

The EC package on the energy and climate framework - Target and coordination

A power industry perspective

CEPS Carbon Market Forum

Bruxelles, January 27th, 2014

Daniele Agostini

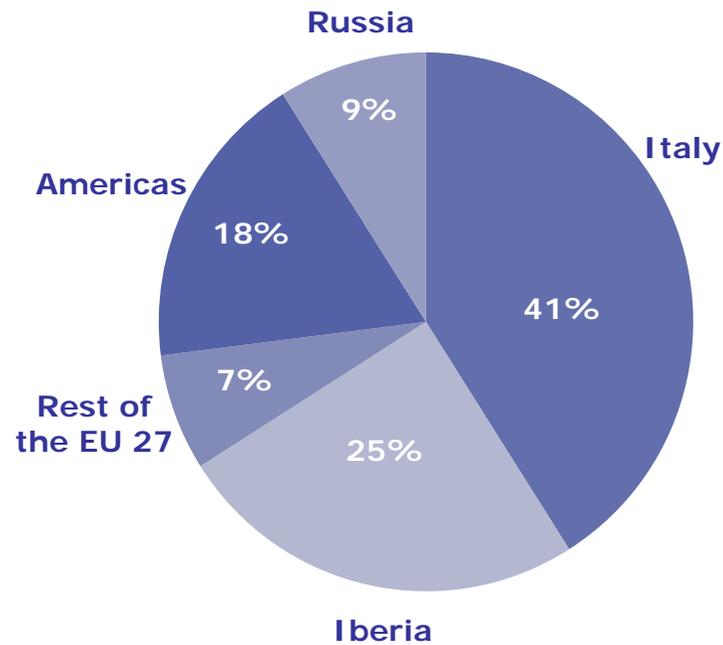
Head of Low Carbon Policies and Carbon Regulation

