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Future EU Climate Change Policy

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Challenges and Opportunities for new Member States, Acceding and Candidate Countries

International Conference in Warsaw,
23 and 24 January 2006

Chairmen's Summary

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On 23 and 24 January 2006, high level representatives from 14 countries and the European Commission met in Warsaw for a two-day international conference on future EU climate change policies. Polish Minister of Environment, Prof. Jan Szyszko, opened the Conference, which was attended by about 80 participants from governments, business, NGOs and academia. Ecologic – Institute for International and Environmental Policy (Berlin) organised the conference in co-operation with the Institute for Sustainable Development (Warsaw), FIELD (London) and IVM (Amsterdam) as well as a network of international experts. The conference was sponsored by the European Commission and was the first in a series of events, intended to promote stakeholder and policymaker dialogue on this very important issue within New Member States (NMS), Accession Countries (AC) and Candidate Countries (CC).

R. Andreas Kraemer, Director of Ecologic, and Andrzej Kassenberg, President of ISD, chaired the event. A press conference with Minister Szyszko, Jos Delbeke (DG Environment, Director) and the conference chairmen was attended by about 20 representatives of the Polish media. The following chairmen's conclusions do not constitute a binding or exhaustive summary of the discussion.

The conference addressed a wide range of issues pertaining to future EU climate change policies and the implications for the NMS, AC and CC. The discussions were extensive, lively and open. The conference was held against the background of COP 11 which took place in December 2005. This COP started an international process to discuss long-term co-operative action to address climate change.

Participants agreed that climate change poses a great threat to economies, societies and the environment alike. There was general agreement that successful climate change policies require further cuts in greenhouse gas emissions world-wide. While participants stressed that NMS, AC and CC are on track to meet their reduction targets under the Kyoto-Protocol, it was generally agreed that NMS, AC and CC are ready to accept further cuts in greenhouse gas emissions. Many participants underlined that the reduction of greenhouse gas emissions offers a range of opportunities to enhance economic development. It was stressed that the benefits of decreased fossil-fuel dependency and greater energy efficiency include: fuel cost savings; decreased exposure to volatile fossil fuel prices; health-related benefits; and new employment opportunities. Participants underlined the crucial importance of integrating climate change policies into sectoral and regional policies.

Discussions touched mainly upon the following issues:

- **General role of new Member States in EU climate policy**

Despite the fact that NMS, AC and CC will meet their reduction targets under the Kyoto Protocol, participants agreed that greenhouse gas emissions from these countries are likely to increase in the future, due to anticipated economic development and increasing traffic. Although the expected economic growth in the NMS might narrow the existing economic gap

between the NMS and the old Member States, there was general agreement that many differences between old and new MS will continue to exist and will require different solutions.

Several participants argued that, for this reason, NMS still tend to perceive themselves as being separate from the EU. They should develop a more pro-active approach towards membership.

Public awareness on climate change issues was generally perceived to be low in the NMS, AC and CC, although a recent Euro-Barometer survey indicated a high level of public awareness in the NMS of air pollution.

- **Need for developing and evaluating options for long-term strategies**

Participants agreed that it is high time for a debate in NMS, AC and CC on long-term climate change strategies. However, the implementation of the EU ETS and other climate change related issues absorbs most of their resources. Therefore some participants raised concerns over the EU plans on broadening the ETS and integrating other sectors e.g. traffic.

It was a generally accepted view that the scientific understanding of global warming is improving quickly. In contrast, economic studies on mitigation potentials and their associated costs and benefits are scarce, in particular for the NMS, AC and CC. These economic data would be helpful for establishing mitigation policies. Participants noted that the data presented at the Conference marked a promising start.

- **Institutional capacity and stakeholder involvement**

It was argued that NMS, AC and CC continue to lack the capacity to develop and implement climate policies. Few resources are allocated to this field as other policy issues have a higher political priority. Several participants stated that strengthening capacity does not only mean employing more resources, but also making better use of existing resources and knowledge. In this context, the discussion revealed that the term “capacity building” requires a clear definition. Furthermore, all relevant stakeholders should be fully involved in debates on implementation as well as in the debate on long-term objectives and strategies. This will enhance public endorsement of climate policies, but also improve their quality.

While not denying the need for additional resources, some participants argued that with regard to climate policy measures, better use could be made of existing funds, such as EU structural funds. However, attention was drawn to the fact that requirements for national co-financing constitute a major obstacle.

