

COMMISSION SETS AMBITIOUS RENEWABLE ENERGY TARGETS

Background

Last year the European Commission adopted an energy and climate change package, calling on the Council and European Parliament to approve:

- an independent EU commitment to achieve a reduction of at least 20% in the emission of greenhouse gases by 2020 compared to 1990 levels and the objective of a 30% reduction by 2020, subject to the conclusion of a comprehensive international climate change agreement;
- a mandatory EU target of 20% renewable energy by 2020 including a 10% biofuels target.

This strategy was endorsed at the March 2007 European Council, where Council invited the Commission to come forward with concrete proposals.

The package that was adopted on the 23rd of January 2008 is the reply to that invitation. It comprises a set of key policy proposals that are closely interlinked.

They include:

- (1) a proposal amending the EU Emissions Trading Directive;
- (2) a proposal relating to the sharing of efforts to meet the Community's independent greenhouse gas reduction commitment in sectors not covered by the EU emissions trading system (such as transport, buildings, services, smaller industrial installations, agriculture and waste);
- (3) a proposal for a Directive promoting renewable energy, to help achieve both of the above emissions targets.

Other proposals that are also part of the package include a proposal for a legal framework on carbon capture and storage, a Communication on the demonstration of carbon capture and storage and new guidelines for environmental state aid.

Package to fight climate change and promote renewable energy

These measures aim to dramatically increase the use of renewable energy in each country and set legally enforceable targets for governments to achieve them. All major CO₂ emitters will be given an incentive to develop clean production technologies through a thorough reform of the Emissions Trading System (ETS) that will impose an EU-wide cap on emissions.

The package seeks to deliver the European Union to reduce greenhouse gases by at least 20% and increases to 20% the share of renewable energies in the energy consumption by 2020, as agreed by EU leaders in March 2007.

The emissions reduction will be increased to 30% by 2020 when a new global climate change agreement is reached.

Building on the EU Emission Trading System (ETS), the Commission proposes to strengthen the single, EU-wide carbon market which will include more greenhouse gases (currently only CO₂ is included), and involve all major industrial emitters.

The emission allowances put on the market will be reduced year-on-year to allow for emissions covered by the ETS to be reduced by 21% from 2005 levels in 2020.

Further, all Member States have to urgently start changing the structure of their energy consumption. Today, the share of renewable energy in the EU's final energy consumption is at 8.5% which means that an average increase of 11.5% is needed to meet the target of 20% in 2020.

In order to achieve this, the Commission is today proposing individual, legally enforceable targets for each of the Member States. The options for developing renewable energy vary from one Member State to another and lead times for bringing renewable energy on stream are long. Thus it is important for Member States to have a clear vision of where they intend to act. The national action plans to be prepared by Member States will set out how they intend to meet their targets and how progress can be monitored effectively.

As long as the EU's overall target is met, Member States will be allowed to make their contribution by supporting Europe's overall renewables effort, and not necessarily inside their own borders. This would shift investment to where renewables can be produced most efficiently, which could cut €1.8 billion from the price tag for meeting the target.

The proposal also addresses the minimum target of 10% for use of biofuels in transport in the EU to be reached by 2020. This is the same for each Member State.

Sustainability is essential in implementing this target – the directive includes clear sustainability criteria.

The Commission has also adopted new State aid guidelines on environmental protection which will help Member States to develop a sustainable European climate and energy policy.

In comparison with the 2001 guidelines these new guidelines broaden the scope of aid projects as well as increase the aid intensities.

The guidelines set out new conditions for State aid measures to promote environmental protection and strike a very important balance between delivering larger environmental benefits and minimizing distortions of competition. If aid is not well targeted, it will not deliver environmental results and it risks distorting competition which can lead to lower economic growth in the European Union.

A copy of the Commission's proposals can be found at:

http://ec.europa.eu/commission_barroso/president/index_en.htm

Impact on the corrugated industry

The Commission's proposals have an impact on the corrugated industry where it concerns the availability of raw materials used, such as wood for paper and corn or wheat for starch.

These materials are likely to become a scarce resource, due to the competition with renewable energy and biofuels.

This is even more so with the financial aid that Member States can give to promote the use for renewable energy and biofuels purposes.

FEFCO will organise an informative workshop on the impact of EU biofuels policy for the starch supply to the corrugated industry in April 2008. Further details will be communicated soon.