

PRESS RELEASE

EY (Ernst & Young) analysis finds decarbonisation is winning strategy for energy security and economic recovery

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Brussels, 10 June 2014. A new report by EY (Ernst & Young) debunks the myth that business-as-usual is a winning economic strategy for Europe. It concludes that decarbonisation is a powerful tool to reduce Europe's energy import dependence and would be an effective driver of economic recovery. The report provides EU policy-makers with a fact base to draw on as they form their positions on the bloc's proposed climate and energy package for 2030 and on the debate on how to improve energy security in light of the continued crisis in Ukraine.

In a new synthesis report titled "*Macro-economic impacts of the low-carbon transition*", **EY** (Ernst & Young) assesses the economic implications of decarbonising for the European economy and compares them to the challenges Europe would face under a business-as-usual (BAU) scenario, drawing on a multitude of recent expert research in the field.

The analysis looks at trends and forecasts of key macro-economic features of four sectors that are particularly relevant in the climate debate in the EU: energy, transport, buildings and industry. Economic features that are being scrutinised include investment costs, energy prices, industrial competitiveness, GDP and employment.

The report finds that, irrespective of the choices made on decarbonisation, the EU is set to face major economic challenges over the coming years. According to the European Commission's *Energy Roadmap 2050*, these include the increase in investments needed to maintain and replace the region's existing energy infrastructure from the current €800 billion per year (2010-2020) to up to €1,000 billion per year from 2040-2050, an increase in the average price of electricity by 40% by 2030, as well as an ever-growing fuel import bill.

Alexis Gazzo, in charge of Cleantech and Sustainability at EY in France, said: "*While growing competition from emerging economies is widely accepted as a key risk to European industrial sectors under any scenario, energy prices and costs associated with Europe's aging energy infrastructure and building stock tend to be considered under a low-carbon trajectory only. This analysis reminds policy-makers that even under a business-as-usual scenario energy prices and pressures to invest in infrastructure would increase significantly.*"

The report's conclusions on energy import dependency are particularly relevant in light of the on-going crisis in Ukraine and the risks this could pose on the reliability of imports of Russian oil and gas into the EU, with Russian gas currently accounting for almost 39% of EU natural gas imports and 27% of EU gas consumption. Six EU Member States depend on Russia as their single external supplier of gas.

Referencing the latest projections by the European Commission in *EU Energy, Transport and GHG Emissions Trends to 2050*, the report shows that under a BAU scenario, Europe's import dependency for oil is set to go up to almost 90% in 2050 as compared to the 74% in 2010. Similarly, regarding natural gas, under BAU Europe's dependency on imports would increase from 64% in 2010 to over 70% by 2030, and almost 80% by 2050. With prices also set to rise significantly, the total energy import bill of the EU is projected to reach around €600 billion in 2050.

Under a strong decarbonisation pathway, the bloc could reduce its total fuel import bill between €518 and €550 billion annually, enabling European motorists to reduce their annual fuel bills by up to €180 billion in 2050 and households to save up to €474 billion on energy costs over the next forty years.

Tom Brookes, Managing Director of the Energy Strategy Centre at the European Climate Foundation, which commissioned the report, said: *"This synthesis of expert research makes clear the unparalleled opportunity energy efficiency and renewable energies offer to reduce Europe's dependency on imported fuels. European consumers and European industry are looking to policy-makers to consider this opportunity when deciding on the level of ambition of the EU's climate and energy package for 2030."*

Energy security will also be at the heart of the next meeting of European Heads of State in Brussels on 26-27 June 2014.

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NOTES TO THE EDITOR

- The full report 'Macro-Economic impacts of the low-carbon transition' is available for download at: http://europeanclimate.org/wp-content/uploads/2014/06/EY_ECF_Macro-economic-impacts-of-the-low-carbon-transition_Report_2014-06-05.pdf
- EY (Ernst & Young) is a multinational professional services firm. For more information on EY, visit www.ey.com.
- The European Climate Foundation (ECF) is a major philanthropic initiative to promote climate and energy policies that greatly reduce Europe's greenhouse gas emissions and to help Europe play an even stronger international leadership role to mitigate climate change. It works to provide policy-makers with relevant and high-quality analysis to help inform their decisions. For more information on the ECF, visit <http://www.europeanclimate.org/>