

HSE GROUP'S CONTRIBUTION

STRATEGY FOR LONG-TERM EU GREENHOUSE GAS EMISSIONS REDUCTIONS

European Commission public consultation

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HSE Group welcomes current efforts put forward by the European Commission to prepare a new long-term EU greenhouse gas emissions reductions strategy. It is an urgent step after the obligations set in the Paris Agreement. But achieving the necessary greenhouse gas emissions reduction is not possible without synchronised energy and climate policies at the EU and national level.

We are currently in the final phase of adopting the Clean Energy Package, which will set the basis for implementation of ambitious 2030 energy and climate goals. EU climate and energy policy beyond 2030 must assure continuation and upgrade of the efforts and work that has been done so far.

HSE Group believes the following key elements need to be considered to achieve a balanced approach and should be strongly represented in the new Strategy for long-term EU greenhouse gas emissions reductions:

1 The principles of just transition should be embedded in the long-term vision

As there is a link between climate change policy and phasing out of coal, the long-term decarbonisation strategies at national and the EU level should put a special emphasis on the most affected regions. HSE Group strongly believes that a successful transformation of coal regions is key to a successful decarbonization of the EU. Thus, the new Strategy for long-term EU greenhouse gas emissions reductions must acknowledge the effects of the decarbonisation policy on coal regions, which are often overlooked, and provide guidelines to ensure a just and gradual transition for coal and carbon-intensive regions.

2 Sufficient funding for the transformation of coal regions should be foreseen

The transition of coal regions should be based on a comprehensive financial support, including public funds at the EU level, for the social and economic restructuring and development of these regions. HSE group believes that a dedicated and comprehensive transition fund should be part of the next EU multiannual financial framework to support the just transition of carbon-intensive and coal regions, be it in the context of post coal economy or continuous use of coal within the limits of EU commitments in implementing the Paris Agreement. Coal

regions need to be supported in developing the necessary long-term strategies for the gradual transformation and alternative business solutions, considering all the relevant social and economic factors. HSE Group believes that a dedicated transition fund on the EU level is indispensable and the new long-term EU strategy for long-term greenhouse gas emissions reductions should acknowledge its role.

3 All sectors need to contribute to the low-carbon transition, with strong emphasis on electrification

HSE Group believes electrification is crucial for decarbonisation of the European economy. Given the strong commitment by the European electricity sector to become carbon-neutral well before 2050, the electrification of heating and cooling, industry and especially transport is of great importance and offers opportunities for society at large through developing cost-effective and innovative solutions, keeping in mind the effects of accelerated electrification on the grid – thus, a coordinated umbrella approach between electrification, decarbonisation and energy infrastructure policy is necessary. While the power sector has a great potential for cutting emissions, the potentially negative effects on security of supply through overburdening the power sector must be avoided - all sectors must contribute, and the burden should be shared. The challenge in the transport sector is significant and the new long-term strategy must acknowledge that and foster further development of new technologies in this field.

4 EU ETS should reflect energy market developments

EU ETS should become a key driver in achieving the CO₂ emissions reduction target, however, the CO₂ price should reflect energy market developments and not be driven by speculative trading in emission allowances as financial instruments. After 2020 a gradual phase-out of RES subsidies is needed, with the EU ETS becoming the main driver for the development of low-carbon technologies, while keeping in mind the principles of just transition working towards fair and inclusive transformation of coal regions whether in the context of post coal economy or through continuous use of coal within the limits of EU commitments.

5 Member States should be able to tailor the transition to their own potentials and carry the burden of transition according to their abilities

Member States must take the lead in shaping their own emissions reductions policies and strategies, which are based on national specifics. We would propose that the new strategy for long-term EU greenhouse gas emissions reductions includes the reference on different starting points of European countries, as different energy potentials, conditions and energy system specifics must be considered when preparing a long-term EU and national reductions strategies. At the same time, the burden of transition should be spread across the EU Member States according to their abilities. HSE Group is convinced that the Member States should be

able to assess and choose the most suitable mechanisms under their specific conditions and circumstances to achieve the agreed climate goals.

6 Investment stability is necessary

Investments in the energy sector, which are needed to implement ambitious climate and energy targets, will be possible only under proper market conditions through assuring safe and reliable electricity supply. Introducing certain measures such as capacity remuneration mechanisms, burden sharing among different stakeholders, improving efficient spatial planning procedures, improving public awareness and public acceptance can represent much-needed stability for investors.

