ENDING THE AFFAIR BETWEEN POLLUTERS AND POLITICIANS

How the industry lobby gutted Europe's climate ambitions

Dinner dates and shared ambitions

> **"Early July I had the pleasure of sharing a dinner table with Commissioner Oettinger at the birthday celebrations of Dr Klaus Mangold in Munstertal [Executive Adviser to the Chairman of DaimlerChrysler] .... I was wondering if he [Oettinger] would have some time either after the breakfast, or perhaps over dinner the evening before, to continue our conversation from Munstertal about the future of energy and CO_2 in Europe."** [1]
>
> **Email from Shell executive to the European Commission**

They meet at birthday parties, over breakfast meetings, during cocktail receptions; so just how close are Europe's dirtiest industries to senior politicians and regulators? And what influence is this lobbying having on the EU's official climate change policy? These are the kind of questions we need to be asking as leaders from the 28 EU member states try to reach agreement on Europe's climate targets for 2030. This scrutiny is particularly urgent because – as this privileged access might imply – these industries appear to have been extremely successful at watering down EU climate and energy legislation.

For the past 18 months the European Commission has been working on climate policy proposals for 2030 (a follow-on from the 2020 climate and energy targets), which will determine how the EU responds to the worsening climate crisis. The unprecedented floods in the UK and the rise in food prices from crop failures due to extreme weather are just two of the latest sharp reminders why the EU must act decisively on climate change and end its dependence on fossil fuels.

But fossil fuel companies and heavy industry have argued relentlessly against ambitious proposals. They've mounted a massive lobby effort to convince the EU's most senior politicians that 'green' legislation can't be allowed in times of economic crisis. As we'll see below, this argument is entirely disingenuous, harming the economy as well as the environment. In maintaining the status quo, polluting industry protects short-term profits and continues business-as-usual, no matter what the cost to EU citizens.

Disappointingly, politicians are giving them what they want. The Commission's January 22 proposals for the 2030 climate and energy package recommend a 40% emissions reduction target.[2] According to Kevin Anderson from the Tyndall Centre for Climate Change Research, this target means: "we will by 2030 have reneged on our international commitments to limit global warming to 2°C".[3] In other words we have a very high chance of crossing – in the Commission's own terms – "devastating"[4] global warming thresholds. The proposals also sideline energy efficiency and renewables, despite clear evidence from Commission research[5] that these are the best options to cut costs, create jobs and reduce energy imports.

So what has gone wrong? How has the industry lobby been so successful in its aims to dilute climate action?

1 Email dated 3 September 2013 from Maarten Wetselaar (Executive Vice-President Integrated Gas at Shell) to Nicole Schwager (Cab Oettinger), obtained by CEO through freedom of information requests.

2 European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - a policy framework for climate and energy in the period from 2020 to 2030*, January 2014, http://ec.europa.eu/clima/policies/2030/docs/com_2014_15_en.pdf

3 Kevin Anderson, *Open Letter to the EU Commission president about the unscientific framing of its 2030 decarbonisation target*, http://kevinanderson.info/blog/open-letter-to-the-eu-commission-president-about-the-unscientific-framing-of-its-2030-decarbonisation-target/

4 Submission by Lithuania and the European Commission of behalf of the European Union and its member states for COP19, the 19th Conference of the Parties of the UNFCCC. Vilnius, 16 September 2013 Subject: The scope, design and structure of the 2015 agreement.

5 European Commission: *Impact assessment accompanying the communication a policy framework for climate and energy in the period from 2020 up to 2030*, January 2014 http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52014SC0015:EN:NOT

The context: 2030 targets and global action on climate change

Next year France will host the United Nations conference on climate change, the COP21. The summit is presented as a make-or-break moment when world leaders are meant to sign a new deal to avert catastrophic climate change. Heads of state are supposed to agree on ambitious greenhouse gas policies to keep global warming well under 2°C; what is certain is that without strong political decision-making, we'll be condemned (in the World Bank's words) to "devastating impacts" and a "dramatically different" world from the one we know today. [6]

To help broker a global deal the EU is committed to proposing a 2030 emissions target well ahead of the Paris meeting. The idea is that EU leadership on the issue will inspire others to take action. But the 40% greenhouse gas cuts which the Commission recommended in January not only fail to provide this leadership, but fall dangerously short of what is needed to transform the EU's economy and move away from dirty energy.

