14 October 2008

KEY MESSAGES ON ENERGY AND CLIMATE ISSUES AHEAD OF THE EUROPEAN COUNCIL ON 15-16 OCTOBER 2008

BUSINESSEUROPE PRESS CONFERENCE ON 14 OCTOBER

- *The need for a balanced EU climate and energy strategy*

In March 2007, the European Council adopted an ambitious action plan for energy and climate, with very high targets for reducing CO₂ emissions and increasing the production of renewables. While fully understanding the political and environmental significance of the plan we stress that, today more than ever, the plan will need to strongly integrate the three dimensions of security of supply, competitiveness and climate protection.

Implementation of the climate and energy legislative package very much worries business today because action has been initiated mainly on the ecological and renewables side, whereas there is insufficient engagement on the competitiveness leg of the plan. No clear and effective response is visible yet for addressing the heavy extra costs that are planned for European manufacturing industry in the context of reaching the unilateral EU 2020 climate goals through the Emission Trading Scheme (ETS), using the mechanism of auctioning of allowances. These extra costs will hurt international competitiveness, especially for energy-intensive industries, and also hurt employment in those and associated industries. These concerns are shared by a number of trade unions in Europe.

The additional cost stemming from renewable energy policy will have further negative competitiveness effects for energy-intensive industries in Europe. This must also be addressed by a coherent climate and energy policy, for example by allowing policy-makers to reach their national renewable targets with utmost flexibility.

- *Keeping European energy costs at competitive levels is a broader issue than ETS*

It is not only climate policy and renewable policy which need to be adjusted to avoid energy costs running out of control.

Establishment of the internal gas and electricity market has to be speeded up. BUSINESSEUROPE insists that the finalisation of the political agreement reached by the Energy Council on 10 October delivers effective unbundling and truly improved governance. Furthermore, it is important to initiate additional market-based measures, including introduction of a framework facilitating long-term contracts between energy suppliers and users.

- *Energy security*

Business is pleased that the European Council is to examine how to cooperate more effectively on security of energy supply. We hope that this signals a return to a wider strategic vision of energy issues, where competitiveness and security of supply play their full role in energy policy, alongside climate protection.

- *International climate change negotiations will have direct impacts on EU policy*

In December in Poznan, the United Nations will strive to make progress towards an agreement on climate protection to be concluded next year in Copenhagen. BUSINESSEUROPE is today presenting a brochure which proposes four key principles to guide the international climate change negotiations:

- 1) Mobilise all major economies to reduce emissions as soon as possible
- 2) Establish a level playing field for industry throughout the world
- 3) Strengthen global market mechanisms to reduce emissions, linking developed and developing regions
- 4) Ensure all cost-efficient climate technologies are deployed and developed.

The international climate change negotiations and EU climate legislation currently being discussed by EU institutions are directly linked. We urge the EU to define criteria against which an international agreement is to be assessed. It is important in particular to evaluate whether an international agreement places an equivalent burden on industries outside the Community. We are pleased that the European Parliament has started to address this issue in its recent Committee votes on the ETS directive. Once an international agreement has been assessed on the basis of these criteria, the European Parliament and the Council must decide whether increasing the emission reduction targets for European companies will be economically as well as environmentally sustainable.

According to the current ETS legislation proposals European companies covered by the ETS will have to reduce their emissions by 21% in 2020 compared with 2005. However, if the EU moved its overall reduction target from 20% to 30%, the reduction path then taken would force ETS companies to reduce their emissions by up to 37% by 2020, according to current Commission plans. This would of course be a major step which must not be taken hastily, let alone automatically without proper political consideration.
