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From:	General Secretariat of the Council
To:	Council

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Subject:	Communication from the Commission on "A policy framework for climate and energy in the period from 2020 to 2030" - Policy debate = Delegations' replies
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Delegations will find in the Annex the replies received from UK to the Presidency questions, contained in document 6422/14, for the policy debate on the abovementioned proposal in the Council (Environment) on 3 March 2014.

**UNITED KINGDOM**

**Question 1:** *Do you consider that the overall approach of the 2030 framework for climate and energy policies provides the appropriate balance between ambition, in terms of reducing greenhouse gas emissions in line with the long-term climate objective, and flexibility for Member States to define the most appropriate ways to transition to a low-carbon economy taking into account their preferences, specific circumstances and capacities?*

The UK Government does not agree that “ambition” and “flexibility” are opposing concepts which need to be “balanced”. The UK believes that the 2030 Climate and Energy package can and should have at its heart high levels of both ambition and flexibility, delivered through:

- A unilateral and binding GHG target of 40% domestic emissions reductions, rising to 50% in the context of a global comprehensive agreement on climate change;
- Flexibility to achieve emissions reductions in the most cost effective way, i.e. it should not include nationally binding renewable energy targets or mandatory energy efficiency targets, either of which risk pre-judging the cost effective pathway to 2030 GHG outcomes;
- A reformed EU Emissions Trading System which enables emission reductions to occur where they are most cost-effective and helps drive the low carbon investment needed to meet our long term climate goals.

In this regard, whilst the UK welcomes the Commission’s White Paper on 2030 as a step in the right direction, we believe that it can be improved by both the following:

- Increased ambition: we should urgently agree the 40% binding target for reducing domestic GHG emissions in 2030 (on 1990 levels) as the EU’s least cost trajectory to our 2050 objective of an 80-95% reduction in GHG emissions. This target should be communicated to other countries as our contribution to a global climate agreement. We should be clear now that the European Council will consider in 2015 whether to strengthen the 40% target in the light of contributions tabled by other countries and progress on Council’s objective of limiting global temperature rise to 2 degrees. Should the international negotiations warrant a more ambitious target for the Union, this additional effort could be balanced by allowing access to international credits.
- Increased flexibility: it is clear that renewable energy must continue to play a fundamental role in the transition towards a more competitive, secure and sustainable energy system, and the UK notes that a 40% GHG target should by itself encourage a greater share of renewable energy in the EU. For the purposes of flexibility and cost-effectiveness, the European Council must emphasise that EU level commitments to renewable energy should not be binding on Member States individually and will not be translated into national targets via EU legislation. This leaves greater flexibility for Member States to meet their GHG targets in the most cost-effective manner in accordance with their specific circumstances, energy mixes and capacities to produce renewable energy.

The EU Emissions Trading System plays a vital role in ensuring the GHG targets are delivered in the most cost-effective and flexible way across the Union. However, we regret that, even in combination with tightening of the EU ETS cap in line with a 40% 2030 target as proposed in the 2030 White Paper, the proposals for reforming the EU ETS are not ambitious enough to put it on the right track once and for all. We see this as a missed opportunity. Whilst we welcome the Commission legislative proposal for a market management mechanism, we call for all parties to work to agree a more robust structural reform of the EU ETS by the end of 2015 at the latest. The UK's preference is to place beyond use (i.e. cancel) an ambitious volume of surplus allowances before 2020.

**Question 2:** *What do you see as the next steps in the discussion on climate and energy policies until 2030, taking into account the need to provide certainty for investors in the longer term and prepare for the international climate negotiations, and which aspects of the proposed framework would as a priority need to be further discussed and defined, for example in relation to efforts at EU and Member State level and in different sectors?*

The 40% binding target for reducing domestic GHG emissions in 2030 (on 1990 levels) should be agreed as a priority, preferably at March European Council. Early agreement of this target is important for two reasons:

1. Investor certainty: Investor groups have raised concerns about delaying a decision on 2030 targets until 2015 or later: *"We are concerned that we are unlikely to have certainty about the post-2020 framework until 2015 or beyond. This is 'yesterday' from an infrastructure investment perspective... if this uncertainty continues, the cost of capital for Europe's energy sector will be higher and major investment decisions will be deferred"* – Quote from over 80 major pension funds and asset managers across Europe, collectively worth €7.5 trillion in EU-wide assets.
2. Paving the way to an international climate deal: in Durban in 2011 all 194 countries to the UNFCCC agreed to adopt a new legally binding agreement applicable to all by 2015 and for it to come into force by 2020. The EU played a leading role in securing this agreement. The 2015 UN Climate Conference will take place in Paris, on European soil. It is in our collective interest for all countries, including major emitters, to sign up to a deal. The UN Secretary General has called a Leaders' Summit for September 2014. The EU should have its 2030 target ready to announce well in advance of this Summit, to maximise our influence both at this Summit and in the negotiations in the months beyond.

As a set of practical next steps, the UK urges the Presidency to maximise the use of March Environment Council. We would welcome a frank and open discussion in the Council and urge that discussions intensify over the coming weeks to develop *broad agreement on a package* that meets the needs of all.