I. Weak ambition in the past, weak ambition for the future

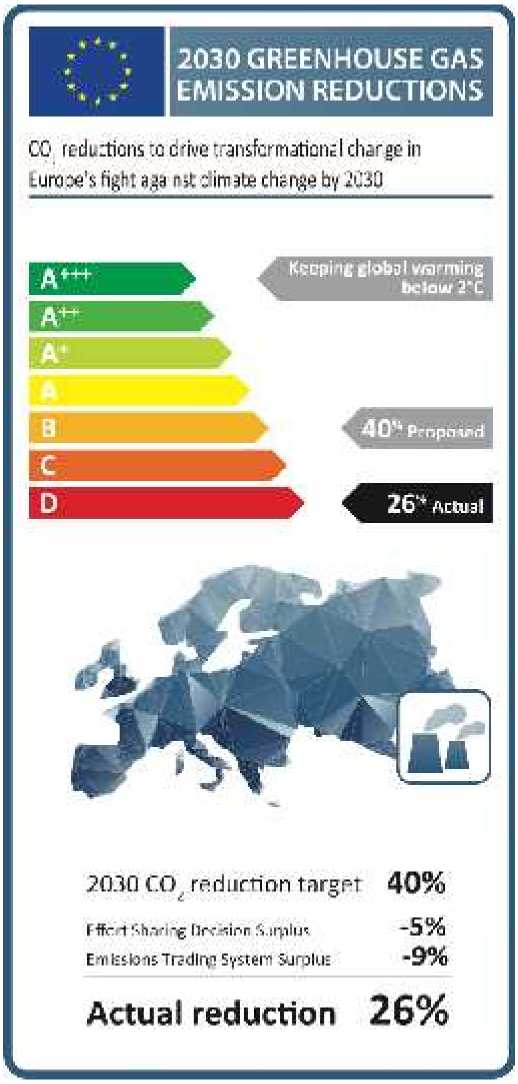
In 2007 EU leaders agreed on the climate and energy package including a greenhouse gas target, a renewables target and an efficiency target by 2020. Even though we might be tempted to qualify that package of being ambitious, compared to the current one, there have also been clear shortcomings in the 2020 objectives.

1. 40% Greenhouse gas target: doubling of cuts needed between 2030-2050

The European Union adopted the so called "2°C target" which means that Europe will contribute to avoid a temperature increase above 2°C compared to preindustrial levels. Heads of State also agreed to reduce European emissions by 80-95% by 2050. The upper end of this range ensures safe achievement of the 2°C target.

Independent researchers of the IPCC, International Panel on Climate Change, estimated that ***20% cuts in greenhouse gas emissions by the year 2020 only gives a 50% chance to reach the 2°C target***. Hence EU 2020 objectives adopted in 2007 were not consistent with long-term mitigation trajectories to limit temperature increase to 2°C.[1] It therefore recommended that developed countries, including the EU, **reduce their emissions by 40% domestically already by 2020**!

However Europe agreed on only 20% by 2020. Given this weak ambition for 2020, the future target for 2030 is not at all in line with the 2°C target even though it might appear to be on a logical pathway. ***The graph shows where Europe actually would need to be in 2030 to be on the safe pathway up to 95% emission reductions.*** It also shows where the EU will be in 2030, at only 26% instead of 40% if all the excess allowances in the ETS and non ETS sectors are included.



According to this, the proposed 40% objective reduction for 2030 is a ten-year delay of what should be achieved already in 2020. ***If an objective of 40% GHG reduction for 2030 is adopted, the average annual emission reduction will have to double in the period 2030-2050 compared to 2010-2030 to achieve 80-95% by 2050***.[2] Overall, the adoption of a 40% target for 2030 would largely ignore the

[1] IPCC, 2014: *Summary for Policymakers*, In: Climate Change 2014, Mitigation of Climate Change.
[2] *Assessing the EU 2030 Climate and Energy targets*, Ecofys 2014 by order of: Greens/EFA group in the European Parliament

work of the IPCC and rely on overly optimistic post-2030 trajectory in order to meet the final climate objectives.[3]

