

# What Are the Stakes of the EU beyond COP21?

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Energy Transition: A Multifaceted Challenge for Europe  
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# What will the future look like?



# Impact of COP21 on EU Climate Policy

## The EU as frontrunner!?

- EU submitted its **target of at least 40 % CO<sub>2</sub> reduction** by 2030
- and wants a **mechanism** for all UN parties to **review** and possibly increase targets in 2025



## What will come after COP21??

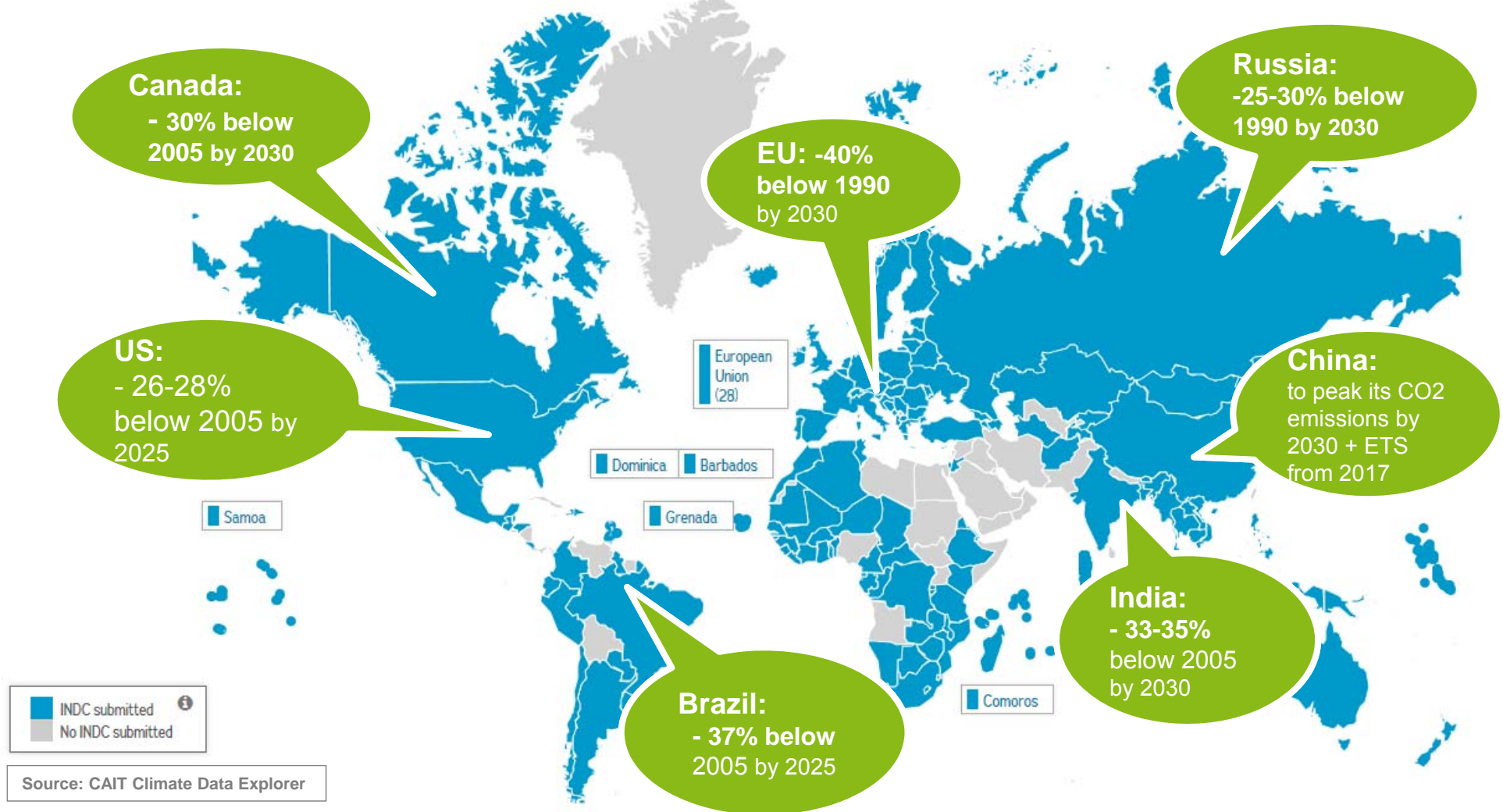
- Debate on **ETS reform** will gear up – fundamentals could be questioned:
  - Increase or decrease ambition of CO<sub>2</sub> reduction
  - Stronger call for protective measures (carbon leakage, exemptions for some countries)
  - Regular review and adaption of ambition level not excluded
- So-called **effort sharing** has to be decided
  - Contribution for each Member State for the **non-ETS sectors** in the form of **national binding targets**
  - 2030 framework foresees variation from **0 - 40% emission reduction**



