EU Policy News Bulletin

Energy

October 2019

AT A GLANCE: TIMMERMANS AND SIMSON GET PARLIAMENT'S GREEN LIGHT – EU COUNTRIES DO NOT MATCH COMMISSION'S AMBITIONS ON CLIMATE – NEW BREXIT DEAL TO BE RATIFIED BY UK PARLIAMENT – EUROPEAN COMMISSION DRAFTS FOURTH LIST OF PROJECTS OF COMMON INTEREST – NEW EU'S LONG-TERM BUDGET COULD SEE CUTS – INTERNATIONAL ENERGY AGENCY SEES RENEWABLES TAKING OFF – EUROPEAN INVESTMENT BANK POSTPONES FOSSIL FUNDING DECISION

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GLOSSARY

MEP: Member of the European Parliament, a co-legislator within the EU that is made up of representatives from political parties throughout Member States.

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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EUROPEAN GREEN DEAL

Timmermans and Simson get Parliament's green light

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Frans Timmermans, nominated Commission executive vice president in charge of the European Green Deal, got the green light this month from MEPs after the hearing before the European Parliament on 8 October. Timmermans got the support from the Parliament's main political groups – Conservatives (EPP), Liberals (RE), Socialists (S&D) and Greens. During his hearing, Timmermans told MEPs he wants to raise the EU's emissions reduction target to at least 55 percent by 2030 from the current 40 percent. He confirmed that the Commission will carry out an impact assessment on raising the target, which will be presented before next year's COP26 climate summit in Glasgow in November 2020.

Timmermans also promised to work on extending the Emissions Trading System (ETS) to the maritime sector and to consider bringing in the car industry, while noticing it "cannot be used as an excuse not to attain emissions targets." He also wanted to take steps to tackle aviation emissions. Moreover, he said that new Just Transition Fund - to be presented during the first 100 days of the new Commission - will be a "mix of fresh money, combined with co-financing," linked with existing EU programs including agriculture, cohesion and structural funds, and funds from the European Investment Bank". The fund is meant to cover part of finance gap to help regions, especially in Central and Eastern Europe, make the transition to cleaner energy.

Same outcome had Kadri Simson, Estonian Commissioner-designate for Energy. The Industry, Research and Energy Committee (ITRE) broadly supported her candidature as the future Commissioner for Energy, who will work under the supervision of Frans Timmermans. In her hearing, Simson committed to reviewing the EU's legislation on energy with the aim of making the EU climate neutral by 2050. By 2021, the EU should increase its 2030 reduction target to cut CO2 emissions by at least 50% and possibly up to 55%. This is conceivable, while still remaining competitive globally, Simson stressed.

MEPs put forward several questions on how to finance the reform of the EU's energy mix and reach the EU's climate objectives. They also underlined the importance of the Just Transition Fund to support the regions most dependent on coal production to transition to renewable energy and stressed that this transition must ensure affordable energy for all consumers. They also wanted to know if the Commissioner-designate supports raising the EU's 2030 targets on renewable energy and energy efficiency, which she committed to assess when the Commission will take office on 1 December 2019.

(Source: Interel + European Parliament)

