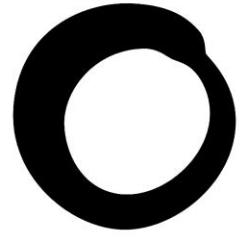


Media Briefing



**Friends of
the Earth**

21 January 2008

European Commission – Climate and energy package

On Wednesday 23 January 2008 the European Commission will propose a climate and energy package, which aims to create a common energy policy across the EU. It's based on three pillars – tackling climate change, ensuring security of supply, and increasing competitiveness.

The proposals were first aired by the Commission in January 2007. The proposals were agreed by EU Ministers (including Tony Blair) in March 2007. They agreed:

- to reduce EU emissions by 20 % by 2020 (based on 1990 figures), with an option to reduce emissions by 30 % should other industrialised nations (including the US) take similar steps;
- to have 20 % of the EU's overall energy consumption come from renewable energy sources by 2020;
- as part of the renewable target, for each member state to source 10 % of their transport fuel from biofuels, subject to sustainability criteria;
- to put voluntary measures in place to achieve energy efficiency targets.

After months of wrangling and negotiations by Member States the Commission will now publish proposals on how it will deliver on these targets. Once released, the proposals will be subject to discussion by Member States in the European Council, and will be voted on in the European Parliament.

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The package is still subject to last minute changes, but our views on recent leaked drafts follow. These cover:

- the weak emission targets
- the renewable energy target and the UK's poor record
- the use of trading schemes discouraging investment in the EU
- the problems of biofuels

20 per cent cuts in emissions by 2020 is not enough

The proposals will include a draft Decision on targets for cutting greenhouse gas emissions which are not covered by the EU Emission Trading Scheme [1].

The proposals are only expected to commit the EU to cutting emissions by 20 per cent by 2020 – not the higher 30 per cent target they committed to should other industrialised nations take similar steps. However, 20 per cent cuts are not compatible with the European Union's stated policy of keeping the global temperature rise to 2 °C. This has been acknowledged by the European Commission [2].

Scientists, politicians and campaigners alike have all recognised the need for deeper cuts. The Intergovernmental Panel on Climate Change (IPCC) in 2007 noted the need for cuts of 25 – 40 per cent in developed countries by 2020 [3]. The European Parliament called for cuts of at least 30 per cent in a Resolution in 2007.

The 20 per cent target also contradicts the recent UN climate change agreement – the Bali roadmap - which refers to the work of the IPCC and the need for 25 – 40 per cent cuts. Whilst the Bali roadmap does not make these cuts binding in any way, the figures were championed by the EU at the negotiations and reference to these targets in the final agreement was hard won.

Setting a 20 per cent target now for the EU is a backwards step that could seriously undermine the EU's credibility as a leader in tackling climate change.

The 20 per cent target is made even weaker by permitting Member States to buy a certain amount of emission credits through investment in projects in countries outside the EU, rather than achieving the reductions entirely by domestic action.

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Countries that do not use up all their trading allowance may also be allowed to pass their share to other EU countries. This flexibility is described as promoting 'cost-effectiveness', but it is likely to delay investment in a low carbon EU economy (governments and companies may put off investing in energy efficiency, new technology or renewable energy because of the availability of cheap credits from countries outside the EU).

Friends of the Earth believes that the EU needs to support technology transfer and development of low-carbon technologies outside the EU - but not in exchange for continuing European pollution.

The draft proposal requires Member States to 'annually limit' their emissions in 'a linear manner', or year-on-year cuts. Friends of the Earth supports this proposal however we believe a strong, binding compliance mechanism will be necessary, with annual reporting at the highest political level and effective sanctions, to encourage swift policy changes for countries missing their targets.

Each Member State will be given its own target for cutting emissions – it seems likely that the richest countries will be required to make cuts of up to 20 per cent compared with 2005 (rather than 1990); but poorer countries may be allowed to increase their emissions. The formula may result in unambitious targets for countries that could afford to do more; and could be especially weak for countries that have allowed their emissions to rise between 1990 and 2005.

