Winning the Battle against Global Climate Change: Overcoming the technology challenge

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The Challenges

**The European Council, June 2006, on global climate change:**

- A global problem requiring global solutions.

- Looks forward to a successful continuation of the discussions in the framework of the UN Framework Convention on Climate Change and under the Kyoto Protocol to arrive at a timely post-2012 arrangement consistent with meeting the Council's objective of a maximum global temperature increase of 2°C.

- Will push in all relevant multilateral fora, including with all Parties to the UNFCCC, for a full and open dialogue on future action and on agreeing an international goal.

- Calls on the Commission to submit without delay a report on the experience of implementing the ETS-directive, taking into consideration the situation of SMEs, and accompanied by proposals as appropriate.

**A European Strategy for Sustainable, Competitive and Secure Energy:**

- main objectives are sustainability, competitiveness and security of supply; win-win-win opportunities (tackling climate change increases security, creates high-quality jobs and maintains technological leadership)
International framework

- Addressing global participation:
  - “Future Actions Tracks” – climate negotiations:
    - Ad-Hoc Working Group on Article 3.9 of the Kyoto Protocol
    - Convention Dialogue on long-term cooperative action to address climate change
    - Full review of Kyoto Protocol?
      - Nairobi 6-17 November 2006
  - G-8/20 processes
  - Informal ministerial meetings (Greenland, South Africa, Switzerland…)
  - Partnerships (EU-India, EU-China, Asia-Pacific, technology specific…)
  - Etc…
Partnerships

• **Addressing global participation (cont’d)**
  – EU-India Initiative on Clean Development and Climate Change (Sept 2005)
  – EU-China Partnership on Climate Change (Sept 2005)
    • “to develop and demonstrate in China and the EU advanced, near-zero emissions coal technology through carbon capture and storage”
    • 3 phases:
      – Explore options (2005-2008)
      – Design project (2008-2010)
      – Construct project (2010-2014)
    • MoUs agreed, Phase 1: 7.75 M€, kick-off conference July

• Increasing practice to engage 3rd (developing) country partners in projects, and provide funding to those partners
• Energy dialogues and energy conferences
EU Emissions Trading Scheme; experience and implications

• Over 10,000 installations across EU-25 monitoring their CO₂ emissions!
  ➢ Fine tuning for small emitters

• Environmental issue also becoming a financial issue!
  ➢ Reduce financial burdens for energy intensive industries

• A least-cost solution, promoting energy efficiency/operational changes, take-up and improvement of clean technologies over time!
  ➢ Limit side effects, e.g. extend of impact on electricity prices and potential market distortions due to allocation

• Will contribute towards fulfilment of Kyoto targets!
  ➢ Enhance incentives for innovation

• Nucleus of international carbon market!
  ➢ Overcome reluctance of other countries
Optimising The EU Emissions Trading Scheme

- The recommendations of the HLG
  - Improve and harmonise the allocation system
  - Alleviate participation costs for small installations
  - Investigate the pass-through of CO2 allowance costs to electricity prices
  - Remove obstacles to JI/CDM use (*simplification of rules and solving intellectual property rights issues to stimulate more technology transfer*)
  - New entrants and closure rules to trigger investments
  - Increase length of trading period
  - Provide for coherence between ETS and fiscal measures
  - Internationalise ETS through broader international participation
Conclusions

- Fine tune the EU-ETS and JI/CDM to become internationally attractive instruments
- Successfully promote global participation
  - Create a truly global carbon market