



euinsight

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THE EUROPEAN UNION

Countering Climate Change

Climate change is perhaps the most serious environmental challenge facing the global community today. With potentially catastrophic consequences if current trends are not reversed, the EU has taken strong action to combat climate change at home and abroad.

The EU has put in place more than 30 initiatives to counter climate change since 2000. Laws have been enacted to improve energy efficiency in buildings and industrial plants, and increase investment in alternative and renewable energy sources, including wind, solar, energy from waste, and hydropower. The EU has reduced polluting emissions and fuel consumption in trucks and automobiles, provided tax incentives for “clean” vehicles, and is exploring technologies that can capture and store carbon emissions.

The EU & International Cooperation

The EU is a party to the 1992 UN Framework Convention on Climate Change (UNFCCC) and the 1997 Kyoto Protocol. A major greenhouse gas producer—the EU accounts for about 14 percent of global emissions, second only to the United States’ 25 percent—the EU has acted on the principle that industrialized nations should take the lead in combating climate change, since those same countries are responsible for the great majority of post-Industrial Revolution emissions, which are at the heart of the global warming problem.

Under the Kyoto Protocol, the EU and its Member States at the time committed to cut EU greenhouse gas emissions to eight percent below their 1990 levels by the year 2010. Today’s “EU25” (which includes the 2004 enlargement nations: eight Central/Eastern European countries and Cyprus and Malta) is on track to exceed its target, with a projected 9.3 percent reduction of greenhouse gas emissions by 2010.

The Kyoto Protocol represents a major step toward reversing the global trend in rising

emissions and damage to the environment. Impact has already been significant: average EU emissions over the most recent five-year period (the same length of time over which Kyoto compliance is assessed) are currently two percent below 1990 levels. In the U.S., despite a slower rate of increase, greenhouse gas emissions will still exceed 1990 levels by 30 percent in 2010.

Post-2012: What’s Next? The EU is already looking to an agreement beyond the end of the first commitment period and has led the way in launching a post-2012 (sometimes referred to as “post-Kyoto”) process. Parties to the United Nation Framework Convention on Climate Change, including the U.S., have agreed to take part in discussions (already ongoing) that should prepare the ground for negotiations on a new international regime. The EU believes this new regime should require action from developed and developing countries on the basis of common but differentiated responsibilities.

EU Emissions Trading Scheme

To meet Kyoto Protocol targets for reducing greenhouse gas emissions, the EU is employing innovative means to address emissions in industry and transportation, which together account for 80 percent of the EU’s total. To that end, the EU has developed the world’s largest and most comprehensive emissions trading scheme (ETS) for CO₂ emissions, which came into operation on January 1, 2005, and covers roughly half of the EU’s CO₂ emissions.

The ETS is a “cap and trade” program in which large emitters of greenhouse gases receive an annual allotment from their

national governments specifying the amount of CO₂ they may release into the atmosphere each year. Emitters may sell any “surplus” allowances or credits to EU-based companies that need help to meet their targets. Emitters exceeding their allowances may also choose to invest in ways to reduce their emissions.

By providing a financial incentive to curb CO₂ emissions—essentially putting a price on carbon emissions—the ETS is helping to change the mindset of European business. Today, companies across the EU are establishing CO₂ management systems, and new roles and services—carbon traders, auditors, management specialists and verifiers—have emerged in response to the ETS. In 2005, the first year of the system, more than €5 billion were traded—an amount the EU estimates will triple during 2006.

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“The EU is ready to engage in an open and constructive dialogue with all partners and major emitting countries. We must seize this opportunity and together provide a forward looking strategy for future climate cooperation post-2012.”

—Stavros Dimas, European Commissioner for Environment

Describing the ETS as “the cornerstone of the first European Climate Change Programme,” EU Environment Commissioner Stavros Dimas has noted, “emission trading represents a departure from more traditional environmental regulation: after governments have set the environmental goal, they must stand back and let business decide through market signals where emissions will be reduced and how.”

