



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, xxx  
SEC(2008) 84

**AVIS CONJOINT DU COMITÉ DES ÉVALUATIONS D'IMPACT**

**sur**

**PROPOSITION DE DIRECTIVE MODIFIANT LA DIRECTIVE 2003/87/CE DU  
PARLEMENT EUROPÉEN ET DU CONSEIL DU 13 OCTOBRE 2003 ÉTABLISSANT  
UN SYSTÈME D'ÉCHANGE DE QUOTAS D'ÉMISSION DE GAZ À EFFET DE SERRE  
DANS LA COMMUNAUTÉ, EN VUE DE L'AMÉLIORATION ET DE L'EXTENSION DU  
SYSTÈME COMMUNAUTAIRE**

**PROPOSITION DE DECISION DU PARLEMENT EUROPEEN ET DU CONSEIL  
CONCERNANT L'EFFORT DES ETATS MEMBRES DE REDUCTION DE LEURS  
EMISSIONS DE GAZ A EFFET DE SERRE, EN VUE D'HONORER LES  
ENGAGEMENTS DE LA COMMUNAUTE EN MATIERE DE REDUCTION  
D'EMISSIONS DE GAZ A EFFET DE SERRE D'ICI 2020**

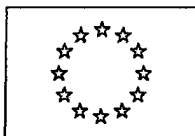
**PROPOSITION DE DIRECTIVE DU PARLEMENT EUROPÉEN ET DU CONSEIL  
RELATIVE À LA PROMOTION DE L'UTILISATION DES ÉNERGIES  
RENOUVELABLES**

{COM(2008) 16}

{COM(2008) 17}

{COM(2008) 19}





Brussels, 18 January 2008  
D(2008) 419

Opinion

**Title**                                    **Impact Assessment on package of implementation relating to the EU's objectives on climate change and renewable energy for 2020**

**Lead DG**                                    **DG TREN and ENV**

**1) Impact Assessment Board Opinion**

**(A) Context**

Member States have already agreed to set binding targets for reducing greenhouse gas (GHG) emissions and increasing the share of renewable energy sources (RES) and biofuels. Hence, this report examines the options for reaching those targets, while respecting a set of principles such as effectiveness, efficiency and fairness. A significant part of the analysis was already presented in the impact assessment for the Communication "An Energy Policy For Europe" (COM(2007) 1 final), and the IA for the revision of the emission trading scheme (ETS)<sup>1</sup>.

The IAB discussed a draft IA report at its meeting of 28 November 2007 and issued an opinion<sup>2</sup>. The present opinion refers to the issues raised earlier, and whenever appropriate assesses new elements in the IA report that have been added since the previous submission.

**(B) Positive aspects**

Most of the IAB comments on the previous version of the IA report have in general been well addressed. The overall approach, where the starting point is to seek a least cost solution (under certain constraints) and then to introduce equity or other corrective elements whenever necessary, is welcome. An appropriate effort in the IA report seems to be made to ensure comparability of the results, though some improvement could still be made in this regard; the scale and diversity of impacts are such that they could not be captured by use of a single model. Besides some specific issues (see below), the IA seems to be seeking a good degree of flexibility in design of both GHG and RES regimes. The analysis of introducing a non-physical trading in renewable energy units is particularly welcome in this respect. Disaggregated (per MS) analysis of most important effects is appreciated.

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<sup>1</sup> SG-C2/JK/pl D (2007) 9813

<sup>2</sup> SG-C2/JK/pl D (2007) 10951

### (C) Main recommendations for improvements

**General remark:** The IAB notes that the IA report has been submitted to the IAB after the closure of the ISC on relevant legislative proposals. The IAB notes also that there was no IA for State Aid Guidelines, which constitute an important element of the package. Moreover, several elements of the analysis<sup>3</sup> were still provisional. The comments below relate either to elements which have been added to the impact assessment report (often as a result of an earlier Board recommendation), or to cases where previous Board recommendations have not been fully addressed. Care should be taken to ensure that the options retained by the Commission in its proposal are analysed in the IA and that appropriate integrated policy options – covering both the main GHG and RES issues – are covered. Furthermore, the IA makes it difficult for the Board to judge if some alternatives have a disproportionate impact on one (or more) Member States or sectors. Overall, the Board appreciates the effort that has been made to take an integrated view of these highly complex and interrelated issues. However, the Board regrets that it has had to work on the basis of an insufficiently stabilised draft and under extreme time pressure.

#### *Comments related to all parts*

**(1) Overall distributional impacts need to be clarified.** In line with the recommendation nr 7 of the previous IAB opinion, the IA should present employment effects in a more disaggregated manner (including effects per MS and per particular industry sector whenever appropriate). Moreover the different impacts on higher and lower income groups should be considered, given the greater share of energy in the spending of poorer households

**(2) The cost-efficient reference scenario should be integrated into the main structure of the document** (problem definition section), providing more detail, at MS level and by renewable energy source, showing the impact on reaching the GHG and RES targets, as compared to the baseline. Further clarity should be provided about the assumptions about energy efficiency improvements in the baseline.

