Progress with energy markets in Europe by S. Thomas

This paper examines the European Commission's review published November 2012 of progress towards competitive energy markets. It examines four aspects of the markets: Wholesale energy markets; Retail energy markets; Corporate structure; Impact of smart meters on competition.

It also reviews the changes proposed to British energy markets in the government's Energy Bill also published in November 2012. The privatisation of gas in 1986 and electricity in 1990 in Britain formed the model for the Commission's Energy Directives and any changes to the British model brought about by perceived failings of the original model are of relevance to the EU. We mostly focus on electricity in this paper although the arguments concerning gas are usually similar.

Keywords: Wholesale energy markets, retail energy markets, smart meters
JEL classification: L94, L98, D2, D47

The EU climate and energy policy: what about the new targets for 2030? by L. De Paoli

The EU climate and energy policy for 2020 is summed up by three goals called 20-20-20: a) reduce GHG emissions by 20% compared to 1990; b) save 20% of the EU's energy consumption compared to projections for 2020; c) develop a 20% share of renewable energies in overall EU energy consumption by 2020. In 2013 the EU Commission issued a Green paper to launch a debate on what should be the objectives for 2030 and early 2014 has published its proposals. This article shares the priority given in the Commission's communication of January 2014 to the objective of reducing greenhouse gas emissions and argues that this should be the only target set in quantitative terms. Instead, the proposal of continuing to make use of the EU-ETS, although reformed with the introduction of a reserve stability fund, is not shared. In place of this solution, it is suggested to introduce a carbon tax, to be revised (and raised) periodically, based on the reduction of GHG emissions. Its level should be such that the coal power plants without CCS become no longer competitive in a few years. A less preferable solution would be to maintain the cap-and-trade with a floor and ceiling price. The promotion of renewables certainly deserves to be continued, but without quantitative mandatory targets that are not required neither at the European level nor at the level of individual Member States. Moreover, the RES support has to avoid distorting the internal market for electricity. Instead, a common European system of promotion of renewable should be introduced, with clear and limited objectives. Finally, the increase in energy efficiency should also continue to be promoted, but without any quantitative target that would be very difficult to establish and monitor.

Keywords: European energy policy, climate policy, EU ETS, renewable energy, energy efficiency

JEL classification: Q48, Q28, Q54, Q58, H23

Robert Stavins on the carbon-pricing regime, The New York Times, 1 June 2014: dodgy arguments, by M. Damian

This commentary discusses the opinion piece published on 1 June 2014 by Professor Robert Stavins in The New York Times. Professor Robert Stavins argues that "The Only Feasible Way of Cutting Emissions" is to set up a market for tradable permits. We review and criticize his mains arguments. Our purpose here is not to deny the possibility of carbon trading, but to call for a realistic assessment of the deployment of cap-and-trade systems and their limitations.

Keywords: Cap-and-trade, Command and control, Lead in gasoline, SO2 emissions, California AB32, Climate Change

JEL classification: H23, Q54, Q58

Local climate action plans: Tools to address energy consumption and improve environmental performance of local communities, by A. Lorenzoni, F. Disconzi, F. Bignucolo

Achieving the ambitious 2020 targets in greenhouse gases' emissions reduction is a challenging task for industrialized economies and requires a coordinated action. A pivotal role is given to local administrations, that are called to drive the conversion of the energy sector towards low carbon technologies. The paper proposes a decision support tool based on local climate action plans for a holistic approach to the emission reduction in different energy intensive sectors (transport, constructions, electricity supply, energy generation). The tool is aimed at identifying suitable measures for the design and control of GHG actions. A set of indicators to evaluate the performance of local policies, linked to GIS based maps for an effective impact on territories is proposed. A smart use of existing information can help to optimize the energy supply at local level, to follow the improvement of performances and to weigh future scenarios.

Keywords: Climate action plan, environmental rating, GIS based indicators

JEL classification: Q580, Q550, R580

Two birds with one stone: improving ecological quality and flood protection through river restoration in Northern Italy, by A. Massarutto, A. de Carli

This paper outlines the results a multi-criteria evaluation study applied to the integrated assessment of flood protection options in Northern Italy. The study aims at comparing advantages and disadvantage of a more traditional approach based on hard infrastructure calibrated on the event with a return time of 200 years (TR200) with a more innovative approach based on a combination of non-structural measures, controlled flooding of lower-value areas and mitigation. These are now standard in Northern Europe and elsewhere; however their feasibility has never been investigated in the Italian context. Despite the study is still at a pioneering level, it authorizes some optimistic evaluation about the desirability of non-structural remedies in Italy. The study argues about the necessity of complementary measures, especially based on compensative payments for ecosystem services, in order to improve social acceptance for such practices.

Keywords: flood protection, non-structural measures, economic environmental policy instruments, river restoration, multi-criteria analysis

JEL classification: Q25, Q54, R52, Q15

Extendedproducer responsibility and e-waste management: do institutions matter? by M. Favot

WEEE (waste from electrical and electronic equipment, known also as e-waste) is the fastest growing category of waste with 50 million tons generated worldwide each year and it increases at a rate of 3-5% per year (Onyenekenwa et al., 2011). In Europe e-waste issue has been tacked with a specific directive named WEEE Directive (Directive 2002/96/EC). This directive includes a policy principle known as Extended Producer Responsibility (EPR). The novelty of this research is to relate New Institutional Economics framework to EPR and to analyse in detail the applications of EPR and the results. More specifically, we investigate how the European regulation on e-waste (that includes the EPR principle) changes the institutional settings according to different options available. One of these options regards the individual producer responsibility choice versus the collective producer responsibility alternative.

This article also presents a case study on how the introduction of WEEE Directive in Italy has changed the financial, physical and informative responsibilities for producers and municipalities. One important result is that the target of collection of e-waste set at 4 kg per habitant per year by the Directive, was reached in 2010. We conclude that EPR changes the institutional settings and achieve the internalization of externalities. Moreover, we highlight that the results are related to the solutions adopted within the EPR principle. We also point out that the recast of the European

Directive in 2012 redefined the collection targets of e-waste and Italy will face a big challenge in order to reach those new goals.

Keywords: PPP, Extended Producer Responsibility, EPR, e-waste, WEEE Directive, New Institutional Economics

JEL classification: Q53, Q55, D02

The applicability of the indicators proposed by the European and national regulatory framework to the Energy and Environmental Masterplan of the Sicilian Region, by L. Filogamo

Indicators are useful working tools for the plans to monitor their progress as well as to check ex-post the results achieved. There is a large corpus of indicators, both at European and national Italian levels which designers and planners can refer to. However, it is worth verifying the effectiveness of general validity parameters when applied to a specific limited territorial area. This paper faces this problem, with a focus to the Energy and Environmental Plan of the Sicilian Region (PEARS) and compares the themes proposed at the European (Eurostat) and the Italian national (ISPRA) levels with those adopted for the enforcement of PEARS. The Headlines indicators (Eurostat) are here used as an instrument measuring the applicability at a regional level in order to verify the degree of achievement of the objectives proposed by PEARS. The comparison shows that the top-down scheme is unable to verify the results achieved. The indicators must be rather selected more in detail according to a buttom-up scheme able to understand in depth the need of the area under examination.

Keywords: Indicators, Sustainable Development, Energy Policy, Regional governance, Energy policy, Environmental indicators

JEL classification: Q48, Q56, R58