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## **VDMA and ZVEI statements on the governance framework**

for the implementation of the EU 2030 energy and climate targets

VDMA and ZVEI positions on the new governance structure:

- The governance structure must ensure effective implementation of the 2030 framework.
- The implementation of the 2030 energy and climate targets must be structured in a transparent and plannable way via the national plans to be drawn up within the scope of the governance structure.
- Target corridors would provide Member States with the opportunity to create tailored development paths in line with the respective national situation.
- VDMA and ZVEI see the implementation of the governance structure as a multi-level approach:
  - The necessary contribution per Member State is determined by means of the burden-sharing in the non-ETS sectors.
  - In the iterative process proposed by the European Commission (the Commission), the Member States determine in negotiation with the Commission - measured against the national non-ETS target - national corridors for energy efficiency and renewable energies as well as correction mechanisms. The Commission's negotiating position is informed by the Europe-wide targets of the 2030 council conclusions within the iterative process with the individual Member States.
  - As soon as the iterative process has been completed the national contributions should become binding. The Commission reserves the right to enforce the national plans.
- In order to ensure the EU-wide energy and climate targets are met, two to three milestones should be established for the period 2020 to 2030 against which the national plans and their implementation are assessed.

## **1. Introduction**

VDMA and ZVEI regard the 2030 Energy and Climate Framework adopted in October 2014 by the EU Heads of State and Government as a basis for greater competitiveness, energy independence and investment security. The fact that there are no clear guidelines on the implementation of the agreed targets for renewable energies and energy efficiency at national level is regrettable. Sending a clearer signal to investors would have been important and implementable: in many sectors – construction, industry and transport – CO<sub>2</sub> emissions could already today be reduced many times over and energy saved thanks to systematic application of existing technologies. Without a clear description of implementation in the Member States the necessary planning certainty is lacking – investment is consequently failing to materialise. VDMA and ZVEI are therefore calling for the new governance structure to be used to create effective and transparent implementation of the 2030 framework.

## **2. Governance: definition of national corridors in the iterative process**

The 2030 Energy and Climate Framework does not provide for any (binding) national sub-targets for the development of renewable energies and the improvement of energy efficiency. However, in order to have an incentivising and steering effect on all key elements of climate policy, the future development of renewable energies and the increase in energy efficiency must also be clearly described. A CO<sub>2</sub> target on its own is not capable of deploying a perceptible steering effect for the Member States in these two policy areas – at least in the short and medium term.

In order to ensure effective and quantifiable implementation of the EU targets in the Member States, VDMA and ZVEI are calling for the definition of national target corridors for the development of renewable energies and the improvement of energy efficiency as part of the governance structure to be newly introduced. These national corridors would be defined individually per Member State as part of the iterative process on the negotiation of the national plans – as foreseen in the governance structure – and derived from the national individual contributions in the non-ETS sector.

VDMA and ZVEI see the implementation of the governance structure as a multi-level approach:

- The contribution required per Member State is determined by means of the burden-sharing in the non-ETS sectors.
- In the iterative process put forward by the Commission on the negotiation of national plans, the Member States determine national corridors for energy efficiency and renewable energies measured against the national non-ETS target setting out specific measures. Corrective mechanisms, based on market-oriented and technology-neutral instruments, should also be defined in advance, in case target corridors are not achieved. Within the iterative process with the individual member states the negotiating position of the Commission is geared towards the targets of the 2030 conclusions. In any case it must be ensured that the national corridors in sum guarantee the

achievement of the EU targets. This approach offers opportunities for exchanging and negotiating with other Member States on development and saving potential for renewable energies and energy efficiency<sup>1</sup>.

- As soon as the iterative process is completed, the national contributions should become binding. The Commission reserves the right to enforce the national plans.

From VDMA's and ZVEI's point of view the description of national corridors for the development of renewable energies and energy efficiency would make the following contributions to a successful implementation of the 2030 targets:

- Corridors would provide better guidance for the planned iterative process between the Commission and the individual Member States. It would make it easier to track contributions that individual Member States agreed to make in these two areas without losing sight of the overriding objective of reducing greenhouse gas emissions. The Member States would also have a comparable basis for possible regional cooperation.
- National target corridors maintain freedom and sufficient flexibility in the implementation of the 2030 framework. They set out clear guidelines on the required development in the areas of renewable energies and energy efficiency, but at the same time allow each Member State to describe the corridors themselves in order to create tailored development paths in line with the respective national situation. In contrast to rigid targets, the description of corridors enables the Member States to better balance and plan interactions between the development of renewable energy generation, on the one hand, and the demand side on the other.
- Corridors create transparency and allow for long-term planning at national policy level. For the mechanical engineering sector and electrical and electronic industries, it is a matter of creating planning security for companies through the description of a clear development path. The companies require certainty about how the national plans will actually be implemented so that corresponding investments can be made.

### **3. Requirements regarding the national plans within the scope of the governance structure**

VDMA and ZVEI believe that a key requirement for the effective use of the corridors is that the national plans underlying the governance structure are transparent and sufficiently detailed. They have to indicate which measures need to be taken in order to enter the respective corridors. The policy instruments should be coordinated with one another and structured in a way that is as market-oriented and technology-neutral as possible. It also has to be determined how readjustment in the event of failure to attain the corridors can be structured. Possible instruments in this respect are both non-legislative and regulatory interventions. Under what circumstances

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<sup>1</sup> Articles 6 - 12 of Directive 2009/28/EC (also referred to as the Renewable Energies Directive) could also be used as a model to enable the so-called cooperation mechanisms through which Member States could either carry out joint projects or statistical transfers for the expansion of renewable energies to balance out the fact that greater development potential exists in some countries than in others.

which instrument should be used for readjustment should be defined beforehand in the form of dialogue between national government and the industry.

One goal in this system is to ensure that in sum the national corridors meet the EU-wide targets. In order to guarantee this is achieved, two to three milestones should be defined for the period 2020 to 2030 against which the national plans and their implementation can be measured. This would enable rapid counteraction in the event of undesirable developments.

If the corridors are not respected and no suitable readjustment measures are taken, the Commission should in the final instance have the opportunity to enforce the implementation of the plans, if necessary by means of infringement proceedings. This right must be granted to the Commission within the governance framework.

## **ZVEI**

The German Electrical and Electronic Manufacturers' Association (ZVEI) represents over 1,600 companies in the German electrical and electronic industries which include both global players as well as medium-sized firms and family-run companies. With revenues of € 171.9 billion (2014) and around 846,000 employees (2014) the electrical and electronic industries constitute the second largest sector of German industry and one of the most innovative.

## **VDMA**

The German Engineering Association (VDMA) represents over 3,100 companies from the mechanical engineering industry, which is predominantly made up of medium-sized enterprises. With around 1,008,000 employees (as at: 2014) in Germany and revenues of € 206 billion (2013), the sector is the largest industrial employer and one of Germany's leading sectors of industry overall.

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