
EU climate policy

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EU action

- **Climate change is happening**
- **Urgent action is required to limit it to a manageable level**
- **Aim: Limiting Global Climate Change to 2°C**
- **Benefits far outweigh the economic costs**
- **Objective of 30 % reduction in greenhouse gas emissions by developed countries by 2020 (compared to 1990 levels)**
- **Unilateral target of- 20%**
- **Rate of growth of developing country emissions should start to fall**
- **Overall absolute reduction by developing countries from 2020**

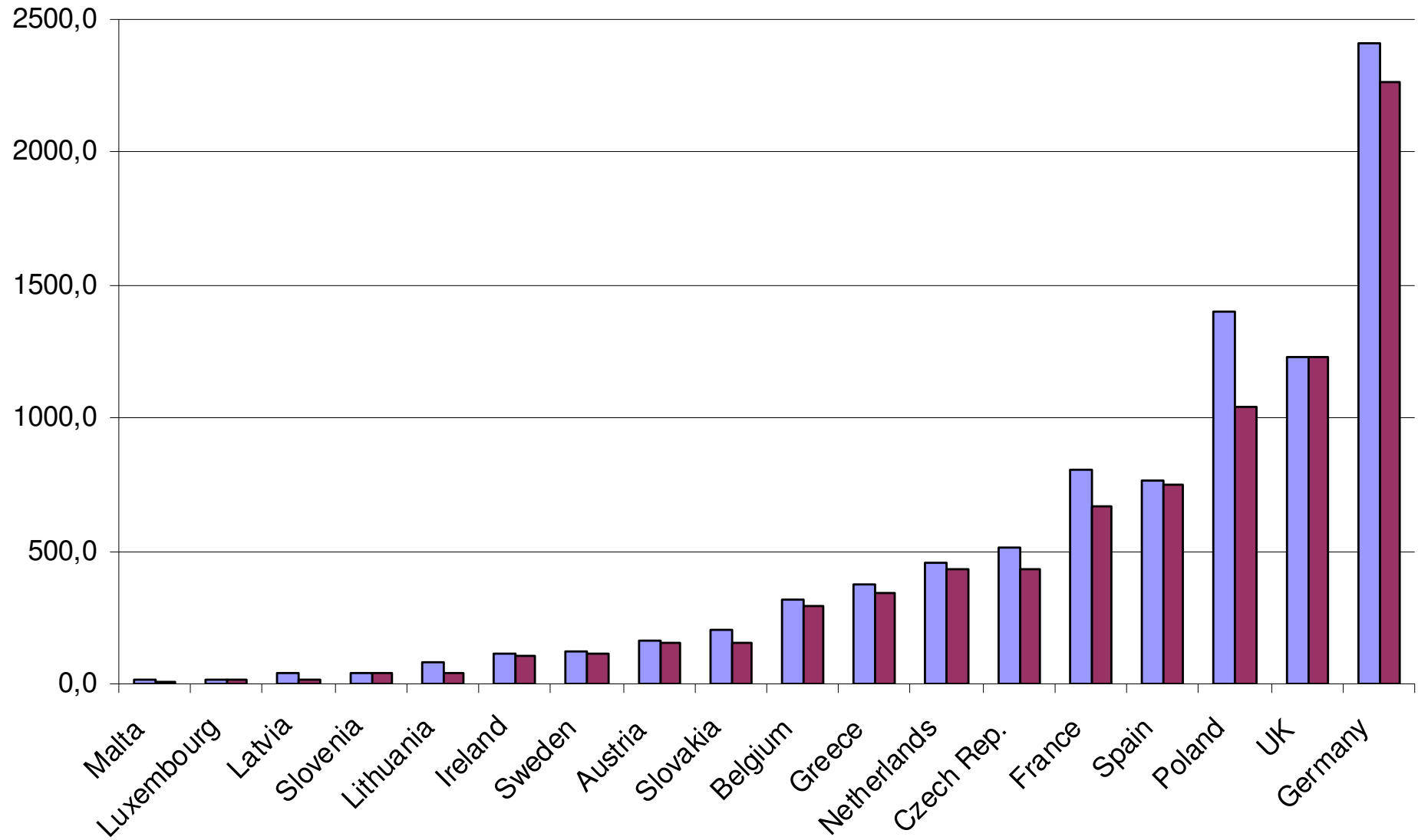
EU action II

- **By 2050 global emissions must be reduced by up to 50%**
 - Reductions in developed countries of 60 – 80%
- **EU ETS as the pillar of the future global carbon market**
- **EU ETS continues to be open after 2012 to carbon credits from the CDM**
- **Improvement of EU energy efficiency by 20% by 2020**
- **Share of renewable energy at 20% by 2020**
- **Large-scale CCS demonstration plants by 2015**

