

Energy Transition: A Multifaceted Challenge for Europe

High-Level Conference What are the European stakes towards COP21 and beyond?

10th November 2015, 9:00 to 13:30, Egmont Palace, Brussels

Main points from the presentation of Paul Spence (Member of the Executive Committee, Director Strategy and Corporate Affairs, EDF Energy) in **Session 1: What are the stakes of the EU towards COP21?**

- There is a great deal at stake at COP21, it is a real opportunity to reach global agreement. The EU takes a leading role and must decarbonise at least cost to maintain a competitive position.
- The UK has taken the lead in creating a policy environment that has cost effective decarbonisation at its core.
- The Electricity Market Reform package contributes to achieving the UK's legally binding target of reducing emissions by 80% by 2050 relative to 1990 levels. The objective of the package is to ensure a secure and low carbon energy system, and to achieve this in an affordable way. The package provides an example of a set of tools that can be used to deliver ambitious climate targets.
- Carbon Pricing: focussing on the cost of carbon can deliver significant change. The UK has taken additional action to strengthen the signal by implementing the carbon price floor. This is by means of a top up tax on fossil fuel generation and it rises over time. The price floor has resulted in coal-to-gas switching; coal generators have run up to 50% less than they would have if they paid only the ETS price. This has reduced carbon emissions from the UK power sector by 30% this year alone according to our estimates.
- Contracts for difference for low carbon technologies provide long term certainty for investors in a world of uncertain wholesale prices and high up-front costs. This has so far brought forward 2.1GW due to come on line between 2016 and 2019 and has allowed the UK's new nuclear build programme to progress by addressing some of the key market failures.
- The first competitive capacity market auction in the UK was held in 2014 a secured 49GW delivering security at lowest cost. The mechanism was put in place to address the challenges of high levels of plant closure and the increasing levels of intermittent energy sources expected on the system in the future.
- In order to enable the transition required meeting the 'below 2 degree' climate target, we urgently need to create a market framework that respects technology neutrality, creates a level playing field and the certainty and stability that incentivises the required investments in low carbon generation.