**PARIS2015**  
UN CLIMATE CHANGE CONFERENCE  
COP21·CMP11

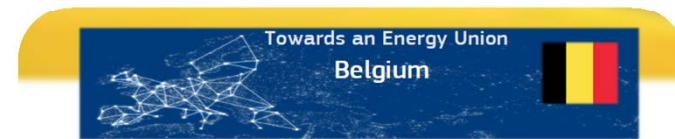
# The broader context of UN Climate Summit

→ COP 21 in Paris 30 November – 11 December 2015



# The Energy Union: challenge 1 - governance

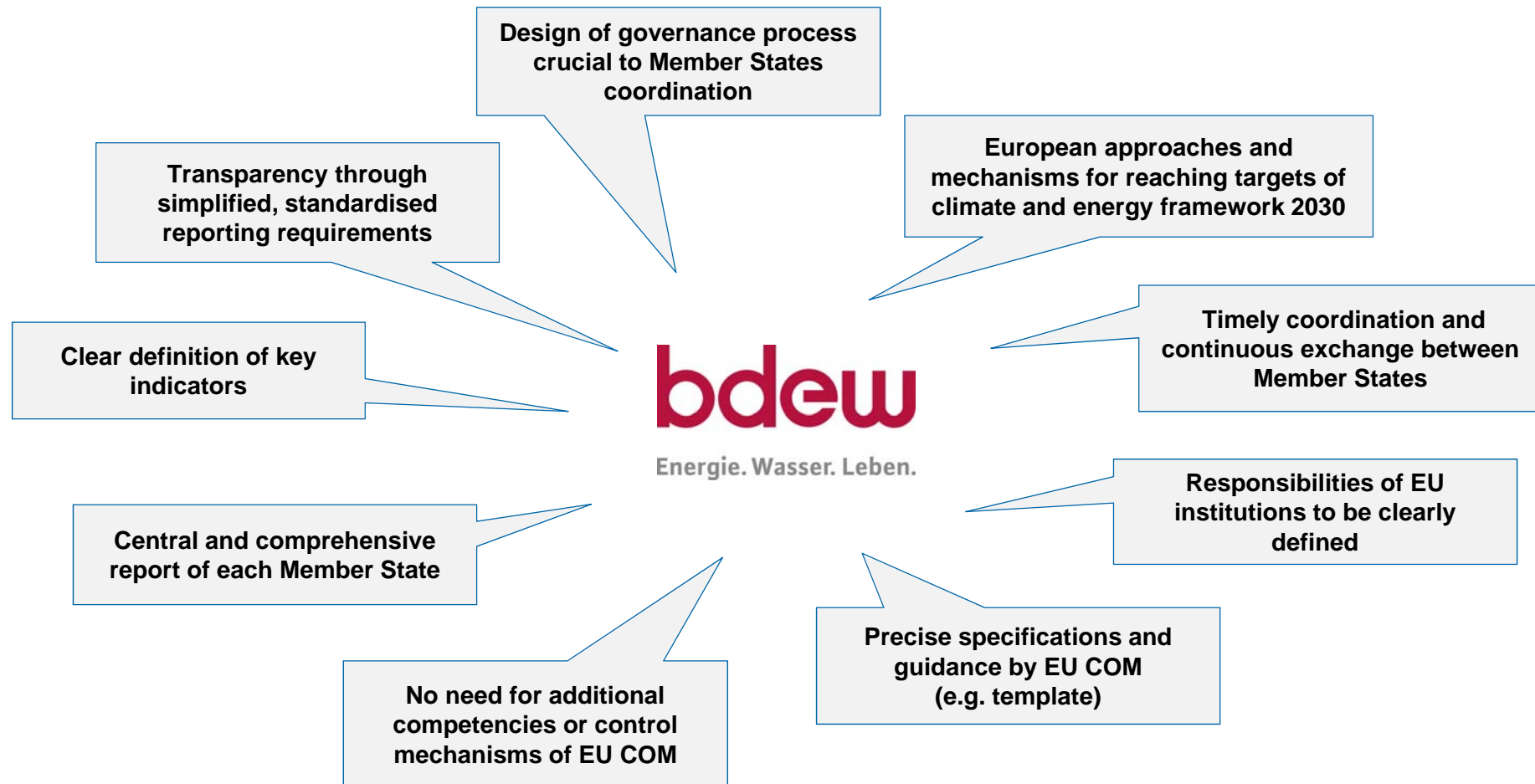
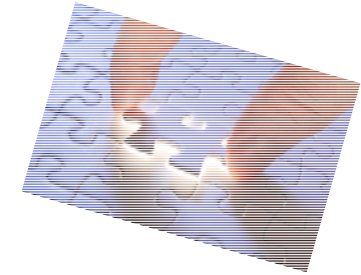
- ⇒ *Key question:* How to make Members States (MS) **contribute to EU targets** without tough binding legislation?
- ⇒ Commission's Vice-President Maroš Šefčovič is on "**Energy Union Tour**" in order to agree with EU Member States
- ⇒ Commission prepares "**Country fiches**" / "**Country fact sheets**" on basic characteristics of the energy systems in each Member State
- ⇒ 18<sup>th</sup> November: publication of a first Report on the "**State of the Energy Union**"
- ⇒ 26<sup>th</sup> November: **Council Conclusions on Governance** (Energy Council meeting)