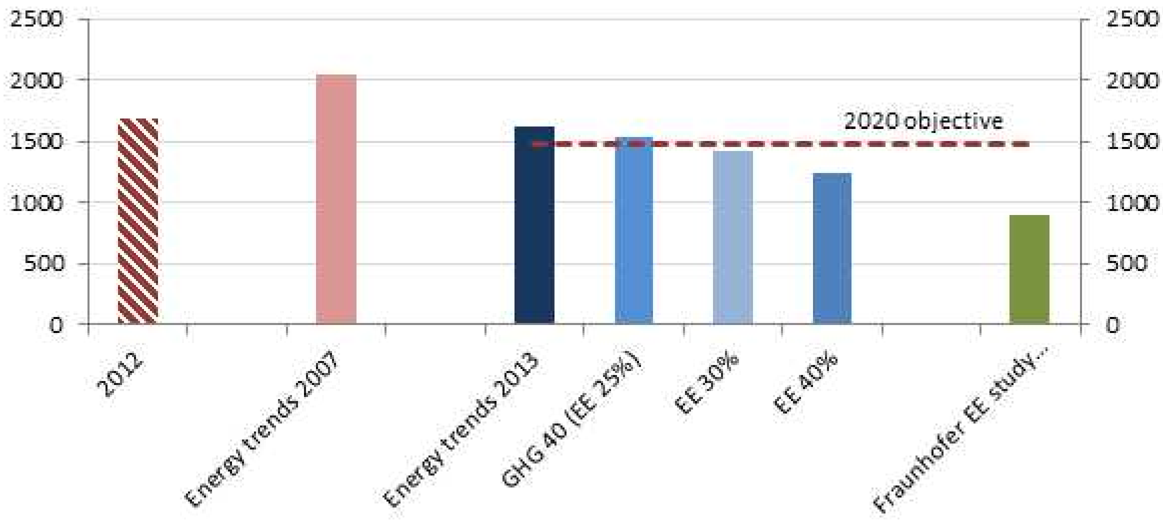
2. Energy efficiency : standstill for the coming decade

Energy efficiency has been qualified by the International Energy Agency as the first fuel and is the number one solution to our dependence on foreign fossil fuel imports from Russia or other geopolitical unstable regions. ***The EU's import bill amounted in 2013 to more than €400bn,*** or 4% of the EU's GDP.

In times of an EU-Russian gas crisis, but also an economic crisis, Europe cannot afford to give Mr Putin a blanco check worth more than ***€130bn/year***. ***However, the proposed energy efficiency targets for 2030 will not help reducing Europe's import bills.*** On the contrary they will grow and dig an ever increasing hole in EU budgets.

Europe's current energy efficiency target of 20% by 2020 has been widely achieved due to the economic break down but not due to real new energy efficiency measures. Efficiency therefore is lacking behind and needs a real boost in Europe. A 30% target (light blue bar) literally means staying on same consumption levels as in the case of the 2020 target (dotted red line). ***This confirms a complete standstill for energy efficiency deployment post 2020.***

Figure 1: Primary energy consumption levels in 2030 for different scenarios (Source: EC 2014, EC 2013, Fraunhofer 2012)



3. Renewables: more than halving the ambition compared to current production

Renewable energy production as energy efficiency gives a guarantee for reduced fossil fuel import dependency and therefore more energy security.

With the current renewables directive Europe has developed certain production volumes up to 2020. The target of 27% by 2030 as proposed in the current Council text however breaks continuity

[3] Brigitte Knopf and Oliver Geden, *A warning from the IPCC*, 26 June 2014.

and will stop any expansion of the sector. This is in complete contradiction with ***Commission President Juncker's statement about the leading role the EU should take on renewables on the world market.*** The lack of ambition however will not make Europe a number one leader but on the contrary destroy our home markets and chase European companies such as Vestas, Enercon, Gamesa or Acciona to China and other places.

*Table 1: Production levels in gross final energy consumption during period 2010-2020 and period 2020-2030 (*Source: Fraunhofer Institut ISI, 2014)

	Effort in 2010-2020	**Effort in 2020-2030** **30%RES/30%EE**	**Effort in 2020-2030** **27%RES/30%EE**
Production levels in Mtoe	106.5	76.2	45.8

II. Europe's lack of ambition guided by big business interests

There is no doubt that the economic crisis is hitting Europe since 2008/2009 and that this impacts on governments positions regarding climate change. But it is equally clear that European industry and mainly the energy intensive sectors have been working on watering down Europe's ambition to combat climate change. Key actors in this process are Business Europe and the so called Magritte Group.

