European Efforts in National Climate Protection

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The climate problem
is bigger and is coming faster
than anyone expected.

The expected damage is much higher than the costs of prevention (CO_2-reduction).

Can we still afford fighting climate change in times of a potential recession?

*“The bold steps that are needed to solve the **climate crisis** are exactly the same steps that ought to be taken in order to solve the **economic crisis** and the **energy security crisis**.“*

Al Gore, NYT, 9.11.2008

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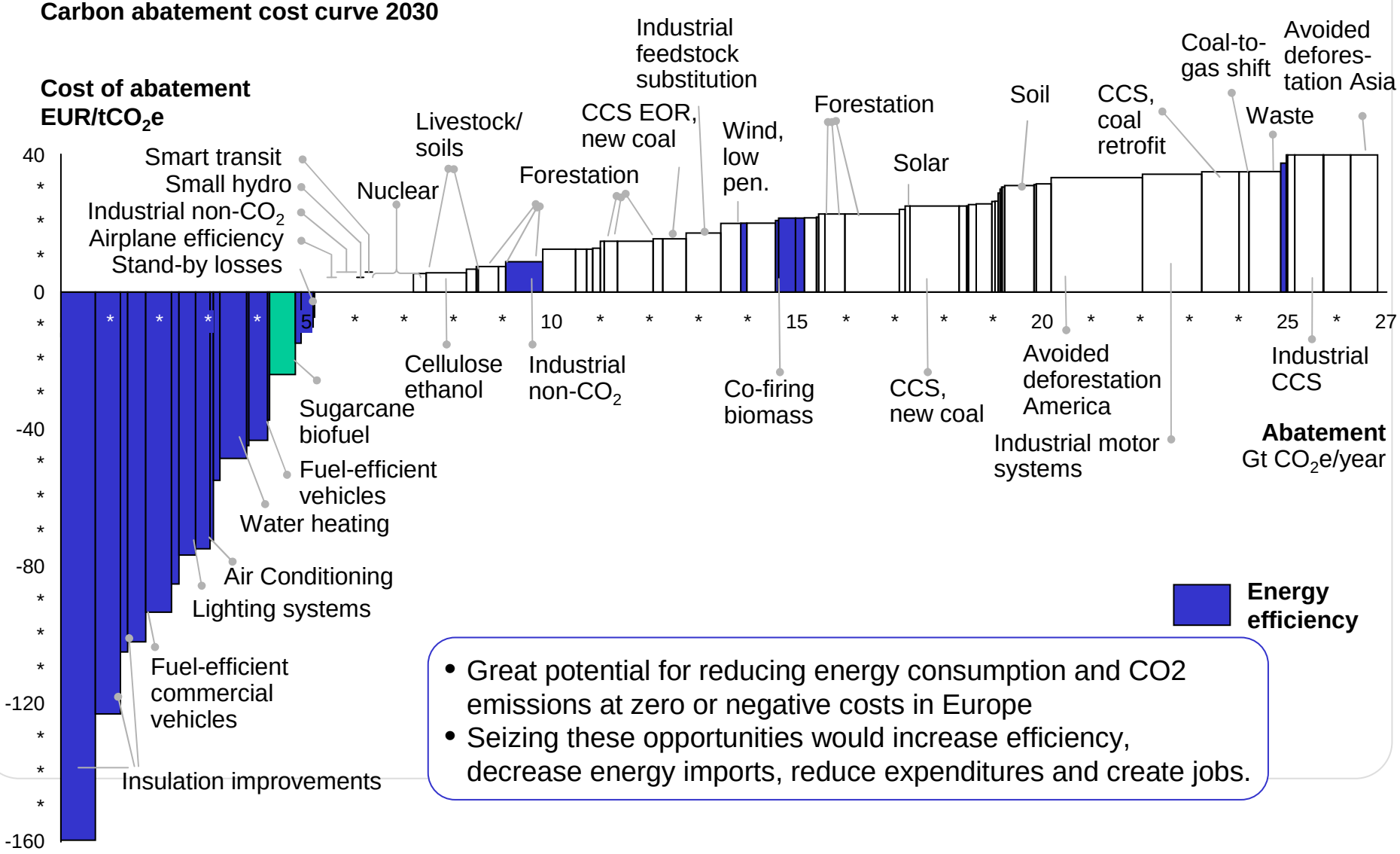
Can we still afford fighting climate change in times of a potential recession?