Enel Holding

Enel today – Diversified asset base

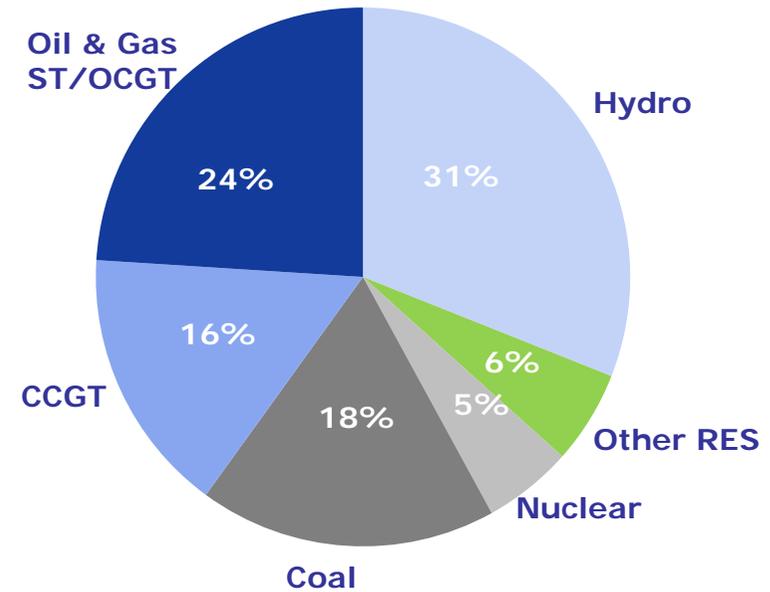
Installed capacity by geography

Total installed capacity 2012
97.8 GW

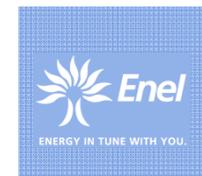


Installed capacity by technology

Total installed capacity 2012
97.8 GW



37% of Enel installed capacity is low carbon



2030 framework for EU climate and energy policies

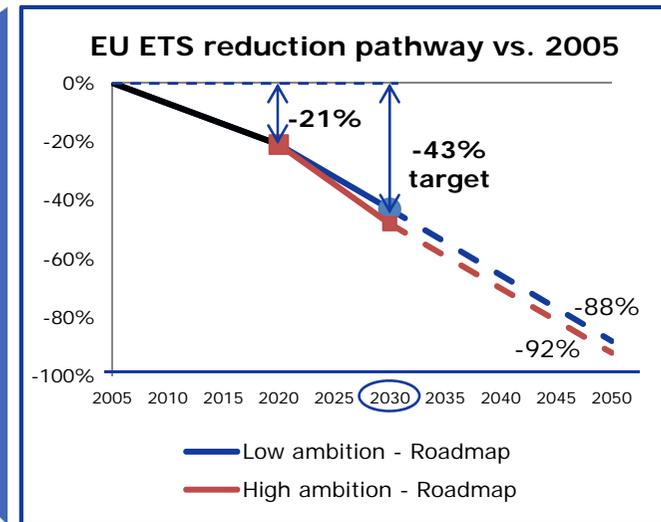
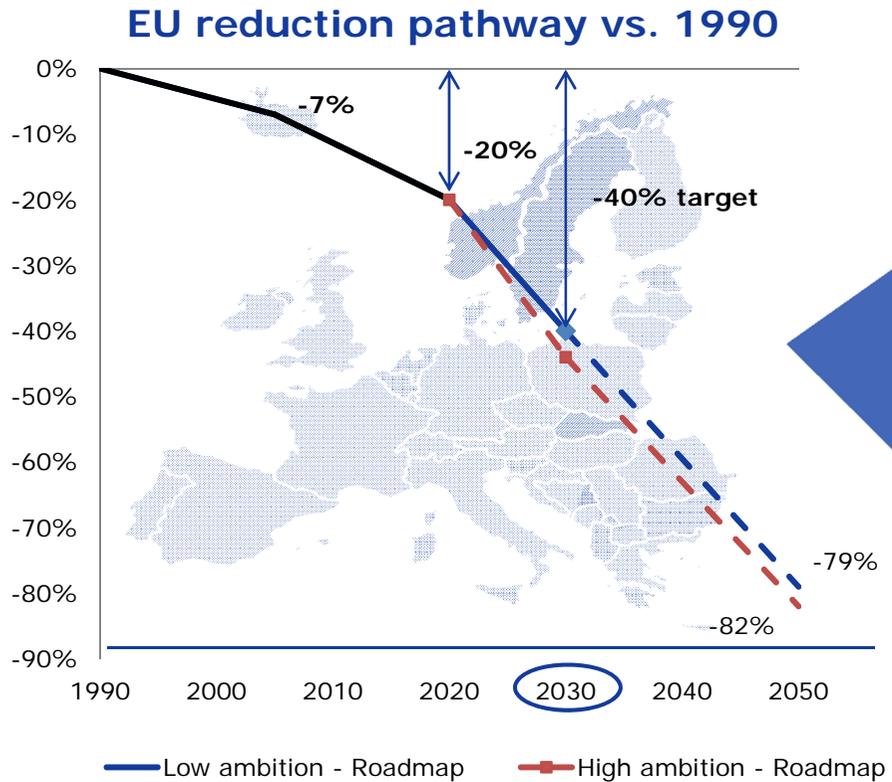
Contents and Enel Group positioning

	<u>Content</u>	<u>Description</u>	<u>Enel view</u>
<div data-bbox="197 520 562 735" style="background-color: #003366; color: white; padding: 10px; border-radius: 15px;"> <p style="text-align: center; margin: 0;">EC Communication on Climate and Energy Policies for 2030</p> </div>	1. A binding target for CO₂ emission reduction of 40% by 2030 (vs. 1990)	<ul style="list-style-type: none"> Equivalent to -43% for ETS sectors and -30% for non ETS (vs. 2005) 	✓
	2. A RES binding target at EU level of 27% by 2030 (as a share on energy consumption)	<ul style="list-style-type: none"> The binding RES target at EU level does not require targets at the member states level after 2020 	✗
	3. No target for energy efficiency	<ul style="list-style-type: none"> Ref. ongoing review of the E.E. Directive 	✓
<div data-bbox="197 1067 562 1283" style="background-color: #003366; color: white; padding: 10px; border-radius: 15px;"> <p style="text-align: center; margin: 0;">Legislative proposal for a Reserve mechanism in the EU ETS</p> </div>	<ul style="list-style-type: none"> A “Reserve mechanism” for the EU ETS from 2021 	<ul style="list-style-type: none"> A supply-side automatic adj. mechanism to improve the system resilience to major shocks 	✓

