



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 29 February 2008 (03.03)  
(OR. de,en)**

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**Interinstitutional File:**

**2008/0013 (COD)  
2008/0014 (COD)  
2008/0015 (COD)  
2008/0016 (COD)**

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**7025/08  
ADD 1**

**ENV 132  
ENER 66  
IND 19  
COMPET 85  
MI 81  
ECOFIN 94  
TRANS 62  
AVIATION 55  
AGRI 60  
CODEC 277**

**ADDENDUM to the NOTE**

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from: General Secretariat

to: Council

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No. prev. doc.: 6683/08 ENV 102 ENER 53 IND 17 COMPET 66 MI 67 ECOFIN 78 TRANS 49  
AVIATION 47 AGRI 51 CODEC 236

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Subject: Package of implementation measures for the EU's objectives on climate change  
and renewable energy  
– Presidency questions for the policy debate  
= Written contributions from delegations

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In reply to questions by the Presidency (6683/08), delegations will find in the Annex written contributions by BG/DE/IT/LT.

BULGARIAPackage

***1. An adequate balance between promoting environmental sustainability and combating climate change, ensuring the competitiveness of European economies and increasing security of supply is of paramount importance. In this light, are the measures contained in the "Climate Action and Renewable Energy" package sufficient to meet the objectives and targets which were endorsed by the EU Heads of State and Government at the 2007 Spring European Council?***

Bulgaria welcomes the proposed package as a good legal basis towards achievement of the ambitious climate change and energy targets endorsed by the EU Heads of States at the 2007 Spring European Council. We support the "package" approach chosen by the Commission, because it adequately reflects the close inter-linkages between the EU energy and climate policies.

The EU climate change policy has a direct impact on the economic activities and competitiveness both at both Member State and EU levels. The EU energy policy has environmental and social implications, both positive and negative, in particular for human health and climate change. The drive to improve security of supply can lead to increased use of local fossil fuels, notably lignite and coal. Biofuel targets may stimulate rural activities, but can also negatively impact on land use, agriculture and biodiversity. Renewable energy investments will reduce greenhouse gas emissions and improve air quality, but may have negative visual impacts and adverse impacts on biodiversity. In this respect Bulgaria strongly supports the need to strike the right balance between promoting environmental integrity and combating climate change, while ensuring sustainable growth and competitiveness of the European economies and guaranteeing security of supply.

In this context Bulgaria believes that the proposed differentiated approach for effort-sharing should take into account the need for a balanced and sustainable development of economic activities throughout the Community, while avoiding market and competition distortions. The effort-sharing should also reflect the progress achieved by each Member State in fulfilling their individual commitments under the Kyoto protocol. The approach to sharing the efforts in reducing GHG emissions should in our view send the right signal to our international partners regarding the way EU interprets the UNFCCC principle concerning the undertaking of commitments by the Parties: *"on the basis of equality and in accordance with their common but differentiated responsibilities and respective capabilities."*

Bulgaria shares the common view that reaching an agreement on the package within the current legislative term is of vital importance in the context of the international climate negotiations and EU leadership as regards combating climate change. But in the long term, even more important is its practical implementation. That is why in our view it is crucial for such an ambitious and comprehensive legislative package to provide for enough flexibility on actual implementation in order to really reach the targets and thus to guarantee and demonstrate the EU's leading role in mitigating climate change.

## EU ETS/non ETS

### **2. Do you agree with the way in which it is proposed to achieve the greenhouse gas emission reductions cost-effectively and equitably, in particular with the design features of the revised EU ETS and the non ETS effort-sharing?**

To reach the goal of reducing GHG emissions by 20 % compared with their 1990 level, 14 % reduction is needed compared to their 2005 level. Therefore the measures provided for in the package aim at reducing by 2020 the emissions from the trading (ETS) sectors by 21 % and from the non-trading sectors by 10 % compared with their respective 2005 levels. Bulgaria's view is that such a "mechanical" allocation of commitments to the ETS and non-ETS sectors does not take into account their relative share of the "contribution" to the overall emissions level in the different Member States (in some countries the ETS sector's share of the aggregated emissions may be 60 %, while in others it may be 30 % for instance). We believe this fact should be taken into account in the package.

In addition, with the current proposal there is no link between targets set for the ETS and non-ETS sectors, which in our opinion would impede the management of the national reduction potentials. More flexibility is needed to establish appropriate linkages between the commitments in the two sectors.