U.S. Inspiration. The ETS’ “cap and trade” system was inspired by a United States model introduced in the 1990s to curb acid rain. Several U.S. states have now been inspired in turn by the ETS program to reduce CO₂ emissions and are adopting similar plans. In a major development, California passed legislation in the summer of 2006 that requires industries and residents to cut global warming pollution. Supporters emphasized that the measure makes sense economically, noting the stimulus that will be provided to clean energy businesses.

Global Impact. The ETS also serves as a model for a broader international emissions trading system envisioned in the Kyoto Protocol and scheduled to begin operation in 2008. As European companies invest in new technologies and management practices to reduce CO₂ emissions in their EU-based operations, they can help spur environmentally sound practices outside Europe—particularly in developing countries where greenhouse gas emissions are rising—through their factories and operations.



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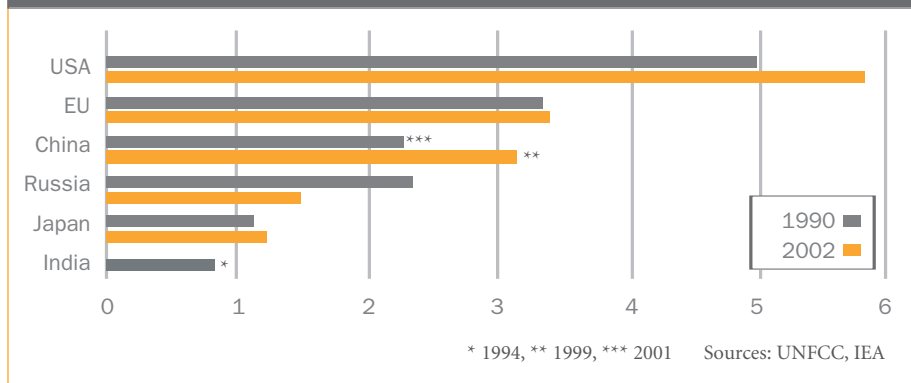
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Climate Change: In Brief

Over the course of the 20th century, the earth’s average global surface temperature has increased by around 0.7 degrees centigrade (°C). For Europe, temperature rise was even higher—close to 1.0°C. Overwhelming scientific consensus attributes the changing climate to human activity, specifically the build-up of “greenhouse gases” released through the burning of fossil fuels such as coal, oil, and gas, exacerbated by deforestation and certain types of agricultural practices. Greenhouse gases trap the sun’s heat in the atmosphere, raising temperatures to such an extent that the planet’s climate patterns are affected, with potentially disastrous consequences.

CO₂ Emissions (Billion Tonnes)



The EU, European Society & Business

The Role of Business. The EU is encouraging business to play an active role in the fight against climate change as well as other environmental problems. European companies are responding—business executives are reassessing their business plans to identify new, profit-generating products and technologies as well as opportunities to save money through conservation, recycling, and reduced energy use.

The EU is also encouraging business to make long-term investments in alternative energy technologies. “The market needs to provide robust incentives to develop and deploy climate-friendly technologies,” EU Environment Commissioner Stavros Dimas has explained. “Market-based mechanisms will need to play a key role in the future international climate system. They harness the creativity of the business sector, offer incentives to cut emissions and reduce compliance costs.”

The Role of Technology, Governments

& Citizens. No one piece of technology or single policy is sufficient to stem climate change and prevent the dire consequences it threatens. Emissions reductions achieved through a variety of means aided by conservation and technological advances, are necessary for success.

In the EU, the role of the Union, and of Member State governments, has been to provide a policy and legislative framework requiring emissions reductions and providing incentives for innovation, thereby spurring industrial and technological change.

The EU also works to raise awareness of climate change among Europeans. The European Commission’s “You Control Climate Change” campaign urges EU citizens to “turn down, switch off, recycle, and walk” and help control climate change by simple, day-to-day changes in lifestyle.