

How an enhanced EU ETS can push industrial innovation

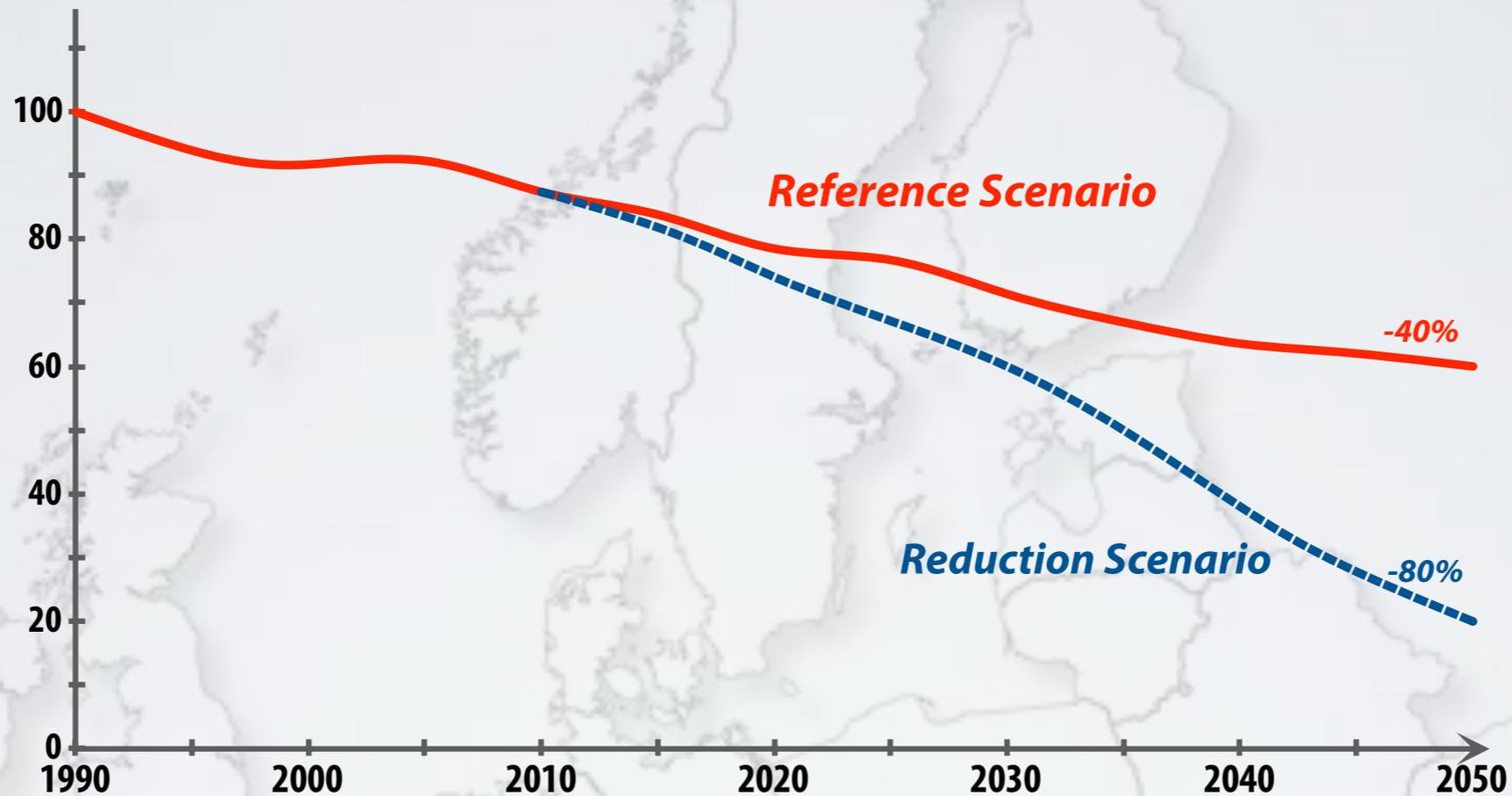
A possible compromise

#cop18 #Doha

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European Commission's 2050 low-carbon roadmap



