José Manuel Barroso, president European Commission. Photo: Gamma/Hollandse Hoogte

Energy package survives in battered shape

With just one short paragraph the French presidency managed to rescue the climate-energy package at the Summit of the European heads of state and government in mid-October. But some compromises will be inevitable.

by Hughes Belin

The results of the Summit could be described as a glass half full or a glass half empty. This has not prevented Nicolas Sarkozy from boasting that the essence of the package has been saved: an agreement on the energy-climate package by December 2008.

Nine rebel countries (Poland, Italy, Bulgaria, Hungary, the Baltic states, Romania and Slovakia) were bold enough to hold their own mini-summit just prior to the Summit on 14 October to show their opposition to a package which they believe is detrimental to the competitiveness of their industry. On the other side, the UK, the Nordic countries, Belgium, Spain and the Netherlands remain committed to the package. The President of the European

Commission, José Manuel Barroso, weighed in by stating that 'Saving the planet is not a digestif that you can take or leave at will. Climate change does not disappear because of the financial crisis.'

The paragraph that Sarkozy managed to insert in the conclusions of the Summit states that the French presidency will now 'organise intensive work over the next few weeks in order to enable the European Council in December 2008 to decide on appropriate responses to the challenge of applying that package in a rigorously established cost effective manner to all sectors of the European economy and all Member States, having regard to each Member State's specific situation'. The result: unanimous agreement at the highest level. Despite the negotiations becoming increasingly complicated, the established schedule still applies.

The Council of the Ministers of the Environment in Luxembourg following the Summit on October 20 confirmed that a number of countries demand exemptions from future EU climate rules and that the French presidency is willing to make compromises. 'One week after EU countries agreed to release 2000 billion euros in support of the financial sector, environment ministers are backtracking on the 70-90 billion euros investments needed by 2020 to safeguard future generations through the EU climate and energy package' environmental groups complained bitterly.

There is little doubt that the nine country strong opposition front has put a spanner in the works for the French presidency which has to make a lot of concessions if the December deadline is to be maintained. Italian president Silvio Berlusconi, for example, wasted no time in putting forward his demands to protect the Italian manufacturing sector. He spoke about 'vetoing rights' on the package, which legally don't actually exist, since the decisions are taken by the Council of Energy Ministers (when it comes to the renewable energy directive) and the Council of Environment Ministers (with regard to the European Emission Trading Scheme and the carbon capture and storage directives).

The same applies to the 'unanimity' demand by Poland and its supporters. In legal terms the energy-climate package will be adopted by a qualified majority in the Council of the ministers concerned. The rebels do however represent a blocking minority and can therefore prevent the package from being adopted.

These two examples illustrate that the sole intention of certain heads of government was to be able to return to their countries and to claim that they had done all they could to protect jobs, competitiveness, purchasing power, etcetera. The French presidency was perceptive enough to save the essence of the deal: the final decision is still scheduled for December.

Leakage

So what sort of deal can we expect? The discussions have shown that the auctioning of 100% of the emission rights under the Emission Trading Scheme (ETS) is acceptable to the majority of member states. However, certain countries may ask for exemptions 'of limited duration and size'. Specifically, Poland and other Eastern European countries which rely heavily on coal might apply a "progressive" auctioning rate.

With regard to the risk of "carbon leakage" (i.e. when European manufacturing is moved to sites outside of the EU) the European Council felt that the question should be analysed urgently as part of the new ETS directive so that adequate measures will be taken. The European Commission has proposed a new mechanism, which consists of fixing qualitative and quantitative criteria to establish which sectors within the ETS are exposed to carbon leakage and to decide on appropriate measures by 2010.

Concerning the allocation of the auctioning revenues, many member states will not accept any obligatory allocation for constitutional and budgetary reasons, but the majority did agree to look into the possibility of voluntary commitments. The Commission has proposed that 20% of the revenues be dedicated to the international fight against climate change. The Parliament has proposed a figure of 50%.

On the funding of carbon capture and storage (ccs), most member states said they were prepared to examine the possibility of national funding to add to investments provided by the EU and the private sector. The Parliament has proposed that 20% of the allowances reserved for new entrants to the ETS should be used to finance demonstration projects of ccs.

There is still intense debate about other issues, for example about the targets and sustainability criteria for biofuels and the use of renewable energy in buildings.

The Council of Ministers, the European Parliament and the European Commission are only too aware that agreement must be reached before the end of the year, or better, before the United Nations Climate Conference ("COP14") in Poznan (Poland) at the beginning of December. The fact that Sarkozy saved the package shows how important it is to him. Under no circumstances can he allow himself to be considered as the person responsible for the failure to adopt the European energy-climate package. He will do everything in his power to see it adopted – which means it is a fair bet that it will be adopted as planned. The question is, in what shape.

> *Climate change does not disappear because of the financial crisis*

Many NGOs wasted no time in condemning the manner in which some countries have been haggling and the selling-out of the package in order to facilitate its adoption. But that is the reality of Brussels, particularly when it comes to important legislation that will lead to major changes in the industrial sector. ■