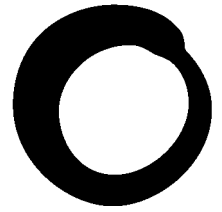


October 2008



**Friends of
the Earth**

The UK and the Renewable Energy Directive

Overview

The principles of the EU's Energy Package date from March 2007 when Heads of State, including Tony Blair, signed up to a number of measures designed to tackle climate change, ensure security of energy supplies and increase competitiveness. The agreement included a European-wide target to source 20% of energy from renewable sources by 2020. The package, all of which is being debated now, also includes an emissions reduction target (known as "effort-sharing"), a Directive on carbon capture and storage, extension of the EU Emissions Trading Scheme (ETS) and a voluntary agreement on energy efficiency¹.

The UK, which currently sources less than 2% of its energy from renewables, has been repeatedly exposed for lobbying in Brussels to undermine the Renewables Directive. This could damage not only the UK's investment in renewable energy but the EU-wide achievement.

On negotiations around the ETS and effort-sharing, the UK is also lobbying for increased delivery of emissions reductions through project credits from overseas. The UK supports delivering up to half of our emissions reductions from investments outside the EU.

Negotiations in Brussels are expected to reach their conclusions on the Energy Package towards the end of 2008. The French Presidency is very keen to reach conclusion in December and it is clear that there are intense discussions now and over the next few weeks. With the UN meetings on climate change coming up in Poznan in December 2008 and Copenhagen 2009, it is crucial that the EU shows strong leadership and does not retreat from tough action.

Whilst we welcome the new Department of Energy and Climate Change (and broadly the recent commitment to an 80% emissions reduction target for the UK), we urge MPs to scrutinise its role in discussions on and attitude to the Renewables Directive, the Emissions Trading Scheme and Effort-sharing.

The Draft Renewable Energy Directive

The European Commission's draft was released in January 2008². The EU as a whole has a target for renewable energy to be 20% of final energy demand in the electricity, heating/cooling and transport sectors by 2020. That target was divided amongst countries taking into account current achievement and GDP, with national targets ranging from 10% (Malta) to 49% (Sweden). The UK was given a target of 15%. An EU-wide sub-target of 10% renewable energy for the transport sector alone was also included. The debate on this sub-target has centred on the use of biofuels (which Friends of the Earth opposes) but this briefing will not go into further details on that.

Aside from the targets, a number of clauses in the draft Directive aim at strengthening the framework for renewable energy – for example by creating priority access to the grid networks for renewable electricity and by requiring renewable energy use in new or refurbished buildings. Direct imports of renewable electricity from countries outside the EU, such as from concentrated solar power in North Africa for example, is allowed in the draft, but not the purchase of energy certificates or credits from outside the EU.

Accelerating greenhouse gas emissions

The challenge facing policy makers around the world on climate change could not be more urgent. Far from falling, global emissions in the 21st century have actually accelerated and have been rising by around 3% per annum, faster than the IPCC envisaged in its most pessimistic scenario³. Stabilising the atmosphere at 450 ppm CO₂e, which gives a 50/50 chance of limiting warming to two degrees (thought to be the edge of “dangerous climate change”⁴), is getting increasingly difficult. The Earth's atmosphere is at 430 ppm CO₂e already, and heading for at least 650 ppm if current trends prevail. Recent analysis by the Tyndall Centre for Climate Change Research shows that even if global emissions peak in 2015, reductions of **6.5% per year** in energy and process emissions will then be needed to keep to 450 ppm – a rate of reduction which the researchers say is “*without structurally managed precedent*”⁵. The consequences of delay in tackling emissions are profound.

The UK's Target

The UK currently sources just 1.8% of its energy from renewable sources⁶, right near the bottom of the EU league table, ahead of only Malta and Luxembourg. We have relied on North Sea oil and gas, despite having acknowledged climate change for some 20 years. The UK's draft target of 15% renewables by 2020 is therefore challenging and represents about an eight-fold increase on current levels.

Several reports – including BERR's Renewable Energy Strategy consultation – have examined how this might be achieved⁷. The electricity sector will pick up a large part of the effort and commitment will be needed⁸. But in the next 20 years around 30% of conventional electricity capacity is scheduled to close and the network grid needs upgrading. It is a good time to be planning for greater renewable energy in the electricity system.

