

## **EIUG position on EU Targets for 2020**

The EU has now committed itself to a 20% cut in greenhouse gas emissions by 2020 (relative to 1990 levels) and to a 30% cut in the event that other blocs are prepared to make similar commitments.

In view of the failure of most of the EU 15 to reduce emissions in line with their Kyoto commitments, and their related failure to expand the use of renewable energy in line with internal collective targets, it is not unreasonable to express scepticism about the practicality of these commitments. The targets are technically achievable, but at a cost which may turn out to be higher than a number of member states are willing to pay.

A number of factors, some of which are currently unclear and/or undecided, will determine whether these commitments threaten the continued presence of energy intensive industries in the UK, or whether they can realistically be achieved without seriously compromising competitiveness. Some of these factors are listed below:

1. The degree of equity within the EU burden sharing agreements, i.e. the extent to which the UK's commitments exceed that of our EU competitors.
2. The extent to which the costs of meeting the UK targets are likely to fall on energy intensive industries or other parts of the economy.
3. Whether significant progress is certain to be achieved in liberalising continental energy markets, which may lower the underlying cost of energy, so increasing the extent to which industry can withstand additional environmental costs.
4. Whether member states such as Germany, Belgium and Sweden succeed in reversing current policies to prematurely phase out low carbon nuclear power.
5. Whether the commitments are conditional on other targets (to improve energy efficiency, increase use of bio fuels, etc.) being achieved.
6. The extent to which the UK and other EU states are able to take advantage of flexible mechanisms, including in clean development investment outside the EU and the purchase of emissions credits on the international market.
7. The extent to which non-EU Kyoto signatories, the USA, China and other major developing countries commit to some form of emissions constraint post 2012.

The last point is of critical importance. Exporting industrial production from the UK will do nothing to reduce global emissions – and in certain circumstances might even increase them. For this to be avoided, UK industry must be able to compete on a level playing field within the single European market, and Europe as a whole must ensure an appropriate balance between its desire to provide leadership on climate change issues internationally and the need to preserve a competitive industrial economy at home.

EIUG is therefore inclined to reserve judgement on the EU targets until we have greater clarity – especially over factors 1 and 2 where the UK government's position will be of key importance. We hope to be able to support these commitments in due course, subject to reassurance on some or all of these issues listed above.