

# EURELECTRIC's call for a robust climate change agreement

---

A EURELECTRIC position paper

September 2015

***EURELECTRIC is the voice of the electricity industry in Europe.***

*We speak for more than 3,500 companies in power generation, distribution, and supply.*

***We Stand For:***

***Carbon-neutral electricity by 2050***

We have committed to making Europe's electricity cleaner. To deliver, we need to make use of **all low-carbon technologies**: more renewables, but also clean coal and gas, and nuclear. Efficient electric technologies in **transport and buildings**, combined with the development of smart grids and a major push in **energy efficiency** play a key role in reducing fossil fuel consumption and making our electricity more sustainable.

***Competitive electricity for our customers***

We support well-functioning, distortion-free **energy and carbon markets as** the best way to produce electricity and reduce emissions cost-efficiently. Integrated EU-wide electricity and gas markets are also crucial to offer our customers the **full benefits of liberalisation**: they ensure the best use of generation resources, improve **security of supply**, allow full EU-wide competition, and increase **customer choice**.

***Continent-wide electricity through a coherent European approach***

Europe's energy and climate challenges can only be solved by **European – or even global – policies**, not incoherent national measures. Such policies should complement, not contradict each other: coherent and integrated approaches reduce costs. This will encourage **effective investment to** ensure a sustainable and reliable electricity supply for Europe's businesses and consumers.

***EURELECTRIC. Electricity for Europe.***

# EURELECTRIC'S call for a robust climate change agreement

*A EURELECTRIC position paper*

*September 2015*

*This paper lays out the European electricity sector's priorities and expectations from the COP21 Climate Change Conference in Paris.*

## KEY MESSAGES

The increasing demand for electricity is at the heart of the climate change challenge and is at the same time a substantial part of the solution. The levels of greenhouse gas emission reductions necessary to stay within the agreed 2°C objective can, to a large extent, be achieved by establishing a carbon-neutral electricity supply as well as through the electrification of other sectors of the economy and optimal demand side response.

The European electricity sector strongly believes that decarbonisation is essential for guaranteeing the long-term sustainability of the global economy and is committed to leading this transition. The European power sector is fully committed to investing in a low carbon future and expects the international community to be too. We therefore expect the Paris Climate Change Conference to deliver an ambitious and rules based global climate change regime which will result in a stable, predictable and ambitious framework for policy and action. This is absolutely necessary to engage both public and private actors, including all industry players.

In the run up to COP21, EURELECTRIC proposes a set of 5 key recommendations for a successful outcome of the international climate change negotiations:

- 1. A global legally binding agreement demonstrating clear commitment from all Parties to sustained long term action to fight climate change, including a dynamic review process with a view to keeping the 2°C objective within reach, which...**
- 2. ...delivers a climate change regime, comprising stable policies and measures, that provides a clear signal to investors for mobilising investments in low carbon technologies;**
- 3. ...ensures long term certainty to governments and investors; and therefore includes measuring, reporting and verification (MRV) obligations for all Parties, based on common rules;**
- 4. ...promotes the important role of market based mechanisms including carbon markets and carbon pricing;**
- 5. ...puts us on a path to a sustainable and climate resilient future through tangible climate finance for mitigation and adaptation support to developing countries.**

Climate Change WG  
Anne Bolle, Chair

*Contact:*  
*Koen Noyens, Advisor,*  
*Environment & Sustainable Development Policy unit*  
[knoyens@eurelectric.org](mailto:knoyens@eurelectric.org)  
*Karl Vella, Coordinator Environment & Climate Change,*  
*Environment & Sustainable Development Policy unit*  
[kvella@eurelectric.org](mailto:kvella@eurelectric.org)

## **Introduction - The European power sector's commitment to tackling climate change**

The increasing demand for electricity is at the heart of the climate change challenge and is at the same time a substantial part of the solution. The levels of greenhouse gas emission reductions necessary to stay within the agreed 2°C objective can, to a large extent, be achieved by establishing a carbon-neutral electricity supply as well as through the electrification of other sectors of the economy and optimal demand side response.

The European power sector has in recent years reduced its carbon intensity through increasingly efficient and flexible power plants and more efficient grids, as well as increasing the share of power generated from renewable energy sources as well as other low carbon energy sources. We are fully committed to continue on this path. EURELECTRIC's members are committed to delivering a carbon-neutral power supply in Europe by the middle of this century, and to ensuring a competitively priced and reliable electricity supply throughout the integrated European energy market.