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STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Already satisfactory electricity interconnection capacities with the Netherlands, Luxembourg and France.</li> <li>• Strong regional cooperation within the Pentilateral Energy Forum and in the wider regional fora.</li> <li>• Concerning gas, Belgium is an important LNG terminal and is well interconnected with its neighbours.</li> <li>• Competitive retail energy markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Negative contribution of energy product imports to trade balance.</li> <li>• Additional efforts needed to meet the 2020 GHG emissions reduction in the non-ETS, renewable energy and energy efficiency targets.</li> <li>• Insufficient regulatory and planning stability delays investments in electricity production and infrastructure.</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Important energy saving potential in the building and transport sector.</li> <li>• An agreement on the repartition of the revenues from the auctioning of the EU ETS would enable these revenues to be effectively used.</li> <li>• Opportunity to shift the tax system in a way that stimulates employment and competitiveness while reducing greenhouse gas emissions.</li> <li>• Stronger interconnection with Germany would enhance competition and security of supply.</li> </ul>	<ul style="list-style-type: none"> <li>• Absence of synergies between regional renewable support schemes.</li> <li>• No effective agreement yet on the repartition of efforts between federal and regional authorities to reduce GHG emissions, with negative implications as regards meeting the 2020 GHG emissions target.</li> </ul>

# The energy sector's view - key aspects of a governance structure



# The Energy Union: challenge 2 - implementation

EU Commission's Energy Summer Package published on 15 July 2015



## Focus: Reform of EU Emissions Trading System

### Key elements:

- More ambition: 43% CO<sub>2</sub> reduction in the ETS sector by 2030 → to be reached by increasing linear reduction factor from 1.74% to 2.2% per year
- More stability: fixed share of 57% auctioning and 43% free allocation
- More targeted and more dynamic “carbon leakage” measures: less sectors get free allocation, benchmark process is improved
- More support: 2 new funds for modernisation of energy systems and innovation in technologies (Renewables, CCS) and industry

### Main stakeholder view:

EU ETS the only EU-wide, market-based and cost-effective climate instrument

No additional national and / or conflicting EU measures!

