

AmCham EU calls for a more thorough analysis of the long-term targets stipulated by the Low Carbon Economy Roadmap to 2050.

Introduction

Member companies of the American Chamber of Commerce to the European Union (AmCham EU) have great interest in the European Commission's communication, 'A Roadmap for moving to a competitive low carbon economy in 2050', (COM(2011) 112/4) (the Roadmap) and accompanying reports.

The Roadmap ambitiously models the EU economy over the next forty years assessing quantitative greenhouse gas reduction possibilities through scenarios as outlined in the accompanying Impact Assessment Report¹ (IA Report). All of the Commission's sectoral roadmaps consider the results of these modelled scenarios, and thereby the quality and accuracy of the scenarios' assumptions, as the basis for future carbon target discussions across the economy.

The targets resulting from the IA Report's scenarios are of significant importance even if used only as milestones or benchmarks, and therefore their derivation should be subject to a thorough independent analysis. Similarly, the Commission's claim that the Roadmap has analysed *cost-effective ways* of reducing greenhouse gas emissions as set out in section six under 'Conclusions' is erroneous and damages the credibility of the entire exercise. AmCham EU considers that transforming the EU economy to this extent warrants a cost-benefit analysis of each sector's overall target with a view of the microeconomic impacts within each member state.

The Impact Assessment Report

The modelled scenarios outlined in the IA Report are the basis for the development of future EU climate policy.² Not only do these scenarios provide the suggested sectoral greenhouse gas emissions reductions for the roadmaps on transport and energy, but also a number of related insights such as projected investment needs, future job estimates and competitiveness of EU industry. In practice, this means that each roadmap adopts its final 2050 GHG reduction goal according to the analysis carried out for the Roadmap, and bases

¹ [SEC\(2011\) 288 final](#). Impact Assessment, Accompanying document to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee of the Regions, 'A Roadmap for moving to a competitive low carbon economy in 2050'.

² [Ref. Ares\(2011\)108180 - 01/02/2011](#), European Commission Impact Assessment Board, Opinion DG CLIMA - Roadmap towards a 2050 low-carbon economy, pg. 1 Section (A) citing '*the White Paper on Transport, a roadmap for the energy [sic] (to be presented later this year), and an initiative on energy efficiency*'.

subsequent policy objectives to reach the respective target: 60% in transport, 80% in industry, 90% in residential sector and services; and over 90% for power generation.

Yet, according to the Commission, the issued IA Report is not a true impact assessment.³ Considering the significance of the Roadmap's analysis, AmCham EU would expect a rigorous, independent assessment of the decarbonisation scenarios and assumptions.

Indeed, the Impact Assessment Board (the Board), responsible for review of EU Impact Assessments warned, *'Given the specific analytical focus of the report, it is not and should not be considered to be a standard impact assessment'*.⁴ Moreover, in its review of the IA Report, the Board called for several improvements.

It is AmCham EU's view that the concerns raised by the Board represent serious analytical shortcomings and were not sufficiently addressed in the final report. Particularly in regards to:

- **Methodology:** in general, clarification and justification are needed for the assumptions upon which the scenarios are based. For example, in regards to the assumption regarding an equal carbon price for all sectors.⁵
- **Economic effects and investment needs:** more robust analysis of short to mid-term impacts on the economy at the Member State level is needed as well as elaboration on how the identified additional €270 billion annual investment will be financed.
- **Competitiveness impacts:** the competitiveness impacts on affected sectors should be addressed more thoroughly. For example, elaboration on the indicated 'free allocation' solution.⁶

Given the importance of the IA Report for future EU climate policy and the gravity of these shortcomings, we urge the Commission to have an independent expert group conduct a more thorough analysis. In addition, we look forward to these concerns being addressed in more detail as the Commission develops sector specific policy initiatives and roadmaps.

The Roadmap's Findings

³ See 1 Section 4.1 which states: This impact assessment is not a traditional impact assessment that lists policy options to meet a certain policy goal and that then assesses these policy options to determine a preferable one. It assesses rather a set of possible future 'decarbonisation' scenarios to get more robust information on how the EU economy could decarbonise by 2050 in line with the 2°C objective and compares this to a reference scenario that projects existing policies.

⁴ See 2 Section (B)

⁵ See 1 Section 4.3; Section 5.2, Figure 20; Annex 7.10, Table 31

⁶ See 2 Section 5.1.3.

We recognise the challenge of a continent wide modelling exercise extending over forty years, however we believe that the Commission overstates the output of its Roadmap exercise. It is important to be clear about what the Roadmap exercise is – and what it is not. It is a study of what would be required for the EU to achieve large emissions reductions in line with the 2°C objective under different decarbonisation scenarios - not policy options.⁷ As a result, it is inaccurate to conclude that the Commission has identified ‘cost-effective ways of reducing greenhouse gas emissions by 2050’.⁸

AmCham EU also considers that key cost implications resulting from the decarbonisation scenario modelling are not adequately expressed in the Communication’s conclusions. For example, the Commission states ‘the Roadmap indicates that a cost effective and gradual transition would require a 40% domestic reduction of greenhouse gas emissions compared to 1990 as a milestone for 2030, and 80% for 2050’.⁹ This is the case, however, only if a sufficiently strong carbon price incentive is applied across all sectors. The Commission should present a cost comparison of the results in its ‘Analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage’ (COM(2010) 265) where CO₂ prices were estimated to be significantly lower.¹⁰

Conclusion

We view the Commission’s Roadmap study as a starting point for contemplation of future sector specific low carbon scenarios. These future studies will require deep and careful analysis, including those points mentioned above in relation to the IA Report. AmCham EU strongly believes that Member States should not adopt the communication until these studies have taken place. Indeed, as the Roadmap states, we ‘*will have to go into greater depth on costs, trade-offs, and uncertainties*’.¹¹ To that end, we look forward to contributing our expertise and insights.

⁷ The different scenarios vary for key parameters, specifically (i) the type of global conditions, (global action on climate change versus fragmented) (ii) global energy price developments, and (iii) the rate of technological innovation. For more information see [SEC\(2011\) 289 final](#) Summary of the Impact Assessment, Accompanying document to the COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS, ‘A Roadmap for moving to a competitive low carbon economy in 2050’, Section 3

⁸ [COM \(2011\) 287 Final](#), Communication from the Commission to the European Parliament, The Council, the European Economic and social Committee and the Committee of the Regions, *A Roadmap for moving to a competitive low carbon economy in 2050*, Section 6

⁹ Ibid. Section 6

¹⁰ SEC(2011)288, Section 7.10, Table 31. CO₂ prices range between 36€-62€ per t/CO_{2-eq} by 2030 and ~100€ to 370€ per t/CO_{2-eq} by 2050. Reference scenario only includes ETS sectors and assumed price is [36€ by 2030] ‘ignificantly higher than carbon price for 2030[20€] in the reference case presented in the staff working document accompanying the Communication ‘Analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage’ (SEC(2010) 650)’. SEC(2011)288, See footnote 175

¹¹ ‘A Roadmap for moving to a competitive low carbon economy in 2050’ (COM(2011) 112/4) pg. 6 section 3



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AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate U.S. investment in Europe totalled €1.4 trillion in 2009 and currently supports more than 4.5 million jobs in Europe.

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