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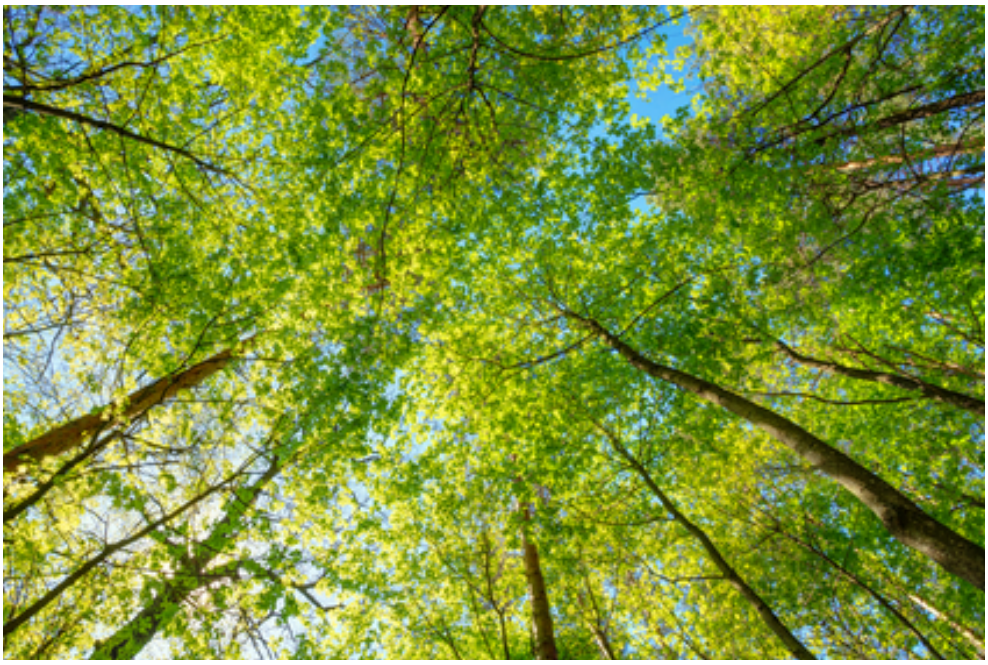
EU CLIMATE ACTION

EU countries do not follow Commission's ambitions on climate



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While the new Von der Leyen's Commission is set to go ahead with an ambitious agenda for the European Green Deal, EU countries seem reluctant to follow Commission's plans. In the Environment Council meeting on 4 October 2019, EU environment ministers did not agree to commit to increasing the bloc's 2030 emissions reduction pledge. Instead, they proposed to submit an updated climate plan under the Paris agreement next year. A group of countries — largely from Central Europe — opposed wording that would have clearly committed the EU to a higher target ahead of December's COP25 climate summit.

EU countries also did not succeed to clearly link the EU's climate targets to the Paris Agreement's goal of limiting global warming to 1.5 degrees that, in practice, would mean boosting the 2030 emissions reduction target significantly beyond the current goal of 40 percent. A group including the Netherlands, France, Sweden and Finland, wants to boost that target to 55 percent. Germany is also willing to do so, as long as other countries go along. The final conclusions of the meeting also did not tie the EU to a climate neutrality goal by 2050, as there is no consensus on the issue.

This existing disagreement was reflected during the European Council summit meeting on 17-18 October 2019, where EU leaders discussed climate action. They agreed to call for enhancing climate action, but without touching upon any concrete measures on the targets. This is because there is still some divergence with three countries – Poland, Hungary and Czech Republic – which are resisting to adopt the climate neutral goal by 2050, since they argue the transition could be very costly for them. Ahead of the summit, Poland called for additional financial support from the EU to be able to endorse the target." In terms of next steps, EU leaders agreed to finalize their position on the bloc's long-term climate target in December 2019.

(Source: Interel + Politico)

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BREXIT

New Brexit deal to be ratified by UK Parliament

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This month the UK and EU announced that they had revised new terms to the Withdrawal Agreement, which sets out how the UK will leave the European Union. The Agreement largely mirrors that negotiated by Theresa May during her time as Prime Minister, but makes changes to the Northern Ireland backstop provisions. It also removes the ambition for a "future customs territory" from the Political Declaration setting out how the future relationship between the two sides is envisaged.

The UK has also agreed in the Political Declaration to a "level playing field" (i.e. to largely mirror EU standards) on environment, state aid, social and employment legislation, and some tax standards, with a view to a future Free Trade Agreement. It maintains previously agreed provisions in the energy and climate sectors. Specifically, it keeps the single electricity market between Northern Ireland and Ireland, and reiterates the parties "should cooperate to support the delivery of cost efficient, clean and secure supplies of electricity and gas, based on competitive markets and non-discriminatory access." As in the previous deal, it also states that "parties should consider cooperation on carbon pricing by linking a United Kingdom national greenhouse gas emissions trading system with the Union's Emissions Trading System."

