



## **Briefing Paper EU Climate Change and Energy Package December 2008**

### **Background**

The European Commission presented a series of proposals in January 2008 as a legislative response to the political commitments made by EU governments in March 2007 on energy and climate change targets, including to reduce CO<sub>2</sub> emissions by 20% by 2020 and increasing renewable energy use by 20% by 2020. After consideration by the Council of the European Union and European Parliament in "Triologue" negotiations, a legislative text was sent to the European Parliament for its first reading debate and vote on 16th and 17th December 2008.

### **Summary**

On 17th December, the European Parliament approved all elements of the EU's climate change and energy package voting in favour of compromise agreements reached with the Council of the EU. The six elements of the package are: the revised EU Emissions Trading Scheme (EUETS), effort sharing decision setting binding national targets for reduction of greenhouse gases from non-traded sectors, a directive on carbon capture and storage (CCS), a directive on national targets for renewable energy, a regulation on reducing CO<sub>2</sub> emissions from new cars, and the revised fuel quality directive.

- Revised EU Emissions Trading Scheme

The revised EU ETS will apply from 2013 to 2020 and aims to reduce greenhouse gas emissions by 21% compared to 2005 levels. The EU-wide quantity of allowances issued each year will linearly decrease, to gradually reduce overall levels of emissions each year. The revised directive establishes auctioning from 2013 in principle but includes several exceptions as advocated by EU governments at the 12 December 2008 European Council. From 2013 most industrial sectors will receive 80% of their allowances free, declining by 6.25% per year, to 30% in 2020 and with a view to zero free allocation in 2027. Small emitters (<25,000 tpa and <35MW) can be excluded if subject to equivalent measures and research and development installations are exempt.

In principle, electricity production will not receive any free allocation, but SMMT is seeking to clarify if industrial combined heat and power (CHP), which does not export electricity, might be eligible.

- Effort sharing decision

The "effort sharing" decision sets binding national targets from 2013 to 2020 for each Member State to reduce greenhouse gases from non-ETS sources (e.g. road transport and sea transport, buildings etc.). The UK target is -16%. The decision aims to reduce emissions by 10% overall between 2013 and 2020.

- Directive on carbon capture and storage

The directive provides a legal framework for new carbon dioxide capture and storage technology (CCS). Industrial installations and power plants could use CCS technology to capture CO<sub>2</sub> and store it underground, reducing their CO<sub>2</sub> emissions. The directive includes funding of demonstration projects through 300 million ETS allowances awarded to large scale European CCS projects.

- Directive on national targets for renewable energy

This directive will prescribe the mandatory national targets Member States will have to achieve through the promotion of renewable energy, in order to reach the overall EU target of renewable energy comprising of 20% of total EU energy consumption. By 2020, the directive states that by 2020, 10% of the EU's total transport fuel consumption will be derived from renewable sources.

- Regulation on reducing CO<sub>2</sub> emissions from new cars

The regulation states that average CO<sub>2</sub> emissions of new passenger cars must be cut to 130g/km by 2012 through improved vehicle technology. A further 10g/km reduction is expected to come from improvements in other areas, including alternative fuels, tyre pressure monitoring systems (TPMS), eco-driving etc. The Regulation also lays out a long term target for 2020 for new car fleets to average 95g/km. Interim phase-in targets are given, with fleets to reach the targets of 65% compliance in 2012, 75% in 2013, 80% in 2014 and 100% compliance from 2015. See SMMT Policy Briefing no.36 for more detail.

- Revised fuel quality directive

The revised directive requires fuel suppliers to reduce greenhouse gas emissions caused by extraction or cultivation, including land-use change, transport and distribution, processing and combustion of transport fuels by up to 10% by 2020.

### **Next steps**

The Council of the EU will formally adopt the package in the New Year. The United Nations Framework for Climate Change Conference will meet in December 2009 in Copenhagen to find an agreement on a new global climate change deal following the expiration of the Kyoto Protocol in 2012. If agreement is reached, EU targets will be extended to reduce CO<sub>2</sub> emissions by 30% by 2020.

### **For more information**

Commission press release

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1998&format=HTML&aged=0&language=EN&guiLanguage=en>

Adopted texts

<http://www.europarl.europa.eu/sides/getDoc.do?language=EN&type=TA&reference=20081217&secondRef=TOC>

**Robert Walker**

**Senior technical manager - environment**

Email: [rwalker@smmmt.co.uk](mailto:rwalker@smmmt.co.uk)

Tel: +44(0)20 7344 1624