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Committee on the Environment, Public Health and Food Safety

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DRAFT REPORT

on a Roadmap for moving to a competitive low carbon economy in 2050
(2011/2095(INI))

Committee on the Environment, Public Health and Food Safety

Rapporteur: Chris Davies

Rapporteur for the opinion (*):
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(*) Associated committee - Rule 50 of the Rules of Procedure

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on a Roadmap for moving to a competitive low carbon economy in 2050 (2011/2095(INI))

The European Parliament,

– having regard to the Commission Communication 'A Roadmap for moving to a competitive low carbon economy in 2050' (COM(2011)0112) and the accompanying working documents (SEC(2011)0288) and (SEC(2011)0289),

– having regard to the Commission Communication 'Analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage' (COM(2010)0265) and the accompanying document (SEC(2010)0650),

– having regard to the EU climate and energy package,

– having regard to Rule 48 of its Rules of Procedure,

– having regard to the report of the Committee on the Environment, Public Health and Food Safety and the opinions of the Committee on Industry, Research and Energy and the Committee on Agriculture and Rural Development (A7-0000/2011),

A. whereas the European Parliament and the European Council have declared their ambition to secure 80-95% reductions in greenhouse gas emissions by 2050;

B. whereas the European Union must agree specific targets for emission reductions to provide the basis and framework for the necessary legislative acts and other measures;

C. whereas industry must have clarity about Europe's low carbon strategy in order to make long-term investments;

1. Recognises the benefits to Member States of developing a low carbon economy; therefore endorses the Commission's Roadmap to a competitive low carbon economy in 2050, together with its trajectory, the specific milestones for domestic emission reductions of 40%, 60% and 80% for 2030, 2040 and 2050 respectively, and the ranges for sector-specific milestones, as the basis for proposing legislative and other initiatives on economic and climate policy;

2. Invites the Commission to bring forward within the next two years the measures necessary to achieve the 2030 objectives, taking into account particular national capacities and potentials, as well as international progress on climate action;

International dimension

3. Notes that the worldwide development and application of low carbon technologies is increasing rapidly, and Europe's future competitiveness will depend upon it increasing levels of investment that currently lag far behind countries such as China as a proportion of GDP;

The Emissions Trading System

4. Recognises that the EU Emissions Trading System (ETS) is the principal instrument for reducing industrial emissions and promoting investment in low carbon technologies, but acknowledges that the carbon price is very much lower than was originally envisaged and is failing to provide the necessary investment stimulus;

5. Notes that the huge surplus of allowances now held by companies, together with anticipated further improvements in energy efficiency, means that there will be no significant recovery in carbon prices unless reforms are made;

6. Calls on the Commission to adopt measures to correct the failings of the ETS and to allow it to function as originally envisaged, in particular by taking the following steps before the end of 2012:

   (a) recalibrating the ETS before the commencement of the third phase by setting aside allowances so as to restore scarcity, thus allowing the original objective of providing incentives for investments in low carbon technologies and energy efficiency measures to be met, and thereafter proposing a legislative act to enable such allowances to be eliminated;

   (b) proposing legislation before the end of 2013 to modify from the earliest appropriate date the 1.74% annual linear reduction requirement to a value sufficient to meet the requirements of the 2050 CO_2 reduction target;

   (c) proposing legislation to establish from the earliest possible date a reserve price for the auction of allowances;

Carbon leakage

7. Calls on the Commission to publish details of the EU's real contribution to reducing global CO_2 emissions since 1990, taking into account its consumption of products now manufactured elsewhere;

8. Call on the Commission to produce an analysis of sectors for which free allocation of allowances fails to prevent carbon leakage, and recommends that the Commission bring forward proposals for border adjustment measures requiring importers of products in these sectors to purchase allowances equivalent to those which would have been required if the product had been manufactured in the EU;

Energy efficiency

9. Calls for acceleration of the work under the Ecodesign Directive (2009/125/EC), for implementing measures to be set close to the level of the best performers, and for minimum requirements also to be set for non-electrical products;

