

A Policy Framework for Climate and Energy in the Period from 2020 to 2030

FORATOM Response to the EC Communication

The European Atomic Forum (FORATOM) is the Brussels-based trade association for the nuclear energy industry in Europe. The membership of FORATOM is made up of 16 national nuclear associations and through these associations, FORATOM represents nearly 800 European firms.

On 22 January 2014, the EC published “A Policy Framework for Climate and Energy in the Period from 2020 to 2030”. This paper outlines the views of Europe’s nuclear energy industry in response to the proposals, highlighting the positives and the missed opportunities in the Framework.

Key messages

- The nuclear industry supports a single target for 2030: a 40% reduction in greenhouse gas (GHG) emissions.
- More emphasis should be placed on investment enabling measures for all low-carbon technologies.
- The EU Emission Trading Scheme (ETS) is not working as intended. Backloading emission allowances and a more robust market stability reserve are needed.

A starting point to creating a level-playing field

- FORATOM welcomes the European Commission proposal for a 40% GHG emissions reduction target for 2030, which will keep the EU on track to meeting its 2050 decarbonisation objective.
- A single low-carbon target, and the proposed Governance Structure offers flexibility to Member States to choose the energy mix most suited to their national circumstances.

This should allow those that have expressed the intention to build new nuclear power plants to proceed and others to follow this option if they so wish.

- However, reducing GHG emissions by 40% to 2030 can happen only if a sufficient and sustained carbon price signal is sent to generators and the economy as a whole. FORATOM therefore welcomes the Commission initiative to improve the EU ETS in this perspective.
- In view of the uncertainty over achieving a future global climate agreement in 2015, the EU should try as much as possible to limit the cost of its own climate policy in order to preserve its competitiveness.

The Communication is a missed opportunity on low-carbon technology neutrality

- The 2020 targets for both GHG reduction and renewable energy deployment have led to higher costs and inefficient outcomes. Inconsistency between GHG policy and RES policy has resulted in a high cost per tonne of CO₂ avoided, and contributed in part to the collapse of the ETS price.
- FORATOM acknowledges that the Commission has reflected on this, as demonstrated by the report on energy prices and costs in Europe depicting the EU energy system costs. The 2030 framework proposal outlines the need for evidence-based energy and climate policies reflecting total system costs.
- Renewables (and energy efficiency) should not have specific targets but instead be considered, alongside other low-carbon technologies, as important instruments contributing to achieving the objectives of emissions reduction, security of supply and competitiveness.
- In this respect, the announced “key indicators” will have to be carefully designed to allow for a fully-informed approach of energy policies in the Member States.
- Nuclear power is a significant contributor to limiting GHG emissions and currently provides around 55% of the EU’s low-carbon electricity. The Commission’s comment that renewables bring “significant benefits in terms of energy trade balances, reliance on indigenous energy sources, jobs and growth” applies equally to nuclear energy.

The need for other incentives

- The EC’s reliance on completion of the internal energy market, coupled with amended Public Intervention criteria mainly focused on subventions for renewables and network

upgrades required to cope with the resulting intermittency, will be insufficient to encourage the major investments needed in low-carbon electricity generation.

- The EC needs to place more emphasis on enabling measures for low-carbon investment. Such measures include long-term contracts, shared ownership take-off schemes, contracts for difference with competed strike prices, and EIB loans or the Structural Funds being applicable to nuclear investments as well as to “renewables, energy efficiency, low-carbon urban transport and smart grid solutions” as quoted in the EC Communication.

Emissions Trading Scheme

- Emissions from the electricity sector represent around 36% of global emissions in the EU. The power generation sector can efficiently contribute to Europe further decarbonising at both reasonable cost and without damaging the EU’s competitiveness.
- The ETS is the preferred instrument to spur low-carbon investments and if working as envisaged, is the instrument best placed to ensure avoiding market fragmentation. Moreover, the ETS helps ensure technology neutral carbon pricing, i.e. a level-playing field for all low-carbon technologies.
- Due to economic stagnation there is a lower than expected demand for energy and as a result of the interaction between current EU energy policies, the ETS is not providing expected investment incentives.
- The current ETS price is not sufficient to discourage unabated fossil fuel generation. Even with the 2020 renewables target, EU Member States are still reliant on coal due to its current low price and the low CO₂ emission price. This trend will continue to have a negative impact of locking-in Member States to a reliance on fossil fuels.
- It is necessary to fix the ETS both by means of backloading emission allowances and with a more robust market stability reserve.
- At the EU level, Member States should agree quickly on future action. This will give a clear signal of long-term commitment to all stakeholders and encourage investment in low-carbon energies.
- Until the ETS operates as was originally envisaged, some Member States might wish to set their own national carbon floor prices.

Conclusions

- EU energy policy for 2030 should be built upon the three pillars of sustainability, competitiveness and security of supply.
- The electricity market should reflect the real cost of delivering each type of low-carbon electricity to the consumer, i.e. the full system cost, including transmission, distribution and back-up when necessary. Nuclear has a net advantage over other technologies that cannot provide continuous supply of electricity.
- The 2030 Framework should enable all low-carbon technologies – renewables, nuclear and Carbon Capture and Storage – to compete fairly on price without technology specific subsidies, or taxes and levies, thus achieving emissions reductions in the most cost-effective way and promoting industrial competitiveness. Hence the potential contribution of nuclear energy should be recognised.
- Security of energy supply is enhanced by diversity, which avoids over-reliance upon intermittent sources.
- To accommodate for the long-term and capital intensive nature of low-carbon generation – including nuclear –, long-term contracts, contracts for difference, shared ownership/take-off schemes, or other viable market models should be enabled.
- The ETS is not working as intended and needs to be adjusted rapidly to deliver an effective carbon price. Until the ETS provides an effective stimulus for investments in low-carbon electricity generation, some Member States may wish to fix a national carbon floor price.