Post-2020 EU Climate Change Policy - Session 2: Role of Price/Pricing Instrument…

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What do we want?

Example Germany

- GHG emissions reductions
- Tax revenues
- Affordable energy
- Security of supply
- Job creation/conservation
- Strong industries
- Much more RES
- Energiewende (much more than phase-out of nuclear)
- Innovations
- …

Many different objectives! In principle all on an equal footing!

What do we do about conflicting objectives?

How do we try to achieve the objectives?

Example Germany

- EU ETS
- Eco-tax
- RES surcharge on electricity price (“EEG-Umlage”)
- Mineral oil tax
- Certain derogations for certain industries
- Indirect carbon leakage compensation
- Strategic power plant reserve ordinance
- …

Germany boasts of 166 predominantly national energy and climate P&Ms!

Many different instruments (EU, national – sometimes even subnational – level)!

Partially overlapping instruments lead to inefficiencies!

In other words money is wasted.

Do we need carbon pricing?

Yes, …

… because if carbon pricing is permanently missing, mitigation costs increase by a multiple (message meanwhile a bromide).

BUT beware of putting carbon pricing simply on top of (all the) other instruments!

Problem: different **implicit carbon prices** and different **implicit abatement costs**, e.g.

- Diesel — implicit CO2 tax 58 €/t CO2
- Petrol — implicit CO2 tax 67 €/t CO2
- Heating Oil — implicit CO2 tax: light 8 €/t CO2; heavy 3 €/t CO2
- Natural gas — implicit CO2 tax 18 €/t CO2
- PV — implicit abatement cost 655 €/t CO2e

[2010 figures for Germany; source OECD]

How can we get it right?

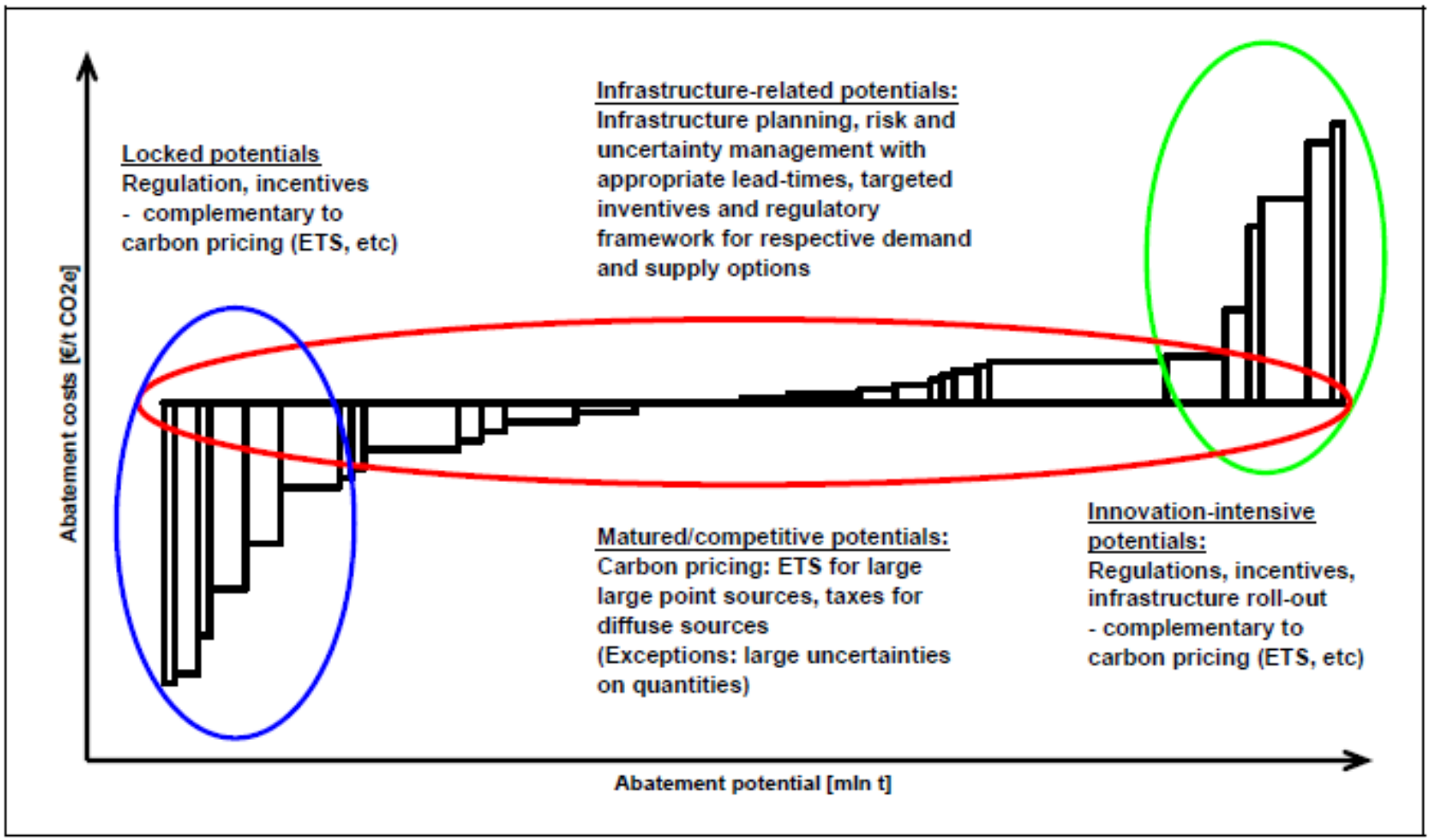
Coordination and consistency needed on all levels (UN, EU, MS, …)

