ZEP Advisory Council 53

6th December 2017

Agenda Item 4: Overview of European Parliament, Council & other relevant activities

EU ETS

Since the last AC meeting trilogue negotiations have concluded with an agreement on ETS.

Main changes to the text in relation to ZEP's work include the addition of CCU throughout the text e.g.;

"The main long-term incentive from Directive ***2003/87/EC*** for the capture and storage of CO2 (CCS), new renewable energy technologies and breakthrough innovation in low-carbon technologies and processes**, *including environmentally safe carbon capture and utilisation (CCU),*** is the carbon price signal it creates and that allowances will not need to be surrendered for CO2 emissions which are ***avoided or*** permanently stored."

Innovation Fund

The framework for the new Innovation Fund has been set out as follows:

- "400 million allowances made available initially for the fund from 2021 onward
- 300m unspent allowances from 2013-2030 period to be supplemented with 50 million unallocated allowances from the market stability reserve and be used in a timely manner to support innovation.
- The majority of this support should be dependent on verified avoidance of greenhouse gas emissions, while some support may be given when pre-determined milestones are reached taking into account the technology deployed and the specific circumstances of the sector in which it is being deployed. Milestones should be defined so as to make adequate financial resources available to the project.
- The maximum percentage of project costs to be supported may vary by category of project."
- Due consideration should be given to projects that will have a significant innovation impact across the Union.

Next steps:
EP Plenary – Provisional Dates:
6 February 2018: Indicative plenary sitting date, first reading
Council of the European Union – Provisional Dates:
19 December 2017: Environment Council ((poss) public deliberation)

Energy Union Governance

The Council's revised text removes from article 4 of the Directive the requirement for Member States to set out in their national plans national 2050 objectives for the deployment of low carbon technologies. This requirement would have strengthened the case for CCS within Member States National Plans.

ZEP has subsequently undertaken a round of engagement based on the platform's previous position on the importance of 2050 targets, with a short paper being sent to relevant Parliamentary, Commission and Member State stakeholders.

This short paper was approved by the ZEP Chairman on behalf of the ERG as it contained no new positioning. The paper is attached to this update for reference.

Next steps:
EP ITRE / ENVI (Committee Responsible) – Provisional Dates: 7 December 2017: Vote in Committee
Council of the European Union – Provisional Dates: 18 December 2017: Energy Council ((poss.) general approach)

Renewable Energy Directive (recast)

Biomass
Due to Member State intervention, the Council's adopted text now includes biomass with CCS as eligible along with efficient CHP.

CCU fuels
The Council's revised text states that recycled carbon fuels with a minimum greenhouse reduction threshold can be included within the fuels obligation but that Member States should retain the right to choose whether to include them. The Council text proposes a 70% emission saving, the methodology for verification to be determined via a delegated act by 2020.

The ENVI committee has exclusive competence on issues relating to biofuels and sustainability criteria. The ENVI opinion includes an amendment that "renewable liquid and gaseous transport fuels of non-biological origin' means liquid or gaseous fuels which are used in transport other than biofuels whose energy content comes from renewable energy sources other than biomass, where any carbon feedstock is captured from the ambient air". It also sets out the recommendations for accounting the renewable energy used in producing these fuels.

Both the ENVI and ITRE Committee retain the recommendation for the methodology for lifecycle analysis to be decided by the Commission via a delegated act.

Next steps:
EP ITRE– Publication of report
Council of the European Union – Provisional Dates: 18 December 2017: Energy Council ((poss.) Partial general approach)

Plenary – Provisional Dates: 15 January 2018

Electricity Market design

The ITRE Committee, which holds responsibility for this file, has postponed a vote on the Directive due to insufficient progress on the file.

The ENVI Committee adopted Rapporteur Ivo Belet (EPP, BE)'s Opinion on the Directive on 24 November. This retains the Commission text on an emission performance standard for capacity mechanisms of 550g CO_2/kWh, strengthening the proposal by reducing the timeframe for implementation from 5 years to 2 years after the adoption of the Directive unless a plant is part of strategic reserves.

Conversely, the Council's revised text proposes extending the timeline to 7 years after implementation of the Directive.

Next steps:
EP ITRE (Committee Responsible) – Provisional Dates: 11 December 2017: Vote in Committee
Council of the European Union – Provisional Dates: 18 December 2017: Energy Council ((poss.) Partial general approach)

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The importance of 2050 climate targets to Governance of the Energy Union

Meeting the European target to cut emissions by 80-95% by 2050, along with the Paris Agreement, requires a strong governance framework to enable Member States to effectively plan and deliver the economy- wide shift that is necessary.

The European Zero Emission Technology and Innovation Platform (ZEP) sees the proposed Regulation on the Governance of the Energy Union as potentially delivering significant added value in achieving EU energy and climate goals, provided it enables Member States to plan effectively in both the short and longer term.

Climate solutions for 2030 are not necessarily the same correct solutions for 2050. For example, the Commission's current low carbon roadmap suggests Carbon Capture and Storage (CCS) will be needed from 2035 onwards to meet 2050 targets. However for CCS projects to be operational by 2035 significant activity will need to be undertaken beforehand, including identifying and appraising storage sites, building demonstration projects and developing necessary infrastructure. This requires long lead times and significant investment before 2030[1].

While ZEP welcomes the proposed requirement for Member States to produce long- term emissions strategies (Article 9), these should not delay action where it is possible now. By delaying delivery of CCS Member States could miss opportunities to develop early projects, bring down costs and attract inward investment.

At a minimum, national plans for 2030 must be compatible with an emissions reduction trajectory for 2050. Where CCS is not envisioned, MS should be required to demonstrate alternative means to deeply reduce CO2 emissions across their economies.

To this end, ZEP makes the following recommendations on the revised text published by the Parliament and Council on 10 November:

Article 4: National objectives, targets and contributions for each of the five dimensions of the Energy Union
Reinstate the Commission's text in article 4(e), sub paragraph 2 which required Member States to include in their integrated national energy and climate plan national 2050 objectives for the deployment of low carbon technologies. This will be essential to ensuring progress is delivered on technologies necessary for achieving medium- to- long term emission reduction objectives.

Article 9: Draft integrated national energy and climate plans
The Commission should issue recommendations to Member States to address the level of ambition in view of collectively achieving the Union's 2050 target for greenhouse gas reductions alongside 2030 targets for renewable energy and energy efficiency. This will provide an important check to ensure Member States are not tying themselves into a trajectory that will mean 2050 targets cannot be achieved.

Article 38: Review
ZEP strongly supports the additional text proposed by the Parliament and the Council that "the Commission shall report to the European Parliament every five years progress towards the achievement of the 2030 climate and energy targets and additional Energy Union objectives, **and the long term objectives of the Paris Agreement**." This will ensure visibility on the actions that need to be taken in the shorter term to meet these targets.

[1] http://bellona.org/assets/sites/4/Scaling-the-CO2-storage-industry_Bellona-Europa.pdf

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