December 2019

EU Policy News Bulletin
Energy

AT A GLANCE: VON DER LEYEN COMMISSION TOOK OFFICE ON 1 DECEMBER FOLLOWING EP PLENARY APPROVAL - EUROPEAN GREEN DEAL COMMUNICATION RELEASED - COP25 ENDS WITHOUT AGREEMENT

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GLOSSARY

MEP: Member of the European Parliament. The European Parliament is the co-legislator within the EU that is made up of representatives from political parties throughout Member States. The other co-legislator is the Council of the EU (see below).

COUNCIL OF THE EU: Co-legislator, made up of representatives from Member State Governments. Has a six-month rotating presidency, currently held by Finland until the end of December 2019.

WITHDRAWAL AGREEMENT: The Brexit withdrawal agreement was a proposed agreement between the United Kingdom and the European Union on how Brexit would be implemented.

EUROPEAN COUNCIL: The European Council is made up of the leaders of the EU member states, commonly known as EU27. It defines the EU's overall political direction and priorities but does not pass laws.

HORIZON EUROPE : Next EU's research and innovation framework programme. The Commission has proposed a budget of € 100 billion for the period 2021-2027. It will replace Horizon 2020 and is meant to provide funding opportunities to public and private partners on research and innovation.

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EU INSTITUTIONS

Von der Leyen Commission took office on 1 December following EP Plenary approval

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The von der Leyen Commission officially started work on 1 December 2019, following a vote of approval from the European Parliament (461 in favour, 157 against and 89 abstentions). The new College of Commissioners only needed a simple majority, but passed the symbolic 400 threshold thanks to support from the majority of EPP, Social-Democrats and Renew Europe MEPs. The Greens abstained.

Von der Leyen's speech did not launch any new policy initiatives but added some detail to priorities set out in her Political Guidelines and Mission letters. Some of her strongest points were directed at the delays in adopting the multiannual financial framework (MFF) and the need for more investment, to "harness the transformative power of the twin climate and digital transition to strengthen our own industrial base and innovation potential" and be able to compete with countries like the US and China.

(Source : Interel & Politico)

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EU CLIMATE ACTION

European Green Deal Communication released

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On 11 December the European Commission presented its **European Green Deal**, which is a Communication unrolling the overarching roadmap for Europe to become climate-neutral by 2050. A communication is non-binding as such, but contains important policy announcements which in themselves are binding. The main political parties welcomed the ambitious Green Deal, that came only 10 days (and not 100 as expected) after the beginning of the new Commission's mandate.

A general overview of the document points at three key pillars:

1) A climate law setting a binding target to achieve net-zero emissions by 2050, and a plan to boost the EU's 2030 target for emissions cuts from at least 40 percent reduction to between 50 percent and 55 percent compared to 1990 levels (an impact assessment will be needed to determine target). Setting the target into regulatory stone through a law allows for regulatory and investment certainty.

2) Funding will be a key area, as this transition will entail significant costs for traditional sectors and regions. Therefore the Commission will propose a Just Transition Fund within the year. It will seek to collect EUR 100 bn of investment (public and private) and will be a springboard for regions and sectors that need it.

3) Europe is to lead on climate globally. The College of Commissioners set itself a goal, for the Commission to be climate neutral by 2030, to showcase that they want to lead by example both at European and global level. The Commission plans on exporting its principles via a carbon border tax in line with WTO rules that will protect European companies from unfair competition from heavy polluters. They will also use these principles in trade agreements.

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Regarding imminent next steps, this proposal only constitutes the start of the upcoming efforts to achieve a greener economy and should be seen as a roadmap towards 2050. This roadmap will need to evolve and adapt over the years. A number of legislative proposals are expected in the coming months, notably the Circular Economy Action Plan and the new EU Industrial Strategy, both due to be presenterd in March 2020.

(Source: Interel)

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BREXIT

Large Conservative victory paves the way for end-January Brexit

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The UK will leave the EU on 31 January 2020. This scenario has now been confirmed due to the victory of Boris Johnson and the Conservatives in the 12 December national elections. The Withdrawal Bill now looks set to be submitted to the UK parliament before Christmas, to pave the way for an "orderly exit" on 31 January 2020. The European Parliament will be expected to give its consent at the January plenary.

Attention will then be diverted to the negotiations for a comprehensive free trade agreement, with the transition period due to end on 31 December 2020. The Conservative elections manifesto made clear that the UK government will not seek an extension of the transition period and the prospect of a new "cliff edge" at the end of the year remains very probable if no agreement is reached.