It was also said that current EU funding is partly contributing to increases in GHG emissions from the NMS. Some participants stressed that investments in motorways further encourages the use of private transport, while the railway system does not equally benefit from funding. Furthermore, energy efficiency projects have not been a main focus of structural funds. Unless funding priorities are shifted, some participants argued the NMS are likely to repeat

the examples of Greece, Ireland, Portugal and Spain where a large increase of GHG emissions took place when these countries started receiving EU funding.

- **Raising awareness, showing benefits**

There was agreement that awareness raising for climate change among the general public, as well as policy-makers and business in the NMS, AC and CC is crucial. The climate change debate should be clearly linked to the aspects that really affect people's everyday life, such as energy bills, the above mentioned air pollution and business opportunities. Also for this purpose, the economic benefits of climate change policies for companies as well as individuals should be clearly spelled out.

- **Energy efficiency**

It was agreed that improved energy efficiency should be a priority for climate change mitigation strategies in the short- and medium-term. It was pointed out, that on average, the NMS, AC and CC consume twice as much energy per unit of GDP than the EU-15. Consequently, it was uncontested that NMS, AC and CC have greater potential for addressing energy efficiency relatively cheaply than the EU-15. The potential for improving energy efficiency lies with industry, but also housing. However, house owners usually lack the necessary financial resources. Apart from potentials for removing inherited inefficiencies of energy use, attention must also be paid to new challenges, such as unnecessary energy use by standby functions of electric appliances.

- **Research and development**

Various participants stated that the potential of research and development for combating climate change has not been fully exploited, in particular in the field of energy efficiency. Some participants argued that the funds allocated for energy research in the 7th EU Research Framework Programme do not reflect the importance attributed to it by institutions such as the International Energy Agency (IEA). It was alleged that spending on research into climate-friendly technologies is far higher in the USA. Other participants pointed out that the US and the EU calculate funds for R&D for climate-friendly technologies on a different basis. It was also stated that research on adaptation must be included into national research programs and effectively implemented as soon as possible.

- **Transport**

Participants argued that Central and Eastern European Countries (CEE) – given their share in public transport - have one of the most energy-efficient and climate-friendly transport systems in the world. However, many participants stated that transport infrastructure and services are being neglected today, making public transport in many cases not a competitive option. Due to the modal shift to individual car transport, the energy intensity of passenger

transport has increased considerably in most CEE countries since 1990. Various participants were concerned that transport will “eat up” results of mitigation efforts in other sectors.

- **Renewable energy**

It was agreed that there is a vast potential for energy from biomass in the new Member States. However, participants said that the current legislative framework does not always provide the right incentives. Furthermore, current EU policies were criticised in that they have been shaped in the light of the conditions in the EU-15 concentrating on renewable electricity, while in the new Member States important potentials for biomass do not lie in electricity generation but in the heating sector.

- **Scenarios and options for a second commitment period**

As business needs long-term certainty for investments, it was generally agreed that any future regime should provide a stable framework for the years to come and should not require significant changes or time-restrictions. Participants agreed that the rules and frameworks should be as simple as possible to minimise transaction costs.

Participants voiced the opinion that targets are crucial for any future regime. It was argued that technology or intensity targets alone will not be sufficient. In fact, binding emission caps as well as penalties for non-compliance seem to be essential for successful future climate regimes. Voluntary measures are complementary in this respect. It was also argued that countries should adopt concentration targets and then agree on the respective burden for individual countries, according to historical emissions as a possible criteria.

Regarding possible commitments for developing countries, there seemed to be consensus that these should not be treated as “one block”. It was consequently argued that a menu-approach could be the right tool to broaden participation. A future regime should also provide incentives for individual citizens to accept their responsibilities and adapt their behaviour.

Participants discussed various possibilities to enhance the process towards further long-term co-operative action, notably:

- The Kyoto-Protocol is only a first step. But this first step has to become a success-story to convince other players to further and broaden this process by establishing more ambitious goals. The creation of a world-wide carbon market, consistent application of the principle of common but differentiated responsibilities, inclusion of other major emitters, development and deployment of technologies will play crucial roles in this respect.
- In globalised sectors, agreements between companies on climate friendly measures might be helpful.
- Past processes which were seen to achieve their objectives – such as the Montreal Protocol – should be analysed regarding their success factors and in how far these triggers could also be used in the climate regime. E.g., establishing

links between business- and NGO-supporters of the process could contribute to its success.

Participants discussed in detail, the possibility of a burden sharing arrangement in light of future EU commitments. It was argued that burden sharing issues are actually a question of equitable distribution. In this context, the participants agreed that the criteria for fair distribution differ depending on the actors involved. When distributing the burden within the EU, the allocation of benefits (including avoided damage) and vulnerability should be taken into account. Participants stated that the distribution of burden between the trading and non-trading sector will be another crucial challenge.