



E3G

COUNTDOWN TO A 2030 EUROPEAN CLEAN ENERGY FRAMEWORK (PART II)

MEDIA ADVISORY AHEAD OF THE LAST NEGOTIATION ROUND ON ENERGY UNION GOVERNANCE

European negotiators are set to agree on the Energy Union Governance regulation tonight. The regulation aims at giving a stable framework for clean energy businesses by bringing the rhythm of the Paris Agreement on climate change in Europe and guaranteeing that the 2030 energy efficiency and renewable energy targets are delivered. This briefing presents everything you need to know to understand the final minutes of the negotiations.

Context

European climate and energy policies come in 'packages', on a more or less ten-year cycle. Under the Juncker Commission, the co-legislators (Council and Parliament) were asked to agree on a set of legislation setting the vision for 2030. Last week, they reached an agreement on some parts of renewable energy policy after 2020 (targets, policies and measures) while the discussions on energy efficiency were not conclusive.

An important difference between the European clean energy framework before and after 2020 is that an EU-wide target will replace nationally binding renewable energy targets. This change implies a fundamental challenge: *how to make sure that the target is delivered even if there are no national targets?* The Commission has put forward the Energy Union Governance regulation to solve this dilemma.

The Governance proposal plays another crucial role: ensuring, by law, that the EU fulfils its commitments under the Paris Agreement, notably the need to review its domestic ambition every five years, and to put forward a long-term climate strategy before 2020.

There have been three negotiation rounds so far between the three institutions. Co-legislators have been able to find a compromise on most of the technical items, leaving the political issues for a final discussion tonight.

Issues at play

The final outcome of the negotiations will be judged against the two main aims of the regulation: incorporate into European law the mechanisms, rhythm and ambition of the Paris Agreement on climate change and guarantee that the 2030 renewable energy and energy efficiency targets will be met.

Incorporating the Paris Agreement in European law

As a party to the Paris Agreement, the EU is expected to ratchet-up its ambition every five years and to put forward long-term low-emissions strategies. The Parliament and the Council have adopted different approaches regarding how to deliver on these commitments, in particular regarding the long-term strategies.



E3G

The European Commission is working on a long-term European Climate Strategy, as the European Council [requested in March 2018](#). The Governance regulation has a direct connection with the Strategy as it will refine the mandate given by the European Council to the Commission while setting out a common framework for the development of national long-term strategies.

EU strategy - The negotiators are expected to ask the Commission to look at different decarbonisation pathways to be explored in the upcoming strategy, in particular a pathway compatible with a 1.5°C temperature goal and another one reaching net zero by 2050 at the latest.

National strategies - Member states will develop national long-term climate strategies as requested by the regulation. The Council argued for limiting the requirements set out in the regulation while the Parliament has advocated in favour of a more comprehensive approach. We expect the discussion tonight to focus on the following elements:

- > **Template** - Member states have been rejecting the mandatory use of a common template for the long-term strategies, which would make comparison between different national plans possible;
- > **Goal** - The Commission's original proposal suggested member states should plan to reach 80 to 95% GHG emissions cuts by 2050. This goal is, however, now outdated and member states should explore trajectories compatible with the Paris Agreement, as proposed by the European Parliament;
- > **Alignment with 2030 national plans** - The 2030 national plans for energy and climate should be consistent with the long-term climate strategies, as agreed by all three institutions. The timetable for drafting the national 2030 plans and the long-term strategies currently laid out however contradicts this provision.

Delivering the 2030 energy targets

The level of ambition for renewable energy and energy efficiency will be set in the respective sectoral directives. The rules and mechanisms that will guarantee the delivery of the targets are however set in the governance regulation. The negotiators will have to agree on how robust or flexible the delivery framework should be, focusing on three issues:

1. What if the national pledges do not add up to the EU-wide targets?
2. How to monitor progress towards the targets?
3. What if a member state or the EU is not on track to reach the targets?

For renewable energy, member states have agreed on a formula that would be used, in case the national pledges do not add up, for the Commission to assess whether each country's contribution is sufficient. Progress will be monitored against three "reference points" over the 2020-30 period. Discussions are expected around the mechanisms in case if there is an ambition gap on the basis of the pledges, the mechanisms in case of delivery gaps, and the formula.

For energy efficiency, member states have rejected the use of a formula and reference points. The regulation does include policy mechanisms in case of a gap but there is no objective mechanism as for renewable energy. Member states have also rejected the request by the Parliament to turn Efficiency First into a principle of policy-making.



E3G

Key players

The Council: France and Germany are leading the discussions for agreeing robust rules for renewable energy and energy efficiency, despite the German government's [new stance](#) on energy efficiency and renewable energy. **Sweden** and **Luxembourg** are the most ambitious countries as far as climate is concerned. **Italy** and **Spain** are giving [fresh hope](#) to the supporters of an ambitious and robust climate and energy package.

The Parliament: Hopes are high for Claude Turmes, the lead rapporteur for the file. The MEP has led many battles in the Parliament and this is his last one before joining the Luxembourgish government.

What's next

Waiting on the bench: electricity market design. European negotiators urgently need to start working out an agreement on the common rules shaping European electricity markets. These rules will significantly influence the pace, scale and cost of the clean energy transition, and need to be agreed by the end of 2018 (or at the very latest end of March 2019).

The market design package is what will make the integration of higher shares of renewable electricity at lower costs possible. It could trigger the development of zero-carbon forms of flexibility, necessary to balance renewables without additional levels of fossil-fuel fired plants; it could force competition between incumbents and new innovative business models; it could empower consumers to take control of their energy consumption and actively participate in the clean energy transition; it could contribute to removing inadequate subsidies to old and inefficient power plants.

Next update, the 2030 climate target? European lawmakers will not be able to rest on their laurels for long. They will soon need to update the EU 2030 climate target, and agree to a long-term strategy, as part of their commitment to the Paris Agreement. Currently, [seven member states are leading the discussions](#) on this topic, including the [Netherlands calling for a new EU emissions reduction target of 55% below 1990 levels for 2030](#). The EU climate and energy commissioner [Miguel Arias Cañete has already indicated that the new 2030 clean energy targets](#) would certainly lead to deeper greenhouse gas cuts than the 40% agreed in October 2014.

Relevant documents

- > [Summary of outstanding issues and latest 4 columns Document publicly available](#)
- > [Investors on renewables energy, energy efficiency and energy union governance](#)
- > [European businesses on an ambitious Energy Union governance](#)
- > [European Efficiency businesses on EED & governance for energy efficiency](#)

Additional information

Quentin Genard, quentin.genard@e3g.org +32 4 84 96 35 28 (Governance, Energy Efficiency, Renewable Energy)

Manon Dufour, manon.dufour@e3g.org +32 4 77 76 78 01 (Market design)