Reductions

-80 to -95% by 2050
-80% = domestic, ref. 1990

Investments

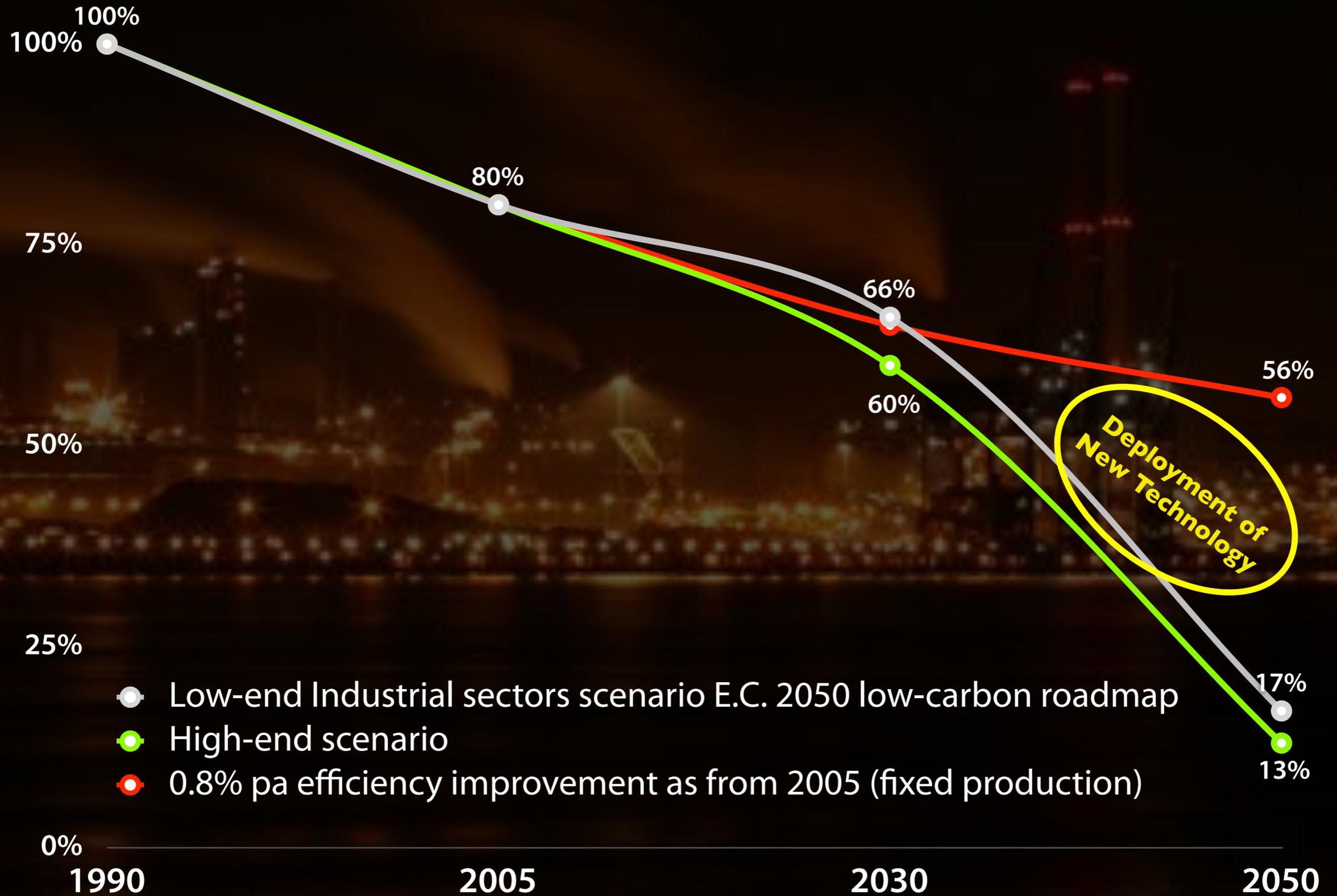
€270 Bn p.a.
in EU economy:
jobs
infrastructure
R&D

