



European Commission

Enterprise and Industry  
Directorate-General

# Winning the Battle against Global Climate Change: Overcoming the technology challenge

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# The Challenges

## *The European Council, June 2006, on global climate change:*

- A global problem requiring global solutions.
- Looks forward to a successful continuation of the discussions in the framework of the UN Framework Convention on Climate Change and under the Kyoto Protocol to arrive at a timely post-2012 arrangement consistent with meeting the Council's objective of a maximum global temperature increase of 2°C.
- Will push in all relevant multilateral fora, including with all Parties to the UNFCCC, for a full and open dialogue on future action and on agreeing an international goal.
- Calls on the Commission to submit without delay a report on the experience of implementing the ETS-directive, taking into consideration the situation of SMEs, and accompanied by proposals as appropriate.

## *A European Strategy for Sustainable, Competitive and Secure Energy:*

- main objectives are sustainability, competitiveness and security of supply; win-win-win opportunities (tackling climate change increases security, creates high-quality jobs and maintains technological leadership)

# International framework

- **Addressing global participation:**
  - “Future Actions Tracks” – climate negotiations:
    - Ad-Hoc Working Group on Article 3.9 of the Kyoto Protocol
    - Convention Dialogue on long-term cooperative action to address climate change
    - Full review of Kyoto Protocol?
      - *Nairobi 6-17 November 2006*
  - G-8/20 processes
  - Informal ministerial meetings (Greenland, South Africa, Switzerland...)
  - Partnerships (EU-India, EU-China, Asia-Pacific, technology specific...)
  - Etc...

# Partnerships

- **Addressing global participation (cont'd)**
  - EU-India Initiative on Clean Development and Climate Change (Sept 2005)
  - EU-China Partnership on Climate Change (Sept 2005)
    - “to develop and demonstrate in China and the EU advanced, near-zero emissions coal technology through carbon capture and storage”
    - 3 phases:
      - Explore options (2005-2008)
      - Design project (2008-2010)
      - Construct project (2010-2014)
    - MoUs agreed, Phase 1: 7.75 M€, kick-off conference July
  - Increasing practice to engage 3rd (developing) country partners in projects, and provide funding to those partners
  - Energy dialogues and energy conferences

# EU Emissions Trading Scheme; experience and implications

- Over 10,000 installations across EU-25 monitoring their CO<sub>2</sub> emissions!
  - Fine tuning for small emitters
- Environmental issue also becoming a financial issue!
  - Reduce financial burdens for energy intensive industries
- A least-cost solution, promoting energy efficiency/operational changes, take-up and improvement of clean technologies over time!
  - Limit side effects, e.g. extend of impact on electricity prices and potential market distortions due to allocation
- Will contribute towards fulfilment of Kyoto targets!
  - Enhance incentives for innovation
- Nucleus of international carbon market!
  - Overcome reluctance of other countries

# Optimising The EU Emissions Trading Scheme

- **The recommendations of the HLG**
  - Improve and harmonise the allocation system
  - Alleviate participation costs for small installations
  - Investigate the pass-through of CO<sub>2</sub> allowance costs to electricity prices
  - Remove obstacles to JI/CDM use (*simplification of rules and solving intellectual property rights issues to stimulate more technology transfer*)
  - New entrants and closure rules to trigger investments
  - Increase length of trading period
  - Provide for coherence between ETS and fiscal measures
  - Internationalise ETS through broader international participation



# Conclusions

- Fine tune the EU-ETS and JI/CDM to become internationally attractive instruments
- Successfully promote global participation
- Create a truly global carbon market