In its ability and commitment to take concrete action to become carbon-neutral by 2050, the European electricity industry can lead the drive to decarbonise Europe. Using decarbonised electricity more widely will open the door to many more positive spill-over changes in sectors which currently have no credible alternative route to achieving sustainability other than electrification. Decarbonising power production, while at the same time electrifying our energy use, will be essential to create a carbon-neutral and energy efficient economy as it eliminates the need to burn fossil fuels to provide energy for our buildings and cars. As carbon targets tighten in the 2050 perspective, these will provide further disincentives to making incremental improvements to fossil-fuel-fired heat and transport systems. Electrification is therefore expected to play an increasingly important role on the pathway to decarbonisation.

EURELECTRIC also firmly believes that the European electricity industry has an important role to play in the advancement of sustainable and climate resilient development and helping facilitate adaptation action, especially in developing countries. Energy supply and sustainable climate resilient development are inextricably linked: electricity companies are increasingly and acutely aware of the need for and benefit of responsible corporate behaviour and sustainable development practices within the communities they serve. Many of EURELECTRIC's member companies are acting on a global scale and are already developing electricity access projects in developing countries with the aim of providing secure, reliable and sustainable energy supply.

The European power sector is fully committed to investing in a low carbon future and expects the international community to be too. We therefore expect the Paris Conference to deliver an ambitious and rules based global climate change regime which will result in a stable, predictable and ambitious framework for policy and action. This is absolutely necessary to engage both public and private actors. The global climate regime should maximise ambition and delivery, it should be dynamic and consistent, and it should work to progressively strengthen the global effort to tackle this global challenge.

In this context, EURELECTRIC fully supports the European Union's objectives for the Paris Agreement. In the run up to Paris, EURELECTRIC proposes a set of 5 key recommendations for a successful outcome of the international climate change negotiations:

**1. A global legally binding agreement demonstrating clear commitment from all Parties to sustained long term action to fight climate change, including a dynamic review process with a view to keeping the 2°C objective within reach, which...**

The European power sector calls on all countries to sign up to long-term global action to address the greatest challenge of our times. The agreement must be consistent with the needs of science and must reflect the ambition needed to keep the world on track to meet the goal of limiting average global temperature increase to 2°C compared to pre-industrial levels. A comprehensive, inclusive, rules-based and ambitious climate change agreement, covering, in particular, mitigation, adaptation and finance in a balanced manner, will provide the necessary predictability and certainty for all public and private actors.

A global, legally binding agreement would provide the clearest signal to governments, businesses and the general public of the Parties' commitment to fighting climate change. In this context, all major economies, in particular the G20 group of countries must demonstrate leadership in reducing global greenhouse gas emissions and this will be crucial to tackle this global challenge.

In Lima last December, Parties to the UNFCCC agreed to submit their Intended Nationally-Determined Contributions (INDCs) well in advance of COP21. These INDCs could include mitigation, adaptation, finance, technology development, and capacity building components. EURELECTRIC believes that the climate change regime should consider these INDCs in a dynamic way, reflecting the fact that national ambitions and commitments should be further strengthened as climate policies and technological advances create new and innovative opportunities for low carbon development.

In this context, the European power sector believes that all countries should commit to ambitious mitigation action by 2030. The Paris Agreement must ensure the necessary overall ambition of these commitments, which should cover all sectors of the economy and should be translated into national mitigation action, not merely reflecting aspirational objectives. It should also develop a dynamic process to regularly review (e.g. every 5 years) and progressively strengthen mitigation ambition in light of the latest science and progress achieved.

**2. ...delivers a climate change regime, comprising stable policies and measures, that provides a clear signal to investors for mobilising investments in low carbon technologies;**

The Paris Agreement should deliver a global, rules based, long lasting and resilient climate change regime which will enable the implementation of stable, predictable and transparent regulatory frameworks in different countries and regions across the world. Such a regime must provide investors with a clear and unequivocal signal of the long term global commitment to tackle climate change and the shift to a global low carbon economy. This will incentivise economic regulators and investors to create the necessary economic environment to mobilise the necessary investments in low carbon technologies. The agreement should therefore ensure enabling conditions for scaling up concrete solutions and eliminating existing or potential barriers to achieving the transition to a global low-carbon economy.

At the same time, the Paris Agreement should stimulate sustained action on greenhouse gas emissions reduction and enable investment decisions in low carbon technologies in the most cost-effective way. It should allow the business community to identify and implement appropriate and cost-effective strategies aimed at reducing carbon intensity and reliance on fossil fuels.