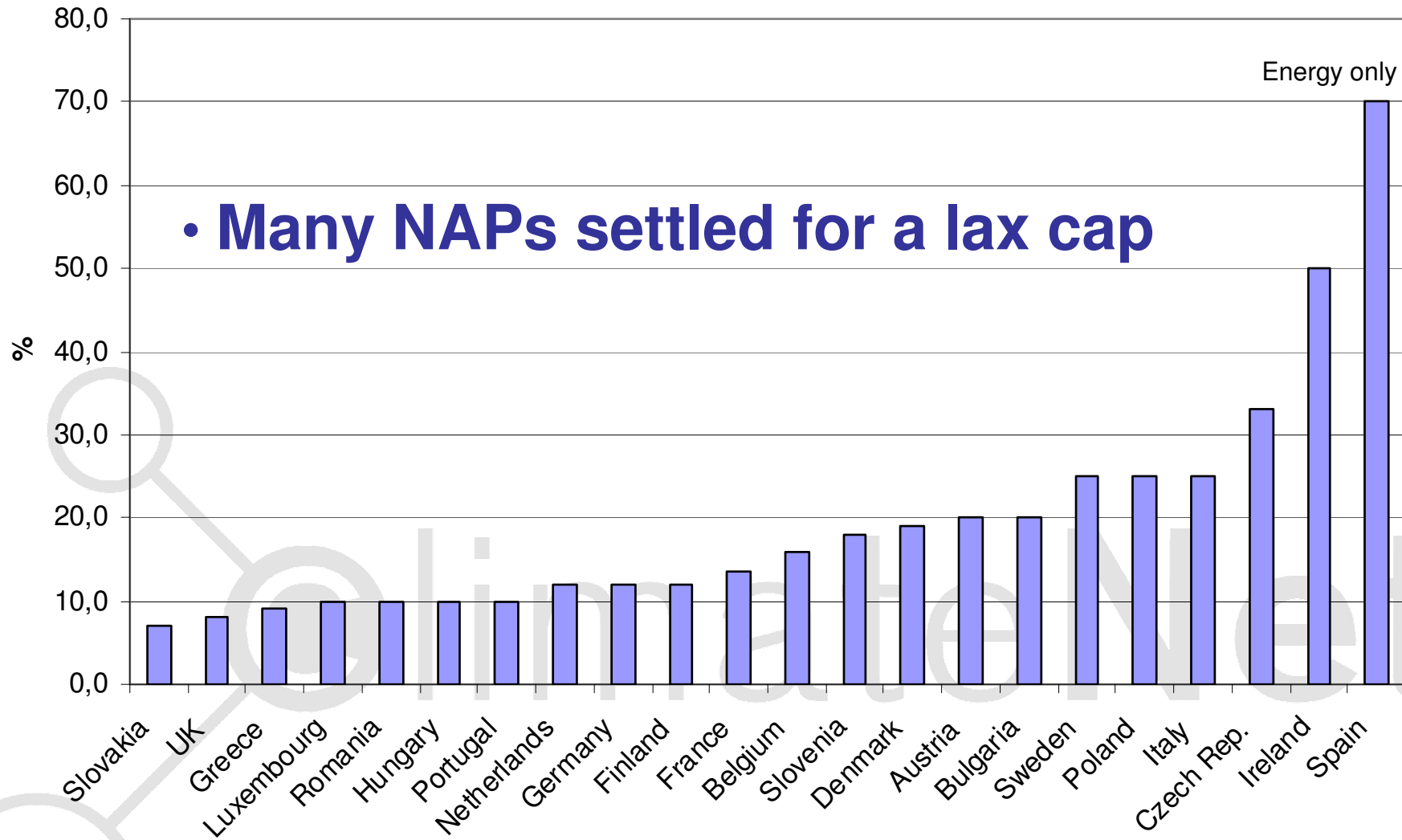
EU action on ETS

- **National allocation plans were slashed considerably**
 - Germany as country of the presidency was asked to reduce by 15 million t p.a.
 - Some accession countries had to slash by 50%!
- **CER import caps were tightened**
 - Formula for “supplementarity” developed by Commission
 - Purchase programmes of governments had an impact on import cap

