COPENHAGEN: NOT DONE YET

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Why the EU must renew its leadership on climate change

The end of 2009 saw the long awaited Copenhagen negotiations ending in disappointment with no legally binding emissions reduction targets to suceed those in the Kyoto Protocol and only a minimal political accord being agreed. The EU's policy of using its conditional target to secure additional commitments from other countries has not delivered. However, January 2010 does offer the EU one last chance to inject much needed bite to the Copenhagen process, and to reclaim its role and reputation as a leader on climate change. At the end of the month, the Copenhagen Accord will be finalised with all countries required to put forward their proposed emissions reductions for the period up to 2020.

As Spain take over the Presidency of the EU, the new EU Commission takes shape and the new President Herman Van Rompuy takes to his desk, the most critical and pressing task for all must be to steer the EU towards a unilateral reduction in CO_2 levels of at least 30% by 2020.

Why a 30% reduction on 1990 CO_2 levels is essential

This briefing takes for granted the strong environmental reasons we have for increasing EU ambition on tackling climate change, in particular that such a move is vital for keeping world temperatures on a 2 degree path. We focus instead on the **practical, political and economic** rationale for moving to a 30% target.

Practical Rationale : 30% is easier and cheaper than we thought 20% would be

Even before the worst impacts of the global economic downturn were felt during 2009, analysis was showing that the EU 20% target was looking easy to meet. With the OECD forecasting slow growth out of the recession, 20% now looks like Business as Usual (1) . Perhaps the most telling indicator of the change is that Germany, the EU's biggest polluter, has admitted that it plans to readjust its climate targets from 30% to 40% to account for the impact of the recession which has seen its emission drop by 7.7% between 2008 and 2009 (2). Other Member States, and ultimately the EU, must follow suit.

In 2008 we thought cutting CO_2 by 20% would cost €309 billion in 2008. In fact in early 2009 we discovered that it was €100 billion cheaper to cut by 30% at a cost of only €205 billion (3).

A report from E3G cites multiple estimates of low and even negative costs of moving to 30 including from the International Institute for Applied Systems Analysis (IIASA) which finds that the EU could meet 30 percent at a cost of 0.13-0.17 percent of GDP even without the use of offsets (4). Since these estimates, the economic recession has likely lowered the cost of emissions cuts even further .

Even before the recession we were halfway there: In 2008 EU emissions were already 10.7% below 1990 levels (5) , with the majority of reductions due to changes in the energy market and economic adjustment in Eastern Europe, not climate policy (6). Since then emissions have been steadily falling due to the global economic downturn. Today taking into account existing policies and measures the EEA estimates close to half the emissions reductions needed for the 30% target are already in train, before taking into account any use of offsetting.

Access to overseas offsets: Under current policies at least 64% of cuts between 2013 and 2020 can be made through purchase of overseas offsets known as CDM credits (7). So even for companies and industries where there are limited technological options to cut CO2, it is easy to pay for cuts. With CDM credits usually cheaper than investments to cut carbon at home, and with companies able to pass on the full market cost of carbon, the exercise may even be profitable.

Hot air: The EU has introduced an emissions trading scheme which allocates permits to power companies and industry, capping the CO_2 emissions that they can collectively produce. However, with the recession causing emissions to drop sharply against already generous allocations to industry, there are now far more emissions permits than needed. These cuts are known as 'hot air' as they are not the direct result of effort to reduce emissions. Sandbag estimated in 2009 that half of the domestic effort required towards a 20% target would be covered by surplus permits from the current phase of emissions trading (8). Using latest data on emissions we now find that surplus emissions permits would cover up to a third of domestic effort towards a 30% target (9).

Political Rationale: The EU needs a new strategy to rescue its international standing as a leader on climate change

It was clear during the Copenhagen negotiations that the conditional offer of 30% reductions by the EU was not a sufficiently attractive carrot for key nations such as China and the US to offer tougher cuts in their CO_2 emissions. Other countries such as Japan, Mexico and Brazil chose to move unilaterally towards higher targets, without waiting for the EU. For the poorest countries there is also a need to rebuild trust– the EU has said it believes in 2 degrees target and yet by remaining with a low ambition target it will allow 3 billion extra tonnes of emissions between now and 2020. Least developed and most vulnerable countries have a right to demand that the EU acts in line with the science of climate change to reduce the risk that they are exposed to. Moving to a higher target will be an important way to rebuild trust in international negotiations. Even before Copenhagen, an open letter from 135 parliamentarians from across the EU called for a unilateral move to a 30% target as an essential step for Europe to maintain its leadership on climate change (10).

