

High hopes for agreement in Paris at COP21

An Irish business perspective

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Key messages

- **We accept the Intergovernmental Panel on Climate Change (IPCC) 5th Assessment Report**
 - *Evidence for dangerous climate change beyond doubt*
 - *Mitigation by decarbonisation less costly than inaction*
 - *A commercial opportunity for some Ibec members*
- **Maximising ‘bang for the buck’ means prioritising GHG reductions wherever they can be achieved most cheaply**
 - *The EU’s stance at COP21 must encourage this*
- **It also means ensuring that resource-efficient European industrial firms remain internationally competitive**
 - *We are already seeing some investment leakage to USA*

“Hopes are rising that a workable deal will finally be hammered out to replace the Kyoto Protocol. This time, all countries - not just the richer ones – will commit to limit their greenhouse gas emissions.

This will only happen if poorer regions receive financial support and technology transfer for decades to come. Tough bargaining lies ahead.



Danny McCoy – CEO Ibec

The European Union pledge on behalf all 28 member states, commits to a reduction of at least 40% in annual emissions by the year 2030. If a credible deal is reached, it may involve the EU making even deeper cuts.”

“Ibec’s Energy Policy Committee supports the European joint negotiating position for next month’s UNFCCC conference.

But any further concessions depend on securing *comparable efforts* from other developed regions to minimise investment leakage.

We must also ensure that the EU’s collective 2030 effort is *shared out much more fairly* across member states than was the case for the 2020 targets.”



Frank Gleeson
Chair of Ibec EPC



Comparable mitigation efforts to 2030?

Region	GHG Reduction	Comment
China	None	'Peaking' by 2030
USA	26%	Possibly by 2025
India	None	Promising 'lower carbon intensity'
European Union	40%	Minimum – may increase
Russia	25%	Includes forest offsets?
Japan	25%	Including CDM credits?
Australia	26%	

Connecting ‘How Much’ with ‘How To’

Sector	EU ETS	Effort Sharing
Targets	43% reduction by 2030 No Member State targets	30% reduction by 2030 Ireland’s national target has yet to be determined
Policy tools	<ul style="list-style-type: none">• Market Stability Reserve• Linear Reduction Rate of new EU Allowances• Trading of the EUAs between operators	<ul style="list-style-type: none">• Domestic abatement• Joint Implementation projects• Purchase of credits from other MS
Decision makers	Individual licensed installation operators within the Irish ETS sector	Irish Government (with advice from DECLG’s Expert Advisory Council)

Comparable pledge credibility?



Kerry warns climate deal will not be legally binding

- Split over Paris measures exposed
- Hostile US Senate spells uncertainty

NEVER MIND THE REPUBLICANS

HERE'S THE

Democratic Party

The ideal COP21 outcome?

- **Increased mitigation effort from all countries attending**
 - *Long term commitments that meet the UN's 2 degree target*
 - *Equitable between Developed, Developing and Least Developed Countries (LDCs)*
- **Type of mitigation commitment**
 - *Legally binding with externally-verifiable targets*
- **Efficiency through market-based mechanisms**
 - *Distinguishing between 'who abates' and 'who pays for it'*

What Ibec realistically expects

- **Efforts falling a bit short of the 2 degree ambition**
 - *'Climate policy is a loop, not a line'*
- **LDC commitments subject to big financial subsidies and low-carbon technology transfers**
 - *Financial pledges could be slow to materialise*
 - *Legitimate IPR concerns need to be addressed*
- **Few other regions will match the EU's collective ambition or the type of commitment it favours**
 - *The fable of the chicken and the pig?*

Impact on EU climate ambition

- ***Current plans to reform the EU ETS may be enhanced***
 - ***EU Allowance prices could eventually be driven well above €50/t***
- ***European Council discussions over sharing out the non-ETS reduction could resume with a collective target higher than 30%***
 - ***Pressure from Member States to allow some use of GHG credits from countries outside the EU?***

