

## Climate Change and EU Policy – Why has so little been achieved?

ECE, 4 October 2012

### Speakers

**Dieter Helm** - Professor at the University of Oxford and a Fellow of New College, Oxford

**Discussant:** [Jos Delbeke](#), Director General, European Commission, DG CLIMA

**Chair:** **Georg Zachmann**, Bruegel Research Fellow

Professor Dieter Helm of Oxford University took the view of a historian looking back at the present moment from 2050 and asking why so little has been done to reduce carbon emissions. He took general scientific consensus as the starting point of his discussion, and laid out key points where developed nations are lagging: overuse of coal, measuring carbon production instead of carbon consumption, and focusing too many resources on current renewables. Coal appears to be economically cheap, but comes with high costs including negative conditions for miners, methane leaks and water pollution. The focus of the event was on EU policy but carbon emissions are a global issue. De-industrialised developed nations perform well on low-carbon production targets, but are the eventual consumers of many of the high-carbon goods produced elsewhere in the world. Current renewables are extremely expensive and consume too much of the budget allocated to the issue. Possible actions that would be more effective include a floor price on carbon, a border tax on consumption goods that have been produced in high-carbon areas, and a shift in research and development towards more new renewables. Gas could be considered as a transition alternative to coal.

Jos Delbeke, Director General of the European Commission's DG Climate Action also took a view back from history, highlighting that these are still early days in terms of climate action. There have only been about 10 years of policy experiments, and most action in those years has been focused in the developed world. However, there have been positive results from global conferences, such as the Chinese commitments which came out of Copenhagen. Technology will be the key going forward. Equally important is putting a price to carbon. ETS, in spite of its recent weak performance, achieves this. Other positive steps are suggested by the success of introducing more emissions reducing policies with respect to cars. While a lot of money is spent on current renewables, it is important to remember that this is only the first phase of renewables experimentation. The current policies have made renewables more mainstream and continuing policies could be developed to capture a first mover advantage for Europe. Coordinating and harmonising a border tax will be incredibly difficult. It will be tough to break down the carbon profile of products produced along complex supply chains. The key might be an enlightened industrial policy focusing on research and development, demonstration projects, etc. It is also important to note moves towards less industrialisation were in place before carbon policy became a high priority issue.

During the responses, Dieter Helm covered the importance of having customers who are both able to pay and willing to vote for politicians who will make them pay. He clarified that the border tax would not have to be too specific; rather, it could apply to large scale items that have a large carbon impact. It is better to be roughly right than precisely wrong. Jos Delbeke pointed out that European border adjustment policy on aviation has been met with very fierce resistance, which would likely carry through to potential carbon border adjustments.

Questions focused on concrete suggestions of next steps to the EU Commission with special mention of the internal energy market, US policy on shale gas, the cross-border effects of a price floor, and the impact Europe is able to have on the global carbon issue. Dieter Helm emphasised that effective policy on carbon reduction would have substantive effects on standards of living, and that the UK price floor is an example of a unilateral commitment, that various countries could make. He pointed out that the current sufficiency of intermittent renewables is a challenge to the internal energy market. On a final note about border taxes, Jos Delbeke reminded the floor that departments of finance want taxes that will be stable and sustainable. Paradoxically, a successful emissions reducing tax, would erode the tax base. There would be opposition to this.

*Event notes by Amma Servaah*