

CLEAN ENERGY PACKAGE

15 December 2017

Confrontations Europe unreservedly supports the willingness of the European Union to engage in energy transition in order to reduce greenhouse gas emissions and less energy consumed for a similar service.

With over 1000 pages of propositions and 3000 pages of studies, the “Clean Energy Package for All Europeans” that the Commission presented in November 2016 and the European Parliament is currently working on comes at a pivotal moment for the adaptation of the energy sector to emerging transitional challenges. Basing our analysis on a series of seminars organised in Brussels and Paris featuring speakers from the private sector as well as from European and national public administrations, Confrontations Europe would like to propose the following recommendations in order to strengthen this new green deal.

CONFRONTATIONS



EUROPE

I – THE SCALE OF AFFECTED INVESTMENTS AND JOBS CALLS FOR A REAPPROPRIATION OF THESE QUESTIONS BY CITIZENS

The options detailed by the Commission within its sizable set of package proposals are based on assumptions and equations that remain largely inaccessible and their results hardly address the potential macroeconomic impact. In addition, the technicality of the package's substance discourages the public and their parliamentarians from engaging with it, limiting the discussion to a small number of experts even though hundreds of thousands of jobs will be affected and hundreds of billions of euros will be involved. A successful energy transition requires the mobilisation of all actors. Citizens must be able to reclaim the stakes of this issue.

RECOMMENDATION 1

Clarify hypotheses and macroeconomic sequences and expose them to a European public debate in order to allow a greater number to understand the choices that have been made.

II – PARTICULAR ATTENTION IS NEEDED TOWARDS COHERENCE BETWEEN THE ADOPTED OPTIONS

The impact assessments published by the Commission emphasise interactions between the listed objectives. Consequently, the recently adopted provisions concerning greenhouse gas emissions *outside* of the Package will result in a low CO2 price for big emitters until 2030. This means that the market will not have delivered an incentive price. Therefore, a small increase in the target for energy efficiency will increase the need for public funding, help maintain carbon-based energy production, which is a priori incompatible with the climate objectives for 2030, and reduce the profitability of heating networks.

Power grid adaptations (which are often faced with local opposition), the development of new sources of flexibility and the incentive for innovative solutions are three factors that deserve more attention in order to achieve renewable energy generation targets while maintaining a high level of supply security. Energy efficiency, interconnectivity and renewable energy targets are discussed by separate working groups of the Council, and by distinct committees of Parliament. Those decisions therefore risk threatening the overall coherence of the Package.

RECOMMENDATION 2

- Detail the exhaustive list of consequences of the options being considered, notably those of the previewed 2030 objectives.
- Create the conditions for investment-friendly price signals and for reintroducing negative externalities. In particular, reform the Emissions Trading Scheme in such a way that it sends an efficient signal in favor of using the least-emitting power plants and investing in the decarbonated sector.

III – TAKE THE DIVERSITY OF SITUATIONS INTO ACCOUNT

The energy diversity of each member state is a result of its energy mix, its industrial history and its geopolitical situation. For some, the efforts to achieve a high level of renewable energy use, improve energy efficiency and drastically reduce CO2 emissions are not easily compatible with the objective of economic convergence in the European Union.

A “fair” transition must aim at compensating for redistributive effects that weigh heavily on less developed countries. Progress in the energy market requires taking the diversity of situations throughout the Union into account and must lead to favour the objective of an energy mix that makes low CO2 emissions a priority in respect to the principle of subsidiarity.

RECOMMENDATION 3

Prioritise *both* decarbonisation as well as economic and social development by authorising diversified production at the local level that is conditional on consistency at the community level.

IV – A RIGID CONTROL FRAMEWORK IS INADEQUATE TO ADDRESS ONGOING EVOLUTION

An open form of cooperation among states, industrial actors and territories should be sought to address discrepancies instead of an administrative monitoring by the Commission following a bottom-down decision imposing on a “one size fits all” approach. Rather than impose sanctions, incentives should be strengthened to reinforce the dialogue to identify where there is room for manoeuvre on a case-by-case basis. Change will come from industries and the territories if they are kept well-informed and engaged.

Everyone must be able to reap benefits without sacrificing economic and social development, with clear conditions: a decline in coal consumption that does not negate the modernisation of the sector as well as nuclear energy with high security guarantees based on enhanced cooperation between the states using this energy.

RECOMMENDATION 4

Less sanctions, more incentives.