A fairly positive assessment of the Package

40% CO₂ emission reduction by 2030

"Just enough" to stay on the path of the 2050 Roadmap

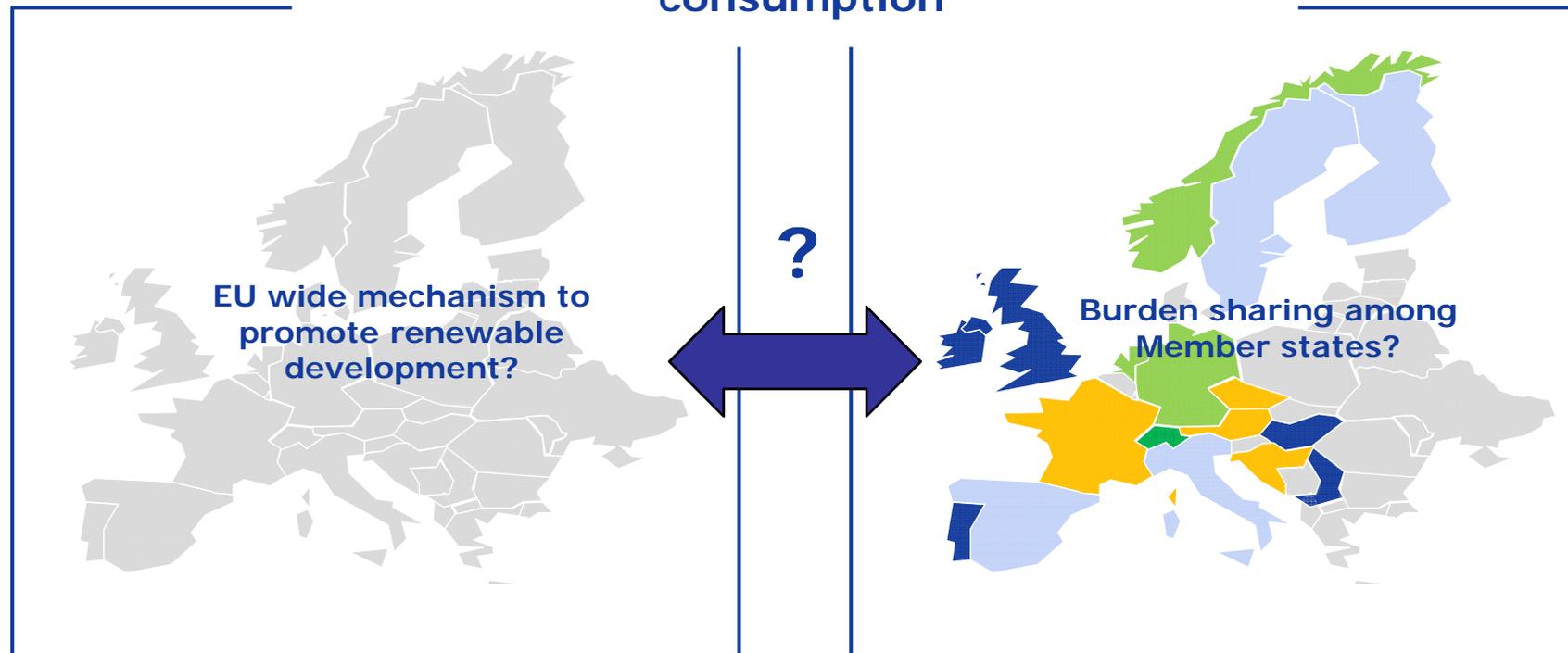


Limited ambition within a context of technological and international uncertainties