The Commission uses 2005 as a reference year to determine emission reduction targets. Bulgaria considers that this approach does not properly reflect the individual countries' achievements with respect to their Kyoto commitments. We support in principle a differentiated approach based on GDP per capita, but also taking into account the progress achieved towards reducing GHG emission levels compared with the Kyoto base years, as provided for in the 2007 Spring European Council Conclusions (par.33). **To summarise, Bulgaria believes that for the sake of fairness and transparency the individual Member States' targets for 2020 should also be based on the Kyoto base year and set for the economy as a whole, and not only for the non-ETS sector.**

In principle, choosing one reference year only (2005) reduces the flexibility in the system, since such an approach does not make it possible to take into account any extraordinary circumstances which may have influenced the overall emissions level in a given Member State in that particular year.

More specifically for Bulgaria – the 2005 emissions data can not be regarded as "verified emissions data" since the first national verified data from the ETS sector will be available for 2007, thus allowing more reliable calculations to be made also for the non-ETS sector on the basis of the aggregated emissions inventory.

## CCS

### **3. Is the proposed regulatory framework on the geological storage of carbon dioxide suitable to bring environmentally-safe carbon dioxide capture and storage to deployment?**

Bulgaria supports the European Commission's approach in using carbon capture and storage as one of the tools for achieving the Community's objectives to significantly reduce the CO<sub>2</sub> emissions in line with the EU role as a leader in tackling climate change.

Taking into account the ambitious target set by the EU for limiting global climate change to two degrees Celsius and the fact that the fossil fuels will remain the primary source of energy in the future, Bulgaria considers the further development of carbon capture and storage technologies as one of the possible options for achieving this target.

It goes without saying, however, that carbon capture, transport and storage should be performed in a safe manner both for the environment and for human health, therefore all technical and organizational safety measures should be taken in order to prevent any possible risks. The designation and quantification of the possible storage capacities must be based on the precautionary principle; detailed environmental and health risk assessments should be performed and all possible scenarios have to be identified and considered. Possible leakages must be prevented and the operators should demonstrate to the competent authority that good safety management system is put in place. In this context Bulgaria considers that the proposal could serve as a good basis for the environmentally safe capture and storage of CO<sub>2</sub>, using the existing legal instruments for managing the risks of carbon capture, transport and storage.

In our opinion, the subsidiarity and proportionality principles are applied in establishing a legal framework for the capture, transport and storage of CO<sub>2</sub>, while giving the Member states enough flexibility to decide in accordance with their local conditions and possibilities whether or not to apply such technologies and leaving the implementation details to the competent authorities of the MS.

In Bulgaria coal resources are one of the main factors for energy supply security and the biggest lignite basin on the Balkans (the Iztochno-Marishki coal basin) is situated on Bulgarian territory. The latter possesses significant coal reserves which would be sufficient for satisfying the needs of the thermal power plants in the region for 60 years. On the other hand, this considerable local energy resource is characterised by specific physical and chemical properties such as low caloric value, high sulphur content, high humidity and ash content, which imply an adverse affect on the environment. In addition, over 74 % of the total CO<sub>2</sub> emissions in Bulgaria derive from the energy sector and that is why we believe that all newly-built coal-based power plants should use "clean" technologies.

In this respect Bulgaria is one of the countries applying for the implementation of a demonstration project for construction of an electricity generation plant based on clean coal technology and equipped with carbon capture and storage installations as part of the Commission initiative.

### **Sustainability Criteria**

**4. Sustainability is one of the pillars of Climate-Energy policy as well as an objective for several other EU policies; trade in biomass and biofuels will be required for the EU to achieve its targets. In that light, how do you assess the effectiveness of the sustainability scheme (will it ensure sustainable production of biofuels on the one hand and enable efficient trade to and within the Community on the other)?**

Bulgaria welcomes the establishment of sustainability criteria for biofuels and other liquid fuels from biomass as a necessary condition for ensuring their environmentally friendly production and consumption. We realise that biofuels can reduce greenhouse gas emissions from road transport but environmental concerns have to be – and they have now become – an integral part of the EU biomass and bio-fuel policy as there is no benefit in replacing unsustainable fossil fuel use by unsustainable use of biomass and bio-fuels. In Bulgaria's opinion, the criteria in the proposed package properly address the specific conditions needed to strike a balance between the EU agricultural, environmental and energy policies.