Positive: One single ETS for both power sector and industry

Auctioning should not fall short of 57%

Access under ETS to international allowances and credits to be considered

Positive step on the long-term path from free allocation to full auctioning

Transparency still needs to be improved further

Reform proposal not perfect, but politically realistic and balanced

# The Energy Union: challenge 2 - implementation

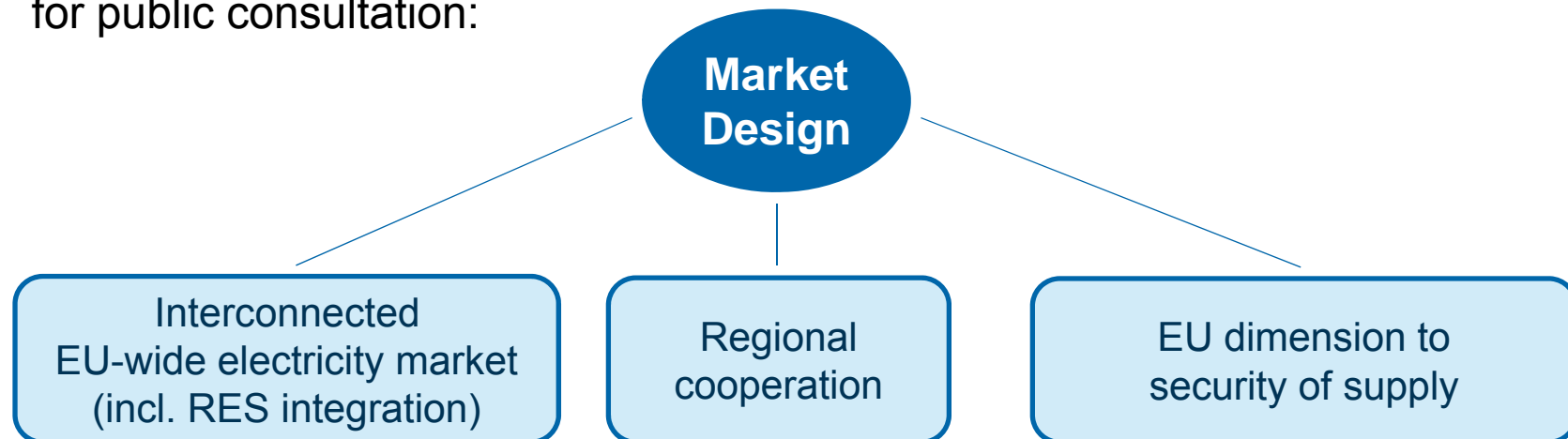
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## Focus: New Energy Market Design

### Market Design Initiative of the EU Commission

- Communication: “New energy market design”, including a long list of questions for public consultation:



### Next steps:

- EU COM will prepare legislative proposals in the second half of 2016 with potential amendments to the internal market legislation, Renewables Directive, Energy Efficiency Directive and Infrastructure Regulation



# EU COM collected stakeholder views on market redesign, e.g. on further RES market integration

What needs to be done to allow investment in renewables to be increasingly driven by market signals?



## Main stakeholder response

- Promote competitive support schemes taking account of technology specifics and more direct marketing
- Avoid “De minimis” exemptions and excessive bureaucracy for market participants



Which obstacles would you see to fully integrating renewable energy generators into the market, including into the balancing and intraday markets, and regarding dispatch based on the merit order?



- No principle obstacles due to favourable merit order position
- Improved forecasting and professional commercialisation allows renewables to play a sophisticated role within competitive intraday and balancing markets
- However, prequalification for balancing markets to be harmonised across EU markets on a non-discriminatory basis and promote pooling of assets



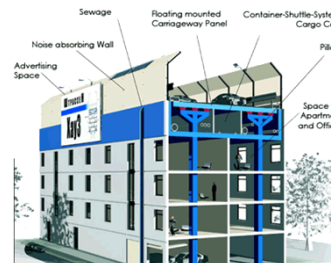
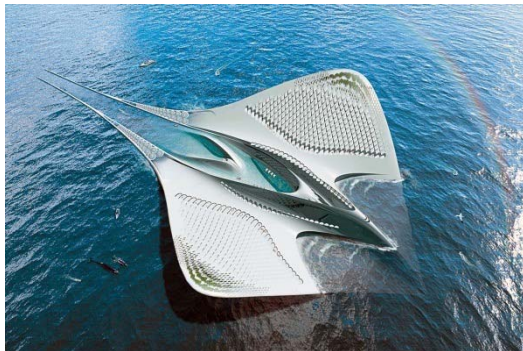
Should there be a more coordinated approach across Member States for renewables support schemes? What are the main barriers to regional support schemes and how could these barriers be removed?



