

UEAPME¹ replies to the Green Paper on the 2030 Framework for climate and energy policies

4.1. General

- Which lessons from the 2020 framework and the present state of the EU energy system are most important when designing policies for 2030?

In UEAPME's opinion, a 2030 climate and energy framework must put growth, jobs and the competitiveness of the European economy at the centre. Europe must remain an attractive business location which offers predictability to businesses and favourable legislative and policy measures for SMEs as the main job creators. The 2020 framework has often hampered Europe's competitiveness as the three headline targets for emission reduction, renewable energy and energy efficiency and their accompanying policy instruments did not work as a coherent unity.

4.2. Targets

- Which targets for 2030 would be most effective in driving the objectives of climate and energy policy? At what level should they apply (EU, Member States, or sectoral), and to what extent should they be legally binding?

The most effective EU target for climate and energy policy would be a GHG emission reduction target. However, if other targets than emission reduction targets are set, they should be considered thoroughly from the perspective of cost-efficiency and interconnections between different targets and policy instruments.

- Have there been inconsistencies in the current 2020 targets and if so how can the coherence of potential 2030 targets be better ensured?

There have been problems in the current targets arising from the fact that the 2020 targets are overlapping because they are all linked to emission reductions and are affecting partly the same emission sources. While the current price level is mainly the consequence of the general state of the European economy, it is important that the price signal is not distorted.

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](https://ec.europa.eu/transparency/initiative/representatives/55820581197-35).

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- **Are targets for sub-sectors such as transport, agriculture, industry appropriate and, if so, which ones? For example, is a renewables target necessary for transport, given the targets for CO₂ reductions for passenger cars and light commercial vehicles?**

Targets for some sub-sectors may be necessary to achieve emission reductions in the sectors that are not covered by the ETS. The targets for sub-sectors should be indicative to allow flexibility to the Member States and avoid excessive costs.

- **How can targets reflect better the economic viability and the changing degree of maturity of technologies in the 2030 framework?**

Targets should be technology neutral and above all should aim to reduce GHG emissions.

- **How should progress be assessed for other aspects of EU energy policy, such as security of supply, which may not be captured by the headline targets?**

The EU through a comprehensive energy policy should make sure the security of supply is guaranteed at all times.

4.3. Instruments

- **Are changes necessary to other policy instruments and how they interact with one another, including between the EU and national levels?**

The ETS and the Effort Sharing Decision should be the main policy instruments of climate policy. When planning other instruments, it should be ensured that they won't weaken the efficiency of the ETS and the Effort Sharing Decision.

- **How should specific measures at the EU and national level best be defined to optimise cost-efficiency of meeting climate and energy objectives?**

Instruments should be technology neutral and market-based so that the most profitable technologies are selected by the market itself. Subsidies should mainly be for research and development to avoid market distortions. In this line, it is also important to harmonise the State Aid Regulation for renewable energy production in order to prevent disparities between Member States and distortions in the energy market.

- **How can fragmentation of the internal energy market best be avoided particularly in relation to the need to encourage and mobilise investment?**

In order to avoid the fragmentation of the internal energy market, any type of support schemes should be harmonised at EU level. The best way to encourage and mobilise investment is by creating a stable and predictable legislative framework for the energy sector.

- **Which measures could be envisaged to make further energy savings most cost-effectively?**

Energy efficiency deserves an important role in the future framework. Energy efficiency contributes to a secure energy supply and at the same time to the competitiveness of the EU economy.

EU legislation in this field (Energy efficiency, Ecodesign and Energy labelling directives) must be implemented in time and enforced across the EU. UEAPME believes a new energy efficiency target is not realistic at the moment. Also, an absolute energy savings target is counter-productive as it does not take into account economic activity and climate factors. Incentives for SMEs to tap into the cost-effectiveness of energy efficiency must be promoted. In this line, UEAPME would like to see programs in place at national level assisting SMEs to undergo energy audits. Such programs should also cover the implementation of the recommendations from these audits as foreseen by the Energy Efficiency Directive.

The promotion of energy efficiency technologies also deserves an important role.

- **How can EU research and innovation policies best support the achievement of the 2030 framework?**

As stated above, more funds should be made available for research, development and innovation of low-carbon technologies. Implementing the European Strategic Energy Technology Plan and keeping it up to date can contribute to the success of the 2030 framework.