The Directive will be hugely important as a driver of UK energy policy, but we should also be prompted into taking more radical action on **energy efficiency** to reduce (in absolute terms) the size of our energy demand. Reducing energy demand is cheaper than building new plant. It is also an important part of the fuel poverty agenda – treating homes to make them warmer, more comfortable places with lower bills means improving the energy efficiency of millions of homes.

Undermining the Directive

"Britain is leading the attempt to undermine the climate change directive. Gordon Brown promised that the UK would not attempt to cut the EU 20% renewables target. Now UK civil servants from the Department of Business, Enterprise and Regulatory Reform have a different strategy and are pushing for cuts. A government that is supposedly committed to tackle climate change must not try to kill the essence of this directive."

Claude Turmes MEP (Luxembourg), Rapporteur for the Directive, as quoted in The Guardian, 26 September 2008

Even before the target was agreed by Council, the UK had been exposed for opposing a mandatory target⁹, but nevertheless the agreement was made. Subsequent leaks revealed that the UK was continuing to lobby for loopholes which could dangerously weaken the impact of the Directive. In November 2007, Gordon Brown publicly committed to the EU target, stating "*let me make it absolutely clear, we are completely committed to meeting our share*" – and promised a UK strategy on how to meet our predicted target under the Directive of 15% renewables in the UK by 2020¹⁰. The consultation on this strategy was subsequently released in June 2008 and was welcomed by environmental groups¹¹.

One helpful amendment has been a proposal to permit joint projects between countries, an idea put forward by Germany, Poland and the UK. But throughout 2008 information has continued to emerge that the UK is still lobbying to weaken the Renewables Directive¹².

Proposals of which we are aware include the following:

- giving credit for carbon capture and storage projects at fossil fuel power stations if renewable energy targets are not met;
- counting purchase of certificates from renewables projects outside the EU towards the target;
- excluding energy use from aviation from the overall energy tally, so essentially ignoring the sector and its growth;
- keeping intermediate targets non-binding but also set by Member States themselves;
- counting large unfinished projects such as the proposed Severn Barrage towards the target – an idea which has been incorporated into the draft, and which has opened the door for further relaxations;
- making optional the fitting of renewable energy technologies to new and refurbished buildings, rather than mandatory;
- inserting a clause to review aspects of the Directive in 2014 – a course of action which could open the door for a wider review of the Directive, raise pressure for more flexibility in ways of meeting the targets and even call into question the EU-wide target.

Many of the ideas have emerged in a paper prepared by the French Presidency¹³. All of these ideas would, if adopted, seriously reduce the level of ambition of the Directive.

The 2014 review clause could be particularly damaging. Whilst there is much agreement that there should be a review of biofuels – or more strictly the use of renewable energy in the transport sector – in 2014, opening up the review more generally to consider other elements of the Directive could seriously threaten the long-term intent of the Directive. The prospect of major change would create uncertainty and reduce investor confidence. This could create a self-fulfilling prophesy that a 2014 review would be necessary.

The UK would also like aviation's energy needs to be excluded from the agreement¹⁴. Aviation is currently responsible for around 6 per cent of UK GHG emissions. At the moment biofuels cannot be used in aircraft (technically) and in any case would be unacceptable in our opinion. However it is not reasonable to simply ignore this expanding sector, and indeed such a request opens the door for other countries with "difficult" sectors to seek such exclusion. The Directive does not require every sector to meet a specific target, but seeks to ensure that a percentage of our overall energy use is renewable. Lacking another solution, it should be transparent that aviation's growing energy demand will be addressed by other sectors which have to pick up the renewable energy burden. The need for emission cuts is now so urgent that aviation should not escape accountability¹⁵.

The UK has a huge renewable energy potential in its wind, wave, tidal and solar resources. We can build a thriving renewables industry in the UK, and lay the foundations for even greater use of renewable energy in the years beyond 2020. Not only will this help us meet emission reduction targets and tackle climate change, it will take advantage of a tremendous economic opportunity in a fast-growing sector.

