

Managing policy combinations

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# Agenda

- Managing policy combinations
- EU energy and climate policy
- What went different in ETS as expected in 2008/2009
- Proposed solutions

## **EU targets for 2020**

- **20% reduction of GHG emissions by 2020 independent of international agreement**
  - **30% in case of appropriate international agreement**
- **20% share of renewable energy by 2020**
- **20% increase of energy efficiency by 2020**

What went different as expected in 2008/2009 EU climate and energy policy?

- 3 overlapping targets led to inefficiencies
- ETS link with international negotiations 20% -30%
  - Copenhagen didn't bring ambitious targets
  - use of CDM and JI –big supply no demand from VS
  - compensation indirect based on state aid rules
- Economic crisis: oversupply of credits- some industry in trouble not because of ETS (windfall profits for some!! because of free allocation!)
- No flexibility in ETS (demand for investment certainty!!).
- Change of directive difficult (vested interests)
- Developments in energy sector: shale gas in USA cheap coal in EU

# Consequences

- Oversupply in EU ETS till 2023
- Fall of CO2 price under 5€
- No incentive for low carbon development and renewables
- Danger of different climate energy policies in EU: distortion of level playing field in EU

## How to manage policy combinations ?

- ETS must be linked to international energy and climate developments
  - level playing field for int. competing industry (direct and indirect effect)
- ETS target must give investment certainty to invest in low carbon development so be linked on long term EU commitment of 85% in industry and 96% reduction energy sector in 2050
- Avoid overlap with renewable and energy efficiency targets
- Take in to account developments in energy sector like shale gas..
- Flexibility versus investment certainty..