EU ETS allocation



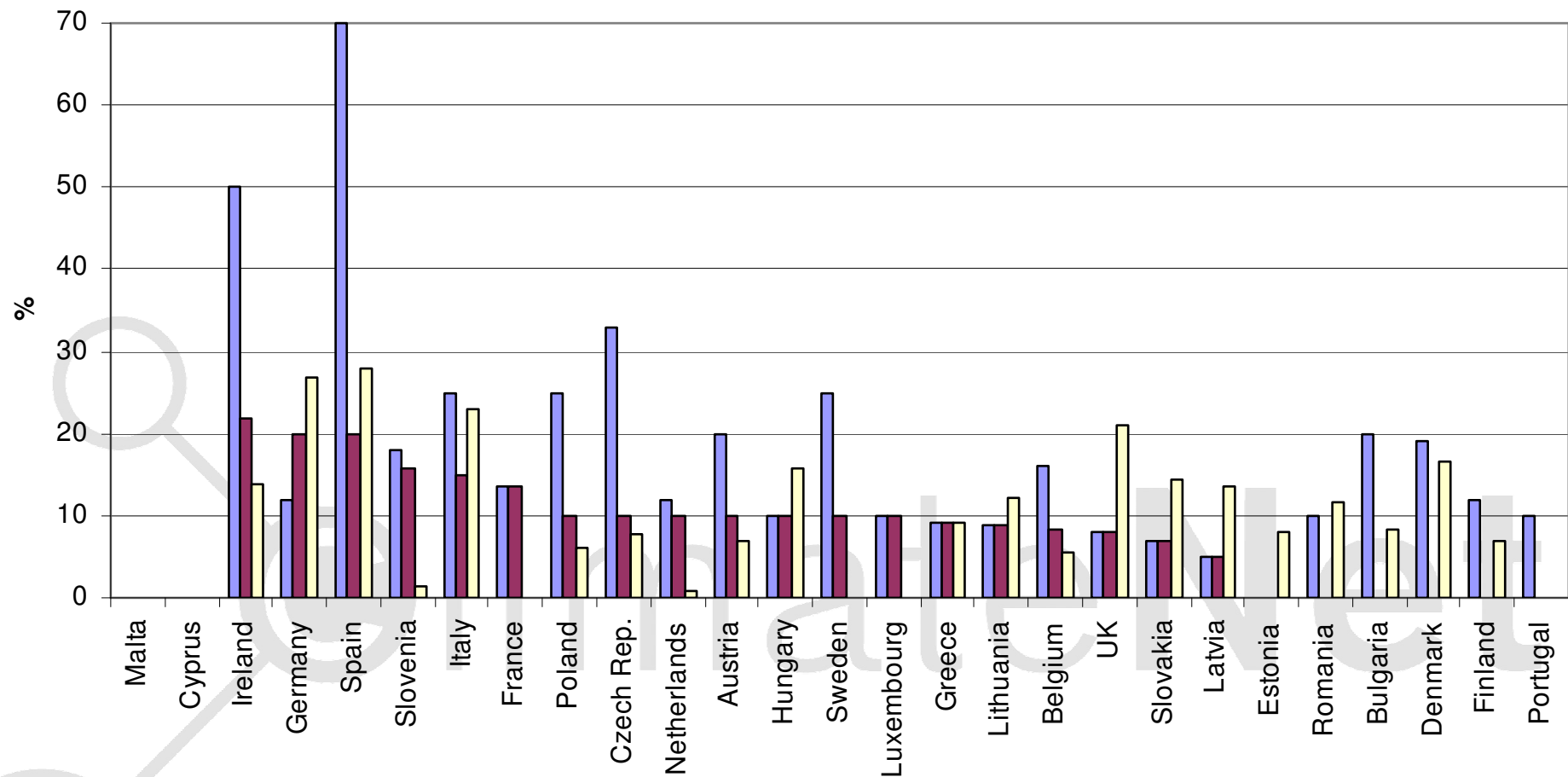
Caps proposed in NAPs



The Commission response

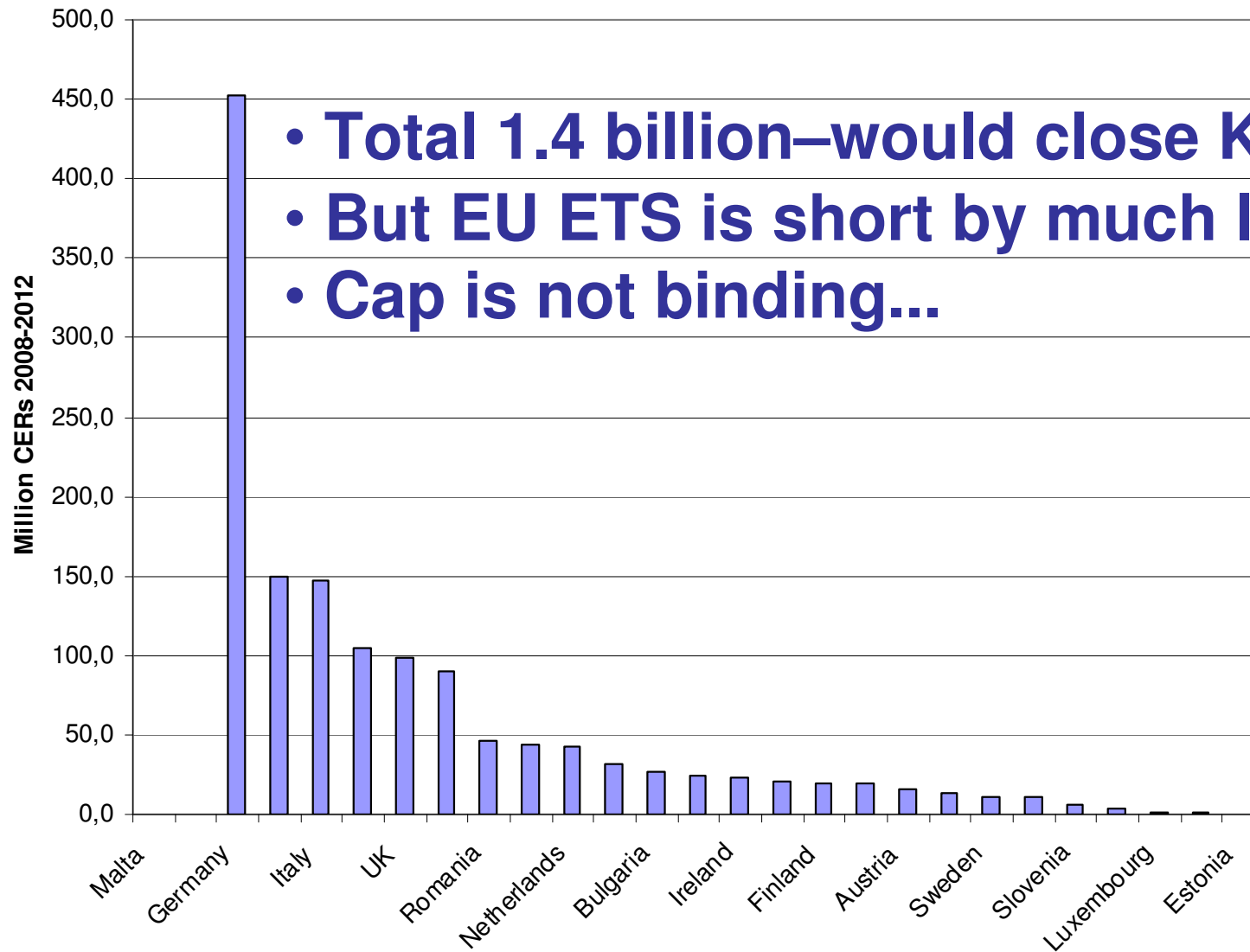
- Any cap up to 10% will be accepted
- Formula to justify cap >10%
 - Calculate difference between the highest emission level reached either in base year, 2004 or projected for 2010 and the Kyoto budget
 - Calculate 50 % of that difference and then deduct annual average substantiated government purchase of CERs/ERUs
 - Divide by average annual ETS allocation