Savings

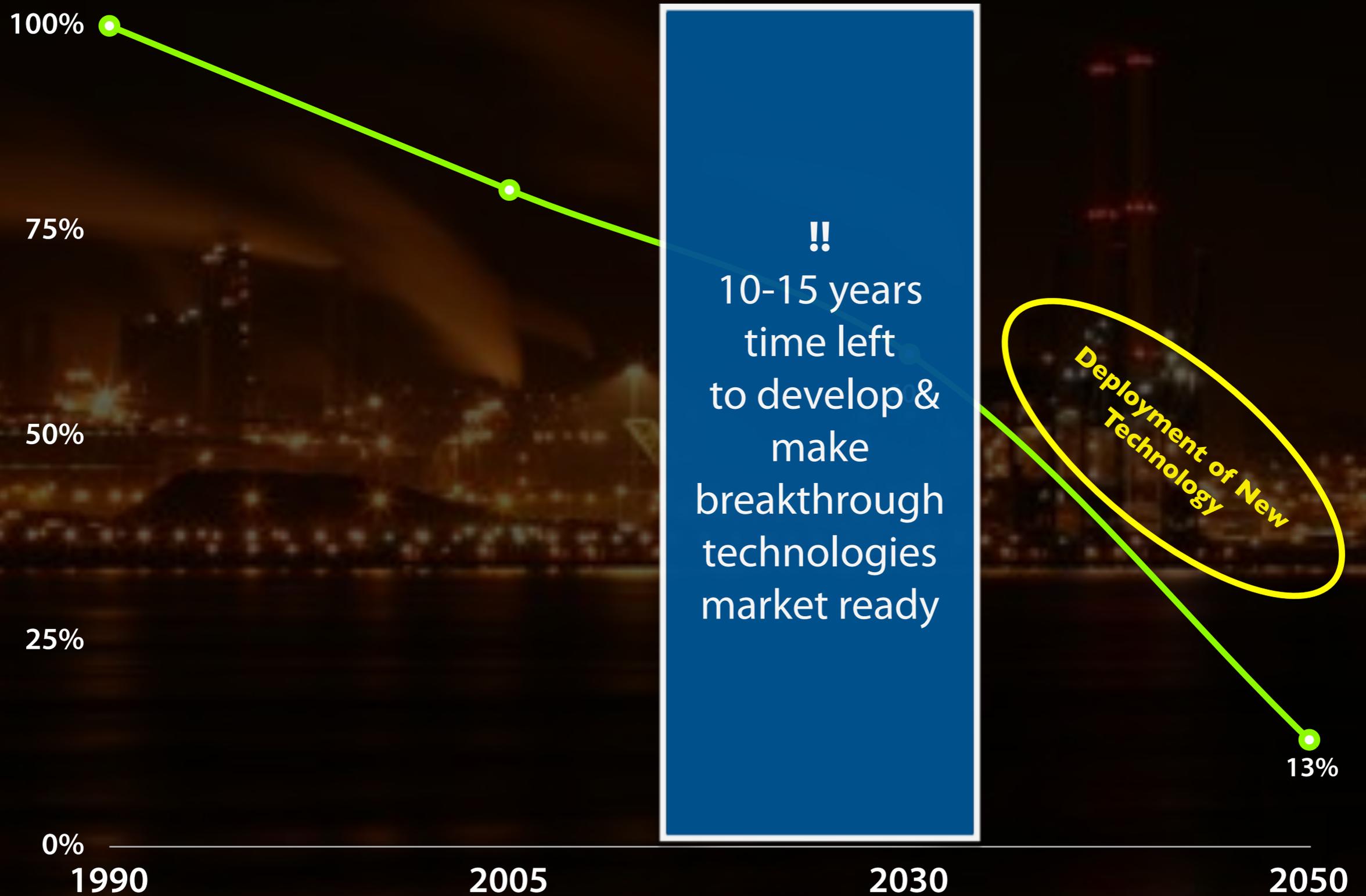
€170-320 Bn p.a.
Fuel cost
€88 Bn in 2050
Air quality and health