"The current economic downturn presents governments with an historic opportunity to 'climate proof' their economies as they upgrade infrastructure as a core response to the economic downturn."

Mark Fulton, head of climate change investment research at Deutsche Bank

Carbon abatement cost curve 2030



- Great potential for reducing energy consumption and CO2 emissions at zero or negative costs in Europe
- Seizing these opportunities would increase efficiency, decrease energy imports, reduce expenditures and create jobs.

Source: McKinsey

Profitable GHG-reduction-measures (examples):

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- lighting system
- fuel efficient cars
- better insulation of houses
- electronics

An Energy-Efficiency Revolution in the European Union?

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Increasing energy efficiency has a huge potential:

- **Technical Potential: 40%**
- **Up to 100 billion Euro could be saved in the EU per year: that is up to 1000 Euro per household!**
- **Macroeconomic gains through the reduction of environmental damage**
- **Energy-Efficiency measures are very work-intensive (creation of additional jobs).**

Making money with saving the climate:

Latest McKinsey study:

Global **energy demand could be reduced by 25%** by investing in **cost-effective** energy-efficiency measures.

An additional annual **investment of $170 billion** per year in energy efficiency will result in annual energy **savings of $900 billion** in 2020.

‘The Case for Investing in Energy Productivity’, February 2008, McKinsey Global Institute

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Making money with saving the climate…

…is possible, but we need:

a) binding regulation and
b) an economic framework (price on carbon):

- **Strong EU Energy and climate package**
- **National legislation**
  to promote efficiency, innovation and renewables.

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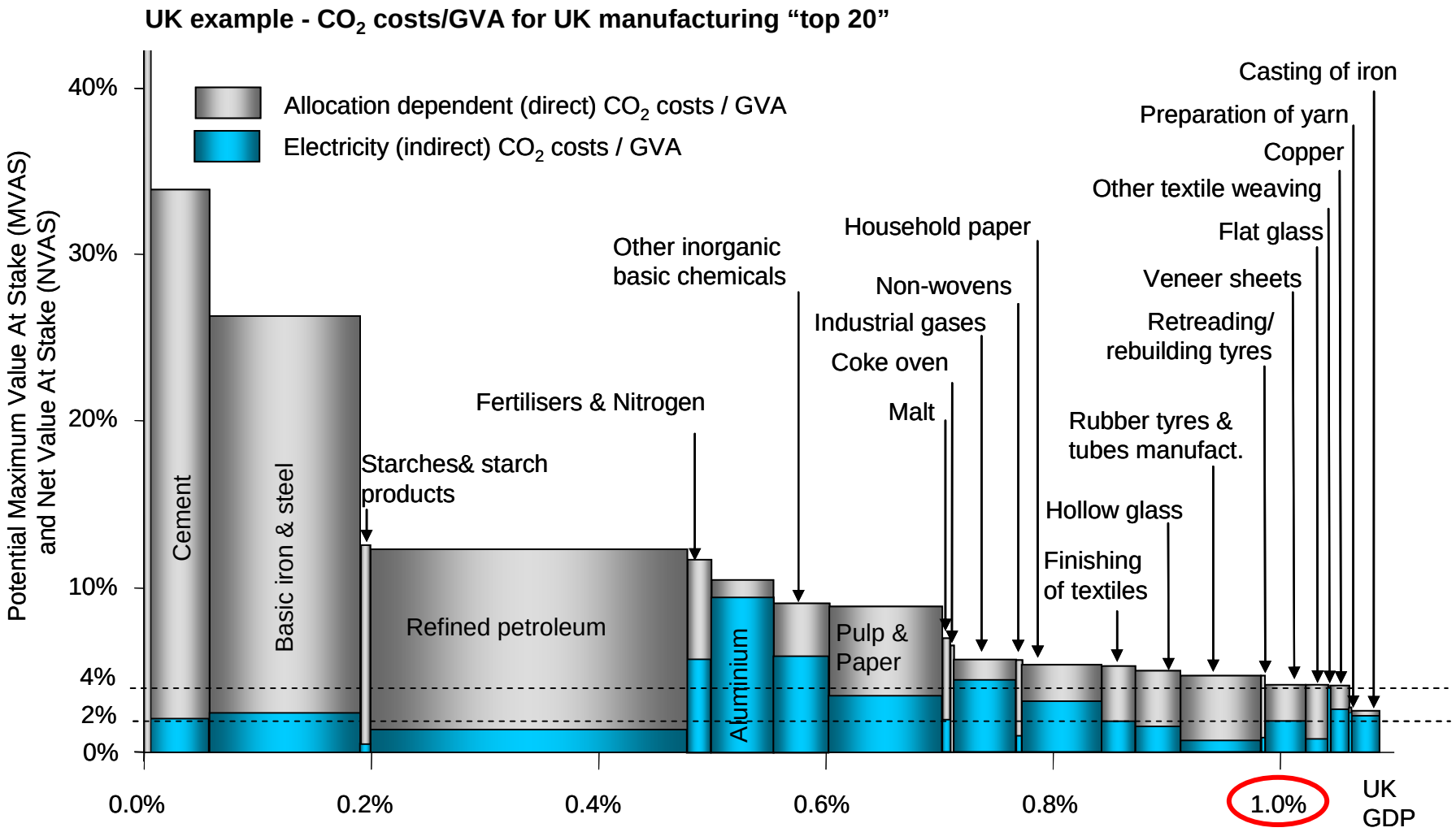
EU Climate and Energy Package