Binding RES targets by 2030

Searching for a transparent and clear framework

27% share of renewable energy consumption

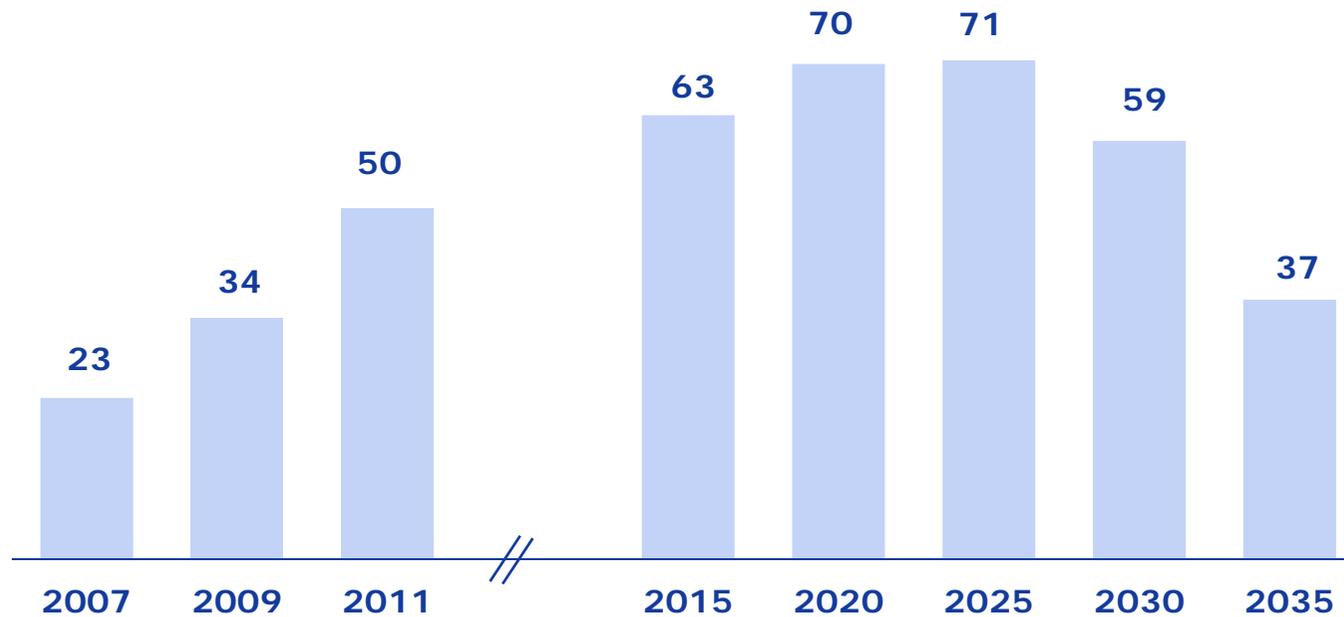


What will the future bring?

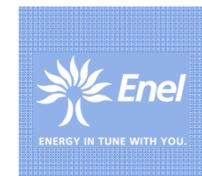
Binding RES targets by 2030

The path ahead

Europe - Total RES incentive costs (Bn €)



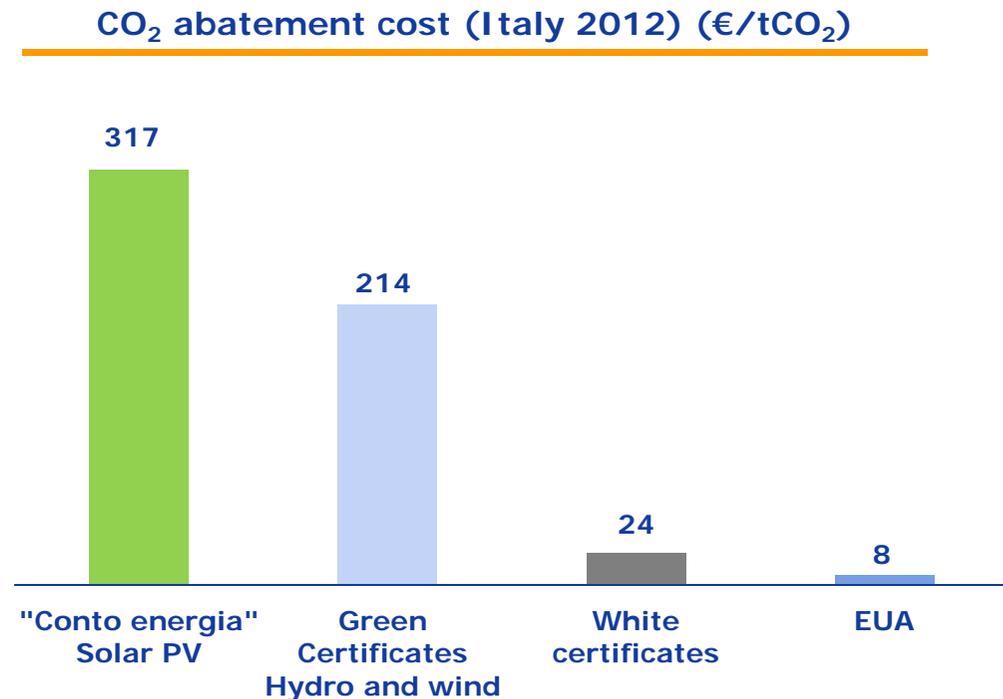
Do RES binding targets imply economically sustainable incentives?



