
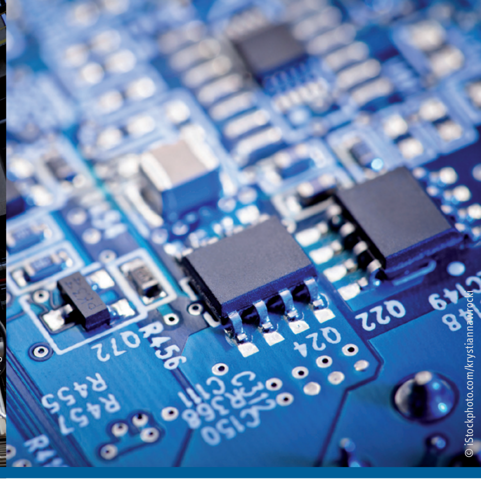


POSITION PAPER ON THE POST 2012 EU ENERGY AND CLIMATE POLICY

CENTRAL AND EASTERN EUROPEAN INDUSTRY FEDERATIONS

AUSTRIA, CROATIA, CZECH REPUBLIC, HUNGARY, ROMANIA, SLOVAKIA, SLOVENIA

iv FEDERATION OF AUSTRIAN INDUSTRIES
CROATIAN EMPLOYERS' ASSOCIATION
SP Confederation of Industry of the Czech Republic — The Voice of Business in the Czech Republic
MGYOSZ BUSINESS HUNGARY
ACPR The Alliance of Romanian Employers' Confederations
REPUBLIKOVÁ ÚNIA RÚZ ZAMESTNÁVATEĽOV
ZDRUŽENJE DELODAJALCEV SLOVENIJE GIZ ZDS

Introduction

Tackling climate change is one of the major challenges we are currently facing. The Central and Eastern European (CEE) Industry Federations* are committed to sustainable climate protection. Accordingly, CEE Industry Federations emphasise that the EU Green House Gas (GHG) reduction and renewable energy targets for 2020 are undisputed. This clear commitment demonstrates the industries' sense of responsibility for society and environment, as substantial efforts will have to be made to reach these ambitious targets.

The responsibility of policymakers, however, is to create an economically viable future. Therefore CEE Industry Federations support the policy vision of a low-carbon economy with significantly lower greenhouse gas emissions (GHG), under the condition that predictability is ensured and necessary technological breakthroughs are taken into account in order to preserve a strong industrial base in Europe.

Present status of the European Energy and Climate Policy

Current EU policies lack consistency, best witnessed by duplication through several parallel long-term initiatives (Low Carbon Economy, Resource Efficiency, Energy and Transport roadmaps) **and are marked by inconsistent target setting**. For instance, in the course of the Energy Efficiency Directive new targets limiting absolute energy consumption are to be determined. This will affect both already set political climate goals as well as proposed targets for renewable energy.

Unilateral approaches by decision-makers to the overall EU energy and climate policy frequently neglect potentially negative policy impacts on the European industry's competitiveness.

Scientific modelling tools used by the Commission services for impact assessment are not designed for such far-reaching policy perspectives. The models **are questionable** since they do not cover all economic aspects of the potential measures and lack transparency on the data basis (see Low Carbon Economy Roadmap 2050).

Due to an insufficient political framework **the EU faces technological deficiencies in relevant areas** (i.e. energy efficiency and renewable energy), which becomes particularly obvious when comparing technological developments in Europe to other leading economies such as China and the US.

*The group of CEE Industry Federations is based on an initiative dating from 2005, comprising several industry federations from Central and Eastern Europe, with the aim of aligning positions and activities on European and international issues.

Why Europe needs to adapt its Climate Change policy

The CEE Industry Federations strongly oppose a unilateral change of the 20 per cent emission reduction target for 2020. **The conditionality of the EU's offer to move to a 30 per cent reduction by 2020 compared to 1990 will most likely not materialise**. As the outcome of the Durban climate conference in 2011 demonstrates, other developed countries do not commit themselves to comparable emission reductions and developing countries do not contribute according to their responsibilities and respective capabilities either.

Long-term predictions are subject to many unforeseeable variables and thus do not allow for reliable far-reaching measures, especially as the Commission's data basis is highly controversial - even more so due to diverging opinions in the scientific community. Therefore, **binding and inflexible targets expressed in absolute terms over long-term periods have to be rejected**. Instead, any political long-term vision needs to take technological potentials into consideration.

Any European GHG reduction and renewable energy targets must be grounded in a broad consensus with support by all relevant sectors as to ensure a predictable business environment for industry. Hence, **any short-term legal change would lead to further uncertainty**, undermining businesses' present investment decisions on a long-term strategic perspective and make them reluctant to invest in energy efficiency measures and equipment.

