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PM+: EU policymakers must send 'clear signal' on energy policy

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Opinion Plus

Recent announcements on energy are welcome but the 'devil is in the detail', says Sandrine Dixson-Declève.

There's a series of highly technical decisions taking place in Brussels that will determine the future investment of billions of Euros across Europe.

Last week saw the launch of the new energy union framework strategy, the EU's vision for an international climate agreement, and a vote on reforming carbon trading.

There's no coincidence that these should come together. Europe can't achieve its commitment of at least a 40 per cent cut in greenhouse gas emissions without appropriate means - namely robust energy policy and an effective carbon market.

It's easy to drown in the acronyms, but the ins-and-outs of an MSR (market stability reserve) lowering

UEAs (carbon allowances) in the EU-ETS (European Union emissions trading scheme) are not going to be discussed in many board meetings. Business simply needs a clear signal that low-carbon is the direction of travel. And it's looking to policymakers to deliver.

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That's why The Prince of Wales' corporate leaders group only gave the announcements something of a cautious welcome. Each sounds promising at surface level, but as always the devil is in the detail.

The European parliament's vote not to remove surplus carbon permits from the market as early as possible came as a disappointment to our business leaders. It's the ideal response to the current low price of carbon, so why wait until December 2018, when it's possible before? There's no sense in dragging our feet.

Meanwhile, the energy union framework strategy certainly shows that Europe is serious about securing and decarbonising our energy supplies. In particular the European commission should be commended for identifying solutions beyond the supply-side.

But while recognising the important role that energy efficiency has to play, gas remains king, and the strategy offers little guidance on how we will finance the transition to clean energy.

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And there are new worries over the EU's ambition internationally. The EU executive blazed a trail back in October with a commitment to cut our emissions by at least 40 per cent on 1990 levels by 2030 - exactly the kind of leadership that's needed and a shining example to the world.

But the move to include emissions from forestry and land-use change in this target is wrong. Analysts say it effectively weakens ambition from 40 to 35 per cent.

It also sends a signal to other industries such as construction and transport that they don't need to try as hard to cut carbon - just when effort is needed the most. Business leaders in the Prince of Wales' corporate leaders group have already made up-front low-carbon investments, and are keen for the rest of industry to follow suit.

Equally, the commission's proposal that all countries should aim to cut emissions by at least 60 per cent on 2010 levels by 2050 with major economies taking the lead, must not lower the EU's own ambition in any way.

All eyes are now on Brussels to see what it does in the months ahead of the all-important climate talks in December. The question is not 'if' we will act on climate change, but 'when'; and even if we don't prevent two degree global warming; business firmly expects Paris to be a game changer.

We should prepare ourselves with legislation that will position Europe at the forefront of change, increasing the competitiveness of EU countries, and attracting foreign and domestic low-carbon investment. It won't be easy for energy companies to shift away from fossil fuels, and this is where carefully planned policy becomes vital.

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To enable low-carbon business decisions across Europe, EU member states in the council should bring forward the market stability reserve to 2017 at the latest, taking all unsold or 'back loaded' permits out of the carbon market from the offset. Seventy leading business voices and utility companies have backed this call, in a letter to MEPs [1].

Meanwhile the commission should work to transform the energy union strategy into a 'Grand Marshall plan', with a clear purpose to boost low-carbon growth. The scale and trans-boundary nature of the risks posed by climate change calls for a collective, integrated response, uniting member states around a single, low-carbon vision.

It has been estimated that the EU needs to invest over €2.5 trillion in energy over the next decade, in power generation, storage, networks and energy efficiency. To deliver this we need an energy investment strategy and a structural reform package that kick-starts a competitive EU-wide market for low-carbon technologies, and an open energy market that is inclusive of Europe's citizens.

We also need access to timely and adequate, cost-effective finance for companies and individuals wanting to invest in renewables and energy efficiency.

Our approach should be joined up: commission president Jean-Claude Juncker's jobs, growth and investment package, the capital markets union process and the energy union concept should work hand in hand.

The prizes are there for the taking: stronger and more resilient economies, millions of new jobs, and energy and climate security. But none of it is possible without the foresight of Europe's policymakers.

About the author

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