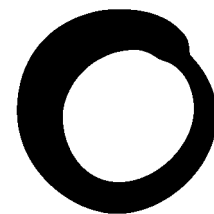


December 2008

# EU Climate and Energy Package - what the agreement means



**Friends of  
the Earth**

## Summary

On Friday 12th December 2008, European leaders agreed a new EU climate and energy package. The package, which was rubber stamped by the European Parliament on 17 December and will cover all 27 Member States, is the most far-reaching legislative effort attempted on climate change so far.

Also known as the "20-20-20 deal", the new legislation requires the EU to cut its greenhouse gas emissions by 20 per cent by 2020 (or 30 per cent if an international agreement is reached), and to source 20 per cent of energy from renewable energy sources by 2020. A voluntary target to reduce energy consumption in Europe by one fifth by the same deadline was also agreed.

Unfortunately, intense lobbying by member states during the final weeks of negotiations led to the deal being significantly watered down with loopholes and exemptions.

One of the most significant weaknesses means that up to 60 per cent of the bloc's greenhouse gas reduction targets can be met by buying 'offsets' from outside of Europe rather than action at home.

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This means for example that emissions from the non-industrial sector (such as households) might only fall by as little as three per cent by 2020.

Thankfully, the renewable energy deal, the strongest part of the package, has no major loopholes. But it does contain an obligation to source 10 per cent of transport fuels from biofuels by 2020 - despite growing concerns about the negative environmental impact this will have, such as increasing forest destruction around the world.

## **What is the Climate and Energy Package?**

The EU climate package creates four new Directives - rules that are binding across the 27 Member States of the EU. These are:

- Effort sharing: sets the overall emission reduction target. For the non-energy intensive sector (such as agriculture, building and transport) it sets individual country-specific targets under the overall target.
- Emissions Trading Scheme: covers the EU's energy-intensive industries (such as power sector, oil refineries, cement, chemicals), which account for about half of the EU's emissions. The new Directive creates the rules which will govern the ETS from 2012 to 2020.
- Renewable energy: sets an EU-wide target requiring 20% of the bloc's energy to come from renewable energy sources by 2020, with different targets for different countries. The UK's target is 14.5% by 2020.
- Carbon Capture and Storage: envisages the establishment of 12 "demonstration" CCS projects to 'collect' and bury carbon dioxide from power plants.

## **Assessing the Package - how good is the deal?**

### **· Effort-sharing : The targets for tackling climate change**

Scientists warn that industrialised nations must cut their emissions by at least 40 per cent by 2020 (based on 1990 levels) to avoid a climate catastrophe.

The EU has agreed to a 20 per cent reduction in greenhouse gases by 2020 - or 30 per cent if an international treaty is agreed. Unfortunately, in the final text the commitment to the 30% target is weak and ambiguous and will require the EU to go through a complex negotiation process before it is agreed. This will waste precious time and allows member states a further opportunity to water down the target.

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The EU also refused to introduce measures, such as fines, that would compel countries to meet their national targets. This is a fundamental flaw, which could encourage governments to weaken their determination to meet the targets.

Availability of external credits (offsetting)

Under the Emissions Trading Scheme (which covers the energy intensive sector) about half of emissions cuts could be met by buying offsets from outside Europe.

Under the "effort-sharing" aspect of the regulations which cover the non-energy intensive sector, about two thirds (67 percent) of emissions reductions could be met through offsetting.

This means that overall, about 60 percent of EU emissions could be met through buying offset credits from outside of Europe.

The UK Government believes that 50 per cent of emissions should be delivered through offsetting mechanisms, arguing that it doesn't matter where emissions reductions happen - they can happen anywhere. But this fails to recognise two very important points:

1 -offsetting-based market mechanisms cannot guarantee net emissions reductions. Worse still, current offsetting mechanisms can even enable global emissions to increase. This has already been observed through dubious projects that are credited through the UN Clean Development Mechanism (See WWF Emission Impossible report - [http://assets.panda.org/downloads/emission\\_impossible\\_final.pdf](http://assets.panda.org/downloads/emission_impossible_final.pdf) <[http://assets.panda.org/downloads/emission\\_impossible\\_final.pdf](http://assets.panda.org/downloads/emission_impossible_final.pdf)> ).

2 - the science of climate change shows that industrialised countries need to reduce their emissions by 40% at home in order to avoid catastrophic climate change. Funding for international efforts to reduce emissions and halt deforestation elsewhere in the world are urgently needed - but this funding and support must be in addition to domestic reductions.

### **· Auctioning of pollution permits under the Emissions trading Scheme (ETS)**

In order for the EU ETS to be effective, companies must purchase pollution permits - a process known as auctioning. In previous incarnations of the ETS the permits have just been handed out and massive profits have been made by the recipients.

Friends of the Earth wants all permits to be auctioned - this is a fair way to set the price, avoids windfall profits to companies that get free permits, and the price creates an incentive to invest in energy efficiency and emissions reductions. Unfortunately, under the new climate deal the European manufacturing sector was almost completely exempted from auctioning, and after intensive lobbying Poland also achieved exemptions from auctioning for its power industry.

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### **· The Renewables Directive**

Repeated attempts by some member states (including the UK) to weaken the Renewables Directive were effectively defeated and the resulting deal is strong with no major loopholes. The UK pushed hard to get aviation excluded from the deal as the UK has a very large aviation sector. Although they were not successful in doing this, the UK's target was reduced from 15 per cent to 14.5 per cent.

The so-called "Severn Barrage" clause which would have allowed large renewable energy projects which were only partially finished by 2020 to be included in the deal, was deleted in the final negotiations.

The Directive also includes a controversial target for 10 per cent of all road transport fuel to come from renewable sources by 2020. Faced with evidence that biofuels are pushing up food prices and increasing emissions through deforestation, Euro MPs attempted to reduce the target - unfortunately these attempts failed.

### **· Financial transfer**

The EU also abjectly failed to make binding commitments to provide funds to help developing countries to adapt to the unavoidable impacts of climate change, and to reduce the growth in their emissions - a move which threatened the collapse of the ongoing UN climate negotiations in Poland.