Kevin Anderson from the Tyndall Centre wrote to European Commission President Barroso in December to warn him that a 40% greenhouse gas target means an alarmingly high "50-70% chance of exceeding 2°C".[7] But senior decision makers in the Commission refused to budge, despite an earlier pledge from Barroso that "the EU has set in stone its commitment to cap the temperature increase at 2°C".[8]

What is especially worrying is that, when it comes to climate and energy policies, the initial Commission proposal is usually the high water mark of ambition. Things go downhill when the discussion enters the Council, where the lowest common denominator often prevails (for example, to secure agreement from notorious climate laggard, Poland). By successfully lobbying the Commission to tone down its initial recommendations to 40%, industry and fossil fuel companies have managed to strike a blow from which EU climate ambition is unlikely to recover. It is no surprise that according to a senior Commission cabinet member, "the fossil fuel lobby is gloating".[9]

Leading the charge to weaken the EU's climate ambitions is BusinessEurope, the European employers' confederation. Comparing their lobbying documents to the Commission's proposal, it is clear that what BusinessEurope asks for, BusinessEurope gets.

6 New Report Examines Risks of 4 Degree Hotter World by End of Century, November 18, 2014 http://www.worldbank.org/en/news/press-release/2012/11/18/new-report-examines-risks-of-degree-hotter-world-by-end-of-century

7 Kevin Anderson, *Open Letter to the EU Commission president about the unscientific framing of its 2030 decarbonisation target*, http://kevinanderson.info/blog/open-letter-to-the-eu-commission-president-about-the-unscientific-framing-of-its-2030-decarbonisation-target/

8 President Barroso on the results of the L'Aquila summit European Commission – MEMO/09/332 10/07/2009. http://europa.eu/rapid/press-release_MEMO-09-332_en.htm

9 In conversation with the authors.

10 Information taken from *A Competitive EU Energy and Climate Policy - BusinessEurope Recommendations for a 2030 Framework for Energy and Climate Policies*, June 2013 http://www.businesseurope.eu/content/default.asp?PageID=568&DocID=31830 and *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - a policy framework for climate and energy in the period from 2020 to 2030*, January 2014, http://ec.europa.eu/clima/policies/2030/docs/com_2014_15_en.pdf

What BusinessEurope wants, BusinessEurope gets[10]

Industry wish list	BusinessEurope proposal	Commission proposal	BE vs climate	Consequences
Competitiveness of traditional industry more important than safeguarding the climate	"Europe has to put cost-competitiveness, security of supply and climate objectives on an equal footing."	Competitiveness of heavy industry becomes a goal of the climate and energy framework for 2030.	1-0	Making industrial competitiveness the goal of climate policy results in weak targets that fall far short of what science demands, placing huge future costs on society – and industry.
1 target vs 3	"The EU should set a single 2030 emissions reduction target… Due to their overlapping scope with the EU ETS, the EU targets for energy efficiency and renewable energy sources should not be continued after 2020."	The Commission proposes one single target – emissions reduction, with a symbolic objective for renewables. In the previous climate and energy package (goals until 2020) the EU had also agreed on an energy efficiency target and a nationally-binding renewable energy target.	1-0	Targets on renewable energies and energy efficiency would drive emissions down more effectively, but industry only supports carbon trading – which is more open to industry lobbying.
End subsidies for renewables	"Phase out support for the market deployment of energy produced from renewable sources."	The Commission proposal says subsidies for renewables will have to be phased out.	1-0	A high share of renewables is owned by local communities and private citizens. Abruptly ending subsidies will destroy public confidence in clean energy solutions.
Money for Carbon Capture and Storage (CCS)	"Provide enabling R&D&I conditions for technology development."	The Commission proposal explicitly asks for funding (from ETS revenues among others) for CCS projects and has also released a Communication to promote CCS deployment.	1-0	Big business wants the EU to stop subsidies for renewables, but wants to get huge subsidies to develop Carbon Capture and Storage – a technology that not only locks in fossil fuels extraction, but is full of risks and uncertainties.

Claiming climate action will damage competitiveness

A key reason why climate ambition is so weak is that the European Commission, under its President Jose Manuel Barroso, has aligned itself with industry and the story told by its lobbyists – despite the Commission's own evidence to the contrary.

