

Warsaw, June 25 2013

Response of the Polish Electricity Association to the EC Communication – on the international climate change policy beyond 2020

With regard to the published EC Communication – *on the 2015 International Climate Change Agreement: Shaping international climate policy beyond 2020* – the Polish Electricity Association (PKEE) would like to underline the following:

PKEE welcomes the initiative of the Commission to adequately analyze the EU's negotiation strategy on the UNFCCC forum, since the current one has not delivered expected results.

In fact, the state of negotiating a global, legally binding, post-Kyoto agreement is similar to the one we faced in 2007 when the Bali Action Plan (BAP) was agreed. In the meantime, the EU negotiated and implemented the climate-energy policy with a 20% emissions reduction target by 2020. On the other hand, countries like Japan, Canada and Russia rejected the Kyoto Protocol's 2nd Commitment Period (KP CP2). Today, the Durban Platform for Enhanced Action does not seem to be much different than the previous BAP initiative.

It seems that, considering the current state of negotiations, the EU strategy to “lead by example” as well as the Kyoto protocol architecture need to be revised.

One of the key principles of the current EU climate-energy policy is the fact that Europe is not able to stop climate change alone. Given the fact that the EU's emissions are only 11% of the global total and this share is steadily decreasing, in our opinion it makes sense from the environmental as well as economic perspective to wait for legally binding commitments by our partners worldwide. **We need other developed economies as well as major developing ones to step up their efforts in order to obtain the necessary environmental results.** Therefore, it is of utmost importance that the EU energy and climate policy beyond 2020 will be based on the ratified global UNFCCC agreement as agreed by the European Parliament and the European Council.

Previous, international negotiations have led to pledges and commitments that are insufficiently ambitious. Therefore, avoiding a similar situation is essential. In shaping the 2015 Agreement we will need to learn from the shortcomings of the Convention, the Kyoto Protocol, and the Copenhagen-Cancun process.

Among many reasons for the COP-15 fiasco, one seems to be dominant: the Kyoto Protocol architecture was well designed for the circumstances in 1997, but not the current ones. The world has changed since the Kyoto Protocol was signed and the UNFCCC forum, which in

our opinion is the only one capable of reaching any global agreement, needs to take the following facts into account:

1. Emerging economies are increasingly growing economically. This results in increased GHG emissions. This notion makes Annex I and Annex II countries distinction outdated.
2. Increasing global trade raises issues about production-related emissions and preventing carbon leakage (carbon-intensive activities shifting from high ambition to low ambition countries).

As noted in the EC communication, we need to address the challenge of attracting all major economies, including the United States, as well as China, India and Brazil (BRIC) which have so far resisted legally binding commitments. Some countries have begun to pursue low carbon development strategies demonstrating that significant reductions in greenhouse gas (GHG) emissions can be achieved at affordable cost and can generate some additional benefits as i) new jobs, ii) national energy security, iii) improved air quality. Many countries however continue to fear negative economic repercussions, especially in the time of current economic crisis, because GHG reduction is costly, pays off after some time and in the short term comes at the cost of i) lost jobs in existing sectors (e.g. fossil fuel mining), ii) diminished national energy security due to fuel switching process, iii) higher energy bills due to CO₂ tax increment. Therefore only relatively wealthy countries can afford such measures.

As for now, emerging economies lack sufficient funds to follow suit. Furthermore, the cost of GHG emissions reductions will change with each industrial activity relocated from developed countries. Imposing an obligation on production-related emissions instead of consumption-related approach on the global scale ignores the fact that the burden will steadily decrease in the countries which are “leading by example” and increase in others.

In this respect, it seems inevitable that **the global approach to emissions reductions also needs to take into account consumption-based mechanisms**. The whole architecture of the Kyoto regime should be redesigned and focus on consumption-related emission targets. Without such agreement, individual states and regions will continue to hold back their climate ambition in relation to what their competitors are prepared to do.

Without a coherent system of MRV (measurement, report and verification) measures any global agreement does not make sense. Credits from industrial gases destruction (HFC-23) under the CDM mechanism, which are not eligible in the EU ETS since 2013 but are allowed in the Chinese market-based mechanism, are a case in point.

A comprehensive, transparent and comparable measurement and verification system and methodology are crucial for any globally binding Agreement, no matter whether production- or consumption-related.