The EU ETS - in its current structure and with its reduction rate of 1.74 per cent p. a. - does not provide a strategic long-term perspective for the energy-intensive industry. Consequently, **perpetuating such a reduction path beyond 2020 might endanger maintaining the industrial base in Europe**.

The ETS was designed to achieve emission reductions in ETS relevant industry and the energy sector at the lowest cost. For the most part, **GHG emission reduction does not depend on carbon price developments**, but on a cap that is set up in a realistic manner – in line with technology development potentials – while taking into account potentially negative impacts on competitiveness.

Ensuring an increase of renewable energy production and stimulating new technology developments does not only depend on the carbon price, but also on the coherence of different policy instruments with desirable strategic technology efforts. Higher renewable production targets and strong carbon price signals will hardly suffice to stimulate the development of new technologies. Experiences from the EU-ETS so far do not provide evidence for such causality.

New perspectives for a carbon efficient Europe

Maintaining the EU's industrial base: For strategic reasons, ranging from security of supplies to various benefits of competitive products, the EU needs to reconsider the value of its industrial base. This means avoiding any political measures that cause carbon leakage and threaten the European industry's competitiveness, e.g. by means of politically driven interference in the ETS, risking a disproportional increase of carbon price.

Preparing for a radical technology change: Instead of the strong reliance on top down targets with alleged impacts on innovation, radical technology changes are the only sustainable way towards a low carbon and highly competitive economy. We call for **an ambitious European technology initiative** - in particular for new technologies for buildings, mobility and renewable energy - **that stimulates investments in R&D and the dissemination of energy technologies** similar to those already existing in the US and China.

Creating new financial instruments: Due to national budgetary constraints additional financing has to come from EU-resources and **through the creation of new financial mechanisms** (e.g. trust funds, venture capital). These new financial instruments are necessary in order to collect and direct private capital to required new investments which, according to conservative estimates, will amount to more than two per cent of GDP annually.

Focusing on user costs: In addition, **economic evaluation** necessitates a more subtle distinction between required investments and **user costs** (e.g. for leasing or renting) addressing long-lasting investments in infrastructure, buildings and energy transformation units.

Encouraging mid-term action with long-term vision: Especially in the near future, **technological leaps** forward to further maintain viable economic structures in Europe and to remain a major player on the already competitive global market will be paramount. In addition, all current investments require careful evaluation as to their compatibility with envisioned long-term economic structures.

Focusing on concrete, cost-efficient measures: The general policy orientation on mid- and long-term targets significantly impedes implementation of concrete cost- efficient measures, which are extremely important to reach the set European Green House Gas (GHG) reduction and renewable energy targets.

FEDERATION OF AUSTRIAN INDUSTRIES - IV
Schwarzenbergplatz 4- PO Box 61
A-1031 Wien
Tel.: + 431 711350
Fax: + 431 711352910
Web: http://www.iv-net.at

CROATIAN EMPLOYERS' ASSOCIATION - HUP
Ulica Pavla Hatza, 12
CRO-10000 Zagreb
Tel.: + 385 1 48 97 555
Fax: + 385 1 48 97 556
Web: http://www.hup.hr

CONFEDERATION OF INDUSTRY OF THE
CZECH REPUBLIC - SPCR
Freyova 948/11
CZ-190 05 Praha 9 - Vysočany
Tel.: + 420 225 27911
Web: http://www.spcr.cz

CONFEDERATION OF HUNGARIAN EMPLOYERS AND
INDUSTRIALISTS - MGYOSZ
Kossuth Lajos tér 6-8
H-1055 Budapest
Tel.: + 36 1 474 2041
Fax: + 36 1 474 2065
Web: http://www.mgyosz.hu

ALIANTA CONFEDERATIILOR PATRONALE DIN ROMANIA - ACPR
Bdul. Mircea Eliade 2/1
Bucuresti
Tel.: + 40 21 231 61 92
Fax: + 40 21 231 61 93
Web: http://www.acpr.com.ro

NATIONAL UNION OF EMPLOYERS OF SLOVAKIA - RUZ
Digital Park II, Einsteinova 23
SK-851 01 Bratislava
Tel.: + 421 2 33014280
Fax: + 421 2 33014690
Web: http://www.ruzsr.sk

EMPLOYERS' ASSOCIATION OF SLOVENIA - ZDS
Dimiceva 9
SLO-1000 Ljubljana
Tel.: + 386 1 563 4880
Fax: + 386 01 432 7214
Web: http://www.zds.si/en