#### *GHG part*

**(3) Distributional impacts of auctioning could be made more visible.** Without repeating the analysis contained in the ETS IA, the IA report should present in a concise manner the impact of introducing full auctioning as compared to the current system (nearly full grandfathering) and alternative allocation mechanisms (such as allocation on the basis of benchmarks).

**(4) Competitiveness issues need more analysis.** In general the section on competitiveness issues and energy intensive industries contains a robust, but not exhaustive, analysis of potential impacts, including undesirable environmental effects, such as carbon leakage. Inevitably, the analysis is presented on an aggregated level. It would be useful to include (e.g. as an annex) a more detailed overview of transition effects in one given sector, whenever possible broken down by Member State. Additionally, a general discussion on the impact of the set of criteria on which the energy intensive industries would be granted special treatment (covering all discussed measures) could be added, including explicit discussion of the employment effects. For instance, the IA should discuss the impact on competition in the internal market of grandfathering allowances to those businesses which own industrial power plants and could gain competitive advantage over the power sector, as opposed to a system of benchmarking.

**(5) The impact on administrative costs needs to be presented better.** There should be a presentation of the overall impact on the administrative burden on the basis of the available calculations, attributing

<sup>3</sup> As set out in the transmission to the IAB: assessment of impact of overall policy package, biofuels part and some elements of free trade in guarantees of origin

them to the relevant elements of the options.

*RES part*

**(6) The content of the flat rate/GDP option should be clarified.** The IA rightly takes as a starting point a 'potential' or 'least-cost' scenario and proposes corrective measures. However, the design of the flat rate/GDP option needs to be more clearly explained.

**(7) More analysis of the grid aspect should be added.** The IA contains a good overview of technical and administrative barriers in regard to access of RES producers to electricity grid. However, due to new more ambitious targets in certain MS and the specific nature of electricity produced from RES, there might be specific problems, and consequently a need for policy measures. The IA should include at least a brief qualitative analysis of this issue.

**(8) The analysis of trade in "guarantees of origin" should be broadened.** A further analysis should be presented of the impacts of restricting trade in the guarantees of origin on market liquidity and expected volume of renewables consumption in the EU.

*Biofuels part*

**(9) General comment: Given the provisional nature of this analysis, the Board would expect the final version of the IA to take into account the following comments: the analysis should follow the structure set out in the IA guidelines, starting with clear definitions of the problem and of the objectives; an analysis of a number of policy options and their impacts; and a presentation of monitoring and evaluation arrangements. The qualitative discussion should be substantiated by evidence and completed by a quantitative analysis, with monetisation of major costs and benefits, as well as social and distributional impacts.**

**(10) Assessment of potential changes with respect to the previous analyses.** The IA report should clarify to what extent the new constraints (meaning 20% GHG and RES targets) would change the results contained in the previous reports, in particular the 2007 Biofuels progress report and impact assessment report to the Renewable Energy Roadmap. It should be made clear, what part of effort would be met by which generation of biofuels. Other new developments, such as increase in food and oil prices, need to be taken into account, whenever appropriate.

**(11) Analysis of the impact of individual options/measures on costs and targets.** The IA should analyse possible measures for encouraging the production of biofuels, and present economic, environmental and social impacts of the measures proposed. The qualitative discussion should be supported by a quantitative analysis of major effects, including disaggregated income and employment effects.

**(12) Analysis of impact on energy security.** The IA report should differentiate between diesel and petrol fuel and analyse proposed measures in the context of EU domestic consumption and current and future developments in the trade balance.

**(13) Impact on national support schemes.** The IA should analyse the compatibility of a binding target for biofuels with the continued use of tax exemptions by MS as a means to support biofuel production, and the implications of this for reaching the 10% target.

**(14) Analysis of impact on food prices.** The IA report should include an assessment of the impact on food prices resulting from potential changes in land use (direct and indirect); and from potential changes in volumes of certain crop production. This analysis should cover not only technical feasibility, but also costs and impacts on environment, employment, trade and security of energy supply. Particular attention should be paid to the impact of options with regard to climate change, biodiversity and other environmental impacts both in the EU and outside the EU.

**(15) Various options for reaching the 10% target should be analysed.** This analysis should cover not only technical feasibility, but also costs and impacts on environment, employment, trade and security of energy supply. Particular attention should be paid to the impact of options with regard to climate change, biodiversity and other environmental impacts both in the EU and outside the EU.

**(D) Procedure and presentation**

The IA exceeds the 30-page limit, which is acceptable given the breadth of the issues at hand. Key terms (such as energy consumption) and figures in the IA and the executive summary should be used in a consistent manner; more clarity is needed on whether monetary values are in constant prices, whether given costs are one-off, total or annual, whether GDP values are adjusted with purchasing power parity, etc. Cross references to the IA report on the revision of ETS directive should be made more explicit.

**2) IAB scrutiny process**

Reference number	2007/ENV/061, 2007/TREN/001 (strategic initiatives)
Author DG	DG ENV and DG TREN
External expertise used	No
Date of Board Meeting	Written procedure
Date of adoption of Opinion	18 January 2008