Under the new agreement, there will be a transition period, which as originally intended will last until December 2020. The deal must now be approved by the European institutions and the UK Parliament. Given that the latter requested more time to scrutinise the Withdrawal Agreement, UK Prime Minister, Boris Johnson, was forced on 20 October to request an extension to Article 50 under the Benn Act, which stated if a deal had not been ratified by 19 October, the Prime Minister must seek an extension to Article 50.

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The European Council President, Donald Tusk, confirmed on 28 October that EU leaders agreed to concede another extension to the UK until the 31 January 2020. This new delay, described the delay as a "flextension", would allow the UK to leave before February if MPs approve the withdrawal agreement before the deadline is up. In that case, Brexit would take place on the first day of a month after the withdrawal agreement is approved. Member states ultimately backed the longer extension on the basis that it was the length requested by PM Johnson on instruction of UK Parliament. EU Member States were reluctant to be seen to be getting involved in internal UK political debates and felt that this option was the most neutral response. These additional three month will help the UK Parliament to do a thorough assessment of the Withdrawal Agreement and ratify it before the new Brexit deadline looms again.

(Source: Interel)

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ENERGY UNION

European Commission drafts fourth list of Projects of Common Interest

The European Commission plans to include 151 infrastructure projects in its upcoming fourth list of Projects of Common Interest (PCIs), according to a document accompanying the draft delegated act shared with MEPs of the Industry, Energy and Research Committee (ITRE). PCIs are key cross-border infrastructure projects linking the energy systems of EU countries, which can benefit from accelerated permitting procedures and EU funding through Connecting Europe Facility (CEF).

Klaus-Dieter Borchardt (Deputy Director General, Directorate-General of Energy) presented the list before the ITRE Committee this month stressing that infrastructure projects must serve all three of the EU's energy objectives – sustainability, security of supply and affordability. He announced that there had been a slight reduction in electricity projects, a bigger reduction for gas and increases in smart grids and CO2 projects. However a number of MEPs pointed out that his claim that there was now a 3:1 ratio of electricity to gas was misleading, as the ratio for financing was closer to 1:1. The increases for smart grids and CO2 projects were also only marginal given that most funding went to gas and electricity.

Moreover, some MEPs - Geier (Socialists/DE), Pekkarinen (Liberals/FI) and Niinisto (Greens/FI) - argued that the EU must avoid carbon lock-in and gas pipelines must be able to carry green gases. Borchardt replied that future gas projects would indeed need to be multi-purpose and able to transport green gases like hydrogen and bio-methane. As not all gas pipelines were able to do this, CEF and PCI should be open to fund retrofitting gas pipelines to allow this.

Despite explanations by Borchardt on this and other issues such as the lack of climate and sustainability impact assessment in the process of selecting PCIs, the ITRE Committee is set to object to the delegated act setting out the latest PCI list. This decision will be taken on the grounds that MEPs believe that it still supports too many gas projects, which is not in line with the European Green Deal. MEPs have the right of scrutiny over a delegated act and have 2 months in which to table an objection. The objection needs only a simple majority to be adopted in committee but an absolute majority to be passed by plenary.

(Source: Interel + Politico)

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MULTI-ANNUAL FINANCIAL FRAMEWORK

New EU's long-term budget could see cuts

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EU's framework programmes like Horizon Europe could face the strong possibility of cuts as EU leaders remain deadlocked over the next Multi-Annual Financial Framework (MFF), which should run from 2021-2027. At the European Council summit meeting on 17-18 October 2019, EU leaders discussed proposals from Finland – which currently holds the EU Council's rotating presidency – to cut €35 to 85 billion from the EU's overall 2021-2027 budget. The working paper that Finland submitted to EU leaders splits the EU budget into four groups: cohesion funds for poorer regions, agriculture, administration, and everything else – Horizon Europe for example, makes up nearly one quarter of the last category, alongside items such as space, border management, security, defence, and foreign aid.

