



Client Alert

December 2014

Where next for EU climate change policy? From Lima to Paris

2014 ended with a number of significant developments affecting EU climate change policy. In October 2014, the EU agreed on its 2030 'Climate and Energy Goals' and, in the same month, the European Commission ("**Commission**") published its annual progress report on climate action. Both of these reports were optimistic on the EU's level of ambition and achievement of its climate change goals. On 1 November 2014, the new Commission took office, with Miguel Arias Cañete being appointed the new Commissioner for Climate Action and Energy. He has reaffirmed the EU's commitment to climate change policy and greenhouse gas reduction. Most recently, from 1-14 December 2014, the Conference of the UN Framework Convention on Climate Change ("**UNFCCC**") took place in Lima, where the EU was represented by Commissioner Arias Cañete and the Italian Minister of the Environment. The level of international ambition was somewhat muted, in what was generally agreed to be a weak agreement. This alert rounds up these key recent developments for EU climate change policy.

2030 Climate and Energy Goals

On 24 October 2014, the 2030 Climate and Energy Framework, which had been proposed by the outgoing Commission, was approved by the EU Member States in the Council.¹ The 2030 framework sets out the key targets for the EU to achieve by 2030. These include:

- A binding EU target of at least 40% reduction of greenhouse gas emissions by 2030, compared to 1990;
- A binding target of at least 27% of renewable energy used at EU level;
- An energy efficiency increase of at least 27%, to be reviewed by 2020 having in mind an EU level of 30% for 2030;
- The completion of the internal energy market by reaching an electricity interconnection target of 15% between Members States and pushing forward important infrastructure projects.

The EU characterised the 2030 framework as a huge success and the Commission declared it an "important and ambitious step forward". On the other side, some stakeholders, including NGOs, were critical; suggesting that the goals fell short of what the industry itself was willing to accept.

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¹ See relevant documentation for EU 2030 framework for climate and energy policies, available at: http://ec.europa.eu/clima/policies/2030/documentation_en.htm

Commission's Annual Progress Report on Climate Action

On 28 October 2014, the Commission published its Annual Progress Report on Climate Action.² This Report indicated that, according to recent estimates, the EU's greenhouse gas emissions in 2013 had fallen by 1.8% compared to 2012 and reached the lowest levels since 1990; meaning that the EU is on track to surpass the 2020 target. Moreover, annual fiscal revenues from auctioning allowances in the EU Emission Trading System ("ETS") amounted to EUR 3.6 billion in 2013. Around EUR 3 billion of this will be used for climate and energy related purposes - significantly more than the 50% level recommended in the EU ETS Directive.

New European Commission Priorities

The new Commission took office on 1 November 2014. In his opening statement to the European Parliament on 15 July 2014, the new Commission President, Jean-Claude Juncker, confirmed the vital role that climate change policy plays within his political agenda. He stressed that his aim is to achieve "a resilient energy union with a forward-looking climate change policy."

Miguel Arias Cañete, of Spain, was appointed as the new Commissioner for Climate Action and Energy. In his mission letter to Miguel Arias Cañete³, President Juncker insisted on the fact that the goal of achieving a "forward-looking climate change policy" greatly relies on developing a solid EU policy for renewables. The President specified that during his term in office, he would expect the Commissioner for Climate Action to focus in particular on:

- Steering the preparation and negotiations of the legislative instruments that will follow political agreement on the 2030 energy and climate framework. These proposals should be made early on in the mandate;
- Strengthening and promoting the EU ETS to ensure that the desired climate goals are reached in a cost-effective way;
- Supporting the Vice-President for Energy Union in order to ensure that the EU plays a leading role in international climate policy, starting with the 2015 international climate conference in Paris.

During his opening statement to the European Parliament, Commissioner Arias Cañete stated that his main priority is to contribute to the implementation of the 2030 climate and energy framework and to achieve a successful outcome of the international climate negotiations.

Outcome of Lima talks

The Lima conference was part of annual talks organised under the auspices of the UNFCCC. Over 190 countries, including the EU, participated in the 2 weeks of negotiations.⁴

The purpose of the Lima Conference was to elaborate elements of a new climate change agreement, which is planned to be agreed in Paris from 30 November – 11 December 2015. Prior to attending the conference, Commissioner Arias Cañete identified 3 desired outcomes for the Lima conference:

- Firstly, the EU needs to ensure that all international partners put on the table their plans for individual greenhouse gas reduction efforts before the end of March 2015. Mitigation commitments offered in the 2015 Agreement need to be assessed in order to ascertain that these are sufficient to achieve the objective to limit warming to the internationally agreed limit of 2°C above pre-industrial levels;

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² 2014 Kyoto and EU2020 Progress Report, available at: http://ec.europa.eu/clima/policies/g-gas/docs/kyoto_progress_2014_en.pdf

³ President Juncker's Mission Letter to Miguel Arias Cañete, Commissioner for Climate Action and Energy dated 01.11.2014, available at: http://ec.europa.eu/about/juncker-commission/docs/arias-canete_en.pdf.

⁴ See Reports, Decisions and associated documentation, Lima Climate Change Conference, available at: http://unfccc.int/meetings/lima_dec_2014/meeting/8141.php

- Secondly, the Conference needs to make progress on enhancing mitigation ambitions before 2020 so that it remains possible to achieve the 2°C objective;
- And thirdly, the EU should have a good understanding of the elements of a draft negotiating text for the 2015 Agreement. Lima must deliver on this as a preparatory step towards a full UNFCCC negotiating text.

The Lima Conference had mixed success. Participating countries agreed on the 'Lima Call for Climate Action', which reaffirms the commitment to put individual climate pledges on the table prior to the December 2015 meeting in Paris. It also establishes ground rules on how all countries can submit contributions to the new agreement, ideally by March 2015. The idea is that each country will go beyond its current undertaking on emissions reduction.

However, negotiators agreed that countries' emission reduction pledges will not be subject to a review process before next year's UNCCC summit in Paris. According to the UNFCCC executive secretary Christiana Figueres, the assessment of countries' pledges was one of the most controversial at the talks. Moreover, no strict deadline was agreed for the receipt of pledges, which are to be made in the first quarter of 2015 by countries which are able to do so.

In spite of it being one of the EU's desired outcomes for the conference, no mechanism was agreed to ensure efforts are sufficient to keep global warming below the agreed 2°C threshold. However, the UN climate secretariat has committed to draft a report on this before Paris.

Several procedural issues also remain undecided, including the legal form of the future agreement. Talks will continue in Geneva in February, where the EU will also be represented. The aim of the Geneva talks is to reach agreement on a negotiating text by May.

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