(Source: Interel)

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ENERGY UNION

Industry calls for ambitious Buildings Renovations Strategy in the Green Deal

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On 2 December, 12 organisations, including the Coalition for Energy Savings, Energy Cities, the European Association for Electrical Contractors (EuropeOn), the European Builders Confederation (EBC) and SolarPower Europe, called on the European Commission to put forward an ambitious EU renovation strategy for buildings as part of the European 'Green Deal' in a joint position paper

Such EU strategy should have "on-site renewables, energy efficiency, and smart energy solutions at its core", the group of stakeholders said, adding that buildings account for 36% of Europe's CO2 emissions and approximately half of energy demand.

"Given that 97% of buildings in the EU will need to be renovated by 2050, we will not tackle the climate emergency unless we take bold steps to ensure that all our buildings – existing, residential, industrial, and commercial – are renovated," the statement argues. This should include "significant investments facilitated by innovative financial mechanisms".

On the same day, the European Insulation Manufacturers Association (Eurima) called on European leaders meeting at the EU summit on 12-13 December to support a 2050 climate neutrality target and make the renovation of buildings a flagship initiative of the Green Deal, in a separate position paper.

"Most of the buildings that we will occupy in 2050 have already been built. The main challenge is to renovate these 210 million existing buildings to make them more energy- and carbon-efficient. Without the acceleration of deep renovations, the EU risks missing its climate objectives by up to 400 million tonnes of CO2, as well as leaving millions of people in energy poverty," Eurima's paper states.

(Source: Interel & ENDS Europe)

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CLEAN TRANSITION

COP25 ends without agreement

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The 25th Conference of Parties (COP25) to the United Nations Framework Convention on Climate Change (UNFCCC) met in Madrid this December. The COP25 global climate talks ended on 15 December without an agreement on the rules for the Paris Agreement dealing with carbon markets and trading emissions credits – something that was supposed to be the main aim of the summit. "Regretfully we couldn't get to an agreement on this important article," said Chile's COP President Carolina Schmidt. That issue will be addressed again at next year's climate conferences in June in Bonn and November's COP26 in Glasgow.

Nevertheless, delegates did agree on stronger formulation of requirements for countries to augment their climate pledges under a Paris Agreement deadline next year. That was a crucial issue for an alliance of European, Latin American, vulnerable and island nations which confronted a grouping of emerging economies like India, China, Brazil and Saudi Arabia. The final outcome was a compromise, where rich countries accepted language to review their commitments up to 2020, and emerging economies accepted slightly more ambitious calls for higher climate goals.

Following US President Trump's decision to withdraw from the Paris Agreement next year, the US opted for a reduced diplomatic representation at the COP. As a consequence, the EU found it difficult to fill that void by reviving a coalition of developing and climate-vulnerable countries which had played a central role in previous negotiations. Yet that effort was unsuccessful and timing was not appropriate. Despite that development, the EU still considers that its role is crucial in keeping alive the international climate discussions.

(Source: Interel & Politico)

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CLEAN ENERGY

Taxonomy for Sustainable Investment agreement almost reached

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The negotiations for a taxonomy for sustainable investment have been ongoing for the past several months under the Finnish Presidency. The taxonomy is expected to shape a wider discussion on sustainable funding that could be channelled to additional policy areas in the near future.

On 5 December, the Council experts and the Parliament reached a provisional agreement on rules establishing an EU-wide framework for sustainable investments. But the deal was rejected at an EU ambassadors' meeting held in the following days. France, the U.K., Poland, the Czech Republic, Hungary, Slovakia, Romania, Bulgaria, and Slovenia opposed the compromise. These Member States raised concerns about wording they fear would exclude nuclear energy from the final list of what constitutes a sustainable investment. The European Parliament was displeased with the Council's rejection of the compromise

EU ambassadors meet again on 16 December, to endorse a revised compromise text on the new taxonomy regulation. The Finnish presidency proposed a text, seeking to find an agreement without re-opening negotiations with the Parliament. The nine pro-nuclear countries were opposed by anti-nuclear Germany, Austria, Portugal and Luxembourg. On the same day, a seventh round of trilateral talks among the Commission, the Parliament and Council achieved a deal.

The deal is based on a compromise which neither includes nor excludes investments into nuclear and gas from the taxonomy, or list of activities that will qualify as sustainable investments. Gas and nuclear can be considered "transition" activities, meaning that they can be part of the taxonomy, but lawmakers stressed that the new rules include safeguards that point to their exclusion. Investments into nuclear will be subject to a do-no-harm principle requiring a check on whether "the long term disposal of waste may cause significant and long-term harm to the environment." To be defined as sustainable, investments cannot have any lock-in effect for fossil fuels, meaning that new gas projects will also have a high threshold to pass. Investments into coal are the only ones explicitly excluded from the taxonomy.

It will now be up to the experts to define thresholds for each activity determining whether it will be "in or out" and in which category of the taxonomy (green, transition, or enabling) it will fall. A final report of the Commission's expert group has been delayed and will be published by February. The Commission will then turn those suggestions into delegated acts that will become binding from the end of December 2021.

(Source: Interel & Politico)