Post-2020 EU Climate Change Policy

Second meeting of the CEPS CCMF Task Force

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Lesson Learned (1) - Context

There are indeed significant differences:

- Political consensus
- Economic recession
- Expanded community

But also...

- Greater insight on mechanism
- Stronger sense of urgency over the issue
- Greater role of non-governmental stakeholder (industries and NGOs)

The task at hand is more difficult but there is a better chance of doing a good job
Lesson Learned (2) - Uncertainty

Uncertainty is significant:
- Outcome of international negotiations
- Economic and/or financial crisis
- Fossil fuel price forecasts
- Disruptive technologies

Interesting tools have been/being developed for dynamic public policy management:
- Enhancement of ex-post public policy evaluation
- Development of hybrid systems (volume+price mechanisms)
- Establishment of clear “rules of the game” (i.e. engagement principles) among “players” (i.e. stakeholders) including:
  - Predictability
  - Transparency
  - Accountability

We are getting better at planning for uncertainty
Lesson Learned (3) – Policy interaction

A number of interactions within the policy arena did not receive sufficient attention including interaction between:

- Policy objectives
- Policy tools pursuing the same objectives
- Policies being pursued in different countries

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The policy design process should learn more from past lessons while mechanisms should be sector specific
Lesson Learned (5) – Market vs Regulation

Policy measures should be differentiated by target sector:

✅ **Market based approach** should be aimed at sectors characterised by large players with complimentary measures aimed at correcting for non-economic barriers causing market failure

✅ **Command and control approach (regulation?)** should target highly fragmented sectors with a mix of standards and incentives

The economic sustainability of policy implementation should be explicitly dealt with:

- Costs should be clearly and transparently “estimated”
- Alternative funding sources should be evaluated

Policy differentiation and economic sustainability should play a much greater role in policy development
Objectives

The multiple objectives of Climate & Energy policies should be clearly defined, they may include:

- GHG mitigation
- Security of supply
- Reduction of local pollution
- Employment
- Industrial efficiency/ competitiveness
- Green investments

Single EU CO2 target can tackle all of the objectives through careful design as long as sustainable achievement paths are established and clear indicators are defined and monitored.

Clarity needs to be introduced in terms of objectives and sustainable paths for their achievement.