In this respect we believe that well-developed criteria will ensure the sustainable production of biofuels, while enhancing the Community biofuel market. Regarding biomass, it is obvious that it should be produced in such way that the source is renewed, but it should also be subject to sustainability criteria to limit any negative environmental and social effects.

The introduction of second-generation biofuels is a crucial element for the achievement of the 10 % biofuel target by 2020. Besides, placing on the market of second-generation biofuels will depend on their economic expediency, as well as on the specific local conditions in each Member State. Therefore bringing biofuel production technologies forward will contribute to the environmental sustainable production of biofuels and their commercial availability.

We think that the renewable energy targets set in the package are quite ambitious in nature and the efforts to achieve them will require significant initial financial resources, therefore appropriate incentives (including tax incentives) will be needed to support the growth and cultivation of oil cultures and further biofuel production.

In November 2007 Bulgaria adopted a long-term National Programme for the use of biofuels in the transport sector, which provides for 10 % share of biofuels in the transport sector by 2020. It needs to be stated, however, that at national level the biofuel production and market consumption are at a very early stage of development and we regard the target set as a driving force for their further expansion.

## GERMANY

### Package

**1. *An adequate balance between promoting environmental sustainability and combating climate change, ensuring the competitiveness of European economies and increasing security of supply is of paramount importance. In this light, are the measures contained in the "Climate Action and Renewable Energy" package sufficient to meet the objectives and targets which were endorsed by the EU Heads of State and Government at the 2007 Spring European Council?***

The Federal Republic of Germany acknowledges the proposals tabled by the Commission in the Climate Action and Renewable Energy Package on 23 January 2008.

The Federal Republic of Germany welcomes the fact that the Commission's proposals provide for an increase in the EU's climate objectives provided there is also a commitment by other industrialised countries to make comparable efforts and by emerging countries to contribute as much as they are able; a signal to that effect is expected by the EU in the international climate negotiations.

There are however one or two points where the Federal Republic of Germany (see also following questions) feels that the Commission proposal could be further improved.

The success of the EU's climate policy will depend very much on an increase in energy efficiency; in this respect, the EU has to meet a clear target of a 20 % increase by 2020. The present version of the Climate Package in question does not contain any concrete measures in this area.

The Federal Republic of Germany therefore considers it imperative to establish concrete EU-wide measures to increase energy efficiency.

### EU ETS/non ETS

**2. *Do you agree with the way in which it is proposed to achieve the greenhouse gas emission reductions cost-effectively and equitably, in particular with the design features of the revised EU ETS and the non ETS effort-sharing?***

In its key aspects, the Commission's approach has the support of the Federal Republic of Germany, in particular regarding the demanding targets for renewable sources of energy and uniform rules for emissions trading throughout the EU.

In the case of effort-sharing, the Commission should ensure that the reduction contributions of the individual Member States in the period 1990-2020 are not below their corresponding commitments under the Kyoto Convention. That would critically reduce the external impact of the Package.

The Federal Republic of Germany considers that the reduction contributions to achieving the EU's climate objectives should be fairly shared out among the individual countries. To that end, appropriate account must be taken of climate-protection efforts made in the past. The effort-sharing among the various sectors proposed by the Commission needs to be further examined.

Germany is in favour of an EU-wide cap as an essential contribution to viable emissions trading and to avoid distortions of competition between the Member States. The sharing out of emissions certificates among the Member States for auction together with the sharing out of revenue must take account of States where electricity production is largely carbon based and there are advance contributions. An additional redistribution mechanism involving a special allocation of emissions certificates to certain Member States is not necessary. The Federal Republic of Germany would strongly urge greater account to be taken of emission credits from climate-protection projects in third countries (JI/CDM). This is necessary to balance the certificate price and – given that worldwide emissions trading does not yet exist – maintain it at an ecologically and economically acceptable level.

As for auctioning, Germany in principle supports differing treatment of electricity production and producing industry.

In the case of emissions trading, the problem of carbon leakage in energy-intensive sectors exposed to international competition requires urgent attention. Until an international Climate Convention is concluded, there should be no auctioning of emissions certificates for sectors where there is a significant risk of carbon leakage. In such sectors, the CO<sub>2</sub>-induced electricity price increases resulting from emissions trading should be taken into account. The Commission's proposal to wait until 2010/2011 before finalising a compensation mechanism must therefore be rejected owing to the negative consequences for planning and investment security. The key decisions must be taken as part of the current negotiations.

