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Energy utilities push carbon pricing, lobby against renewable targets at COP21

By EurActiv.com with Reuters (updated: 9 Dec 2015)

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Gérard Mestrallet [World Economic Forum/Flickr]

The association of power companies working under the 'Magritte Group' umbrella, called on Tuesday (8 December) for carbon pricing, rather than renewable energy targets, to be the main tool for fighting climate change.

Critics say this is a strategy to delay the renewables revolution.

The group, which includes French power generator Engie, Germany's E.ON, Italy's Enel and Spain's Iberdrola, wants the European Commission to strengthen its emissions trading scheme to boost carbon prices and investment in low-carbon power.

"We call on political leaders to design an appropriate framework to make low-carbon investment happen," Engie Chief Executive Gerard Mestrallet told reporters.

The 'Magritte Group', baned after the museum of the Belgian surrealist painter in which it first met, owns more than 50% of EU power generation capacity and has lobbied against renewable energy targets since its foundation two years ago.

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While the Magritte companies operate more than 81 gigawatts of renewables capacity, their gas-fired plants and nuclear stations have suffered as a flood of subsidised solar and wind has created overcapacity and priced their traditional generation assets out of the market.

The group has called for an end to subsidies for mature renewable energies and wants the EU to boost its carbon emissions scheme, whose low prices have failed to boost low-carbon fuels like natural gas and nuclear.

"We believe that the EU's Emission Trading System is the tool strong enough to reach the decarbonisation target," Czech Republic utility CEZ chief Daniel Benes said.

Dutch energy specialist Hendrik Steringa, who researches utilities' business strategies, said the Magritte group's CO2 drive mainly aims to delay the introduction of more renewables.

"They focus on the carbon emissions trading scheme because they know this will take a very long time," Steringa said.

Mestrallet said there was a false impression the Magritte Group is against renewables, adding: "It was obvious two years ago that the level of subsidies, with a kind of open-bar system in some countries, was not sustainable."

European Parliament Green Group member Claude Turmes said a carbon market was a poor tool for climate policy and called the Magritte Group's position "cynical".

"Proponents of the carbon market consider this will allow the development of wind and solar on its own, implying that the EU would not need dedicated legislation on renewables for the post-2020 period," he said.

He added that strong legislations on efficiency and renewables had made the EU the world champion in climate change mitigation, not the failed EU carbon market.

Cynical position from #MagritteGroup today. Carbon markets are no climate solution, #renewables and #efficiency are! https://t.co/0FUilG14EU

– Claude Turmes (@ClaudeTurmes) December 8, 2015

Meanwhile, Norway's $850 billion wealth fund, said on Tuesday it had sold stocks of some utilities this year and that it was in discussions with power generators about using less coal.

"Those companies that have more than 30% coal in their energy mix will go out of the portfolio, unless they have a concrete, tangible investment plan to bring coal down below the 30% level," fund CEO Yngve Slyngstad told Reuters at the New York Times Energy for Tomorrow conference.

Germany's RWE, for whom coal accounted for 60% of its 2014 power production, has seen its stock slide 56% this year.

Background

As most renewable energies are still more expensive than fossil fuels, a variety of support schemes have been put in place to accelerate their uptake and meet the EU's goal of sourcing 20% of its energy from renewable sources by 2020.

Support schemes remain a national prerogative under the EU's Renewable Directive, adopted in April 2009.

A 2011 progress report on the national support schemes, published by the European Commission, called for investment in renewable energy to be doubled from €35 billion to €70 billion to meet the EU's 2020 target to source 20% of its energy from renewables (EurActiv 31/01/11).

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