

To EU-25 Environment Ministers

Brussels, 24 February 2005

Subject: European Electricity Industry's views on the EU's post-2012 climate policy

Dear Minister,

The Union of the Electricity Industry - EURELECTRIC, the association representing the European electricity industry, recognises that climate change poses a significant risk to the global environment and that a key element in mitigating this risk is reducing the carbon intensity of national economies. The electricity industry, which is both responsible for a significant proportion of the total CO₂ emissions in the EU-25 and is critical to delivering improvements in energy and carbon intensity, has therefore an integral part to play in any solution to tackle the challenge of climate change.

Ahead of your debate on climate change at the Environment Council on 10 March, we would like to clearly state that, in general, we agree with the European Commission's approach outlined in the Communication published on 9 February. In particular, we strongly support the need to secure the participation of all major emitters, including industrialised and major developing countries, and the central role that technology and innovation will have to play in a post-2012 regime.

In addition, EURELECTRIC considers that the following principles should govern any post-2012 architecture:

- **A genuine global approach:** without a genuine global approach, the costs to the EU of reducing emissions would considerably outweigh any environmental benefit. Consequently, all industrialised countries need to agree on common objectives that address the challenge of climate change. This is imperative not only for the environment, but also for competitive reasons. Developing countries must play an increasing role. Depending on their level of emissions, a transitional period to commitments would be envisaged.
- **Longer timelines:** the absence of certainty regarding future obligations after 2012 creates excessive commercial risk. Businesses need a coherent and consistent framework in which to operate. The electricity industry, in particular, makes massive investments in power plants and networks infrastructure. To enable industry to engage effectively, clarity is needed on goals and instruments over a time period that reflects the economic life of our investments (i.e. covering at least a 10 to 20 years period). Interim assessments, for example every 5-10 years, could be designed to monitor progress.
- **Emissions reduction goals:** long-term international reduction goals, and the rate of progress towards these, must be based on sound scientific, engineering and economic analyses, on available mitigation and adaptation technologies, including the timeframe necessary for technological development, and on thorough consultation with stakeholders. These global goals should be translated into national, regional or sectoral goals, as appropriate.

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- **Market-oriented policies:** well designed and implemented market-based instruments, taking into account relative or absolute targets, have the potential to ensure compliance with balanced policy objectives at the lowest cost. In a competitive market they offer the most cost-effective path towards a low-carbon economy. Market instruments, therefore, should be the preferred tool to achieve emissions reductions worldwide. Kyoto's flexible mechanisms (emissions trading and project-based mechanisms) should be available under simplified procedures and incorporated in the future framework. Global emissions trading can be an important policy instrument to drive technology innovation and dissemination.
- **Participation of all sectors:** specific sectors should not be exempted from contributing to emissions reduction goals. All economic actors should participate, and provide solutions, in the global effort to combat climate change. However, policy instruments to address climate change should, where appropriate, recognise other national or regional policy objectives.
- **Increase R&D and technology transfer and dissemination:** in the long run, alternatives to fossil fuels will be provided through Research & Development. Policies and measures should be pursued to increase the use of: carbon end-use efficient technologies and non- or low-emitting generation technologies, such as renewables, nuclear power, combined heat and power, high-efficiency natural gas and advanced clean coal technologies (including carbon capture and storage). In addition, research into climate change should be stepped up to allow decision-makers, and public opinion, make informed decisions.
- **Encourage changes in consumer behaviour:** consumers and their choices make markets. Whilst those markets can give appropriate signals to consumers to modify their behaviour, Governments should also implement policies and measures that will influence them to adopt more climate-friendly behaviour. To achieve this, it is necessary among other things to promote education and training and to encourage a culture in society of more efficient use of resources and environmental awareness. In particular, joint public-private awareness campaigns and alignment of public procurement with climate policy objectives should be supported.

We trust you will take our views into account. Thanking you for your attention, and wishing you a successful debate on 10 March, we remain at your disposal for further information.

Yours faithfully,



John SCOWCROFT
Head of Environment and
Sustainable Development



Paul BULTEEL
Secretary General

Copy to : Commissioners S. Dimas, A. Piebalgs, G. Verheugen