Furthermore, Germany rejects any prescription of the use to be made of revenue from auctioning as that is not compatible with the subsidiarity principle and the budget autonomy of the Member States. When taking account of this fact, the Environment Council on 20 December 2007 decided on the introduction of emissions trading for air traffic and found a wording which should be replicated in the present case.

### CCS

#### **3. *Is the proposed regulatory framework on the geological storage of carbon dioxide suitable to bring environmentally-safe carbon dioxide capture and storage to deployment?***

- The draft CCS Directive creates a regulatory framework for the subterranean storage of CO<sub>2</sub> that is in line with environmental policy.
- If we are to be able to use coal in a more climate-friendly way in future and better achieve our climate-protection objectives, we need CCS. Germany therefore welcomes the draft Directive on the geological storage of carbon dioxide as a good and suitable basis for deployment of CCS.
- The most important objective in establishing the regulatory framework for CCS is to ensure that no risks to the environment and health arise and the stored carbon dioxide is permanently retained. To achieve that objective, some of the passages in the draft Directive require clarification. To take one example, a maximum permissible leakage rate of 0,01 % per annum should be laid down so that even after 10 000 years at least 40 % of the originally stored carbon dioxide is still below ground.

- There is also a need for in-depth discussion of the proposed liability regime, particularly regarding the transfer of liability to the State. Here too, there still has to be detailed discussion of difficult questions e.g. of liability. In particular, a careful examination is required of the question of transfer of liability for subterranean storage facilities from operators to the public authorities.

#### **Sustainability Criteria**

***4. Sustainability is one of the pillars of Climate-Energy policy as well as an objective for several other EU policies; trade in biomass and biofuels will be required for the EU to achieve its targets. In that light, how do you assess the effectiveness of the sustainability scheme (will it ensure sustainable production of biofuels on the one hand and enable efficient trade to and within the Community on the other)?***

Germany advocates making the production of biomass subject as soon as possible to minimum requirements for the management of agricultural areas, the protection of natural habitats and the reduction of greenhouse gases. This should in our view apply not only to biofuels but also to use of biomass in the energy sphere in general.

In the context of the adoption of the Energy and Climate Package on 5 December 2007, Germany has submitted a Regulation on ensuring sustainability in the biofuel sphere and forwarded it to the Commission by way of notification. As there are numerous points of agreement between Germany's approach and that of the European Commission as well as those of the other Member States and the European Parliament, we are confident that we will soon find an appropriate solution. A decisive factor in the matter of sustainability and reduction of greenhouse gases is the management of indirect changes in land use. This is an issue for which many politicians and environmental associations have rightly demanded a solution in the context of the sustainability criteria. Germany is continuing work on proposals on this matter and we are endeavouring to include here a proposal in the discussion of sustainability criteria at European level. Moreover, Germany takes the view that social criteria must form an integral part of any European sustainability rules.

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## ITALY

### Package

**1. *An adequate balance between promoting environmental sustainability and combating climate change, ensuring the competitiveness of European economies and increasing security of supply is of paramount importance. In this light, are the measures contained in the "Climate Action and Renewable Energy" package sufficient to meet the objectives and targets which were endorsed by the EU Heads of State and Government at the 2007 Spring European Council?***

The integrated approach adopted by the European Commission represents the added value of the package and it should accordingly be emphasised that the discussion of the various dossiers in the Council reflects that approach and that those dossiers are progressing in a coordinated manner.

The level of the "ambitions" of the "package" is such as to guarantee the credibility of the EU in international negotiations: in particular, the EU has already sent an important signal by adopting unilateral commitments for 2020 and, in the absence of any clear perspective on the timetable for reaching global agreement or on the nature of that agreement, it is too early to expand the current package and implement more ambitious or long-term commitments to reduction. The objective of the package should therefore be to implement the objectives for 2020. In this connection there are some serious doubts about the proposal to extend beyond 2020 the percentage reduction used for determining the total number of allowances to be allocated annually for the Community as a whole. For the post-2020 periods the total number of allowances to be allocated to the ETS sectors should be reviewed on the basis of any new commitments taken on by the Community unilaterally or in the wider context of a global agreement.

