



European climate and energy policy towards 2030

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- The case for policy packages
 - Electricity markets and low-carbon technologies
 - European competitiveness under a climate constraint



The case for policy packages: ETS + EE + RE etc.

- Economic theory and the single instrument argument
- Perfectly competitive markets?
 - Market barriers in energy efficiency
 - Market failure: learning effects of breakthrough technologies
- Complete markets (out to 2050-2100)?
- Economic theory also defends carbon price + technology support
- Policy-driven increase in energy costs: acceptable w/o more energy efficiency?



Electricity markets and low-carbon technologies (LCT)

- Different domestic arrangements to ensure reliability and adequacy of electricity systems
 - Capacity mechanisms / energy-only markets
- Different incentives for low-carbon generation
 - How far to optimal, EU wide, use of RE potentials?
- End goal: after LCT CO₂ price takes over
 - Liberalisation has hindered high-capital cost generation; all LCT are high capital
 - CO₂ price impact in a 90% CO₂-free electricity market? (see zero/negative prices)



European competitiveness under a climate constraint

- Carbon leakage
 - Ex ante analyses lacked realism
 - Ex post analyses: irrelevant, always exceptional circumstances
 - In need of macro-level, empirical analyses
- Future of industry under a carbon constraint (Epe-Iddri, 2003-05)
 - Managing own emissions (EU ETS = cost)
 - Delivering low-carbon infrastructure and products (what market creation so far, beyond RE?)



Summary

Let's not forget there are strong theoretical and practical arguments in favour of policies to complement carbon pricing

Electricity markets need re-thinking to align economic performance with decarbonisation

The two sides of the competitiveness issue for industry. Time to turn to ambitious 'demand-side' policies.

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