What consistent and effective carbon pricing needs:

- One explicit carbon price worldwide (in the ideal world).
- Therefore: **sensibly linking emerging ETSs makes a lot of sense!**
- (Second best:) a well thought-through comprehensive and consistent EU climate and energy policy strategy with
- hierarchical targets, GHG emissions reduction top level target, further targets have to be fit into a consistent hierarchy; likewise for instruments.
- At least, strong coordination at EU-level, ideally no national „specialities“.
- Don‘t ignore conflicting targets, decide on priorities, sort out instruments.
- Use revenues for fostering innovation.
- Reduce redistribution.
- Near-market technologies should compete: no regulation that leads to technology-specific burden or support.
- Accelerate procedures: very often now legislation is (far) too slow to mirror dynamicly changing circumstances.

Carbon pricing as key instrument

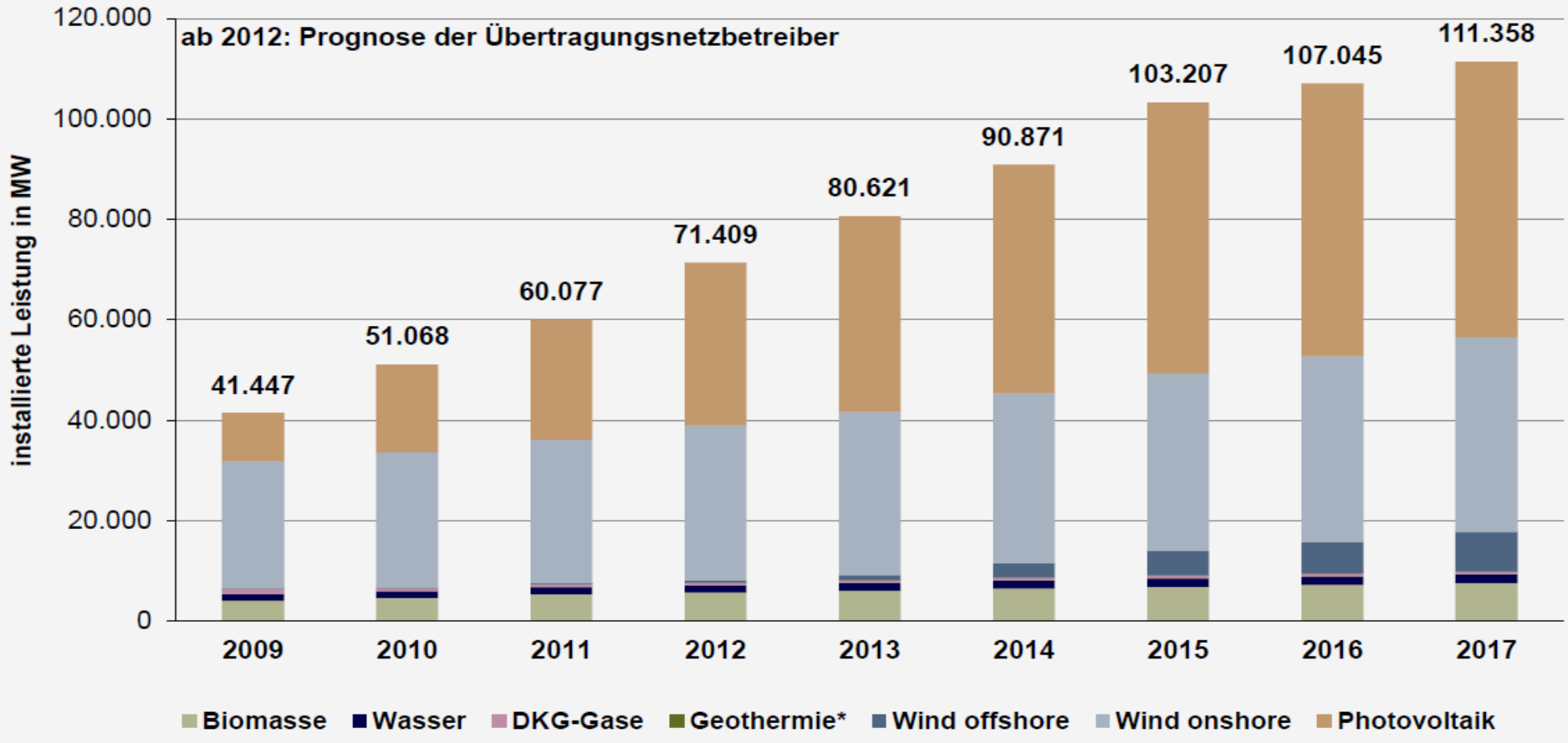
Complementary measures „at the edges“



Source: Öko-Institut

Note: peak load/Germany ca. 80 GW!

Installierte Leistung der EEG-Anlagen bis 2017



*Geothermie nicht sichtbar (2017: installierte Leistung 69 MW))
Quellen: 2009 bis 2011: EEG-Anlagenregister, 2012: Prognose zur EEG-Umlage 2013, 2013-2017: EEG-Mittelfristprognosen vom 15.11.2012

Installed PV Capacity in Germany