### EU ETS/non ETS

**2. *Do you agree with the way in which it is proposed to achieve the greenhouse gas emission reductions cost-effectively and equitably, in particular with the design features of the revised EU ETS and the non ETS effort-sharing?***

There are some hesitations about the arrangements for the distribution of reduction efforts between ETS (-21 % as compared with 2005 levels) and non-ETS (-10 % as compared with 2005 levels), with particular reference to the fact that optimisation of distribution at Community level does not necessarily imply optimisation at Member State level in that it does not take account of the various emission levels in 2005 and hence the early actions undertaken. With regard in particular to the distribution of reduction efforts for non-ETS sectors, there are doubts about the suitability of GDP per capita as the indicator for guaranteeing fair distribution of reduction efforts since GDP per capita simply shows a country's capacity to "pay" (and hence to put resources into the reduction of emissions) and does not reflect the real potential for reduction.

Again referring to the distribution of reduction efforts for non-trading sectors, there are some strong doubts about the introduction of binding annual reduction targets because they reduce the degree of flexibility enjoyed by Member States in achieving the overall objective: as often happens at the implementation stage of emission-reduction policies, the effects are not spread equally over that particular phase but tend to be concentrated towards the end of the implementation period. It is therefore possible that the policies and measures implemented by the Member States will not fully yield the expected results as from 2013 and that countries will be forced to acquire credits in order to compensate for the greater emissions from the first year of implementation.

There are doubts about the quantitative and, more particularly, qualitative limitations on the use of credits from the Kyoto Protocol's flexible mechanisms or any other flexible mechanisms that might be introduced in the framework of the global agreement. In particular, it should be noted that, if global agreement is reached, the obligations to acknowledge credits will have exclusively to reflect any quantitative or qualitative obligations imposed under that Protocol. Stricter limits than those laid down at international level do not seem to be good for the efficiency of the market in carbon products nor do they act as an incentive to implement projects in the developing countries.

There are doubts about the mechanism for the automatic adjustment of the reduction effort in the ETS and non-ETS sectors if a global agreement is reached: in particular, the mechanism proposed assumes that the potential for reduction in the ETS and non-ETS sectors would be the same as that predicted in the event of failure to reach agreement. Such a hypothesis does not appear to ensure cost effectiveness should the global agreement include sectors and gases in addition to those currently regulated by the Kyoto Protocol (e.g. aviation, deforestation).

With regard to the proposal for the revision of the Emissions Trading Directive, we must increase certainty and transparency regarding the means of setting sectoral caps at Community level and the arrangements for the free allocation of allowances and also for the identification of those sectors which are at risk of relocation to third countries. Member States must be fully involved in dealing with these issues.

### CCS

#### ***3. Is the proposed regulatory framework on the geological storage of carbon dioxide suitable to bring environmentally-safe carbon dioxide capture and storage to deployment?***

In view of the fact that in the next few years demonstration projects will be carried out on carbon capture and storage, we consider that the aim of the Commission proposal should be solely to establish a regulatory reference framework for the implementation of such projects. In the light of the experience gained, it will be possible to review the Directive with the aim of establishing a general regulatory framework.

The following points also need to be clarified:

- Role and responsibility of the State vis-à-vis the role and responsibility of the private sector: in view of the uncertainties connected with the capacity of storage sites, there should be a reserve of allowances borne by the private sector which the governments could use when releases of CO<sub>2</sub> occurred during the period in which the responsibility for the storage site was transferred to the Member State.
- Role of the European Commission in the authorisation process and during the phase when responsibility is transferred from the private sector to the State, with particular reference to cases where, even when the European Commission has issued a positive opinion, the Member State refuses to issue an authorisation or refuses to take on the responsibility for a site.

We also have doubts about making it compulsory to stipulate that installations with a capacity of more than 300 MW which obtained a construction authorisation after the Directive comes into force must install the necessary equipment for capturing and compressing the CO<sub>2</sub> produced and that an assessment should be made of the availability of storage sites and the transporting equipment and the technical feasibility of retrofitting CO<sub>2</sub> capture systems. Our doubts are prompted by the consideration that, where a country chose not to use such technology or was not in a position to do so, this would make it impossible to build power stations, which in turn would have significant consequences in terms of security of supply and energy dependence.