The Paris Agreement should also further encourage mechanisms dedicated to the development and demonstration of emergent breakthrough and innovative technologies to facilitate the cost effective achievement of mitigation commitments and strategies. It therefore should:

- Stimulate international cooperation for the development of breakthrough technologies;
- Encourage the development of supportive regulation and funding for promising emergent technologies.

**3. ...ensures long term certainty to governments and investors; and therefore includes measuring, reporting and verification (MRV) obligations for all Parties, based on common rules;**

The Paris Agreement should include mitigation commitments from all countries, including in particular, ambitious and comparable emission reduction commitments from all major economies. These mitigation commitments must include information regarding timeframes and periods for implementation, scope and coverage for mitigation, as well as quantifiable information on the reference point (base year).

The European power sector believes the Paris Agreement should enable the process to develop an international level playing field which would commit all Parties, especially all major economies, to common rules for the monitoring, reporting and verification of greenhouse gas emission reduction commitments and actions. Consistent policy-making, robust monitoring, reporting and verification are necessary to complement business efforts to stimulate low carbon innovation and investment.

EURELECTRIC believes that a robust transparency and accountability framework will be essential in order to progressively assess whether countries are on track to meet their commitments. This regime should be developed in a manner which enables Parties to understand and overcome barriers to the achievement of their commitments including e.g. the necessary support to strengthen capacity in developing countries.

These elements will help develop a transparent and accountable rules-based system which will be crucial to ensuring the necessary faith and confidence in the new climate regime, thereby providing business and industry with the long term certainty needed to invest in a low carbon future.

**4. ...promotes the important role of market based mechanisms including carbon markets and carbon pricing;**

In order to achieve the cost-optimising benefits of a coherent economy-wide approach to decarbonisation, EURELECTRIC believes that it is crucial that policies are adopted in a manner which allows a consistent carbon global price signal to be established across all sectors, thereby triggering incentives towards low carbon investment and decreasing the risk of carbon leakage.

EURELECTRIC believes that market based mechanisms such as carbon markets are the most effective tool for mitigating greenhouse gas emissions and stimulating investments in low carbon technologies and energy efficiency. The most effective way forward in the smooth transition towards a low-carbon economy is through a clear, predictable carbon price signal that will allow industry to invest in an efficient and sustainable manner. In the longer term the carbon price should increase in order to reflect the external cost of GHG emissions. EURELECTRIC has therefore consistently been a long term supporter of a strong EU ETS, which we see as the best way to provide affordable, reliable and sustainable electricity to the EU economy and to achieve Europe's decarbonisation objectives in a cost-effective manner.

Moving forward, the new climate change regime should establish an international framework that enables the introduction of carbon pricing mechanism at the global level and moves towards the linking of existing different carbon trading systems once they have achieved equivalent levels of environmental integrity. The linkage among regional systems can unlock important opportunities by driving increased emission reductions, reducing compliance costs and reducing concerns related to competitiveness. However, important elements to enable this transition still need to be defined. Therefore the importance of carbon markets should be anchored in the new climate change regime with a view to enabling the development of a global carbon market in the longer term.

**5. ...puts us on a path to a sustainable and climate resilient future through tangible climate finance for mitigation and adaptation support to developing countries.**

The European power sector recognises that in order for the Paris Agreement to be effective in the long term fight against climate change, it should ensure the necessary balance between climate change mitigation and adaptation, and should also include ambitious climate finance commitments for support to developing countries.

The Paris Agreement should therefore include commitments by all Parties to implement adaptation plans and strategies to build and strengthen resilience to the impacts of climate change.

The Agreement should provide for the necessary mechanisms to assist those regions and countries that are particularly vulnerable to the adverse effects of climate change. It should help develop enabling environments to encourage energy access investments in a manner which enhances the attractiveness and climate resilience of such investments.

The Green Climate Fund (GCF) and other funds, should act as catalysts for investments in low carbon assets and infrastructure, as well as financial tools designed to better share risks between private and public sectors, and thus leverage private financing.



EURELECTRIC pursues in all its activities the application of the following sustainable development values:

Economic Development

▶ Growth, added-value, efficiency

Environmental Leadership

▶ Commitment, innovation, pro-activeness

Social Responsibility

▶ Transparency, ethics, accountability



Union of the Electricity Industry - EURELECTRIC aisbl  
Boulevard de l'Impératrice, 66 - bte 2  
B - 1000 Brussels • Belgium  
Tel: + 32 2 515 10 00 • Fax: + 32 2 515 10 10  
VAT: BE 0462 679 112 • [www.eurelectric.org](http://www.eurelectric.org)