Politically within the EU the current unambitious 20% target also carries risks. The EU had predicted a carbon price €39 per tonne by 2020 but estimates suggest this could now only be €20 which would result in vital auction revenues halving from €38bn by 2020 to just €19bn (11). The price of carbon will also impact on critical investment decisions in the power sector putting at risk the decarbonisation agenda that President of the European Commission, Jose Manuel Barroso has outlined as a key and critical priority for his new Commission (12).

But with most politicians fates inextricably linked to their ability, or inability, to pull the EU out of recession, the strongest argument for moving to 30% now may be that this is the best way for the EU to secure a strong economic future.

Economic Rationale: Moving to 30% secures long term economic growth, jobs and investment

Even for the climate sceptic, there are strong reasons for moving to tougher targets on CO_2 emissions. One of the strongest growth areas for economic investment in recent years has been that of clean technology (13). Take the example of renewables:

- In 2009 global investment in renewable energy overtook investment in fossil fuel based infrastructure for the first time . But this was largely due to a 27% increase in investment in China with European investment static (14).
- The EU Commission itself estimates that if it reaches its non-binding target of generating 20% energy through renewables by 2020 this will create 2.8 million new jobs and will lead to a net increase in GDP (15).
- Wind power capacity has grown 30% a year over the last decade, and the rising use of photovoltaic solar has led to its cost dropping by 20% (16).
- Decarbonising the power sector would lead to lower oil and gas import bills and air pollution costs which could add up to savings of close to €70bn in 2020 (17). This would also allow power prices to remain relatively stable in the future for European consumers – a critical political issue.

Indeed, the danger is perhaps more one of missing out. As Project Catalyst have stated 'Chief executives, especially of large companies with legacy high-carbon assets, face complex choices through the transition on how and when to act boldly so as not to miss out on the low-carbon boom' (17).

But it is not just a case of positive benefits; there are economic risks of not moving to a 30% reduction

- With the EU already publicly committed to reducing emissions by 80-95 percent by 2050 a linear trajectory this would mean at least a 40 percent reduction by 2020. Achieving only 20 percent by 2020 would mean much deeper reductions in later years.
- Delaying cuts makes them more costly with the IEA estimating that globally each year of delay adds an extra €336bn to the clean investment needed globally between 2010 and 2030 in the energy sector (19). Lack of early action also limits our potential to make cuts later, analysts, McKinsey estimate that even if we take up half of potential renewable and nuclear capacity, by 2030 we could lose 2GTCO_2 per year in abatement potential (20).
- With China and other major emerging economies making large-scale investments in new technologies, without a greater incentive to invest in domestic reductions, the EU could see itself left behind in the race to control the clean energy market of the future.

What needs to happen now

It is most vital that at the next EU Council Meeting EU leaders discuss and agree a unilateral move to at least 30%. Ideally the new President, Herman Van Rompuy, and the Spanish Presidency should schedule a Special Council Meeting of Heads of State before the 31 January so that the EU can sign up its target on time for the UN deadline.

A move to 30 by the EU could yet unlock greater commitments from others internationally, and will, at the very least, set the stage for greater trust and more productive negotiations during the course of 2010.

To create the necessary conditions for an EU move to 30%, Member States should individually examine their own positions with respect to the CO_2 emissions targets and how these could be adjusted in national legislation to take account of the increased ease with which reductions can be made following the recession. Article 176 of the Lisbon Treaty allows Member States to act unilaterally towards greater ambition on climate change – collectively the EU could reach 30% via such action.

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About Sandbag

Sandbag is a UK based not-for-profit campaigning organisation dedicated to achieving real action to tackle climate change and focused on the issue of emissions trading.

For more information and to sign up to our campaign for 30% please visit :

www.sandbag.org.uk/notdoneyet