#### **Sustainability Criteria**

**4. *Sustainability is one of the pillars of Climate-Energy policy as well as an objective for several other EU policies; trade in biomass and biofuels will be required for the EU to achieve its targets. In that light, how do you assess the effectiveness of the sustainability scheme (will it ensure sustainable production of biofuels on the one hand and enable efficient trade to and within the Community on the other)?***

The need for sustainability criteria for the production of biofuels was strongly affirmed in the conclusions of the last Spring European Council, held in 2007, where a 10 % binding target was set for the share of biofuels in overall EU transport petrol and diesel consumption by 2020. The binding nature of this target was, however, subject to production being sustainable and second generation biofuels becoming commercially available.

We therefore support the inclusion of stringent and comprehensive sustainability criteria that will ensure due protection for the environment, health and the populations involved.

We do not consider that what is proposed in the RES Directive fully meets these objectives.

In particular, regarding the percentage reduction in greenhouse gas emissions as compared to a reference conventional fuel (GHG saving), we consider that the figure proposed (35 %) is not sufficiently ambitious; among other things, it offers no incentive for rapid market penetration by second-generation biofuels.

As to the proposed environmental criteria, we request that, in addition to the biodiversity-protection criteria, they should include criteria for the preservation of natural resources such as water and soil which could deteriorate in the absence of sustainability criteria.

Lastly, we support the inclusion of social criteria to prevent and mitigate the direct and indirect effects on workers and the social and economic development of populations and also on food supplies.

As to the calculation methodology of the GHG-saving proposal, we consider that the use of total default factors considerably weakens the reliability of the estimates unless it can be shown that these factors are based on a detailed analysis of the periods involved.

As to the certification of the information produced by operators, we would prefer the certification system to be specified in the Directive and not left to the choice of individual operators.

Likewise, we would prefer the Directive to lay down transparent criteria on the basis of which the Commission can exempt operators from the certification obligations.

## LITHUANIA

### Package

**1. *An adequate balance between promoting environmental sustainability and combating climate change, ensuring the competitiveness of European economies and increasing security of supply is of paramount importance. In this light, are the measures contained in the "Climate Action and Renewable Energy" package sufficient to meet the objectives and targets which were endorsed by the EU Heads of State and Government at the 2007 Spring European Council?***

Recent developments in global energy trends and problems resulting from global climate change require a change in approach to further energy development and serious action in this field. Implementation of complex and coherent energy and environment policy is needed. The "Climate Action and Renewable Energy" package presented by the Commission is an ambitious and appropriate basis for meeting the objectives on climate change and renewable energy endorsed by the 2007 Spring European Council.

It is of great importance for Lithuania that climate change mitigation targets for Member States are established following the principles of impartiality, transparency, solidarity and convergence. Account must be taken of the national circumstances of Member States and their needs for economic growth, energy provision and energy security. With regard to these aspects sensitive economic and social problems may arise in Lithuania in connection with some provisions of the package. Therefore, for the sake of greater clarity many of the elements in this package need to be analysed in more detail.

It is acceptable to Lithuania that greenhouse gas emission reduction targets and renewable energy targets for energy production are calculated on the basis of GDP per capita; Member States are free to decide in which areas to concentrate efforts and what measures to undertake. But we believe that the progress Member States have made in reducing greenhouse gas emissions should be taken account of as well. If 2005 is used as the reference year to calculate the 2020 targets, countries' achievements on greenhouse gas emission reductions since 1990 will not be included.

### EU ETS/non ETS

**2. *Do you agree with the way in which it is proposed to achieve the greenhouse gas emission reductions cost-effectively and equitably, in particular with the design features of the revised EU ETS and the non ETS effort-sharing?***

Out of all the legislative proposals contained in the EU Climate Action and Renewable Energy package, Lithuania is most concerned about the amendment of the EU Directive on the greenhouse gas emission allowance trading scheme as there is a number of unanswered questions about the approach of the Commission and the proposed methodology. We stress the importance of harmonising the auctioning procedures for greenhouse gas emission allowances (EUA) among Member States. These procedures must ensure that a situation in which enterprises from more developed economies buy up most of the EUAs in less developed Member States is avoided.