1) Magritte group

The group was founded last year and had a first gathering in spring in the Brussels Magritte museum, dedicated to the Belgian surrealist artist René Magritte. GDF Suez is an official partner/sponsor of the museum.

This grouping is the result of a profound dispute within Eurelectric, the European umbrella organisation of power companies, on the future organisation of the European electricity sector. The companies do not agree on how prominent renewables should be in the future energy market. The most backward looking companies created a new lobby organisation under the leadership of Gérard Mestrallet, CEO of GDF Suez.

In its press release published ahead of last year's May Summit[4], the Magritte group calls:

- for capacity mechanisms (subsidies) for fossil fuels including shale gas and nuclear (the Commission decision on Hinkley Point C confirms this);
- against support mechanisms and research funds for renewables;
- for a single greenhouse gas target and against progressive efficiency and renewables policies;

[4] http://www.gdfsuez.com/wp-content/uploads/2013/05/PR-Call-of-eight-leading-energy-companies.pdf

The choice of these energy companies to name themselves after the surrealist painter Magritte, is more than ironic since it clearly questions the groupings climate and environment friendly claims.

As if it was to say: "*this is not a pollution*" - this is not what it appears to be.

2) Business Europe

Business Europe is the umbrella organisation of the largest EU companies, including the most energy intensive European sectors such steel, cement and chemicals.

Since the establishment of the Emissions Trading System (ETS), these ***companies have been profiting from excess free allowances of emission credits***. As a result, the so-called EU "flagship" instrument on climate rewarded some of Europe's biggest polluters with millions of carbon allowances over their needs, freely allocated, allowing them to make huge windfall profits: from 2008 to 2011, they accumulated 304 million tons of these extra allowances, almost enough to cover the annual emissions of Spain. It is estimated that these companies earned as much as ***€3.8 billion from selling their surplus allowances***, representing more than four times Europe's environment budget over the period.[5]

The largest profit-maker alone, Arcelor Mittal, accumulated 123.2 million surplus carbon allowances, followed by Lafarge and Tata. It is then not a surprise to find these companies as driving forces within Business Europe to advocate in favour of perpetuating over-allocation and free allocation patterns, undermining any attempt to reform the ETS. They also ***largely rely on over-sized compensations from national renewables support schemes*** (for example energy intensive industries in Germany benefit from 0,2 - 0,4 eurocent per kWh).

The combination of these inappropriately tailored mechanisms leads to a situation where large emitters engage as free riders to make significant benefits to the detriment of EU climate objectives.

III. Where are we going from here?

After the weak decision from Heads of State and government, progressive forces need to come back into the game again.

The Parliament adopted with a large majority in February this year three (or even four) binding targets for 2030 on 40% on energy efficiency, at least 30% for renewables and at least 40% greenhouse gas reductions as well as binding target for interconnection.[6] ***The Parliament also defended a strong governance structure including national binding targets*** in addition to EU wide targets.

[5] Carbon Fat Cats 2012, http://www.sandbag.org.uk/maps/companymap.

[6] http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2014-0094+0+DOC+XML+V0//EN

Progressive Efficiency and Renewables policies are real drivers for reinvesting into the European economy as opposed to conventional fuels. Europe spent €400bn in 2012, or 4% of the EU's GDP, on fossil fuel imports. President Juncker's proposal for a €300 billion investment programme, if it is used for energy efficiency and renewables, will be the right answer to cut expensive imports and ensure more energy security.

Therefore we need to boost the Commission's right of initiative which Commission President Juncker should fully exploit by putting forward robust legislation on the different energy and climate chapters.

The European Parliament's co-decision role in the field of climate change, renewable energy, energy efficiency and internal market should also be fully exploited even though it is not mentioned at all in the Council Conclusions. It is inconceivable that the post-2020 EU framework, highly relevant for the future of EU citizens and EU economy, would be defined without the full implication of the European Parliament, going therefore against the EU treaties and its prerogatives.

With such a weak EU compromise, those countries which have progressive views on climate and energy policies such as Germany, Denmark, Portugal and others need to work in very close cooperation. Maybe future progress will be made through enhanced cooperation mechanisms where at least those who want to make progress can do so without being blocked by old-fashioned and backward looking economies.