EU Member States agree on targets but not on interim milestones

2050 projections for Industry



2050: The challenge for EU industry

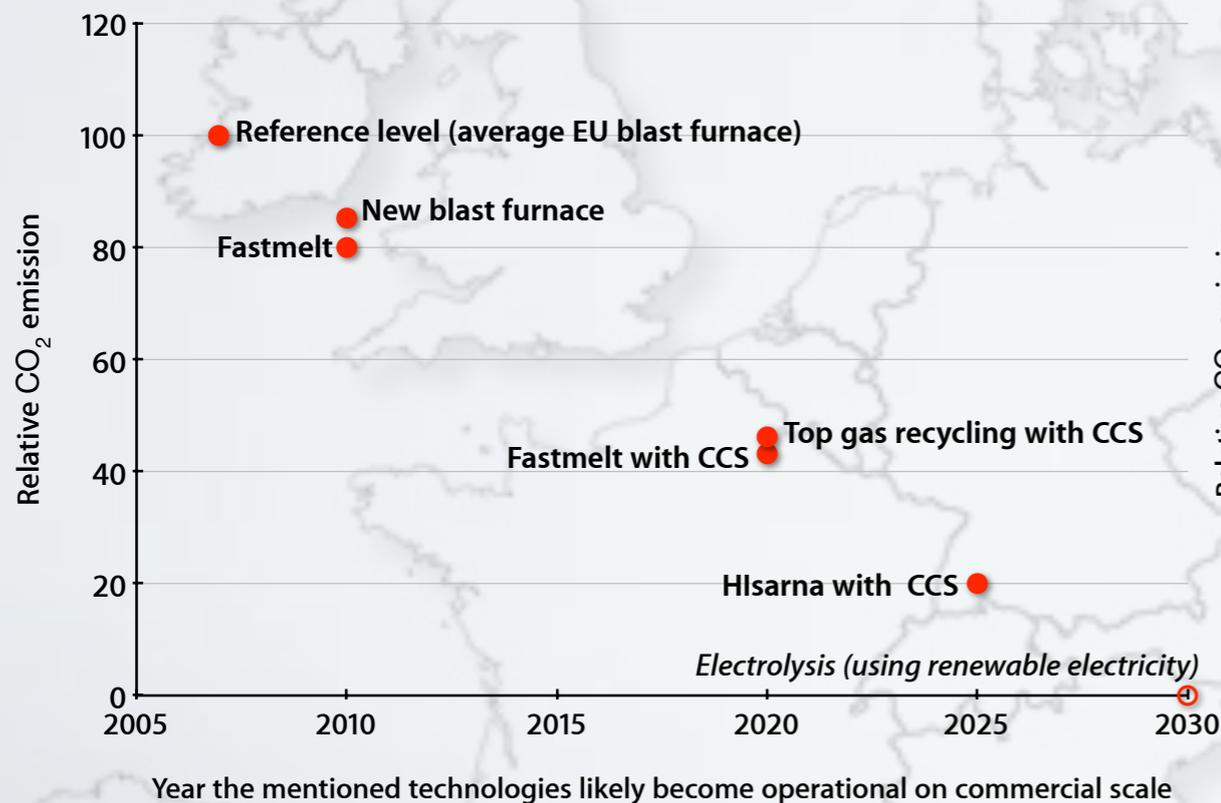


Reduction Potential in some industrial sectors

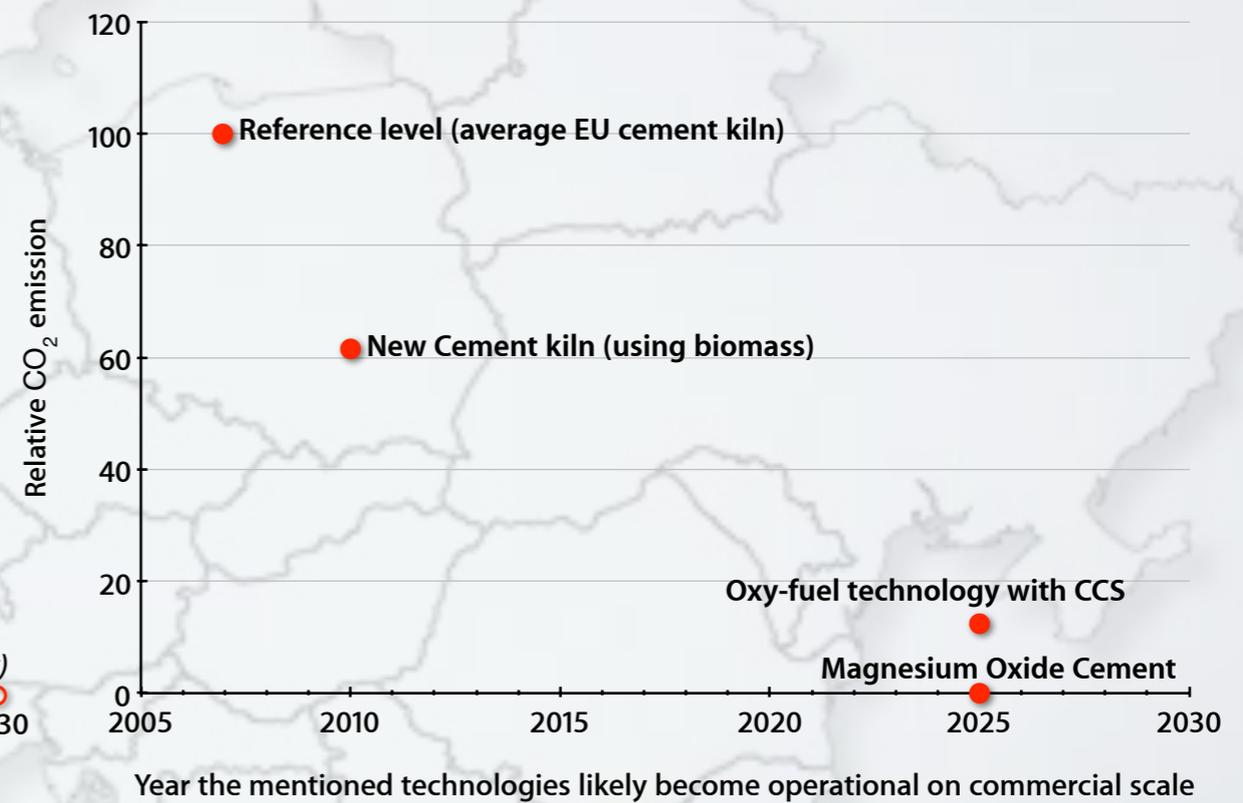


Deep reductions are possible in cement, steel, paper and chemical sectors (over time)

Steel



Cement



Will the EU ETS bring about these breakthroughs?

- EU ETS is valuable carbon pricing instruments (cost-effective reductions driven by opportunity cost)
- **but** EU ETS will not bring about break-through technologies (e.g. ULCOS type). Costs and risks are too high.
- Complementary policy/support required
- There is a precedent (NER300) but that was “mainly” aimed at the energy sector