While industry lobbyists claim strong climate targets will harm competitiveness, the Commission actually projects that a 40% emissions-only target will have the same (positive) impacts on GDP as a scenario with more ambitious emissions cuts and targets for renewable energy and energy efficiency. The Commission also predicts that tougher action on climate change will increase savings of health spending by up to €30 billion per year compared to weaker scenarios.[11]

Not only this, but a range of studies show that if we carry on with business as usual, the impacts of climate change will have a massive impact on the whole European economy – not just heavy industry. The recent UK floods, for example, were estimated to cost the British insurance industry £1.2 billion,[12] while flood damage costs alone across the EU are set to increase fivefold from €4.5bn to €23bn a year by 2050.[13] And this is a trend which goes far beyond Europe: the cost of adapting Africa's farming and infrastructure to climate change is expected to be at least €350 billion.[14] Looking beyond narrow short term profits to the wider economic impacts shows that *not* taking tough climate action will be far more expensive than taking it.

Dropping the renewables energy target has been one of the main demands of industry groups such as BusinessEurope. They accuse renewable energies of pushing up energy prices and hurting their competitiveness. But a Commission paper on energy prices from January 2014 shows the main components of energy prices are fuel costs (gas, coal and oil) and national taxes – not support for renewables.[15] Indeed, the UK Climate Change Committee has found that up to 90% of price rises since 2004 are due to rises in gas prices.[16]

Far better to reduce costs by focusing on the €500 billion a year the EU currently spends on oil and gas imports – a figure which is set to go up with increasing fossil fuel prices. Commission analysis shows more ambitious emissions cuts and targets for energy savings and renewables are the best way to reduce costly energy dependence.[17]

11 See above - footnote 5.

12 http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/insurance/10674291/UK-floods-will-cost-industry-1.2bn.html

13 http://www.nature.com/nclimate/journal/vaop/ncurrent/full/nclimate2124.html

14 UNEP, 2013, Africa's Adaptation Gap Technical Report, available at http://unep.org/pdf/AfricaAdapatationGapreport.pdf

15 European Commission *Energy prices and costs*, January 2014

16 Price rises due to non-renewables/climate factors were 90% for consumers, 85% for industry and 66% for commercial impacts of meeting carbon budgets. http://hmccc.s3.amazonaws.com/ENERGYbill12/1672_CCC_Energy-Bills_bookmarked.pdf

17 See above - footnote 5.

Meanwhile, research group Ecofys estimates that an ambitious EU energy efficiency policy will deliver net financial savings of about €250 billion a year.[18] But the industry lobby – despite complaining about high costs – favours weak emission cuts and no targets for energy savings and renewables which would reduce the need for expensive imports.

The argument that climate ambition affects industrial competitiveness by pushing up costs is also a false one, because in fact energy-intensive industry rarely pays these expenses. As E.ON's Vera Brenzel's told an audience last April, high energy prices are not such a big deal for industry as they claim to be, as "usually industry gets exemptions if they are affected".[19] This is the case with the European Emissions Trading Scheme (EU ETS), a carbon market in which Europe's biggest polluters have been given free permits to ensure they avoided higher costs, which, they claimed, would lead them to relocate outside Europe (a phenomenon known as 'carbon leakage'). But the EU Climate Commissioner, Connie Hedegaaard says in a letter[20] to BusinessEurope that a vast array of studies, including from the Commission itself, reveals those claims as unfounded, with the ETS having a very limited impact on industry competitiveness or carbon leakage. In fact, the value of the free permits to avoid companies leaving the EU was so high, many businesses have since made millions in profits.[21]

Every trick in the book: how industry got its way

If facts and science were what mattered, the Commission would have recommended tougher targets for 2030. But it didn't. So how did Europe's biggest climate laggards' views prevail?

The need to sacrifice climate goals in order to boost industrial competitiveness has been repeated ad nauseam by big corporations such as BASF, ArcelorMittal, Shell and E.ON. But it is not just the message but also the messenger, and to whom the message is delivered, which is important. Documents revealed through access to information requests show that concerted lobbying around the 2030 climate targets involved every trick in the book, securing unrivaled, privileged access to the European Commission's most important policy makers.