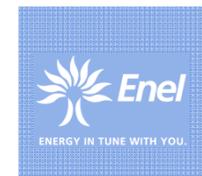
Binding RES targets by 2030

Ensure cost efficiency and undistorted competition

- Setting high levels of RES production subsidies have promoted **high cost CO₂ abatement technologies**
- The “cost gap” among different policy instruments implemented at EU and national level to achieve multiple targets has created **distortions**
- The use of **technology-specific incentives doesn't guarantee economic sustainability** at system level



The EU ETS promotes the deployment of most efficient technologies ensuring abatement at least cost

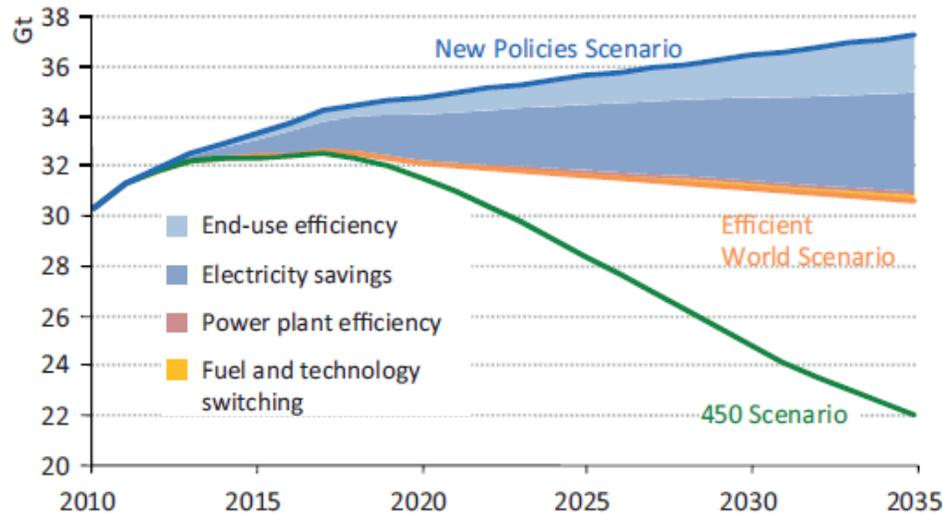


Note: Conversion carbon intensity CCGT 0.36 tCO₂/MWh (Source Enerdata); “Conto energia” average value last semester of “V Conto energia” FIT; Green certificates (average value 2012) equal to 77€/MWh (Source GME); EUA (average value 2012) equal to 7.5 €/tCO₂; White certificates (average value 2012) equal to 102€/tep (Source: GME)

