EGMONT Royal Institute for International Relations

Development Group

Energy Transition: A Multifaceted Challenge for Europe

High-Level Conference: What are the European stakes towards COP21 and beyond?

- Report -

On the 10th of November 2015, Egmont – The Royal Institute for International Relations and the Development Group held the High-Level Conference of the 2015 event series dedicated to the European Energy Transition. Around 120 representatives from EU institutions, the economic sector, Member States and other key stakeholders discussed the European stakes towards and beyond the COP21.

Keynote address: The EU strategy in regards to COP21

The keynote address was provided by **Jos Delbeke**, Director-General at the DG Climate Action at the European Commission. He outlined that the United Nations' approach towards climate change had changed since the signature of the Kyoto Protocol in 1997. Not only is the divide between developed and developing countries less clear than before, but the old top-down approach has also been transformed into a hybrid between 'top down' and 'bottom up'. As for the road to Paris, he explained that over 150 countries had submitted their Intended Nationally Determined Contributions (INDCs), representing around 90% of global GHG emissions. However, the sum of these INDCs would result in an increase in global temperature of around 3°C, rather than the 2°C target. Therefore, the EU expects COP21 to deliver a fair, ambitious and legally binding agreement that includes a long-term global target and the submission of reduction targets to a review mechanism every five years in order to eventually reach the 2°C target. Moreover, robust rules should ensure transparency and accountability as well as international support for low carbon, climate-resilient sustainable development.

Session 1: What are the stakes of the EU towards COP21?

The first panellist, **Andrey Rozhdestvin**, CEO Rosatom France, stated that energy industries must provide technical and commercial solutions that perform successfully under market conditions to reach the UN climate objective of 2°C and the EU emissions targets by 2030 and 2050. Mr Rozhdestvin then explained that nuclear energy is indispensable if the EU wants to pursue all three key objectives of the Energy Union simultaneously, i.e. providing a reliable, climate-friendly and affordable energy supply. Globally, nuclear energy could create new generation capacities for emerging markets and developing countries without increasing global emissions. The global share of nuclear power is thus expected to increase, particularly in China, India, Korea and Russia. Regarding the EU, although the nuclear power's share is not expected to increase in the future, it currently represents one third of electricity consumption and over 50% of CO2-free electricity as well as providing an excellent baseload to complement intermittent renewables.

Richard Folland, Executive Director of the Climate Markets and Investment Association (CMIA), underlined five priorities for finance and investment that should be part of the COP21 agreement and align with EU interests: 1) ambitious GHG emissions reduction commitments and a review mechanism to increase countries' commitments over time in line with the 2°C target; 2) an agreement that supports cooperation on markets and carbon pricing between countries and regions to increase ambition cost-effectively; 3) transparent and credible accounting of GHG emissions and mitigation efforts domestically as well as international comparability; 4) a variety of funding sources and instruments to cater for individual country funding needs for mitigation and adaptation and to substantially increase low-carbon investments globally; and 5) recognition of the potential role forests and natural ecosystems in mitigation and adaptation globally, and the role market-based mechanisms can play in funding the protection and restoration of ecosystems.

Paul Spence, Member of the Executive Committee and Director of Strategy and Corporate Affairs at EDF Energy, pointed out that the EU must take a leading role in decarbonising its economy at the lowest cost in order to maintain a competitive position worldwide. He took the UK Electricity Market Reform package as an example in order to ensure a secure, low-carbon and affordable energy system. To illustrate this, he explained the three main tools of this package, namely a carbon price floor to strengthen the market signal, contracts for difference for low-carbon technologies to provide long-term certainty for investors, and a competitive capacity market auction to deliver security of supply at lowest cost. He concluded by stating that in order to enable the transition required to meet the 'below 2°C' climate target, we urgently need to create a market framework that respects technology neutrality, creates a level playing field and the certainty and stability that incentivises the required investments in low carbon generation.

