

Document officer : UBA
Secretary: ILA
Caseno.: s2013-057
Document no.: d2013-7217-6.0
11-06-2013

Consultation on the 2015 International Climate Change Agreement: Shaping international climate policy beyond 2020

Thank you for the opportunity to comment on the views reflected in the report on The 2015 International Climate Change Agreement: Shaping international climate policy beyond 2020.

General comments on the communication

Support to an international agreement

The Danish Energy Association supports an ambitious international agreement to reduce CO₂ and to make sure that the global temperature does not increase more than the 2 degrees agreed upon. However, the Danish Energy Association supports ambitious EU energy- and climate targets and a strong EU ETS with a stable and long-term price signal **unconditionally of an international agreement**. The 2030 policy framework should at least secure that the no-regret option from the 2050 Energy Roadmap.

EU must give a clear signal

2030 framework

Power plants across Europe will to a large extent be decommissioned within the next decade and it is therefore essential to provide investors with a long needed long-term energy- and climate policy framework for them to consider when planning investments. We must take into account that the power plants we build today are the ones providing us with power in 2050. It is therefore extremely important that investors get a clear signal from the EU ETS to secure the needed investments and avoid a lock-in effect in carbon intensive technologies. Concrete targets and a strong and stable EU ETS is a necessity if the EU is aiming at decarbonizing the energy system.

Jobs dependent on ambitious 2030 framework

EU cannot afford to let its future climate- and energy policy depend on an international agreement. An ambitious 2030 framework is essential if we are to stimulate growth and jobs – jobs and growth that is highly needed all over Europe. A focus on low-carbon technology will furthermore mean that EU in the future will be able to produce more energy efficient, making our production cheaper and our industries more competitive.

An ambitious 2030 framework that can drive investments in low-carbon technology and increase the share of renewables in the energy mix will furthermore be beneficial to EU's dependence of oil, coal and gas imports from more or less unstable political regimes. The more we succeed in integrating renewables in our energy mix the better it is for our security of supply.

EU ETS

ETS as main instrument

The Danish Energy Association argues that the measure to drive investments in low carbon technology and thereby achieve a decarbonized Europe should be the EU ETS. However, the currently low price on carbon allowances is stalling the effect and decreasing the trust in the system. First priority is therefore to strengthen the system by increasing the price on carbon in line with the price range as expected in the impact assessment before the current EU ETS, so that it once again becomes more profitable to invest in low-carbon technologies.

From the beginning, the EU ETS was designed with two political objectives in mind; 1. To bring down CO2 emissions with 20% by 2020, and 2. To drive innovation and investments in low-carbon technology. As it is, the EU ETS is only delivering at the first objective.

Global commitment to ETS

Large economies around the world are now preparing emission trading systems on their own. The growth of these systems around the world is a clear indicator that it can serve as a useful tool in reducing the CO2 emissions and it is therefore important that the EU takes steps to secure the survival of the EU ETS. The emission trading systems already in place covers 20% of the global emissions. Most of them build on the EU ETS but including some kind of price floor or price stability mechanism like in the California ETS.

EU should take action regardless

To sum up, the Danish Energy Association supports that the EU pursues an ambitious international climate agreement in Paris in 2015, but highly recommends that regardless of the outcome, the EU will put forward an ambitious 2030 framework well before 2015 and take measures to strengthen the EU ETS. The EU should not stand back and wait for the international community to take action but instead harvest the fruits of acting now.

Specific comments on the communication

In the following we will answer the questions presented in the report. We will however only answer the first and second question, since those falls within our expertise unlike the others.

1. *How can the 2015 Agreement be designed to ensure that countries can pursue sustainable economic development while encouraging them to do their equitable and fair share in reduc-*

ing global GHG emissions so that global emissions are put on a pathway that allows us to meet the below 2°C objective? How can we avoid a repeat of the current situation where there is a gap between voluntary pledges and the reductions that are required to keep global temperature increase below 2° C?

EU should lead by example

In order to encourage countries to take part and reduce CO2 emissions we advise that the EU lead by example. The EU has the opportunity to take lead by setting ambitious 2030 climate- and energy targets to decarbonize the energy sector as one means to drive forward investments and kick-starting the European economy. By entering international climate negotiations in Paris with an ambitious 2030 framework, EU will have the needed credibility it takes to convince countries around the world that pursuing economic growth and fighting climate change are not two goals that cannot be promoted at the same time – rather the contrary.

We do call on the Commission to take into account that some industries are more affected by the economic situation than others and therefore advice that industries threatened by carbon leakage be protected – especially the electricity intensive industry.

2. How can the 2015 Agreement best ensure the contribution of all major economies and sectors and minimize the potential risk of carbon leakage between highly competitive economies?

Global sectorial agreement

The Danish Energy Association will first of all point to the fact that there so far has been no carbon leakage in Europe due to climate- and energy policy. That said we encourage an investigation of the potential for a global sectorial agreement between the industrial sectors to minimize carbon leakage due to an international agreement with especial attention to the electricity intensive industry.

Concluding remarks

To sum up, the Danish Energy Association has emphasized on the following regarding an international climate change agreement:

- We support an international agreement
- An ambitious EU 2030 policy framework for climate and energy policies and a structural reform of the EU ETS should be agreed upon **unconditional of an international agreement.**
- EU ETS should be the main driver of bringing down emissions in the EU.

- EU should lead by example and enter international negotiations with a strong 2030 framework showing a committed Europe.
- We encourage an investigation of the potential for a global sectorial agreement to minimize the risk of carbon leakage.

Kind regards

A handwritten signature in black ink that reads "Ulrich Bang". The script is cursive and fluid, with the first letters of each name being capitalized and prominent.

Ulrich Bang
Danish Energy Association