



Second Stakeholder meeting on post 2020 carbon leakage provisions for the EU Emissions Trading System

Managing the transition to low carbon economy

– What relative role for free allocation and innovation support

Industry 2050 roadmaps and way forward

DG Climate action

10.7.2014

Context

- Commission: A Roadmap for moving to a competitive low-carbon economy in 2050.
 - ⇒ Domestic CO₂ emission reductions by 80 % by 2050 compared to 1990.
 - ⇒ Pathway of -40 % by 2030 – validated in the 2030 climate and energy framework in January 2014.
 - ⇒ Key avoiding locking in carbon intensive investments – a major increase in (low carbon) capital investments.
 - ⇒ Sectoral reduction ranges for key sectors with big ranges.
 - ⇒ Reducing Europe's energy bill and creating jobs. *Energy security* !
 - ⇒ Stakeholders invited to take the Roadmap into account when preparing their own sectoral low-carbon roadmaps.

Stakeholder response

- Industry sectoral low-carbon 2050 roadmaps for manufacturing and power production – a necessary and useful exercise.
- Different estimated levels of CO2 reduction potential ranging from substantial to a relatively limited impact.
- For example: Ceramics: biogas breakthrough, kiln electrification, process emissions ? – need support for R&D&I, cross-sectoral ?
- Chemicals: energy efficiency, fuel mix, decarbonising electricity, CCS
- For manufacturing Energy Intensive Industry, > 10-20 potential breakthrough technologies
- Similarly, for the power production industry, the low-carbon roadmaps show >10 technological areas with innovative potential to be tapped by first-of-its-kind installations in the EU

Possible approaches

- Complementarity with H2020 and other initiatives.
- Appropriate calibration of innovation support for low-carbon technologies in the industry and power generation sectors.
- Main focus on breakthrough technologies which are substantial investments with risks to the promoter - ensuring sharing of risks but also of benefits at European level.
- ETS innovation support to be dedicated to co-investments in first of its kind installations in the EU.
- Co-financing and synergies with other complementary sources and institutions, e.g. EIB.
- Financing support mechanism such as NER300



NER300

- It supports innovative CCS and RES commercial demonstration projects and through the sale of 300m emission allowances of the new entrants' reserve (NER) under the EU ETS
- It is managed by DG CLIMA but allowances are monetised by the EIB. Member States pre-select project proposals and act as intermediaries between project consortia and the Commission
- 38 RES and 1 CCS projects in 19 Member States were awarded through 2 calls for proposals
- The NER 300 programme will provide €2.1bn in total. This will leverage roughly €2.8bn of private investments
- Funding centrally managed by the Commission (including NER 300) does not constitute State aid
- Support to low-carbon technologies through NER 300 will be key:
 - **It reinforces the EU's competitiveness, as the EU still enjoys global technological leadership in low-carbon technologies**
 - **It increases the EU's security of supply by focusing on indigenous sources of energy**
 - **It fights climate change**

Issues for discussion

- How to ensure that the large-scale demos happen in the EU?
- Which categories can be included and under what conditions (breakthrough demos, or scale-up, or first-time investment...)
- Breakthrough technologies vs "catching up" (reducing carbon intensity by a defined percentage over the historic baselines), or a mixed approach ?
- Sector specific pots/envelopes ?
- Technological barriers? – also increased competitiveness ?!
- What is the industry's capacity to invest to the new technology?
- Operational: upfront payments? monetisation? co-financing?
- How to quantify the additional benefits (first mover)?
- How to ensure some support already before 2020?



European
Commission

* THANK YOU *