

**EDF position on climate change mitigation policy in the EU,
including reform of the EU Emissions Trading System (ETS)**

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Global CO₂ emissions are rising rapidly – up more than 30% in the 10 years to 2010. This puts at risk the target for a maximum of +2°C global warming, above which scientists predict potentially dangerous effects from climate change.

To stabilise the earth's climate below +2°C global warming is a huge challenge. PWC predicts an annual decline in carbon intensity of 5.1% per year is required from now to 2050 versus a decline of approximately 0.8% per year over the last ten years. Furthermore, even if the annual decline in carbon intensity doubles to 1.6% per year, we remain on a path towards +6°C warming. The IEA has further stated that the +2°C global warming target will be locked in by existing infrastructure alone as early as 2017. More focus will hence also be needed on adaptation to climate change in the future.

Europe is a global leader on the path towards decarbonisation to try and prevent dangerous climate change. But given that Europe's share of global CO₂ emissions is forecast to be lower than 10% in 2020 it must work with the rest of the world to have any discernable effect on the global climate. Having said this, Europe does at the same time need to ensure that it uses energy and resources efficiently so that its economy remains competitive alongside the rest of the world.

The electricity generation sector will play a significant part in this process of decarbonisation:

- CO₂ emissions from the electricity sector represent around 41% of emissions globally, and around 36% in the EU.
- The sector can efficiently contribute to decarbonising at reasonable cost and without damaging the EU's competitiveness, provided a sufficient and sustained carbon price signal is sent to generators and the economy as a whole while having due consideration to minimise potential carbon leakage in some sectors.
- Low carbon electricity can further increase the pace of decarbonisation by substituting other fossil fuel uses (e.g. transport, heating and cooling).

For the electricity generation sector to be able to play this vital decarbonisation role, Europe needs to make some fundamental changes and decisions with respect to its energy and environment policies.

Set long term targets and ambitions that focus on greenhouse gas emissions reductions

- **Set ambitious and science based commitments** in Europe based on targets towards 2050 and an interim 2030 milestone. Ensure these targets can adapt to international circumstances, with satisfactory global climate commitments on major economies being a prerequisite. The world should come together and contribute its fair and ambitious share.
- **Set these goals on the basis of CO₂ emissions or CO₂-intensity.** Do not bring forward targets for particular technologies or means to decarbonise.

Safeguard the EU ETS as the primary decarbonisation instrument and gradually phase out inefficient and expensive targeted support mechanisms

- **Restore the balance in EU ETS allowance supply** by implementing the European Commission's back loading proposal, with a view to cancel the back loaded allowances altogether, and by aligning the linear reduction factor in the EU ETS with the long term targets set for 2030-2050.
- **Introduce supply side flexibility in the EU ETS** by introducing an independent European Carbon Authority (e.g. Carbon Bank) or alternatively via an automatic supply side adjustment mechanism. This is vital to ensure that the EU ETS can remain flexible and withstand macroeconomic or other shocks.
- **Broaden the carbon constraint to cover the majority of Europe's economic sectors.** For example by including transport and fuels.
- **Gradual phase out of very costly and inefficient support policies** (such as some renewable or energy efficiency schemes) as soon as practicable beyond 2020. But keep mechanisms that are efficient and aim to correct evident market failures. Require that the EU ETS cap is automatically adjusted by the equivalent reductions achieved through any additional policies that continue to remain in place.
- **Refocus support towards R&D and targeted measures, such as demonstration projects, at a pan European level.** Efforts should focus on smart technologies and solutions that will benefit and develop European industry, assisting global decarbonisation abroad and in developing countries in particular.

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Protect vulnerable industries and customers

- **Address potential carbon leakage and other industrials concerns** that may result from the potentially higher costs of decarbonisation. For example by investigating specific treatment such as output-based free allocation and/or border adjustment measures for industries vulnerable to competitiveness concerns outside the EU.
- **Establish clear policies for tackling fuel poverty** and other social issues for consumers across Europe.