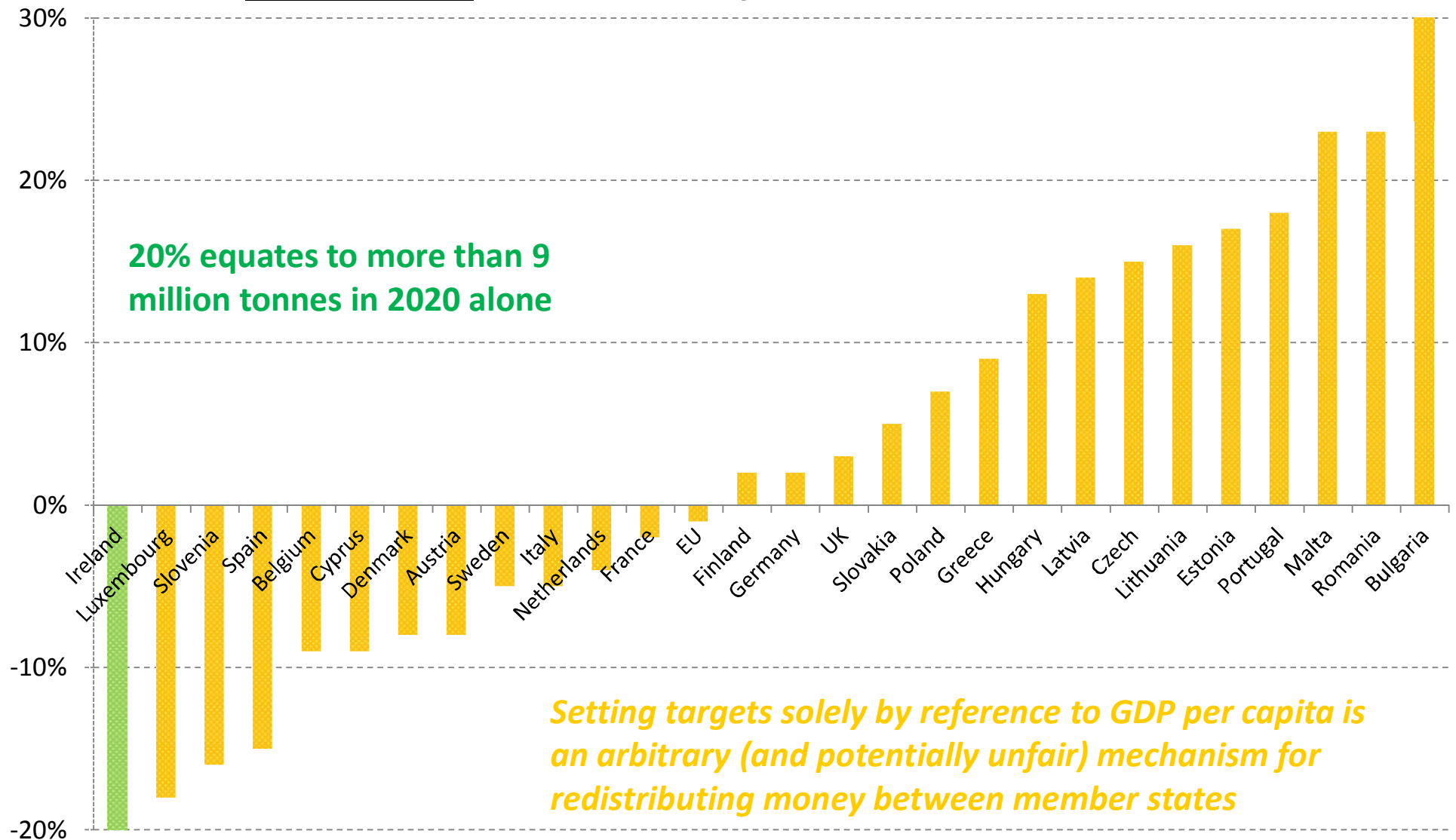
Possible impact on Irish industry?

- **Irish energy prices tend to be above the EU average, and well above those in the USA**
 - Higher EUA prices will put pressure on cement, lime, alumina and refining
- **Irish agri-food exports may (or may not) be adversely impacted**
 - Might Irish producers be subject to a new levy not faced by other EU producers?