Renewable energy

10. Calls on the Commission to encourage sustainable biomass production; insists that meeting the EU's target for the use of biofuels must not result in the release of

disproportionate quantities of greenhouse gases;

Research

11. Calls on the Commission to ensure that Horizon 2020 prioritises the need to develop low carbon technologies to spur EU competitiveness;

Carbon capture and storage

12. Recognises the importance of applying CCS technology if the carbon emission reduction goals are to be achieved at the least possible cost, and acknowledges that procedural delays, financial shortfalls and lack of commitment by some Member States are likely to frustrate achievement of the European Council's ambition of having up to 12 CCS demonstration projects in operation by 2015; calls on the Commission to publish a CCS Action Plan;

National and sector-specific roadmaps

13. Welcomes the production of low carbon strategies by some EU Member States but calls on all to produce them no later than July 2013; insists that the Commission should introduce legislative proposals to require their preparation if by the end of 2012 all Member States have not made such a commitment;

14. Calls on relevant industry groups to prepare sector-specific roadmaps that will set out how EU low carbon objectives can best be realised, including the levels of investment required and the sources of funding to be utilised;

Power generation

15. Insists on the need to avoid the risk of massive carbon lock-in; calls on the Commission to propose legislation before the end of 2013 that will give a clear long-term signal to investors by requiring that, from 2015, new sources of electricity generation that emit more than 100g CO_2/kWh shall not have a permit to operate for more than ten years unless intended solely as peaking plant with operating time limited to 10% of the total in any one year;

Industry

16. Insists that EU support for the 'green economy' should recognise the importance of investment by existing industries used to promote significant reductions in resource use and CO_2 emissions;

Transport

17. Welcomes the progress exceeding expectations that has been made by vehicle manufacturers in reducing CO_2 emissions from passenger cars since 2007, and stresses the importance of accelerating further fuel efficiency improvements; affirms that in preparing its forthcoming review the Commission should be proposing ways of ensuring that average CO_2 emissions by new cars meet the agreed 2020 target of not more than 95g/km by 2020, and do not exceed 70g/km by 2025;

Agriculture

18. Calls on the Commission to propose specific measures to reduce greenhouse gas emissions and promote efficiency gains from the use of agricultural land;

Financing

19. Supports proposals made by the Commission for the Multiannual Financial Framework 2014-2020 to provide dedicated funding to increase investment and promote the development and application of low carbon technologies; endorses the intention to mainstream climate-related funding to 20% of the total MFF and insists that provision must be made for this to be effectively monitored;

Additional measures

20. Calls on the Commission to bring forward before the end of 2012 ambitious proposals to reduce the emission of methane and F-gases;

21. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

Levels of investment must be very significantly increased if Europe is to secure its industrial future. The power sector in particular, which must make decisions about generating plant intended still to be in operation in 30-40 years time, need the greatest possible clarity and certainty. Endorsement of the European Commission's Roadmap for moving to a competitive low carbon economy in 2050 as the basis for policy-making will help to provide this. It will create the framework for new legislative acts and other measures that will shape the nature of investment.

Fundamental to meeting its requirements will be to ensure that the Emissions Trading System (ETS) provides the signals to investors originally intended. The ETS pricing mechanism was expected to give industry the stimulus needed to promote investments that can secure a reduction in CO_2 emissions at least possible cost. But a surplus of allowances now exists that has reduced their price to the extent that it does little or nothing to shape investment. Unless action is taken to correct the mechanism there is no likelihood of prices recovering to the levels envisaged when the legislation was approved. We need to 'fix' the ETS.