4.4. Competitiveness and security of supply

- **Which elements of the framework for climate and energy policies could be strengthened to better promote job creation, growth and competitiveness?**

Striving for a global climate agreement should be a priority in the EU climate and energy policy as it would create a level playing field for companies all over the world and thus promote competitiveness in the EU. Such an agreement would also create a global market for clean technologies and thus promote job creation and growth.

- **What evidence is there for carbon leakage under the current framework and can this be quantified? How could this problem be addressed in the 2030 framework?**

Some sources like the Finnish Climate Panel estimate that the carbon leakage will increase in the short run when setting stricter long run emission reduction targets in the EU. Here again, until a global agreement on climate change is reached, the distribution of allowances in the ETS should continue with existing solutions to avoid carbon leakage or set up new solutions.

On the other hand, the high energy prices in the EU should somehow be tackled so as to secure the competitiveness of EU SMEs. UEAPME would like to reiterate that the EU should make its utmost to reach a global agreement on climate change in order to create a level playing field for EU enterprises and prevent carbon leakage.

- **What are the specific drivers in observed trends in energy costs and to what extent can the EU influence them?**

The EU should mitigate the increase in energy prices by diversifying its energy sources. In this sense, it is important to create a stable political environment in the EU energy sector by encouraging investments in domestic energy sources, promoting energy efficiency and reducing the dependence to energy imports.

Having a cost-efficient climate and energy policy and eliminating overlapping policy instruments would greatly contribute to avoid the rises in energy prices.

How should uncertainty about efforts and the level of commitments that other developed countries and economically important developing nations will make in the on-going international negotiations be taken into account?

The EU must work hard in reaching an international, legally-binding agreement so as to create a level-playing field for EU businesses. Until then, Europe needs to guarantee that its businesses are protected from the danger of carbon leakage. If the international negotiations fail, the EU should reconsider the framework for climate and energy policy in order to secure competitiveness.

- **How to increase regulatory certainty for business while building in flexibility to adapt to changing circumstances (e.g. progress in international climate negotiations and changes in energy markets)?**

Regulatory certainty can be increased by creating a stable legal framework that takes into account the competitiveness of the EU SMEs. The framework should include a fixed target for emission reduction at EU level for 2030. Before the negotiations of the global climate agreement in 2015, the EU climate and energy framework for 2030 should be conditional and regarded as an offer made by the EU to speed up the negotiations.

- **How can the EU increase the innovation capacity of manufacturing industry? Is there a role for the revenues from the auctioning of allowances?**

The EU can increase the innovation capacity of manufacturing industry by enhancing the cooperation between industry, universities and research institutes. It is also important that financing for research and development is available. The revenues from the auctioning of allowances can be used for this purpose.

- **How can the EU best exploit the development of indigenous conventional and unconventional energy sources within the EU to contribute to reduced energy prices and import dependency?**

UEAPME believes it is necessary to diversify the supply, including non-conventional energy sources. For this, it is important to have a stable legal framework and reduce administrative burdens resulting from time-consuming licensing procedures. Having the latter elements in place will trigger investments in the development of indigenous conventional and unconventional energy sources.

- **How can the EU best improve security of energy supply internally by ensuring the full and effective functioning of the internal energy market (e.g. through the development of necessary interconnections), and externally by diversifying energy supply routes?**

First of all, concentrating efforts in energy efficiency contributes in securing the EU energy supply. The fragmentation of the internal energy market should also be tackled through the implementation by Member States of the Third Energy Package. Investments in smarter infrastructure are necessary especially cross-border grids and storage capacity.

On the political level, Member States keep on acting unilaterally and their decisions can have negative consequences on the overall functioning of the internal energy market.

4.5. Capacity and distributional aspects

How should the new framework ensure an equitable distribution of effort among Member States? What concrete steps can be taken to reflect their different abilities to implement climate and energy measures?

When determining the possible Member State level targets for sectors that are not in the ETS, the differences in Member States' ability to reduce emissions, for example financing possibilities and measures that are already realised should be taken into account.

• What mechanisms can be envisaged to promote cooperation and a fair effort sharing between Member States whilst seeking the most cost-effective delivery of new climate and energy objectives?

There should be possibilities to invest in an emission reduction project in other countries as an alternative to reducing emissions domestically.

• Are new financing instruments or arrangements required to support the new 2030 framework?

The current financial instruments are adequate.

Brussels, July 2013