1. The industry associations' echo chamber

One of the key tactics of lobbying is to create a kind of surround-sound messaging so that it seems to come from all sides. While industry associations like CEFIC (chemicals), Eurofer (steel), EuroGas (gas), Cembureau (cement) and EurElectric (electricity), swamp decision-makers with messages about their opposition to effective climate action, so too have the cross-industry groups, whose membership overlaps with that of the industry associations. Thus one corporation, by lobbying via various membership groups, can amplify its position so it appears to be part of a far louder clamour.

For example cross-industry groups like the European Roundtable of Industrialists, a club of some 50 captains of industry from the biggest industries in Europe, includes BASF, BP, E.ON, Shell, and ThyssenKrup. These cross-industry groups all tend to share members with BusinessEurope, as well as each other. This means that while BusinessEurope has been a vocal lobbyist against stronger climate goals, its most polluting corporate members like ArcelorMittal, BASF, ExxonMobil, and GDF-Suez are also lobbying through other channels at the same time. The result is that the message seems as if it is coming from many more voices than it actually is.

18 Ecofys, *Saving energy: bringing down Europe's energy prices for 2020 and beyond,* February 2013.

19 Vera Brenzel speaking at the international conference "Towards a Global Carbon Market - Prospects for Emissions Trading", 11 -12 April 2013, hosted by the German Ministry of Environment.

20 Letter from Commissioner Hedegaard to BusinessEurope's President Emma Marcegaglia and Director General Marcus Beyrer, dated 12 November 2013, obtained through freedom of information regulations. "The results of a fact-finding study made for DG Climate Action on key sectors covered by the EU ETS show very limited impacts on competitiveness and carbon leakage due to that instrument during its second phase (2008-2012). This is in line with a vast array of similar empirical research on competitiveness and carbon leakage."

21 *Carbon Fat Cats 2012 - The companies profiting through Europe's flagship climate policy*, Sandbag. http://www.sandbag.org.uk/maps/companymap/

2. Hosting slick lobbying events

Companies wanting to shape the outcome of the 2030 Climate and Energy Framework have enlisted powerful lobby firms who – for a price – employ sophisticated methods and extensive contacts in order to deliver their messages. For example, they invite high-level officials to slick lobbying events such as the November 2013 public hearing on the 2030 climate goals for the benign sounding Zero Emissions Technology Platform (ZEP) held at the European Parliament.

In reality ZEP is an industry industry-dominated group, and the hearing had been organised by top Brussels lobbying outfit Weber Shandwick. ZEP's previous work successfully secured tax-payer funding for Carbon Capture and Storage (CCS) projects, an as yet still unproven, expensive technology which would allow fossil fuel companies to continue with carbon-intensive business as usual. This 2030 hearing in November also pushed for CCS, giving a platform for supportive MEPs to argue for the technology to be a main part of the climate future.

To take another example, GPlus, another well-known Brussels lobby firm, has been working for Russian gas firm Gazprom to ensure the European Gas Forum's position reaches the right ears: they argue for one carbon target instead of the proposed three, and with a central role for CCS (which is essentially a way to avoid action as it relies on the as-yet unproven future ability to sequester carbon). Many of the Forums' members – Centrica, Eni, E.ON, Gazprom, GDF Suez, Qatar Petroleum, Shell and Statoil – are also members of Business Europe, the ERT, CEFIC, and Eurelectric; once again we see the echo chamber at work.

3. Place your people inside the Commission

This echo chamber is far more powerful if you can actually have an on-message ally inside the political decision-making structures. Witness Marten Westrup, an ex-BusinessEurope lobbyist who now has a key post in the European Commission's Directorate General for Energy. When Barroso, Hedegaard, Oettinger and their fellow Commissioners first met in February 2013 to discuss which line to take on the 2030 climate dossier, they based their discussions on a policy paper authored by Westrup,[22] who, one can fairly assume, had BusinessEurope's priorities in mind.

Westrup has circulated through the revolving doors between the Commission and BusinessEurope several times. He first worked for the European Commission's DG Enterprise and Industry between 2007-2010 in the area of industrial policy and carbon dioxide emissions from cars. He then moved to BusinessEurope, with specific responsibility for climate change. Commission documents revealed that Westrup used his contacts with former colleagues at DG Enterprise to promote BusinessEurope's position on climate change.[23]

Notably, Westrup then returned to the Commission in 2011 as a Policy Officer in DG Energy, where he worked on the Energy 2050 Roadmap and subsequently on the 2030 Climate and Energy package. Needless to say, both of these are of immense importance to BusinessEurope's corporate membership. With key players like this, it's less surprising that the European Commission's position on climate has been so accommodating to industry.