1. Effective EU Emission Trading System

- **Important to establish a carbon price which makes innovations possible!**
- **All income comes back to the European governments!**
- **100% auctioning in the power sector**
- **Only few exceptions for energy-intensive industries**
- **Don’t reduce government income by giving away free allowances**
- **Fairness within the EU (10% for solidarity mechanism)**

UK data highlights that limited industries representing a small proportion of GDP are at risk due to the EU-ETS . . .



- Carbon emission costs will have a significant impact (>4% value at stake) on about 1% of UK GDP
- UK industrial mix is fairly representative of the EU as a whole

Source: Hourcade, Neuhoff et.al. Differentiation and dynamics of EU ETS industrial competitiveness impacts, www.climate-strategies.orgSummary report: EU ETS Impacts on profitability and trade: a sector-by-sector analysis, Carbon Trust, 2008

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EU Climate and Energy Package

2. EU regulation on the fuel efficiency of cars

- **All new cars, independent from where they are produced, will have to oblige to this legislation.**
- **130g/km (approx. 5 liters/100 km) as an average by 2012.**
- **Will oblige the car industry to be much more innovative – major chance for Europe.**

National Climate Legislation

1. Many countries are establishing a national climate law with binding annual reduction targets

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National Climate Legislation

2. Feed-in tariff for renewables

- **a success story in Germany:**
  - **Jobs:** more than 100,000 additional jobs
  - **Innovation and competitiveness:** Germany is a global market leader in renewables
  - **Environment:** more than 4 MT CO2 saved

National Climate Legislation

3. Energy-efficient buildings:

(Big, cost-effective saving potential!)

- **Requirements for new buildings and for buildings which are renovated.**
- **1 billion € program in the Czech Republic for better insulation and improved heating systems**
- **3 billion € additional subsidies in Germany as part of the economic recovery program**

National Climate Legislation

3. Promotion of energy efficient cars

- Car taxation dependent on fuel-efficiency
- Tax breaks for company cars based on fuel-efficiency

National Climate Legislation

4. Other national programs or legislation:

- Energy efficiency programs for poor households
- Renewables energy in heating and cooling
- Promotion of Combined Heat and Power (CHP)
- Investments in public transport

Making Europe the most energy and resource efficient economy is a major chance for the economy and the environment.

But in the medium term, a change in life-style is unavoidable:

Economic growth is currently eating up all efficiency gains. As a result, demand for energy and resources is not going down.

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Situation in Europe:

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Reductions reached so far (2005 compared to 1990):

EU-15 (old member states): - 1.5%

EU-27 (incl. new member states): - 8% (HU: -19.4%)

Decisions of the EU-Climate Summit (March 2007)

Until the year 2020:

→ **20% reduction of greenhouse-gases (compared to 1990)**

→ **20% renewable Energy (today: 8.5%)**

→ **20% reduction of the energy use in the EU through higher efficiency**

EU Climate Change Package 2008

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2. Burden sharing agreement on CO_2 reductions (outside ETS) and renewables

Targets by 2020 (compared to 2005):

	EU	DK	D	HU
Emission-trading	-21%	-21%	-21%	-21%
Reductions outside ETS	-10%	-20%	-14%	+10%
Share of renewables	20%	30%	18%	13%

Overall aim: 20% CO_2-reduction by 2020 compared to 1990