

*The post-2012  
climate agreements*  
*A position paper by Enel-Endesa*



**The 15th UNFCCC Conference of Parties in Copenhagen**

Enel-Endesa, representing one of the largest energy companies active in more than twenty Countries worldwide, are willing to contribute to the success of the UNFCCC process as they believe the electricity sector could act as a key part of the solution to climate change.

We welcome the establishing of the fundamentals of a new and global agreement and particularly the opportunity to create a new model for the post-2012 era by learning from the weaknesses of the past whilst at the same time maintaining the positive aspects of the Kyoto system as experienced so far.

**Lessons learned from the past**

In the assessment of the Kyoto Protocol and of its effectiveness three main aspects should be taken into account:

- lack of a real global commitment;
- market distortions;
- insufficiency of instruments for the development and deployment of low carbon technologies.

The countries that committed to quantitative reduction targets in the framework of the KP account for roughly 35% of global greenhouse gas emissions. However, these do not include the United States nor the largest emerging countries. This results in a strong effort for a limited number of countries (often already energy and emissions efficient) and limited involvement by some of the top emitting economies, leading to no significant emission reduction at global level.

The EU ETS is recognized worldwide as an innovative experience in reducing GHG emissions by means of a cap-and-trade market. Nevertheless it has been hindered by top-down politically-imposed objectives which were set without fully taking into account the real situation of different countries and sectors, thus transferring to companies burdens which were not directly linked to their environmental performances. The power sector has been particularly exposed to such distortions, on the generally incorrect assumption that it is less exposed to competition than other sectors.

There is a lack of instruments for financing the development of innovative low carbon technologies, as well as for the dissemination of existing know-how. The KP does not give technology transfer its due importance and some tools, such as CDM, have not yet been able to deploy their full potential and stimulate investment on a large scale.

The direct involvement of private entities has proven to be successful. It is therefore essential that this continue to be guaranteed.

### **Expectations for the future agreements**

Enel-Endesa advocate the adoption of a renewed agreement within the UN Framework Convention on Climate Change.

Enel-Endesa acknowledge that different positions across geographical areas need to be reconciled and that many proposals will be on the table at the Conference in Copenhagen. However, we strongly advocate that in Copenhagen the stage be set for a future agreement to be based on five pillars:

**1. Global approach.** Climate change is a global challenge that requires an international effort. The target of limiting the global average temperature increase to a maximum of 2°C compared to pre-industrial levels cannot be achieved without the contribution of all countries in reducing GHG emissions. Developed countries' pivotal role must be paralleled by an increasing and fundamental active role of the emerging economies through a fair distribution of efforts and suitable financial mechanisms to support developing countries. As was also pointed out by the UN Secretary General Ban Ki-moon at the September 2009 Climate Change Summit in New York, the financing issue is in fact central to the solution of the problem.

In this respect, different paths and different instruments could be designed to involve emerging countries progressively, where the emissions are rapidly increasing, as opposed to least developed countries (LDCs), responsible for a very low share of global emissions while being prone to the worst impacts of climate change.

A global approach is also required from the perspective of developed countries' businesses, as asymmetry between developed and other countries may cause delocalization of activities with consequences in terms of carbon leakage and job losses.

**2. Reasonable and achievable long-term targets** including clear interim milestones. The agreement must establish a long-term reduction path up to 2050, respecting the principle of common but differentiated responsibilities and capabilities. Effective action in the long term can only take place if investors can see clear targets over longer periods. The concept of "commitment periods" could be maintained but with longer time spans than the present 5 years, which would also facilitate involvement of forestry and agricultural activities, in line with the time needed for the verification of their net carbon up-taking.

**3. Global carbon market with clear and stable regulatory framework.** The flexible mechanisms introduced by the Kyoto protocol and the international carbon market have proven to be an effective tool to achieve the double objective of leveraging private sector investments in developing countries and allowing developed countries to meet the emission reduction target cost-effectively.

The recent EC COM(2009) 475/3 "*Stepping up the international climate finance: a European blueprint for the Copenhagen deal*" reported that the International market, if properly designed, could potentially deliver as much as € 38 billions/yr in 2020 compared to the overall cost for mitigations and adaptations actions of € 100 billion/yr.

The positive performance of the EU ETS demonstrates that market-based solutions should be preferred to *command-and-control* provisions. Moreover, capand-trade systems, as opposed to carbon taxes, have the advantage of guaranteeing that environmental objectives are met.

The carbon market should be progressively extended to include the widest possible number of countries, sectors and gases. A first step could be to enable linkage between national and regional carbon markets by means of CDM-like mechanisms.

The market and investors should be able to rely on a stable regulatory framework, capable of guaranteeing liquidity and clear price signals in the long term.

**4. Technology push.** The development and deployment of low-carbon technologies are crucial in the fight against climate change. Many such technologies already exist and can significantly reduce global emissions. However, drastic abatement also requires new technologies and financing. Commercially available solutions need to be supported by removing legal and administrative barriers and should be favoured by appropriate incentives. Setting a carbon price in a global market appears to be the best way to support rapid adoption of these technologies.

The development of new technologies needs cooperative actions between the private and the public sector. In particular, public funding is needed to accelerate progress along the learning curve of the most promising technologies and prevent businesses from refraining from investing in order to avoid running the risk of suffering from first mover disadvantage.

Technology transfer via use of flexible mechanisms must also be enhanced.

Mechanisms such as the CDM and JI can help advance deployment in countries where technological skills and financial and energy markets are not yet fully mature.

**5. Continued direct involvement of the private sector.** What has been experienced so far in the framework of the Kyoto Protocol shows that the majority of emission reductions (approximately 85%) have been obtained through direct involvement of private entities. A similar role needs to be kept for private entities in any new mechanism which may be designed under the new agreement. Moreover, administrative burdens need to be minimised to improve effectiveness and efficiency.