V – SECURITY OF SUPPLY REMAINS A “COMMON GOOD”, OF WHICH PUBLIC AUTHORITY IS THE GUARANTOR AT THE MOST APPROPRIATE LEVEL, WHILE RESPECTING SUBSIDIARITY

The energy package prescribes the transfer of certain operational responsibilities in grid management to supranational entities. Therefore, part of the role of national authorities will be transferred to the Agency for the Cooperation of Energy Regulators (ACER). Finally, the possibility of intervention by the States in the security of supply will be reduced, instead leaving more room for the short-term market price. Confrontations Europe is very reserved on this proposal. The requirements on security of supply will multiply as the use of electricity expands. Improved coordination of security of supply policies is therefore essential. To the point that security of supply should be considered as a “common good” about which public authorities can report to citizens at any time. The market can, in part, ensure this security at a regional or supranational level. However, the rules should be adapted in order to preserve the mechanisms that have already been adopted in most countries to remunerate low-demand production capacities that are essential for the continuity of the power supply.

RECOMMENDATION 5

Match the transfer of responsibilities with two conditions:

- Verify that new provisions provide a service to users that is at the very least equivalent to the existing one, but with an improved economic outlook.
- Empower the EU bodies in charge of ensuring the new responsibilities (or which witness the strengthening of existing responsibilities) of a governance that ensures transparency and democratic functioning to be able to bear political responsibility vis-à-vis citizens while ensuring the full coordination of security of supply.

VI – IT IS CRUCIAL TO ANTICIPATE AND SUPPORT UPCOMING TRANSFORMATIONS

The forecasts within the Clean Energy Packet show a profound transformation of the European energy sector with significant socio-economic consequences. A European industrial policy is necessary to allow the EU to innovate and solidify the strategic mastery of the Package’s ambitious objectives. The package also promises significant job creation. Even so, past examples show that trying to meet high targets in a short window of time incentivises operators to make greater use of imported products: solar panels, wood for combustion, biofuels, etc. *

RECOMMENDATION 6

Bolster industrial and social support.

- Create a new European industrial policy so that promised production and employment prospects are indeed located within Europe and not over-concentrated in wealthier countries. Competition and innovation are indispensable to a successful Energy Union.
- Provide a re-training plan to people working in sectors which will be impacted.

* Furthermore, according to current estimates, the Energy Package will lead to the closure of more than 25% of Europe's conventional power plants (carbon, gas, nuclear) by 2030. A large-scale social plan is necessary to help mitigate the effects of transition on worker's salaries.

VII – SPECIFIC MEASURES IN FAVOR OF CERTAIN TERRITORIES WILL MITIGATE DIVERGENCE

The studies find that Central and Eastern European countries hardly benefit from investments in renewable energy due to the fact that access to capital is much harder there than it is in the West. The Guarantee fund, a dedicated line within the Juncker Plan, could reduce divergence and allow for a balanced distribution of new jobs. Also, employing European investment funds can help diminish extra costs, accelerate the completion time of projects and boost the economic activity of the territories which use those funds. In this approach, we must also consider the potential of development actions that the Distribution Network Operators (DNOs) can achieve in order to ensure the territories' support of a full energy transition and a complete digital revolution.

RECOMMENDATION 7

Create the conditions for Central and Eastern European countries to be able to benefit from investment in renewables.

- Provide technical assistance and access to capital to reduce divergence (guarantee fund, line within the Juncker Plan, etc.)
- Establish an investment fund specifically dedicated to territories traversed by strategic infrastructure.

VIII – THE REDISTRIBUTIVE EFFECTS DESERVE TO BE CORRECTED

The Commission's propositions in favor of energy self-consumption will benefit the inhabitants of regions with access to relevant natural resources, regions with housing that is suitable for an individual equipment, or regions which have a savings capacity. The package struggles to address the need of mutual solidarity between territories within their respective Member States and between the Member States themselves; energy is a particular good which cannot be regulated by the market alone. Furthermore, no Local Energy Community (LEC) can live in autarky without considering the others; they will remain linked to networks. Establishing LECs should be conditional on a preliminary cost-benefit analysis that details the services available to citizens and their methods to help preserve social and territorial cohesion. LECs can also be developed in conjunction with DNOs.

RECOMMENDATION 8

Allow national or local authorities to take any provision to protect disadvantaged consumers and ensure fair burden-sharing.

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