The EU's 2020 GHG Effort Sharing Decision was deliberately skewed

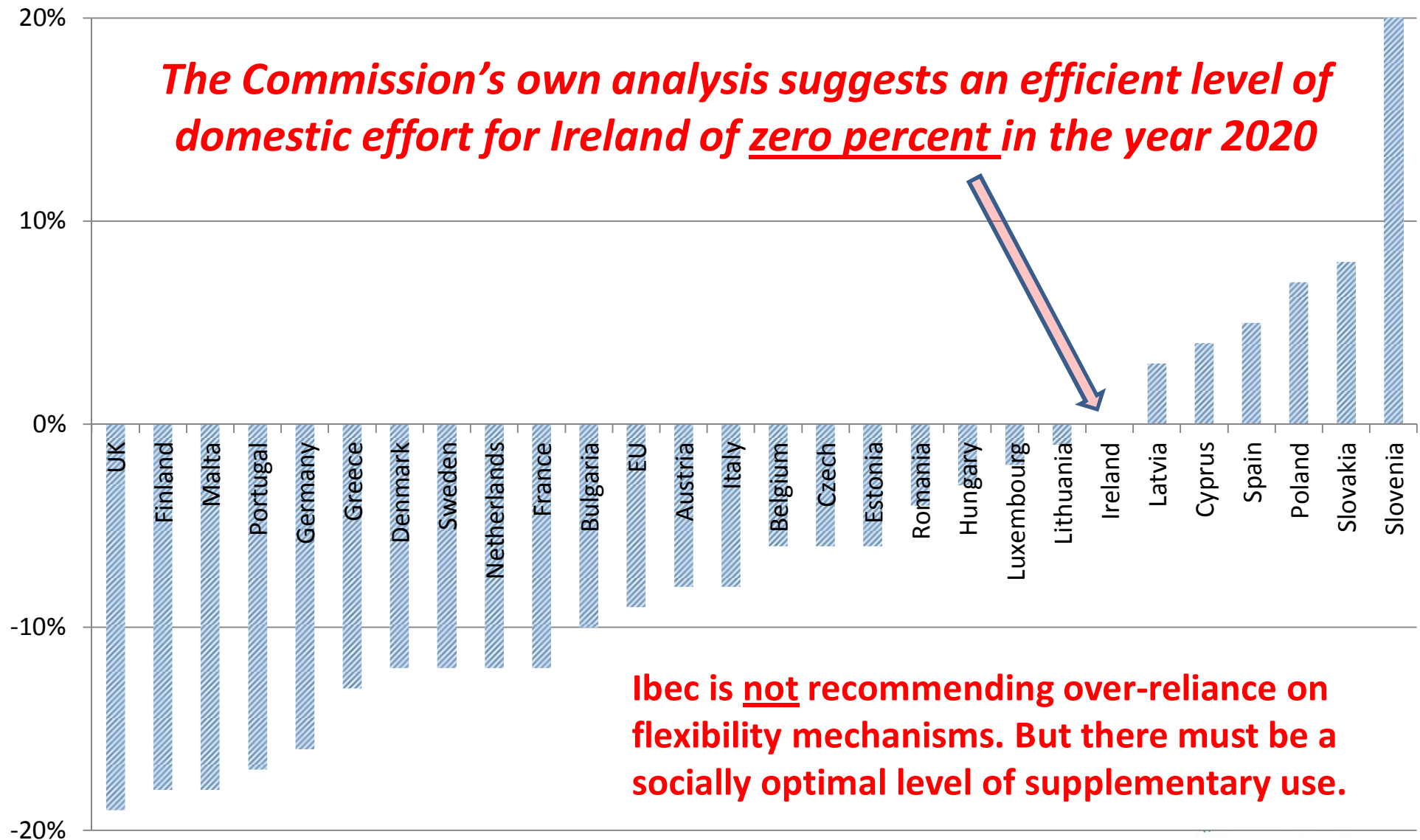
- **Why is this so poorly understood ?**
 - *Principles were explained in the preamble to Decision 406/2009/EC*
 - *But there was no quantitative impact analysis at the time*
 - *'Analysis of Options beyond 20% GHG emissions reductions' was only published in 2012*

