



DANISH MINISTRY OF
CLIMATE, ENERGY AND BUILDING

Commissioner Günther Oettinger
European Commission
200 Rue de la Loi
B – 1049 Brussels

Commissioner Connie Hedegaard
European Commission
200 Rue de la Loi
B – 1049 Brussels

Stormgade 2-6
DK-1470 Copenhagen K
Denmark
Tel +45 3392 2800
Fax +45 3392 2801
kebmin@kebmin.dk
www.kebmin.dk

Green Paper on a 2030 framework for climate and energy policies

Minister

Dear Commissioner Oettinger and Commissioner Hedegaard,

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Reference is made to the Commission's green paper "*A 2030 framework for climate and energy policies*" and the public consultation launched 27 March 2013.

The Danish government warmly welcomes the Commission's green paper. Setting ambitious binding 2030 targets for reduction of greenhouse gas emissions, use of renewable energy and energy efficiency in the European Union is crucial.

The transition to a competitive low-carbon economy in Europe is important as it drives sustainable growth and innovation, increases energy efficiency and the use of renewable energy and reduces our dependence on imported fossil fuels. It creates jobs, enhances competitiveness and improves air quality and health.

Clear and credible signals to our industry, business community, investors, public decision makers and other stakeholders are needed as they provide long-term certainty towards a competitive low-carbon economy. This is particularly important for the electricity sector, with its very long investment cycles.

Ambitious binding EU targets in 2030.

The Danish government finds it very important that the EU decides on a binding target for reducing greenhouse gas emissions by 2030 well in advance of the UNFCCC climate conference (COP 21) in Paris in December 2015. Limiting global warming to two degrees as compared to pre-industrial levels and realizing the EU objective of reducing greenhouse gas emissions by 80-95 percent by 2050 should guide short-, medium- and long-term EU energy and climate change policies.

On this basis, the Danish government is positively inclined towards the targets for 2030 reflected in the Commission's green paper concerning:

- A binding target for reducing domestic EU greenhouse gas emissions by 40 percent in 2030 compared with 1990.
- A binding renewable energy target of 30 percent in 2030.
- An energy efficiency target for 2030 in light of the evaluation in 2014 of the Energy Efficiency Directive. This target should also be binding.

Strengthening the ETS both before and after 2020.

In parallel to the need for agreeing on targets for 2030, the EU's greenhouse gas reduction target in 2020 should be increased unilaterally from 20 percent to 30 percent compared with 1990. The European Emission Trading Scheme (ETS) should be permanently strengthened by deciding on a structural reform that is considered necessary to restore the credibility of the ETS as the main instrument amongst the EU's climate change policies enabling the green transition in the EU.

The Commission's report on "*the state of the European carbon market in 2012*" documents that a huge surplus of emission allowances has built-up in the ETS due to overallocation and furthered by extensive use of external credits from projects carried out under the flexible mechanisms of the Kyoto Protocol. The best way to strengthen the ETS would be to permanently cancel a large number of emission allowances before 2020 to align the system with a binding target for reducing the EU's domestic greenhouse gas emissions by 40 percent in 2030 compared with 1990 and with the long-term objective of reducing the EU's greenhouse gas emissions by 80-95 percent in 2050 as compared to 1990.

Options for changing the architecture of the climate policy framework.

The Danish government asks the Commission to analyse the pros and cons of the following options for changing the architecture of EU's climate policy framework and for strengthening the ETS:

- To introduce in the short term a price mechanism as a possible measure to alleviate the current lack of investment incentive provided by the ETS.
- A long-term extension of the scope of the EU ETS to other sectors, i.e. the option of including all energy consumption in the ETS after 2020 and various alternative criteria for distributing the required effort in non-trading sectors between Member States.

The Danish government's ambitious domestic policies.

The Danish government is determined to advance the green agenda. The government programme sets out ambitious energy and climate related targets:

- By 2050 the Danish energy supply should be based on renewable energy sources
- Already in 2035 the Danish electricity and heat supply should be based solely on renewable energy.
- It is furthermore the aim to reduce Denmark's greenhouse gas emissions by 40 percent in 2020 compared to 1990 levels.

Last year in March, a broad majority in the Danish Parliament agreed on a historic new Energy Agreement with a wide range of ambitious initiatives that put Denmark on track to meet these objectives. Up to 2020 significant investments will be made in energy efficiency, renewable energy and the energy system, estimated to result in 50 percent of Danish electricity consumption

being supplied by wind power and more than 35 percent of final energy consumption being supplied from renewable energy sources by 2020.

The final position of the Danish government on the ambition level and architecture of the EU's future energy and climate policy framework towards 2030 will be established when there is more certainty about the potential economic impacts for Denmark. Denmark will insist on a fair distribution of efforts among Member States.

Hence, it is of vital importance that the architecture of the EU's future climate policy framework and the burden sharing of efforts between trading and non-trading sectors as well as the criteria used for distributing the required effort in non-trading sectors between Member States takes into account Denmark's massive expansion in the use of renewable energy, primarily reducing emissions in sectors currently covered by the ETS

I look forward to discuss this very important topic further with you both and with my colleagues in the Member States and urge you to advance the matter and bring forward concrete proposals for a 2030 framework as well as a structural ETS-reform by the end of this year.

Yours sincerely

Martin Lidegaard