Note that the UK's Climate Change Bill, which sets out a framework for "carbon budgets" for the UK, only covers carbon dioxide at the moment. The EU's Green House Gas target covers several important greenhouse gases: carbon dioxide, methane, nitrous oxide, fluorocarbons and sulphur hexafluoride.

The Renewables Directive and UK delivery

The proposals will outline what proportion of the European wide target of producing 20 per cent of energy from renewable sources each Member State will be responsible for.

In November of last year, Gordon Brown publicly stated that the UK is "completely committed to meeting our share" of the EU 20 per cent renewables target. He announced a public consultation on a new renewables strategy, to be launched in 2008. However, before the consultation could be started, the Government launched its Energy Bill on 10 January 2008. The Bill, which focuses largely on enabling a new generation of nuclear power stations, will do little to boost renewable energy production.

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It is likely that the UK's share will be calculated by a formula including Gross Domestic Product and its current level of energy production from renewable power. As the UK is starting from a very low base (in 2005, only Malta and Luxembourg produced less of their power from renewable sources), the UK is likely to have a lower target than other rich countries – probably around 15 per cent.

The target will, nevertheless, require concentrated effort by the UK government. In just twelve years the government needs to put in place plans for a massive expansion of domestically sourced renewable power.

Unfortunately the measures contained within the Government's recently published Energy Bill are completely inadequate for the purpose. For example the Bill aims to triple the amount of *electricity* produced from renewable sources to 15 per cent by 2015. However in order to hit the EU *energy* target, it is estimated that about 30-40 per cent of electricity would have to be produced from renewable sources by 2020 [5].

The UK has a massive potential to produce power from renewables, with the best wind, wave and tidal resource in Europe. The resource and technology exists for a massive increase in renewable power in the UK. It just needs to be put in place.

If the UK Government is genuinely committed to delivering on the EU target, the following steps urgently need to be delivered through the Energy Bill.

- Reform the Government's gas and electricity regulator, Ofgem so that its primary purpose is carbon emissions reduction and protection of consumers.
- Legislate to give renewable electricity generators priority access to feed their power into the National Grid.
- Give smaller scale renewable electricity producers (such as households, businesses and communities who invest in producing their own renewable electricity from say solar panels or wind turbines) a long term guaranteed premium price for the electricity they generate. ('Feed in Tariff' as operative in other European countries e.g. Germany).
- Consent for new coal and gas stations must only be given if they make use of waste heat and capture carbon dioxide emissions.

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In setting out a longer term, coherent strategy for how to meet the 2020 target over the next year, the Government also needs to:

- Increase the scale and duration of the Renewables Obligation and other support mechanisms such that it is commensurate with the UK's contribution to the EU 20 % target;
- Identify barriers and support requisite policy measures to ensure the Government's 33 GW offshore wind target is achieved;
- Increase by ten-fold the Government's support for research and development into new renewable technologies - such as wave, solar, and energy storage and transmission technologies, such as hydrogen fuel cells and advanced cables;
- Champion proposals for major international renewable infrastructure projects - including concentrated solar power in North Africa; the Airtricity 10GW foundation project in the North Sea; and a European High Voltage Direct Current grid which would facilitate international renewable electricity distribution;
- Support projects to demonstrate the potential of promising, innovative technologies. Examples include the Swansea Bay tidal lagoons scheme.

Renewables target – threatened by trading?

The UK has also been a major proponent of a 'flexibility mechanism' for the electricity sector under the Renewables Directive. This will allow companies to buy their way out of their obligations under the Directive by purchasing renewables 'credits' from other companies across the EU. This system is opposed by the renewable energy industry as it creates market uncertainty and undermines national support schemes for renewable power.

As the UK has a relatively well-developed support system based on trading, such a scheme could have a particularly detrimental impact on development of the UK domestic industry. Companies across the EU who are seeking to sell renewable energy "credits" would be likely to choose the UK as a market – thus undermining the UK's support scheme as a method of supporting our domestic industry.

At the time of writing this briefing this element of the package is still subject to last minute changes. Friends of the Earth recommends that if trading is proposed by the Commission as a flexibility mechanism companies should **only** be allowed to trade if the Member States have already met their targets under the Directive. Intermediate targets need to be set in order to allow this to be monitored on an ongoing basis up to 2020 and credits should only be available to new renewable energy capacity.