- A more coordinated approach would promote the development of projects where they provide best value for money and would reduce regulatory complexity and uncertainty for investors
- Therefore further promote flexible cooperation mechanisms between Member States and reduce barriers (e. g. rigid national targets, insufficient market and grid integration, uncertainty on EU state aid and compliance)

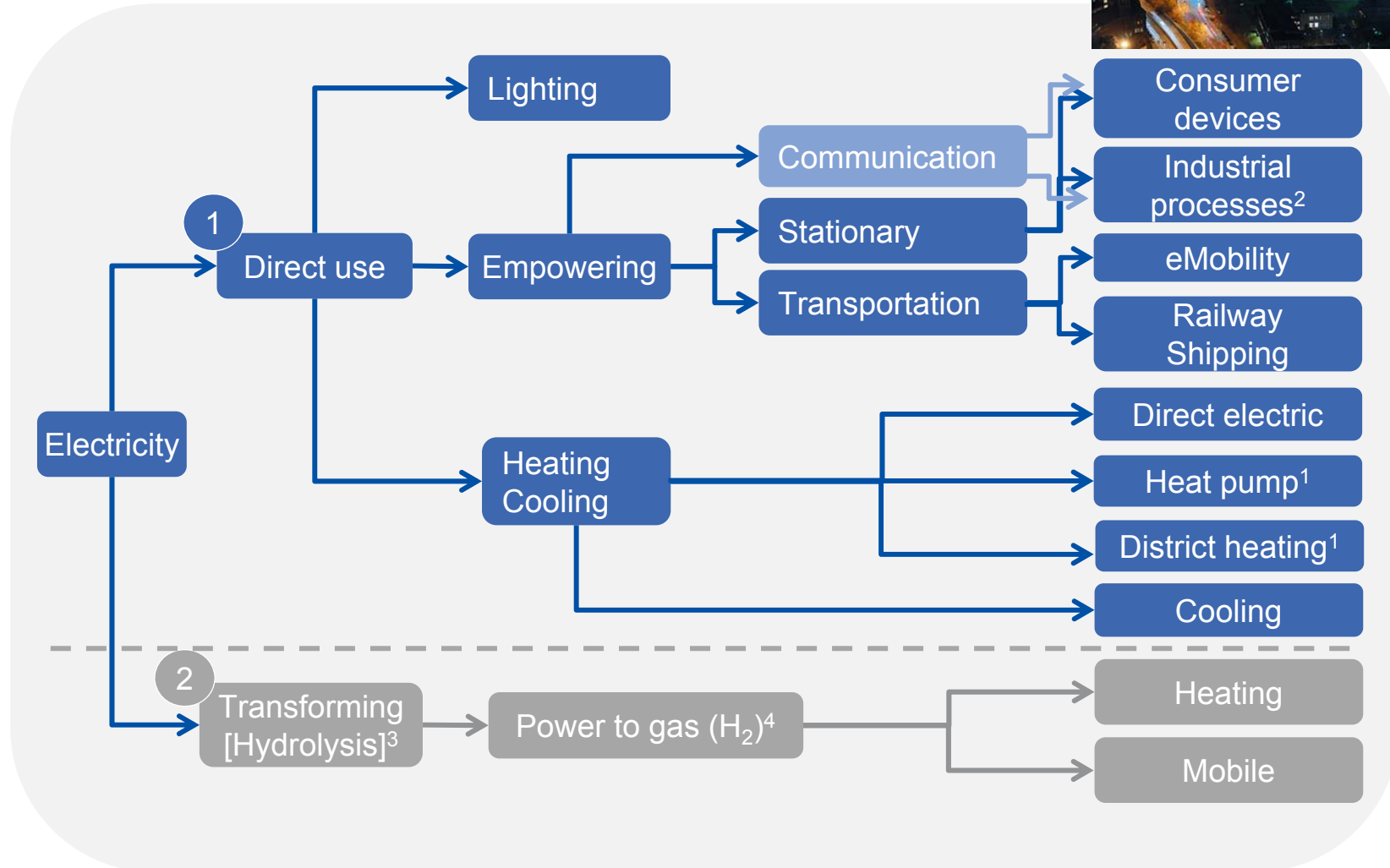


# The low carbon future is going to be electric...



Sources: Stadt Wien, Fraunhofer Gesellschaft, Bilfinger, fosterandpartners, Siemens, Wirtschaftswoche, Dr. Roland Lipp, zenithonline

# Paths of extended electrification



<sup>1</sup> "Power to heat"

<sup>2</sup> For example replacement of natural gas for heating in cracking processes

<sup>3</sup> EURELECTRIC 2015: „Hydrogen lacks the universal potential of carbon neutral electricity“

<sup>4</sup> Best estimate: not before 2020

THANK YOU VERY MUCH FOR  
YOUR ATTENTION.



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