Commission's proposal would put more money into research and innovation, as a way to boost EU competitiveness on global tech markets, while reducing the proportion of the budget available for two older priorities, agriculture and regional development. However, Finnish proposals suggest that Commission's ideas have not found enough support among EU Member States. Some members, such as France and Poland with big farm sectors, want agricultural subsidies continued untouched. Others, such as Hungary and Romania, are heavily reliant on EU regional-development subsidies.

Discussions on the EU budget are only just getting started, and a final decision will most likely be taken in a year time. Nevertheless, the current deadlock could undermine ambitions of the new Commission in terms of key topics like climate action or research and innovation. The Finnish presidency is expected to prepare a document for the next EU summit in December 2019, laying out what needs to be discussed. If no agreement is found in the coming months, EU institutions can agree to let the current budget continue for an extra year, with the current spending limits.

Earlier this month, the European Parliament adopted a resolution updating its position on the next multi-annual financial framework (MFF) for the years 2021-2027, already warning that there is a "clear risk" that negotiations with EU Member States will not be complete by the end of 2020. The resolution called on the Commission to produce contingency plans to support EU-funded projects while negotiations over the next long-term budget are on hold. The parliament's resolution specifically refers to an "urgent need for another push in political and financial efforts" to meet the objectives of the Paris climate agreement.

(Source: ScienceBusiness + Euractiv)

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CLEAN TRANSITION

European Investment Bank postpones fossil funding decision

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The European Investment Bank (EIB) met this month to decide on new rules to limit financing for fossil fuel projects. The meeting ended with the decision to postpone the vote until 14 November 2019 due to doubts from gas-reliant countries. The coming weeks will be used for further bilateral exchanges and technical clarifications in order to get more support for the proposal. France, the Netherlands and the Nordic countries are in favor – seeing it as part of the EU's decarbonization drive on the way to the goal of becoming climate neutral by 2050. Germany, Italy and other countries in Central and Eastern Europe opposed the proposed policy change. The Commission is also unwilling to back the EIB's proposal since they want to maintain natural gas as an important component in the EU's energy mix in the near future before moving toward decarbonized sources of energy.

Earlier this month, the European Parliament held a debate during its Plenary session on "greening" the EIB. The debate was attended by Werner Hoyer, President of the EIB, and Carlos Moedas, Commissioner for Research and Innovation. Most MEPs welcomed the EIB's active stand on sustainable finance, however called for more ambition, focus on public investment, investment in infrastructure for energy transition, transport systems, energy efficiency, etc. MEPs also underlined that the transition to zero-emission economy should be fair and just, noting that some EU Member States are more economically advanced than others. Hoyer pledged to phase-out energy projects that depend on fossil fuels as soon as possible.

(Source: Interel + ENDS Europe)

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CLEAN ENERGY

International Energy Agency sees renewables taking off

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The International Energy Agency (IEA) released a report this month that predicts that solar and wind energy capacity will grow by 12 percent in 2019, after stalling in 2018. The agency said that's the fastest pace of growth in four years due to a continuous decrease in the costs for wind and solar photovoltaic technologies, which improves their competitiveness compared to new coal and natural gas plants. The IEA expects renewables to grow by 50 percent between now and 2024. This increase of 1,200 GW is equivalent to the total installed power capacity of the United States today.

Solar PV accounts for almost 60 percent of the expected growth, with onshore wind representing one-quarter. Offshore wind contributes 4 percent of the increase, with its capacity forecast to triple by 2024, boosted by competitive auctions in the European Union and expanding markets in China and the United States. Bioenergy capacity grows as much as offshore wind. The EU's plans to get 32.5 percent of its energy needs from renewables by 2030 was one of the elements that pushed the IEA to review its growth estimate, according to Paolo Frankl, head of the agency's renewables division.

(Source: Interel)

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