22 The paper 'ENERGY AND CLIMATE FRAMEWORK FOR 2030' was written for the College of Commissioners orientation debate of February 2013.

23 "Laughing all the way to the (carbon offset) bank: collusion between DG Enterprise and business lobbyists", Corporate Europe Observatory, April 2011 http://corporateeurope.org/sites/default/files/sites/default/files/files/article/cdm_ban_delay_final.pdf

4. Access is the key

Throughout 2013, BusinessEurope, the European Roundtable of Industrialists (ERT) and its industry association allies engaged in a whirlwind of meetings, briefings, lobby letters and press work to convince the Commission that climate action is a dangerous distraction from the real business of boosting growth and profits.

On 7 November 2013, BusinessEurope organised a meeting with the CEOs of Arcelor-Mittal, BASF, Bayer, GDF-Suez and others to spend the day in discussions and panel debates with Commission President Barroso and other high-level officials, including two Commissioners and the Directors General of DG Enterprise, Clima (climate), Environment and Energy. While that degree of privileged access may be surprising, what is more surprising is that the meeting did not take place at BusinessEurope's premises, but was hosted at the Commission's headquarters, the Berlaymont. A day spent arguing for a single climate target without renewables and energy efficiency – "industry needs a cost-competitive and coordinated energy and climate policy for 2030"[24] – ended with networking cocktails and dinner – as well as a group photo (see below).

Mi casa es su casa.
Barroso and 18 industry leaders at the CEO AS event [Support and Advisory group], 7 November 2013.

The ERT has been equally successful in securing privileged access, with French President Hollande organising a dinner for their delegation and inviting German Chancellor Angela Merkel and Commission President Jose Manuel Barroso. Taking place alongside the Franco-German summit, the ERT emphasised during the dinner that, "Any climate or energy policy must be adapted to ensure that the goal to increase industry's share of EU GDP to 20% by 2020 is respected."[25] They also stressed the need for carbon leakage to be addressed (contradicting the Commission's own research – see above). Essentially these are the same messages as those of BusinessEurope; and depressingly, but not so surprisingly given this access, they are almost identical to those found in the Commission's 2030 climate proposal.

24 Report of the meeting, obtained through freedom of information regulations.

25 Press statement by Leif Johansson, 19 February, ERT, http://www.ert.eu/sites/default/files/2014%20February%20-%20ERT%20Meeting%20with%20F%20Hollande%20%2B%20A%20Merkel%20%2B%20JM%20Barroso%20-%20Press%20Statement%20by%20Leif%20Johansson.pdf

Conclusion: real leadership over corporate self-interest

Corporate lobby groups have managed to place what they term competitiveness, but which is in fact an extremely narrow view in defence of short term profits, over any other concern, at the expense of climate and social measures (including the long-term economic health of Europe as climate impacts worsen). Industry enjoys a privileged access to top decision-makers, they spin through revolving doors at their convenience, they enlist the helping hand of veteran PR firms which help them craft and sell their message, they amplify their voice through an army of lobbyists working in multitude of different lobby groups; and they have enormous resources which can translate into political influence.

For the EU to achieve the ambitious climate regulations that are necessary, policy-making needs to be freed up from business influence. Polluting corporations with everything to gain from a weak climate policy should have no role in climate policy-making; let alone be granted such privileged access as they have been granted by the European Commission. They should be excluded – just as tobacco corporations have been restricted from World Health Organization meetings.[26]

The lobbying battle over the EU 2030 climate and energy will keep unfolding over the coming months, extending to a new Parliament and a new Commission when these are elected later this year. It is crucial that Europe's decision-makers choose the path of true leadership: to set the goals for the continent according to what science requires and to the principles of climate justice, and not to the wishes of big business.

26 http://www.satuhassi.net/wp-content/uploads/2013/11/Stop-Fossil-Fuels-Setting-the-Climate-Agenda_Report_Dec2013_FINAL.pdf

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Corporate Europe Observatory (CEO) is a research and campaign group working to expose and challenge the privileged access and influence enjoyed by corporations and their lobby groups in EU policy making.

Friends of the Earth Europe campaigns for sustainable and just societies and for the protection of the environment. We unite more than 30 national groups with thousands of local groups and are part of the world's largest grassroots environmental network, Friends of the Earth International

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