To combat global warming CO_2 emissions must be reduced on a worldwide basis. The latest indicators are not encouraging; emissions increased by 6 per cent during 2010. CO_2 is accumulating in the atmosphere at an accelerating rate. A recent assessment by scientists who had voiced doubts about the evidence of global warming concluded that temperatures were indeed rising at a rate very close to that estimated by the UN's Intergovernmental Panel on Climate Change. EU Member States were amongst the first in the world to industrialise and greatly increase their use of fossil fuels; we have responsibilities now to exercise leadership by reducing our CO_2 emissions.

Some fear that adoption of the Roadmap, together with the emissions reduction trajectory and milestones it proposes, will handicap European competitiveness - and for little value. The EU is responsible now only for 11% of global CO_2 emissions and our actions alone will not curb the warming process. But the rapporteur argues that investment in developing a low carbon economy will strengthen Europe's competitive position not detract from it; indeed he regards it as essential for our self-protection. It is often pointed out that China is still 70% dependent upon coal as a source of electricity, but the country is also the world largest developer of both renewable energy and nuclear power. Its current 5-year plan gives priority to low carbon 'green' investments, and on a scale that dwarfs those of Europe by a huge margin. We urgently need to back the technologies that will win and invest in the processes that use energy and resources much more efficiently.

The positive case for setting ambitious targets is well illustrated by the rapid success achieved over recent years in reducing CO_2 emissions from new passenger cars. The increase in their fuel efficiency is helping to offset the consequences for drivers of the rise in fuel costs, and contrary to claims made when the EU legislation was proposed the average price of new cars has fallen in real terms. We might consider also the investments being made by companies like Rolls Royce in developing more fuel efficient aircraft engines. Cutting edge industry, high tech and high skilled, creating the products we need in ways that require the use of fewer resources and emitting less CO_2 in their manufacture, must surely be the ambition for Europe. It is the true 'green economy' we seek.

Some energy intensive industries have voiced fears about the threat of ‘carbon leakage’, of business moving out of Europe to avoid higher costs resulting from the measures being taken to reduce CO_2 emissions. Such developments would certainly not be good for Europe’s economy and would do nothing to reduce greenhouse gas emissions globally. If such instances can be proven measures should be taken to protect or compensate the industries concerned. But the evidence suggests that the threat is much exaggerated. We should be cautious of industry lobbyists seeking to justify claims for assistance on grounds that may be spurious.

Europe must develop a sense of urgency or risk losing the race to maintain a competitive economy. Decision-taking has too often become slow to the point of sclerotic. There needs to be less talk and more delivery. One example illustrates the problem. In March 2007 the European Council took the decision to have up to 12 carbon capture and storage demonstration projects in operation by 2015. Five years later, as this report is presented to Parliament, we will still not have identified the location of a single one of the demonstration plants we intend to support financially, let alone have put contracts out to tender. A comparison of this performance with the transformational achievements of China over a similar 5-year period does not leave Europe looking good.

Decisive action is essential if the EU is not to get left behind. Adoption of the roadmap, and the setting of ambitious goals for the development of a low carbon economy, offers an opportunity to stimulate progress.

Notes

The contents of the draft report have been shaped by the restrictions on length required by the Parliament. It is the intention of the rapporteur to supplement the proposals it contains by way of a significant number of amendments.

The rapporteur has welcomed the many suggestions made to him by colleagues in the European Parliament; by representatives of organisations that include Amcham, Business Europe, CAN-Europe, CCSA, Cement Industries, CEPI, Client Earth, ECF, E3G, Eurelectric, Eurogas, European Association of Aluminium, European Economic and Social Committee, Europia, EWEA, First Solar, GIE, Globe International, LCVP, NFU, Pilkingtons, Prince of Wales Corporate Leaders’ Group, Sandbag, Shell, Statoil, T&E and WWF; by representatives of the French, Dutch, Danish and British governments; and by Professor Michael Grubb, Michela Beltracchi, Poppy Kalesi, and Nick Campbell. He thanks in particular Sarah Deblock, Roger Chadwick and Edwin Koekkoek for their guidance.

The rapporteur is solely responsible for the proposals that he has chosen to include within his draft report.