EWEA briefing on Commission Communication "Analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage"

26 May 2010

The European Wind Energy Association (EWEA) welcomes the Communication from the Commission and urges Council and European Parliament to agree to 30% domestic GHG reductions by 2020, in order to maintain Europe's technological and industrial leadership in renewable energy technologies, particularly wind power, in a rapidly growing global market. EWEA is disappointed that the Communication falls short of recommending an immediate unilateral EU move to 30% reduction given that the Communication highlights numerous benefits of moving to 30%.

Moving to 30% now is both necessary and beneficial to the EU economy

The race for green jobs has started. EWEA agrees with the Commission that "there is now a widespread consensus that the development of resource-efficient and green technologies will be a major driver of growth". Both China and the US are making very significant investments today in renewable energy, in particular wind power. But Europe has a first mover advantage.

The EU has been the cradle of renewable energy innovation, particularly wind power, and the European wind industry represents a growing number of jobs (192,000 direct jobs), significant and growing export opportunities, as well as increased energy security and competitiveness. For Europe to keep its first mover advantage, the EU needs to maintain its momentum in support of its most promising industries. A unilateral move to 30% GHG domestic reductions would maintain such momentum.

The Commission Communication highlights that the crisis reduced the cost of reaching 20% GHG reductions from €70bn to €48bn (through increased price of oil, lower price of CO_2, banked allowances,). The cost of moving to 30% GHG reductions is estimated to be €81bn, or just €11bn more than the initial estimation to reach 20%. In addition the Commission highlights the numerous benefits of moving to 30%:

- **GDP growth of +0.6%** compared to reference (provided adequate use of auctioning/tax)
- **Net job creation of 1 million** (+0.7% compared to reference, with use of auctioning/tax)
- **Improved energy security** through less oil and gas imports (€40bn in 2020)
- **Health benefits and pollution savings** of between 12.6bn and 22bn/year

The benefits of moving to 30% outweigh the costs: the Communication highlights the International Energy Agency's estimate that "every year of delayed investment in more low-carbon sources adds €300-400 billion in the price tag". In addition, remaining at 20% does not put us on a path to 2°C by 2050, but results in a much higher, more expensive effort post-2020, and significant risks of irreversible changes in emission trends.

Wind will deliver a significant share of the reductions – making a move to 30% feasible

Wind energy is a real alternative to emission producing fossil fuels and, crucially, can be deployed and begin reducing CO2 emissions immediately. Wind energy is already fighting climate change: in 2009, wind power in the EU avoided the emission of 106 million tonnes (Mt) of CO2. In 2020, 230 GW of wind power would avoid the emission of 333 Mt of CO2, equivalent to 29% of the EU's 20%

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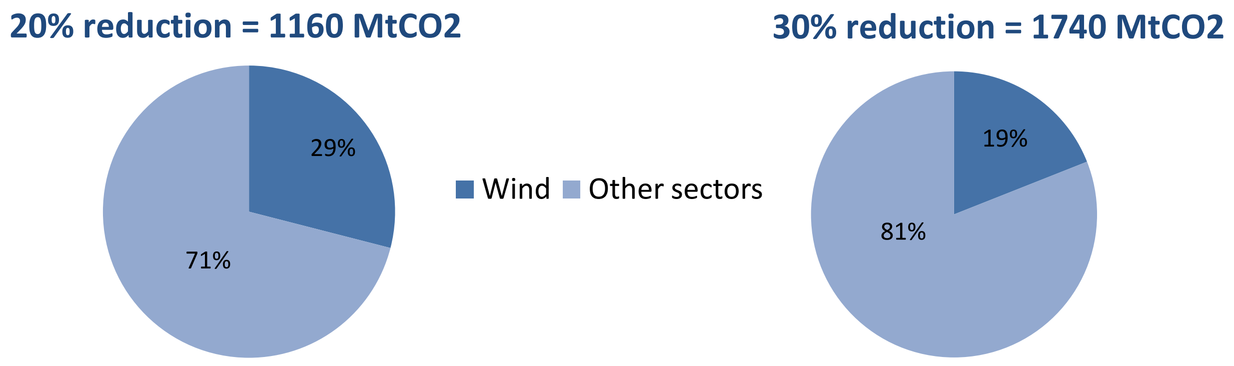
greenhouse gas reduction target for 2020, or 19% of an EU target of 30%. Including other renewables, and potential efficiency reductions, makes it clear that a 30% reduction is achievable, even without including international offsets, as GHG reductions delivered by wind power are domestic EU reductions.



Reducing the ETS cap to save the ETS's efficiency

EWEA supports the Commission's view that "as the primary tool to drive emission reductions, the Emission Trading System (ETS) should be the starting point for options for going beyond 20%." The financial crisis has clearly undermined the effectiveness of the ETS as a tool to shift Europe away from fossil fuels towards a renewable, non-GHG emitting power sector, and instead created windfall profits for heavy industry and cheap Business-As-Usual solutions for the power sector.

Moving to 30% is the most effective way to tighten the emissions cap and establish the high and stable carbon price, necessary to make the shift to a renewable energy economy. EWEA agrees with the Commission that "the greatest potential for emissions reductions comes from the electricity sector". EWEA therefore supports the Commission idea to reduce auctioning rights by setting aside allowances. This would place the emphasis on the sector where it is cheapest to reduce emissions: the electricity sector.

As highlighted by the Communication the CDM has often provided "very cost effective reductions", for example wind power projects in China or India. But EWEA agrees that after the economic crisis, and without a further reduced cap, "a generous and prolonged stream of such low-cost reductions into the EU ETS slows down innovation in the EU". Domestic targets are essential and international credits should only be used as part of an international agreement calling for a 40% target, in line with scientific requirements.

Putting the EU back in the driving seat of international negotiations

The EU's strategy to conditionally move to 30% reductions clearly failed in Copenhagen. In order for UN negotiations to deliver, the EU must lead by example. China and the US will exploit the export markets created by a renewable energy economy unless the EU gives clear signals. EWEA also welcomes the Commission suggestion to "substitute part of the demand for CDM credits with new sectoral credits".

Conclusion

EWEA urges the Member States and European Parliament to agree to an immediate 30% domestic reduction, thereby putting the EU at the forefront of the world green economies, addressing both the employment, energy security, health and climate issues we are facing today. Wind energy will help on that path, but for investors to make the right decisions, the signals must be very clear. The binding Renewables targets set by the Renewables Directive were one signal for immediate action. Binding and ambitious emissions targets are the longer term incentive needed to put us on a path to a maximum 2°C temperature increase.