The Commission decision



Blue: NAP proposal, yellow: application of the formula, red: decision

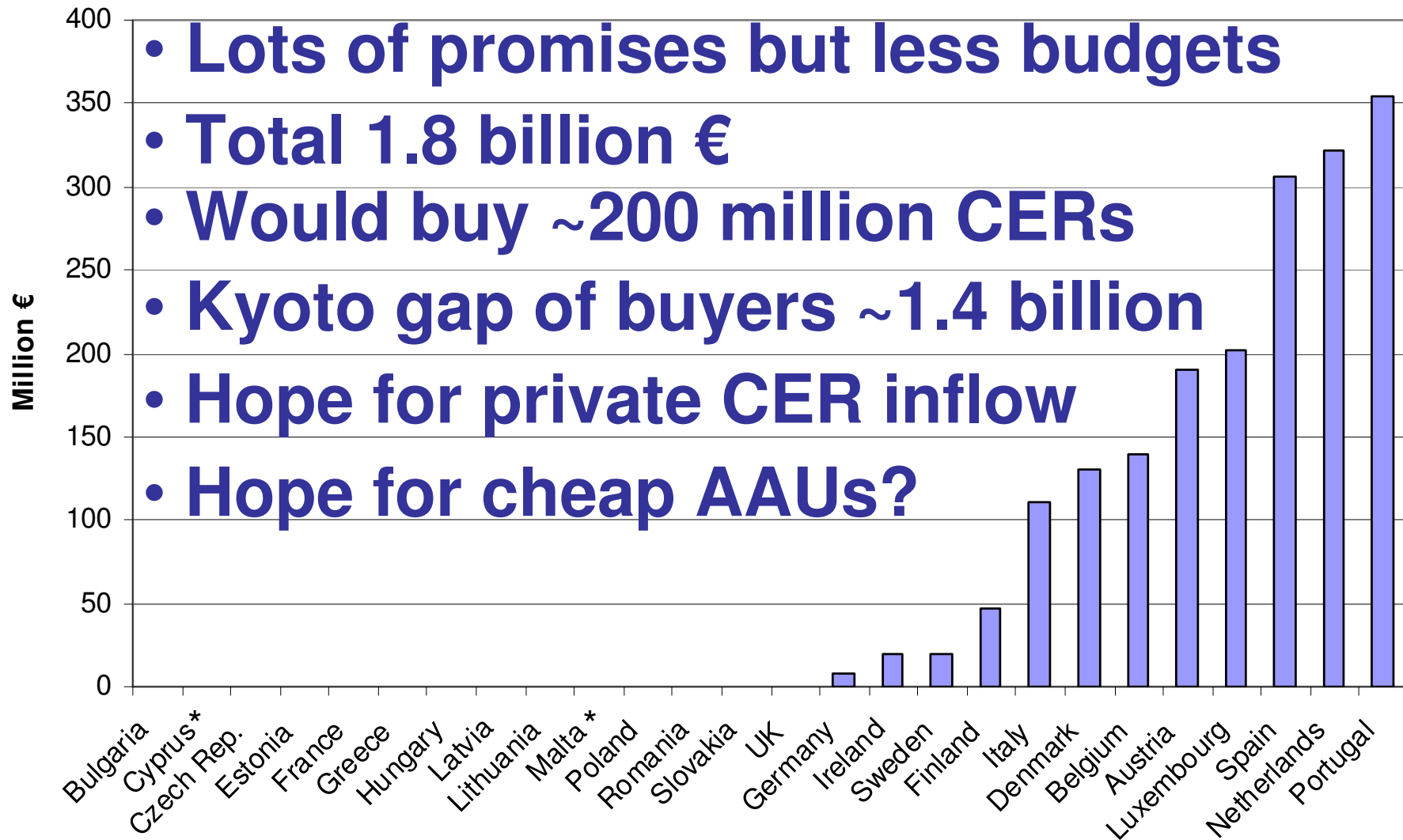
Possible CER import volumes



- Total 1.4 billion—would close Kyoto gaps!
- But EU ETS is short by much less
- Cap is not binding...

et

Government acquisition programmes



Are the caps relevant?

- **The CER caps are not binding as they are much higher than the shortage of EU allowances**
- **The government acquisition programmes fall much short of the needs to close the Kyoto gap**
- **The Commission formula set a perverse incentive to reduce budgets for government CER acquisition**
 - Any higher budget led to a crowding out of private inflow due to reduction of the cap
- **Governments may hope for CER windfall due to private imports**
 - But later reductions will become more difficult due to the higher amount of banked EU allowances