

A 'Lost Decade' Of EU Climate Policy Delay Will Result in Escalating Costs for the Economy

13/05/2013

European policymakers must urgently send a clear policy signal to power sector investors, or risk a 'lost decade' in which the European economy fails to reduce carbon emissions and piles up costs for future delayed reductions. This is the key conclusion of a major new EURELECTRIC study: **Power Choices Reloaded**.

The Power Choices Reloaded roadmap to 2050 confirms that achieving a carbon-neutral power sector remains feasible, but also shows that delaying investments until 2030 due to weak and uncoordinated policies will have disastrous results.

*'EURELECTRIC's Power Choices Reloaded study clearly shows that a lost decade of investment is the worst of all worlds: expensive in the beginning, and drastically more expensive in the end. Its 'crawl today, sprint later' approach is fundamentally unsustainable. Policymakers cannot afford to stick their heads in the sand in the hope of somehow 'muddling through': indecision today locks in higher costs tomorrow,'*said EURELECTRIC Secretary General Hans ten Berge, speaking at the **launch event** in Brussels today.

In contrast to this *Lost Decade* scenario, EURELECTRIC also presents a *Power Choices Reloaded* scenario, which both fulfils EU climate ambitions and keeps costs at the lowest possible level. It shows that the energy sector transition can be managed as a steady evolution - enabling technology learning curves, supply chain build-up, and cost-efficient use of assets.

*'Power Choices Reloaded demonstrates that a carbon-neutral power sector by 2050 is feasible. However, it will require investment. And until policymakers remove the uncertainty raised by current conflicting and contradictory policy signals, investors will avoid the European electricity market. Policymakers must therefore take decisive action now to provide an early investment signal - any delay would put the goal of affordable energy at risk,'*commented Mr ten Berge.

To remove uncertainty and foster the necessary investment, EU institutions must agree an ambitious economy-wide greenhouse gas reduction target for 2030 and take steps to make the EU Emissions Trading Scheme (ETS) the main policy instrument for driving investment in CO2 reduction. This includes fixing the ETS by revising the linear reduction factor in line with the 2030 target.

Achieving carbon-neutrality will also require policymakers to ensure the completion of the internal energy market; support the development of infrastructure, including for smart grids and transport electrification; and ensure that all low-carbon technologies are available, including renewables, nuclear power, and carbon capture and storage.

Background on Power Choices and Power Choices Reloaded

Power Choices Reloaded updates EURELECTRIC's **Power Choices study**, which was published in 2009, to take recent regulatory and economic developments into account: slow progress in international climate negotiations, recession, changing energy markets, etc. The large-scale modelling exercise examines several different scenarios with the aim of finding how to achieve a carbon-neutral power sector by 2050 at the lowest possible cost. Modelling is based on the PRIMES energy model, which has also been used by the European Commission for its 2050 energy and low-carbon roadmaps.

Today's publication compares two scenarios - a *Power Choices Reloaded* scenario and a *Lost Decade* scenario - against a baseline reference scenario of current policies. The *Power Choices Reloaded* scenario models an optimal portfolio of power generation to identify the least cost pathway to the 2050 carbon-neutrality goal. The *Lost Decade* scenario explores the consequences of delayed investment resulting from an uncertain policy framework. Additional variants will be published in a full report later this year.

Note to Editors:

EURELECTRIC is the sector association representing the interests of the European electricity industry across the full value chain – generation, transmission (users' perspective), distribution and retail – at pan-European level. Our two-day Annual Conference takes place in a different European country each year in June, drawing between 400 and 500 delegates from across Europe. This year's conference in Bologna on 3-4 June will discuss “innovative investments - re-energising Europe”. To find out more, please visit our website at www.eurelectric.org.