Finally, as discussant, **Johannes Meier,** CEO of the European Climate Foundation, explained that the COP21 is putting the European governance and the European project to the test. The nature of the deal in Paris will be based essentially on a soft-governance approach, the effectiveness of which depends on establishing trust and credibility of implementation. The EU's ability to deliver an aligned position and, most importantly, implement effectively its target and climate finance, will be crucial tests of its credibility on the international scene. Most importantly, if the EU delivers its stated energy and climate ambition there will likely be major rents from innovation of energy systems, from reduced fossil fuel imports and energy security.

Session 2: What are the stakes of the EU beyond COP21?

Jean-Pierre Kempeneers, Head of the Royal Philips European Affairs office in Brussels, explained the great contribution of energy-efficient lighting solutions to our climate goals. As lighting represents 19% of the world's electricity consumption, we could save on average 40% by switching to energy-efficient lighting solutions. Today, two-thirds of the world's energy is consumed in cities. Public street lighting accounts for up to 40% of cities' electricity use, thus offering huge leverage opportunities if integrated in city-wide infrastructure networks. To illustrate this, he gave some examples of ambitious existing projects such as 'TheEdge' – the most sustainable building in the world with an energy consumption of 3.9 W/m^2 – the networked LED street lighting in Holbaek in Denmark, and the Montparnasse tower in Paris.

Next, **Holger Gassner**, Head of Strategy and Regulatory Affairs at RWE Innogy, explained the potential impact of COP21 on EU climate policy. The EU could question some fundamentals such as the level of ambition for CO2 reduction, the protective measures regarding the risk of carbon leakage and a regular review of ambition levels. The debate on the EU ETS reform will gear up and the emissions reduction effort sharing between Member States for non-ETS sectors will have to be decided. As for the Energy Union, the next two big challenges are governance and implementation. The key aspects of a governance structure are, among others, European mechanisms to reach the 2030 targets, timely coordination between Member States and transparency. The implementation challenge will focus on the reform of the EU ETS and the new energy market design that will be proposed by the Commission in the second half of 2016. He concluded by saying that despite the difficulty of reading a crystal ball, we can already predict that the low-carbon future will be electric.

Roberto Ridolfi, Director for Sustainable Growth and Development at DG Development and Cooperation of the European Commission, emphasised that energy is a key driver for sustainable inclusive growth worldwide. The EU has three priorities for developing cooperation in the energy sector: building on strong political ownership for policy reforms to attract investments; increasing the partner countries' capacity; and stimulating investments to increase access to energy with innovative co-financing schemes. For empowering development, the EU has developed a set of actions for the fight against energy poverty. This set of actions should mobilise more than €4 billion between 2012 and 2020, leveraging significant investments. These actions are: catalysing reforms with technical assistance facility; empowering rural communities; fuelling inclusive growth with EU blending instruments; developing thematic programmes (e.g., the electrification financing initiative, the EU covenant of mayors' initiative and the African covenant of mayors); reinforcing bilateral dialogue and strengthening regional cooperation.

Finally, **Stephan Singer**, Global Energy Policy Director at WWF International, explained that although the emissions reduction commitments of more than 150 countries were not enough to keep global temperature rises below 2°C and the tabled financial commitment by rich countries was far from the annual promised $100 billion by 2020, the COP21 could make these commitments 'history' soon if it agrees to rapidly scale up finance for poor nations and to adopt a new 'ambition' mechanism to soundly and transparently review existing emissions reduction commitments. The existing commitments must thus be considered as a floor for further actions over time. He explained that investment in green technologies makes increasingly economic sense as they are becoming much cheaper, while coal companies are losing share values at record speed. This trend will not stop after Paris. In that respect, Paris is not a 'make or break' event for the global climate but a great opportunity to accelerate the process. The question is thus not whether we will succeed in the global energy transition but how, and how fast.

To conclude, all speakers and most participants were markedly optimistic about the outcome of the COP21. The political momentum has never been so high.

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