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## WHAT THE PARIS AGREEMENT MEANS FOR THE EU ENERGY UNION INITIAL ANALYSIS AND TALKING POINTS

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*“Today we celebrate. Tomorrow we have to act. This is what the world expects from us.”*

- Miguel Arias Cañete, European Commissioner for Climate and Energy, 12 December 2015

### Summary

The Paris Agreement demonstrates a new global **cooperation** on climate change with all countries agreeing to progressively ramp up ambition to decarbonise and build climate resilience. This gives both **clarity** on direction of travel in the global energy transition and increases **confidence** that commitments will be met.

Europe is **no longer going it alone** on climate change and clean technology: all countries have committed to decarbonise their economies.

The resulting increase in global clean energy deployment will **lower technology costs** (making these options cheaper in the EU and internationally) and create a significant **market opportunity** for European firms.

The heart of the Paris Agreement is **the ambition mechanism** by which progress towards 2°C is reviewed every 5 years and countries encouraged to increase ambition in mitigation commitments to make up the shortfall.

Immediate **priorities** after Paris for the EU Energy Union include:

- Reviewing and strengthening the **EU’s 2030 targets** and its **trajectory to 2050** in light of the Paris Agreement.
- Implementing the **ambition mechanism** in EU and national legislation.
- Implementing **energy market, finance, governance and infrastructure reforms** to help deliver the energy transition.



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## Key elements of the Paris Agreement

- A **legally binding framework for all countries** to cut carbon emissions
- To reach **greenhouse gas emission neutrality** in the second half of the century
- To keep global temperature increase **well below 2°C** and to pursue **efforts to limit it to 1.5°C**
- To **review progress** every 5 years and **raise ambition** towards meeting the long term temperature goal, starting with a review in **2018**
- \$100 billion a year in **climate finance** for developing countries by 2020 and a commitment to further finance in the future
- Support to help vulnerable countries deal with **climate damages**

## What the EU Energy Union needs to do following COP21

### Immediate response

First, the EU will need to **ratify** the agreement. The **European Council** will have a first discussion of COP21 outcomes on 17-18 December 2015. The **European Parliament** will discuss COP21 outcomes in its Strasbourg plenary on 15 December 2015. The Council and Parliament should:

- Recognise the unprecedented global agreement and common direction for all countries to take action.
- Endorse the Paris Agreement and commit to swift implementation of its outcomes into EU law.
- Agree a clear timetable for taking the Paris Agreement forward, including reviewing 2030 and 2050 targets, and building the dynamic ambition mechanism into the ETS and ESD legislation.

### Enacting and implementing the Paris Agreement

The EU will need to enact both the **outcomes of the Paris Agreement** and its **greenhouse gas targets** in its INDC into legislation. The heart of the Paris Agreement is the ambition mechanism by which progress towards the meeting 2°C limit is reviewed every 5 years and countries encouraged to increase ambition in mitigation commitments to make up the shortfall. As the key advocate of this part of the Agreement the EU must ensure this dynamic logic is reflected in its legislation implementing the 2030 package – particularly the Emissions Trading Scheme (ETS) Directive and the Effort Sharing Decision (ESD). Actions should include:

- Review **the EU's indicative long term goal of 80-95% reductions by 2050** – and how it is implemented in the EU Emissions Trading Scheme and the Effort Sharing



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Decision - to make it compatible with that of the Paris Agreement, particularly including the objective of keeping temperature rises “well below” 2° C and recognising the importance of the 1.5°C limit.

- Operationalise the "at least" provision of the “at least 40%” **EU 2030 GHG target** by reviewing the least cost EU emissions reduction pathway in 2017 as input to the first review of mitigation efforts scheduled for 2018. By 2014 the EU had achieved 23% GHG reductions compared to 1990 levels (well in excess of its target for a 20% reduction by 2020) – suggesting that a stronger pathway is feasible.
- Include the ability to increase country targets in **ETS and ESD** on a pro-rata basis based on any revision of the EU's overall target. The 5-year INDC review timetable means that more efficient alternatives need to be found than reopening the entire ETS and ESD packages every time an upwards revision is needed.
- Prepare a **revised Nationally Determined Contribution (NDC)** for submission under the Paris Agreement by the end of 2019. The Paris Agreement notes that *“much greater emission reduction efforts will be required than those associated with the intended nationally determined contributions in order to hold the increase in the global average temperature to below 2°C.*
- Ensure the proposed member state **National Energy and Climate Plans** are designed to include a mechanism for increasing ambition and are fully aligned with the Paris Agreement review timelines. This means the first plans should be produced to align with the review of mitigation efforts in 2018, and subsequent upwards revisions should align with the 5-year INDC review timetable.

### **Taking the Paris Agreement outcomes forward in the Energy Union**

More broadly, the Paris Agreement gives a strong impetus for global clean energy investment. To deliver its emissions cuts cost-effectively and to take advantage of these new opportunities, the EU's Energy Union agenda should also implement:

- **Reforms to its energy markets** through the new market design proposals (planned in 2016) to: prioritise demand-side measures over new supply, reward flexibility, and drive out the most polluting sources (particularly coal) to create space in the market for new clean investment.
- **Reforms to financial markets** – including through the Capital Markets Union proposals, to address carbon bubble risks and avoid stranded assets.
- **Reforms to its energy governance** system (planned to be further developed in 2016) to give investors confidence to put their money into clean investment and out of high carbon investment.



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- **Reforms to its infrastructure policies** (including the Projects of Common Interest and EU budget spending) – to ensure everything we build is in line with the Energy Union and climate change objectives, and to phase out fossil fuel subsidies.
  - **Reforms to the its Energy Diplomacy and Security Strategies** to ensure Europe's energy diplomacy is aligned with its climate diplomacy. This renewed diplomatic effort should focus on: maximising the impact of EU climate financing on delivering INDCs; driving up ambition for next 5 year review; driving climate mainstreaming in international financial institutions and the G20; and achieving clean energy cost reductions through development of global supply chains, open trade and coordinated research and innovation.