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IENE Comment

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Last week, the European Commission announced – to much of its own fanfare – its 2040 carbon dioxide emission reduction target, namely 90% from 1990. The announcement was neither a surprise nor really news. But it was proof that things in the EU are going from bad to worse: one just needs to read the comments under Ms. Von der Leyen's X post about it.

According to the Commission, the European Union must double down on attempts to replace baseload generation fueled by natural gas and coal with intermittent generation from wind and solar installations, backed up by batteries and other forms of energy storage, one of whose characteristic features are significantly higher prices that would invariably get passed on to those same Europeans who, Von der Leyen claims, "expect Europe to act."

Indeed, Europeans do expect Europe to act, but not on emissions. Europeans who have faced increasing challenges in covering their living expenses expect "Europe", or rather the central EU government, to do something about reducing the cost of energy that everyone by now has realised determines the cost of everything else. Pan-European industry associations are calling for subsidies to survive net-zero plans; companies in Germany are going bankrupt at the fastest rate in a decade; the eurozone has barely registered any growth at all this year. But yes, by all means, let's have even tighter emission targets.

Italy's Georgia Meloni is one of very few voices of reason in a choir that is singing "Net zero at all costs." According to the Italian Prime Minister, the EU doesn't really need to go for 90%. It could settle for a carbon dioxide emissions reduction of between 80 and 85% from 1990 levels – because the higher target would, as cited by RFI last week, "overburden industries".

The very fact that a certain political path would overburden Europe's industries should be worrying. Indeed, the net-zero path has already overburdened these industries with hefty carbon taxes and other emission-related requirements that have pushed costs higher alongside electricity prices. Still, the Commission and its friends continue talking about the energy transition being good for the competitiveness of Europe, because what's good for the planet is good for industry.

The fact that Europe's emissions are negligible compared to Asia's does not matter. The fact that the reduction that the Commission is striving for will not really make any difference in the continent's – or the planet's – climatic patterns, even on a horizon to 2100 does not matter. The fact that the cost of that transition aimed at cutting emissions while boosting local industries' competitiveness keeps getting higher and higher does not matter. The only thing that seems to matter are the targets, and the reluctant concession made by the Commission in its plan to supplement national emission-cutting efforts with international carbon credit trade, to the tune of 3% of the 2040 emission reduction target. Add that to the final transition tab.

Meanwhile, the German government has said it would spend 4 billion euro on support for its heavy industries, which also happen to be the most energy-intensive industries in order to, perhaps, stem the flood of bankruptcies. That's after the same government realised it could not afford to cut electricity taxes for households in order to alleviate some of the financial pain its predecessors had caused Germans with their net-zero policies.

The German situation is illustrative of the dubious success of net-zero policies across the EU. Selective subsidization of so-called transition industries has compromised the competitiveness of most other industries that now need their own subsidies in order to survive. However, the selective subsidization has led to much higher energy costs for households – meaning voters – and now these need to be somehow brought down but there is not enough money in any European government budget because of the need to subsidise the industries with the compromised competitiveness… while the competitiveness gap between Europe and the U.S. and China continues widening.

The European Union entered the vicious circle of transition-by-heavy-subsidisation with its original net-zero plan. Now, it is making this circle permanent and essentially removing any way out with its updated 2040 target. As the target is legally binding for member states, everyone in the block would need to subsidise the few chosen industries and find its own way to support everyone else, including poorer households, of which there will be a lot more in the future as energy costs keep going ever higher.

There is a way out of the vicious circle, however unlikely it is to be used. It begins with a discussion of immediate priorities. Climate change is a long-term, ongoing process, with consensus on the anthropogenic origin of it quite a bit less iron-clad than advertised. Energy poverty, on the other hand, is quite an immediate threat to many – as is energy supply security. It is high time to start addressing the immediate problems rather than assume that throwing a few billion in subsidies at them while keeping the flow of money into the transition will work.

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