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Session III: Climate policy and Energy Union

Background Paper

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Climate action is one of the European Union's top priorities. This is why the EU is undertaking considerable steps to significantly reduce its greenhouse gas emissions and is also committed to international climate protection efforts.

In line with the Trio Presidency's programme, the Austrian Presidency is also foregrounding the efficient use of resources, environmentally compatible and sustainable growth, and measures to ensure a pollutant-free environment.

With regard to energy policy, the Commission presented the legislative package "Clean Energy for All Europeans" in November 2016. The package provides an effective legal framework for achieving improved energy efficiency, boosting renewable resources, shaping the electricity market, securing the electricity supply and managing the Energy Union. Austria is working diligently on the outstanding dossiers and is confident that the package can be finalised.

Climate policy

With regard to climate policy, the EU has set short-term targets for 2020, medium-term targets for 2030 and long-term targets for 2050.

The EU's key targets for 2020 are to reduce greenhouse gas emissions by 20% compared to 1990 levels, to supply 20% of total energy consumption from renewable energy sources and to increase energy efficiency by 20%.

By 2030, the key objectives are to reduce greenhouse gas emissions by at least 40% compared to 1990 levels, to supply at least 27% of total energy consumption from renewable energy sources and to increase energy efficiency by at least 27%.

In the long term, the EU has set itself the target of significantly reducing its emissions by 80-95% by 2050 compared to 1990 levels, as part of the combined efforts required of all industrialised countries.

Europe's evolution towards a highly energy-efficient and low-carbon economy will also boost the economy, create jobs and strengthen Europe's competitiveness.

Measures aimed at achieving climate goals

The EU is pursuing its climate goals through a combination of financial supports and regulations.

The EU has earmarked 20% of its budget for 2014-2020 for climate change.

For the EU budget after 2020, the Commission proposes raising the ambition level for climate funding in all EU programmes so that at least 25% of EU spending contributes to reaching climate targets.

The Commission has also proposed increasing the budget of the EU's environment and climate policy programme LIFE by almost 60%. LIFE is one of the EU funding programmes for which the Commission has proposed the highest relative increase of € 1.95 billion between 2021 and 2027. The Commission has integrated climate protection into all major EU spending programmes, particularly cohesion policy, regional development, energy, transport, research and innovation, the common agricultural policy and EU development policy, making the EU budget a sustainability factor.

The EU also finances low carbon-intensity projects from the sale of emission allowances. These include carbon capture and storage (CCS) technologies in power plants and other industrial facilities.

The EU Emissions Trading Scheme is the central instrument for reducing industrial greenhouse gas emissions in the most cost-effective way.

EU countries are required to promote renewable energy sources such as wind, solar and biomass in order to meet the targets for environmentally-friendly sources of energy.

EU countries must also reduce the energy consumption of public buildings, and the industrial sector must improve energy efficiency for a wide range of machinery and household appliances. Vehicle manufacturers must reduce CO₂ emissions from new cars and light commercial vehicles.

International measures

The EU is a party to the new global climate change agreement adopted at the Paris Climate Change Conference (COP21) in 2015, which is set to enter into force as of 2020.

The parties agreed on the target of limiting the temperature increase to 1.5°C in order to significantly reduce the risks and consequences of climate change. The long-term objective is to restrict global average temperature increases to well below 2°C compared to pre-industrial levels. Another objective is to strengthen capacities aimed at adapting to the adverse effects of climate change by promoting climate resilience and reducing greenhouse gas emissions, with a focus on avoiding a threat to food production.

There was agreement on working toward reconciling financial flows with a path towards low greenhouse gas emissions and climate-resistant development.

Prior to and during the Paris Conference, the countries presented comprehensive national climate change plans. While these are not yet sufficient to limit global warming to below 2°C, the convention outlines the way forward.

Three years after the signing of the Paris Convention, the parties to the Framework Convention will meet at the COP24 in Katowice, Poland, from 3 to 14 December 2018. There, they will carry out the first global stocktaking exercise on how the national commitments entered into so far will contribute to the achievement of globally agreed objectives.

Energy Union

The European Commission presented the legislative package “Clean Energy for All Europeans” at the end of 2016 against the background of the Paris Climate Change Convention.

As likely the most comprehensive package in the history of EU energy policy, the measures aim to provide an effective legal framework for an affordable, competitive, sustainable and secure energy future. The package sets forth ambitious energy policy targets by 2030. New regulations in the electricity market are to be introduced to meet the challenges posed by the energy transition.

The legislative package comprises four directives and four regulations: a recast of the Renewable Energy Sources Directive, a recast of the Energy Efficiency Directive, a further elaboration of the Energy Performance of Buildings Directive, a Regulation on the Governance of the Energy Union, a recast of the Electricity Market Directive, a recast of the

Electricity Market Regulation, a recast of the Regulation Establishing an Agency for the Cooperation of Energy Regulators (ACER Regulation) and a Risk Prevention Regulation.

In June 2018, the European Parliament, the Council and the Commission reached a compromise on the first part of the legislative package (Renewable Energy Directive, Energy Efficiency Directive and Governance Regulation).

Building on the work already carried out by the trio partners Estonia and Bulgaria, the Austrian Presidency has declared its intention to successfully finalise all outstanding legislative projects. The aim is to find holistic solutions as necessitated by the interdependent nature of the proposals. Austria intends to contribute actively to realising the Energy Union and an integrated view of energy and climate policy in light of ambitious objectives at international, European and national level.

The focus is on Europe-wide efforts to ensure a more sustainable and efficient supply and use of energy. The increased use of renewable energies in competitive electricity markets and efficient heating and cooling markets are central to a sustainable energy future. Solutions must be found that correspond to the regionality of the EU energy system.

The regulation on the new governance regime was finalised in order to ensure the effective implementation of the energy and climate targets, while at the same time ensuring streamlined processes, simplified reporting obligations and compliance with the principles of subsidiarity, proportionality and balance.

Issues such as the integration of renewable energies, active consumers, digitisation and regional approaches are of great importance to achieve a deepening in the internal electricity market.

Another proposal in this area, which will also have to be concluded under the Austrian Presidency, concerns the Regulation on the Agency for the Cooperation of Regulators (ACER). The negotiations will serve as a way to find suitable and proportionate rules within the context of the proposal for a regulation on the assessment and management of risks in the electricity supply.

Innovation a key to implementing the Energy Union

Renewable hydrogen was the main issue of discussion at the informal meeting of energy ministers in Linz in September and at a high-profile conference on the eve of the ministerial meeting.

On the initiative of the Austrian Presidency, the “Hydrogen Initiative” was launched in order to send a strong political signal. The European Commission, the international community as well as numerous companies and organisations have since expressed their strong support for this initiative, at whose core lies the commitment to promote research, cooperation and investment activities related to sustainable hydrogen.

Issues for discussion:

- How can national parliaments or local and regional levels contribute to achieving the EU's climate objectives?
- How can EU energy policy ensure an affordable, competitive, sustainable and secure energy future?