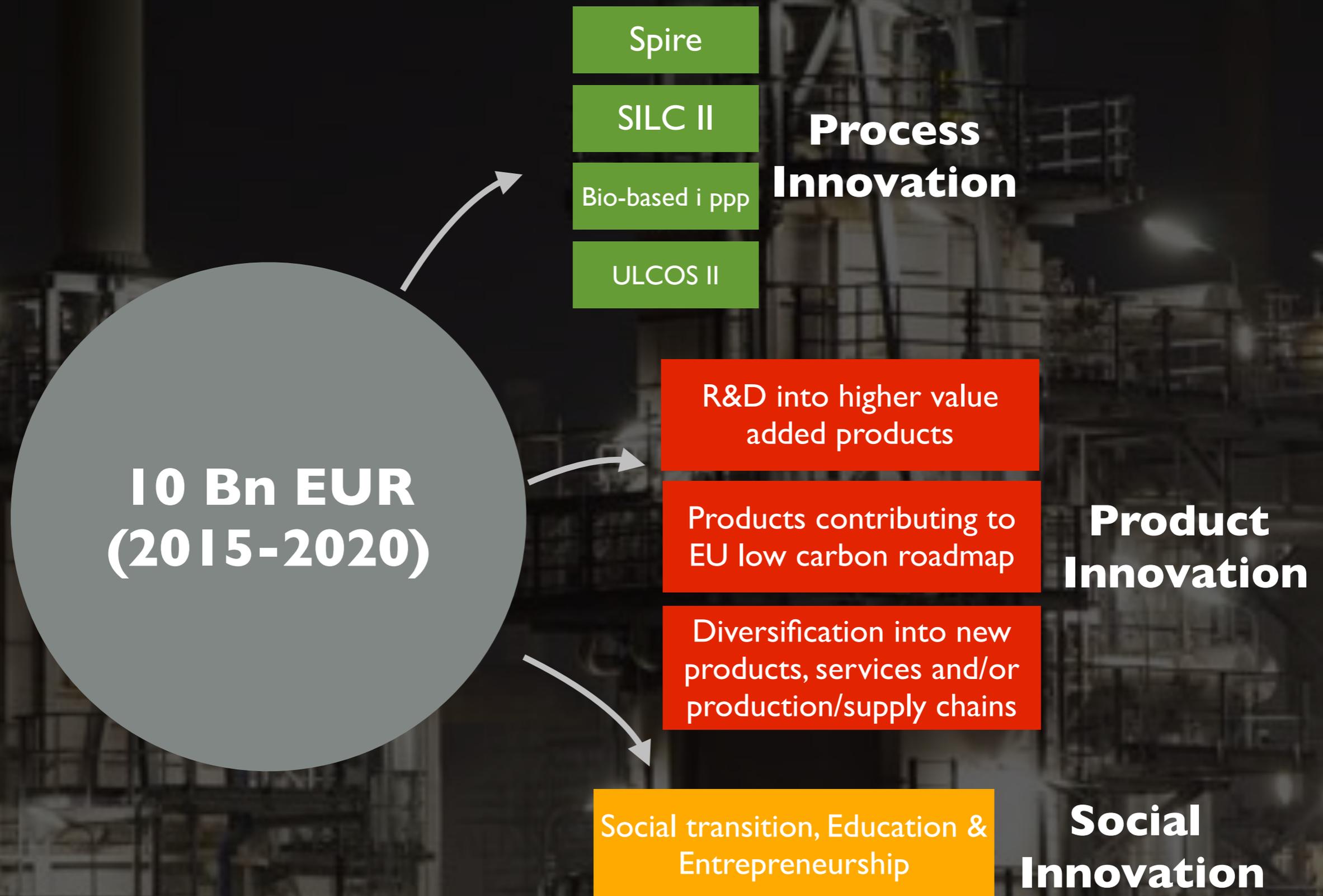
Enhancing the EU ETS for innovation: a policy compromise

- immediate **intervention** in ETS through set-aside/delayed auctioning of EU allowances followed by
- **permanent scarcity** through changing ETS caps as soon as possible (but only auctioning part)
- recycle part of delayed auctioning into EU industrial **low carbon innovation fund** [similar to NER 300 approach]
- **Free allowances remain untouched** up to 2020
- **Carbon leakage list frozen** until 2020

EU ETS compromise concept: an example (!)



Suggestions for industrial innovation policy/funding



*“The wall,
the writing”*



**1.1 Trillion EUR
by 2020** (*)

Chinese public/private
investments
in 7 strategic emerging
industries:

Energy Saving & Environmental protection
Next gen IT
Biotech
High end equipment manufacturing
New Energy systems
New Materials
New Energy vehicles

(*) <http://mobile.reuters.com/article/idUSTRE7AK0MT20111121?irpc=932>



130 Bn EUR
part of EU MFF 2014-2020

Horizon 2020: 80 Bn
CEF: 50 Bn
best case scenario



“Innovation distinguishes between
a leader and a follower”

Steve Jobs

Thank You

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