Foreign Credits and the Emissions Trading Scheme and Effort-Sharing

As a part of the Energy Package Member States are also negotiating the next stage of the Emissions Trading Scheme, which will run from 2013 to 2020, and a Decision on emissions reductions through “effort-sharing”. As a part of these negotiations, the UK has been pushing for up to **50% of emissions reductions between 2013 and 2020 to be made outside the EU**¹⁶. This would more than double the use of credits as foreseen by the Commission, which is already too generous an allowance.

These reductions would be delivered through investment in the Clean Development Mechanism or Joint Implementation projects. These are two mechanisms created by the Kyoto Protocol which aim to help countries with emission reduction targets achieve those reductions at least cost, whilst providing sustainable development benefits to the countries in which they are hosted. The UK Government argues that from the point of view of the climate, it does not matter where emissions reductions take place and that increased access to project credits provides Member States and EU industry with a low-cost option to meet their obligations. This ignores, however, the fact that emissions reductions need to take place both in the European Union *and* in developing countries – this is not an ‘either, or’ option.

Significant access to credits outside the EU and given a weak overall emission reduction cap in any case will disincentivise investment in clean technology in Europe and slow down innovation. It will also help to support decisions to invest in high-carbon infrastructure such as new coal fired power stations without carbon capture and storage – thus locking Europe into decades of soaring emissions and a substantial ongoing carbon liability, rather than encouraging investment in renewables and energy efficiency.

The EU needs to deliver significant financial flows to developing countries to help them make the transition to low-carbon economies *in addition* to meeting our climate obligations at home. The science on this is clear.

Footnotes and References

¹ European Commission’s “Climate Actions” webpages:
http://ec.europa.eu/energy/climate_actions/index_en.htm

² CEC (2008). Proposal for a Directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources. COM (2008) 19 final

³ Raupach et al (2007). Global and regional drivers of accelerating CO₂ emissions. Proceedings of the National Academy of Sciences **104**, 10288 – 10293.

⁴ Friends of the Earth believes that warming below a two degree rise will already cause considerable harm to many of the world's peoples and its systems and so "two degrees" is not a desirable target by any means.

⁵ Anderson, K and Bows, A (2008). Revisiting emission scenarios in light of post-2000 emission trends. Philosophical Transactions of the Royal Society A, doi:10.1098/rsta.2008.0138 (published online).

⁶ DUKES 2007 data at:

<http://www.berr.gov.uk/whatwedo/energy/statistics/publications/dukes/page45537.html>

⁷ Also: Renewables Advisory Board (2008). 2020 Vision – How the UK can meet its target of 15% renewable energy; Poyry (2008). Implications of the UK meeting its 2020 renewable energy target. Report for WWF and Greenpeace.

⁸ It is expected that around 40% of the electricity supply will need to be from renewable sources by 2020 to reach the 15% overall target.

⁹ <http://www.guardian.co.uk/uk/2007/feb/13/greenpolitics.eu>

¹⁰ The Prime Minister, Gordon Brown, 19 November 2007

¹¹ http://www.foe.co.uk/resource/press_releases/governments_renewable_ener_26062008.html

¹² A series of articles in The Guardian has covered these issues at:

<http://www.guardian.co.uk/environment/2008/sep/26/biofuels.climatechange>

<http://www.guardian.co.uk/environment/2008/jul/24/renewableenergy.greenpolitics>

<http://www.guardian.co.uk/business/2008/may/07/europe.greenbusiness>

<http://www.guardian.co.uk/environment/2008/apr/08/renewableenergy.alternativeenergy>

<http://www.guardian.co.uk/environment/2008/mar/29/renewableenergy.climatechange>

<http://www.guardian.co.uk/environment/2007/oct/23/renewableenergy.energy>

<http://www.guardian.co.uk/uk/2007/feb/13/greenpolitics.eu>

¹³ French Presidency Note to Energy Council, 7 October 2008

¹⁴ Confirmed by the Secretary of State for Energy and Climate Change, Ed Miliband, The Guardian, 15 October 2008

¹⁵ Inclusion in the Emissions Trading Scheme (ETS) will allow the sector to buy permits and continue to pollute, possibly increasing the purchase of credits from countries outside the EU. This is clearly not the same as stimulating renewable energy generation.

¹⁶ The ENDS Report, October 2008. Leak exposes UK position on climate package.