We would like to point out that the economic and energy situation in Lithuania is exceptional. After decommissioning of the Ignalina Nuclear Power Plant in 2009, annual greenhouse gas emissions from electricity generation alone in the current combustion installations will increase up to 5 million t CO<sub>2</sub> compared to 2005. As a result of changes to electricity generation sources after decommissioning of the nuclear plant, the market price of electricity will grow to around 2,5 times from the current price. In connection with increased greenhouse gas emissions and the requirement for electricity generating enterprises to buy 100 % of EUAs at auction, and taking account of the EUA market price forecast, electric power costs may rise by a further 20-30 %. Total production costs for electricity sold by producers will increase almost threefold compared to 2008. The price for the final consumer may grow up to twice the current level.

As projects on connections with the European Union network are behind schedule and there is no possibility of securing sustainable electricity supply alternatives, the situation in Lithuania is becoming particularly complicated and may have a negative impact not only on the national economy but also on the social welfare of the people. Moreover, enterprises in Lithuania may not have the economic and financial capacity to buy the required greenhouse gas emission allowances since they will not be able to compete with the other operators taking part in auctions.

To achieve environmental goals, it is indispensable to ensure economic growth in each Member State and to maintain the competitiveness of enterprises with due regard to people's social welfare. Emission allowance trading must encourage producers to be environmentally "friendlier", although this should not create conditions in which financial burdens are shifted on to consumers.

Given this potentially complicated situation we suggest examining more thoroughly the above issues and providing for solutions to help Lithuania tackle emerging problems.

Lithuania agrees that in pursuit of climate change mitigation targets an EU system needs to be created whereby greenhouse gas emission reduction commitments would be undertaken on national level in such non ETS sectors as housing, transport, agriculture, waste management, etc.

Lithuania considers that the Decision on the effort of Member States to reduce their greenhouse gas emissions is designed to coordinate the different interests of EU Member States and takes account of different national economic development levels. But there are questions about the EC methodology used to calculate the greenhouse gas emission reduction targets for non EU ETS sectors in individual Member States which are proposed in the Decision. The Commission has to provide more information about the models and reference data used to calculate the targets for Member States. As for the target of +15 % set for Lithuania there is uncertainty as to whether it can realistically be met because, based on statistical data, CO<sub>2</sub> emissions in our country's transport sector alone increased 5,8 % from 2000 to 2005, and in agriculture the increase constituted 4.2 % a year. More detailed explanations are therefore needed as regards the calculation methodology.

Lithuania supports the establishment of a closer relationship and flexibility for EU ETS sectors and non EU ETS sectors concerning the implementation of goals set for Member States.

## CCS

### ***3. Is the proposed regulatory framework on the geological storage of carbon dioxide suitable to bring environmentally-safe carbon dioxide capture and storage to deployment?***

Lithuania welcomes the fact that for the time being Member States are free to choose whether to deploy CO<sub>2</sub> geological storage. Environmental safety aspects are a cause of concern however. The provisions of the Directive must ensure that cases of CO<sub>2</sub> leakage are avoided during transportation and storage, and that the use of carbon dioxide capture and storage technologies does not cause risks for the environment and human health. We take note of the fact that Lithuania, owing to its geographical and geological situation, has no storage possibilities for captured CO<sub>2</sub>, therefore Lithuanian enterprises choosing to use CO<sub>2</sub> capture technologies may have to transport captured CO<sub>2</sub> to other Member States and store it there, which could create a significant financial burden.

## Sustainability Criteria

### ***4. Sustainability is one of the pillars of Climate-Energy policy as well as an objective for several other EU policies; trade in biomass and biofuels will be required for the EU to achieve its targets. In that light, how do you assess the effectiveness of the sustainability scheme (will it ensure sustainable production of biofuels on the one hand and enable efficient trade to and within the Community on the other)?***

Implementation of the integrated climate change and energy policy requires a compromise between society's environmental, economic and social goals. In our view, uniform sustainability criteria for biofuels should be laid down in one directive in order to avoid duplication. We would give preference to establishing the sustainability criteria for biofuels in the Directive on the promotion of the use of energy from renewable sources pursuant to the system for establishing uniform sustainability criteria which the Commission proposed in its non-paper.

But in a spirit of compromise and in order to achieve earlier agreement on the Directive on fuel quality we could support the alternative proposal of the Presidency, i.e. establishing the core coherence criteria in both the Directive on fuel quality and the Directive on the promotion of the use of energy from renewable sources. In this context it is most important to ensure uniformity and additionally take account of the specificity of the above Directives.