Percentage skewing of Effort Sharing targets away from the maximally efficient allocation in 2020

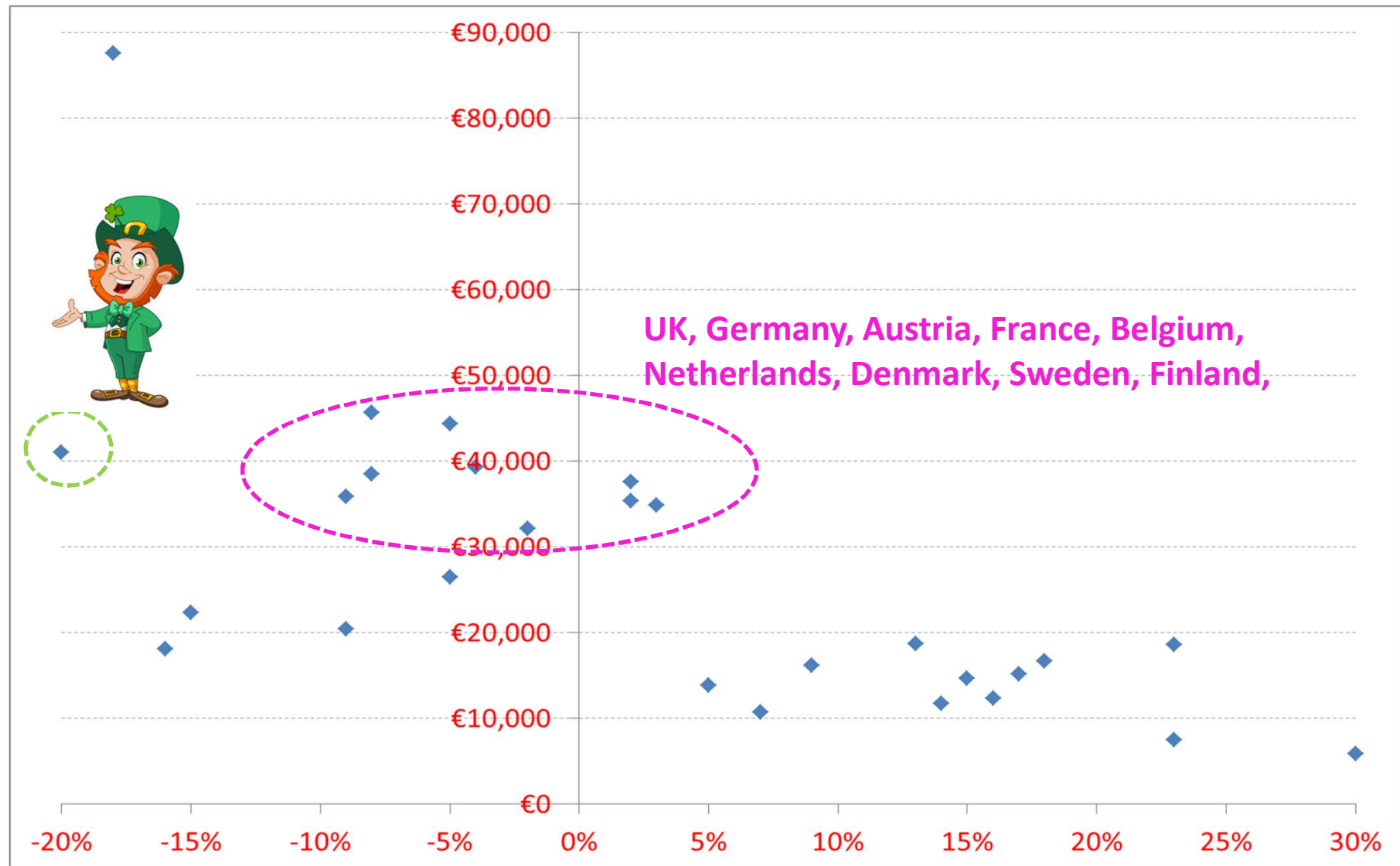


Reference abatement scenario for 2020

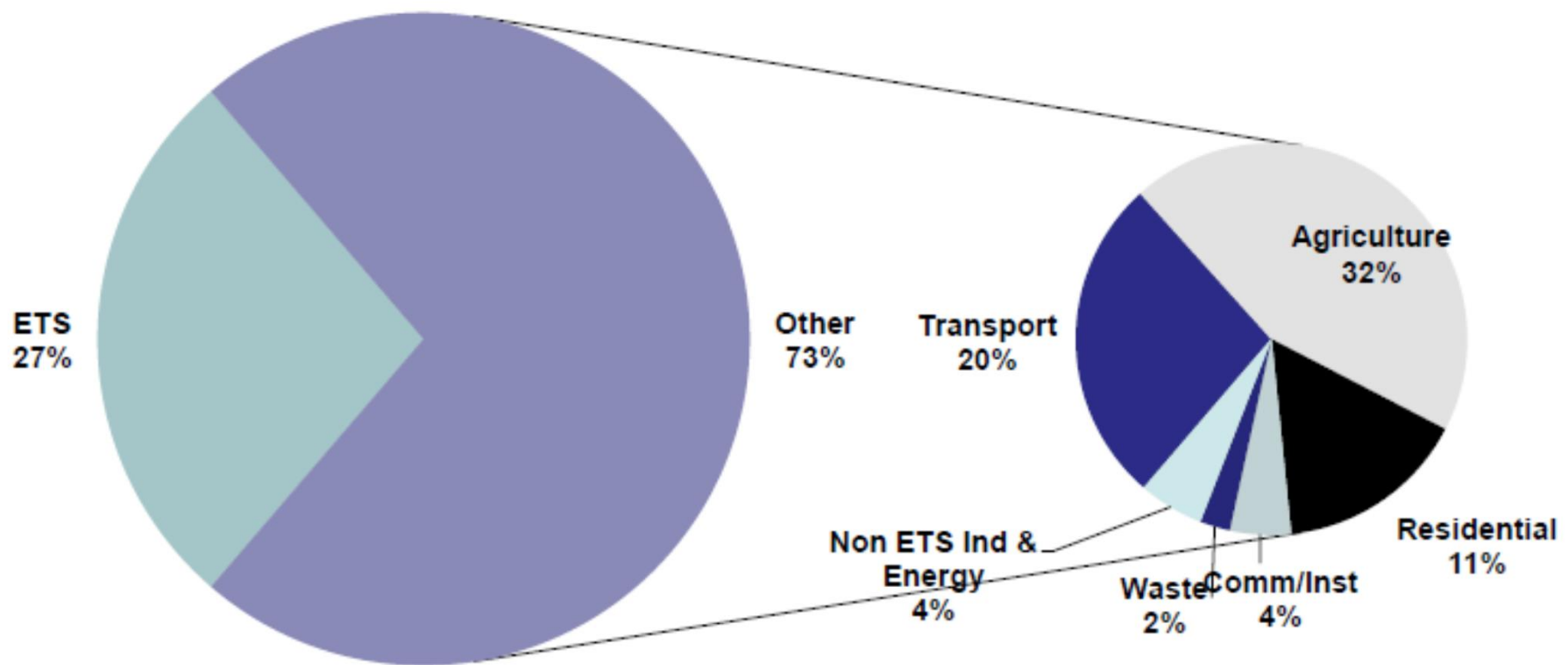
(Marginal price of carbon equal in every member state – no trading of credits)



Skewing of 2020 Effort Sharing target versus GDP per capita



Why is this? Because of the unusual structure of Ireland's emissions.



What is the right level of national ambition for 2030?

- The Effort Sharing target itself will not be negotiable once it has been agreed at European Council
- Ireland's **mix between domestic action and use of flexibility mechanisms** will depend on how skewed the 2030 target is from the projected 'least cost' scenario
- But the Government should not simply pursue a least cost approach to decarbonising our economy
 - *It should estimate - and factor in - the value of long-term policy co-benefits such as health, reduced fuel poverty, security of energy supply, job creation...*

Thank you

@DrNeilWalker

Follow my tweets from COP21

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