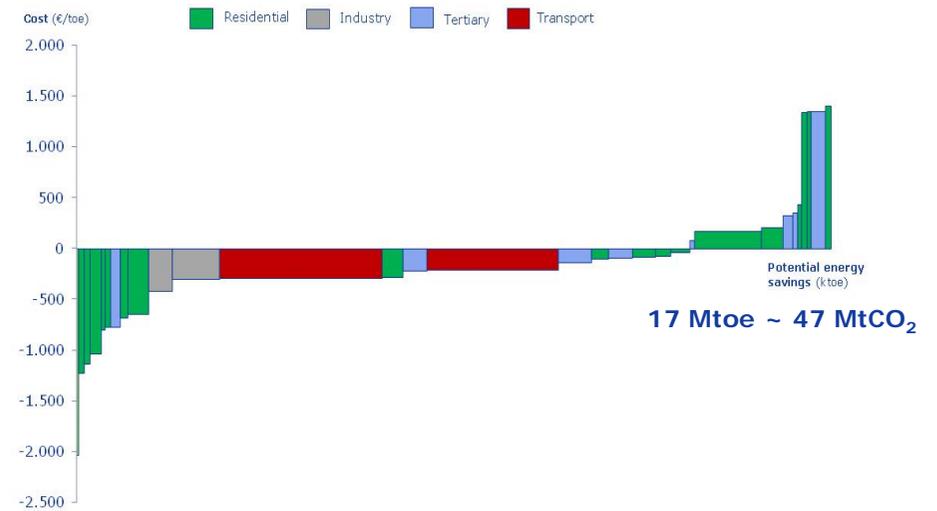
Non binding EE targets by 2030

Already a contribution of CO₂ emission reduction

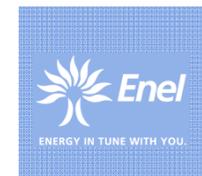
Energy related CO₂ emissions by scenario and abatement measures



Illustrative potential energy savings – Italy 2020



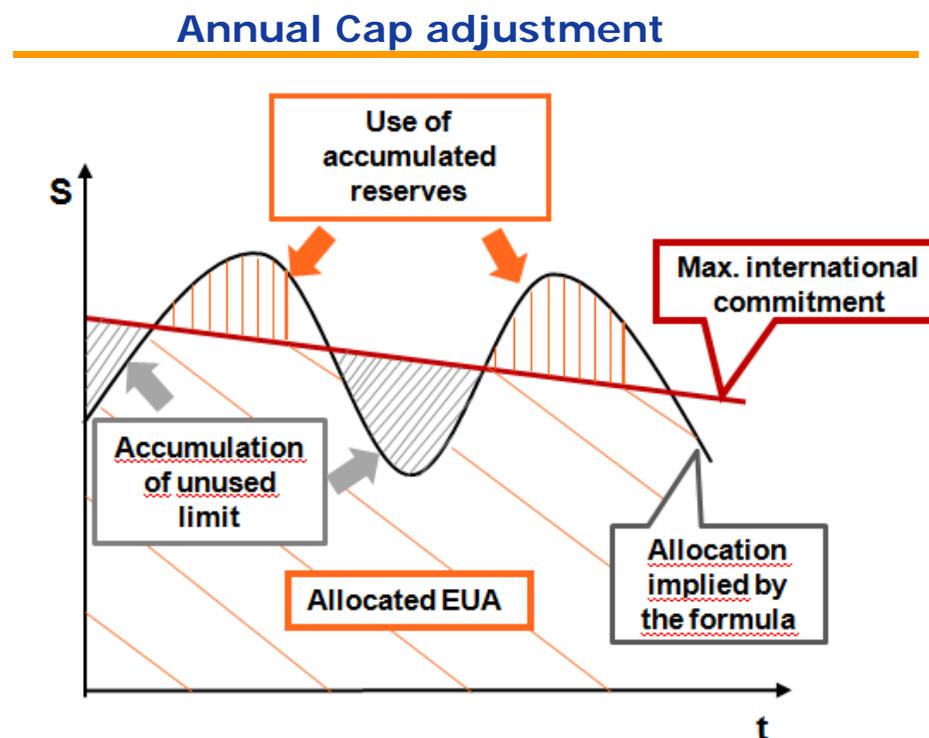
Energy efficiency will be driven by CO₂ target



A Reserve mechanism for the EU ETS

Introducing flexibility on the supply side

- The *Reserve* mechanism **automatically adjusts annual auction volumes**
- **The mechanism does not operate** when market surplus is within the sustainable surplus band of 400 to 833 Mt
- **The mechanism operates** when total number of allowances in circulation is outside the sustainable surplus band



A potentially useful mechanism

Conclusions

- **Enel welcomes the 2030 EU single target on CO₂ emissions** and supports the economy-wide reduction of **40%** consistent with the 2050 Low Carbon Roadmap
- **Enel asks for the removal of the EU level RES binding target** supporting the need for a single CO₂ target
- Enel welcomes the absence of an EE target since **energy savings** and further emission abatements **should be driven by the CO₂ price signal**
- **Enel welcomes the market stability *Reserve* mechanism proposed by the Commission but calls for its introduction prior to 2021** in order to strengthen the effects of such a mechanism in the short to medium term