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Climate Change Bill

A Climate Change Bill which would require UK carbon dioxide emissions to be cut by 80 per cent of 1990 levels by 2020 is currently being piloted by the Government through Parliament.

Friends of the Earth, which has led the campaign for a new climate law through The Big Ask, has welcomed the Government's decision to introduce legislation, but says that the Bill must be stronger. Friends of the Earth is calling on the Government to strengthen its plans by cutting carbon dioxide emissions by 80 per cent by 2050, setting 'annual milestones' to keep us on track and including Britain's share of international shipping and aviation emissions.

Biofuels and the Renewable Energy Directive

As part of the Renewables Directive, the Commission also plans to set a mandatory biofuels target of 10 % of fuel transport across the EU by 2020. This builds on the current (voluntary) reference target of 5.75 % by 2010. This reference target has been transposed into UK law via the Renewable Transport Fuels Obligation, which comes into force in April 2008.

What is the impact of biofuels?

Because biofuels are made from a wide range of different plants, the impacts that they have are also wide ranging. Some examples:

- Palm oil: draining and deforesting peat lands in South East Asia, largely for oil palm plantations, accounts for 8 per cent of global CO₂ emissions. The land used is often indigenous peoples' lands and communities are left without livelihoods.
- Soya: Tropical rainforest is cleared in South America, wiping out 80-100 per cent of the biodiversity in the forest. Much soya is genetically modified.
- Sugar Cane: Brazil, for example, is a big producer of sugar cane, often grown from cleared savannah lands, wiping out much biodiversity. Labour conditions on sugar cane plantations are often appalling and have been compared to slavery.
- Oil seed rape: High fertiliser input means that the EU's preferred biofuel crop may be up to 70 per cent worse for the climate than fossil fuels.
- Maize: Land use change in the US, where there are big incentives to grow maize for biofuel, has been blamed for rising corn prices affecting some of the world's poorest people.

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Ensuring biofuels are sustainable?

Some biofuels, for example those made from waste cooking oil, other waste products or some small-scale productions for local use, are a small but important sustainable transport fuel. Friends of the Earth does not believe, however, that biofuels produced on large scale monoculture crop plantations are part of the solution to climate change, and is calling for a moratorium on biofuels targets until we can ensure that only truly sustainably produced biofuels will contribute to the target.

The draft Directive includes sustainability criteria to try to address some of the impacts of biofuels. But sustainability criteria cannot address the key issue of “leakage” or the displacement of agricultural activities elsewhere - for example in rainforests or savannah – as biofuel crops are planted. This makes it impossible to calculate a biofuel’s true impact, including its impact on the climate.

Proposals in the draft Directive do not address this issue, neither do they include any criteria for stopping negative social impacts (e.g. land rights, labour standards) or any mechanisms to deal with the impacts on food prices.

The Directive also includes an explicit clause that will stop Member States from introducing higher sustainability standards than the ones it sets out.

Real transport solutions

We urgently need to decrease greenhouse gas emissions from the transport sector. Cutting carbon emissions from cars through improved engines, decreased weight and other technology already available would make the biggest single contribution to cutting transport emissions. Yet in December 2007, the EC set out very weak proposals for car manufacturers to reduce emissions through vehicle technology measures to an average of 130g/km CO₂ by 2012, after lobbying from companies successfully watered down the previous target, agreed in 1995, of 120g/km by 2005. However technology alone will not give the emissions cuts needed. We also need to change how people travel through provision of better alternatives to car use.

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Notes and references

- [1] A Decision has direct effect in Member States – in other words, unlike a Directive, Member States do not have to transpose a Decision into domestic legislation.
- [2] European Commission (2007). Limiting Global Climate Change to 2°C: The Way Ahead for 2020 and Beyond.
- [3] IPCC Fourth Assessment Report: Working Group III (Mitigation), page 776.
- [4] BERR (2007). Draft Options Paper on Renewables Target.
- [5] Figures taken from “Draft options paper on renewables target”, leaked DTI document August 2007 and BBC News Online, “UK set for 15% renewable target” 18 January 2008.

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