

**Public Hearing on "CLIMATE CHANGE - TREATY CHANGE ? Solutions for the EU post COP 21" on
Wednesday, 28th of September 2016**

Speech by Anders Stouge, Deputy Director General, Danish Energy Association

First of all thank you for inviting me to participate at this important hearing with the possibility of contributing to the panel debate on a framework for an ambitious and realistic climate policy post COP21.

Let me start with the Energy Union

One of the main objectives for the Energy Union is to develop and implement long term relations and consistency between the COP 21 objectives, and the EU's 2050 targets for decarbonisation.

Since the objective is clear, our task is to develop and secure a holistic approach that will support the COP 21 agreement to limit temperature increases to 2 degrees - optimally 1.5 degrees.

With the size of the population and economy of the European Union, we have a special obligation, and therefore it is crucial that the European Council has set a high ambition for the EU to reduce its greenhouse gas emissions by 80-95% in 2050.

To achieve this goal in a realistic way, we must all, regulators, industry and citizens, join forces for the common good, and together build a common platform to achieve this goal.

Let me make it clear I see no need for treaty amendments in the light of COP 21. The EU has sensible regulatory tools to reduce climate change – the effort sharing regulation, the Renewable Energy Directive, the Energy Efficiency Directive, the Emission Trading System and other tools.

The good news is that Europe is already on the right track in terms of making electricity production green – and right now - and in my opinion - despite a bankrupt emissions trading scheme, the main mechanism for reducing GHG emission in a cost efficient way in the member states.

However, we need to focus much more on utilizing the increasingly green electricity in the heating and transport sector (transport alone stands for more than 20% of CO2 emissions).

In that way we will be able to take a big and realistic step towards achieving both the EU 2050 goals and COP 21 goals.

But we are facing challenges.

1) The Emissions Trading Scheme (ETS) has not delivered as expected, has not driven investments in CO2 reductions over the past 5 years, and does not seem able to do it in the next 10 years. The CO2 price is currently under EUR 5/ ton CO2 and it is not foreseen to increase significantly in the years ahead.

2) The Energy Efficiency Directive has delivered energy efficiency and energy savings, but without regard to whether the energy being saved emitted CO2 or not. It promotes saving increasingly green electricity instead of fossil fuels. When it comes to CO2 reductions, The Efficiency Directive needs to have a clearer role to truly contribute to CO2 reduction.

Considering every form of energy consumption as if they are equally undesirable would be out of scope with a holistic approach. Actually, the holistic approach would fully endorse a situation with higher consumption of certain types of CO₂-friendly energy. One could say “use more to use less”. Or use more green electricity in order use less energy all in all.

3) Currently, only the Renewable Energy Directive has provided a meaningful targeted contribution to reducing GHG emissions, with most countries on track to meet their targets and the European 20 % target in 2020.

We need integration and balance between the different measures – we need to design policies to better address the horizontal challenge of GHG reduction and remove incentives that incentivize savings on clean energy while letting GHG emitting energy off easier.

Measures that work against GHG reduction must be eliminated in order to secure cost efficiently meeting our GHG target for 2050.

Finally, let me repeat an important point in the relationship between Renewable Energy Directive’s success in ensuring the expansion of renewable energy, and other directives lack of focus on exploiting this decarbonisation in other sectors.

As we expand electricity generation towards renewable energy and at the same time provide incentives to save electricity on the demand side, we create overcapacity of electricity in the market. It leads to falling wholesale prices as we have seen over the last 8-10 years throughout Europe. The declining wholesale prices mean increased need for state aid, which can cause problems for the functioning of the internal energy market. Utilizing our increased shares of renewable electricity in heating and transport, will

- 1) reduce emissions in these sectors,
- 2) support wholesale prices of electricity, thereby limiting the need for subsidies in the energy sector,
- 3) increase flexibility on the demand side, which will enable the consumer to take control of his/her energy bill.

There is a need to get better value out of renewable electricity and use it to replace emitting energy sources and carriers in other sectors.

A clear holistic Green House Gas approach for the Energy Union, is the way forward.