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2030 EU Climate and Energy Goals

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The European Commission outlined, on 22 January 2014, its 2030 climate and energy framework which will replace the EU 2020 climate goals. The EU 2020 climate policy set 3 main targets to be achieved by 2020 at the EU level, which are reducing greenhouse gas emissions by 20%, increasing the share of renewable energy to 20% and improving energy efficiency by 20%.[1] The result was satisfactory and the EU had cut emissions by 18% by 2012 and had a share of 12.4 % of renewable energy in 2010. In reviewing the 2020 targets, the Commission has outlined below targets to be achieved by 2030:

40% reduction of greenhouse gas emissions

The plan sets a binding target of reducing 40% emissions below the 1990 level by 2030. A reform on the EU Emissions Trading System (EU ETS)[2] will also be implemented to create a market stability reserve to improve the system by automatically adjusting the supply of allowances to be auctioned.

27% of share of renewable energy

The Commission proposes to increase the share of renewable energy of the total energy consumption to at least 27% by 2030. This target will be binding only at the EU level and leaves more flexibility to the member states. There will be a new governance system which ensures that the Member States will work together with the EU to reach the overall EU targets.

Energy Efficiency

There is no energy efficiency target in this framework but the Commission mentioned that the energy efficiency framework would be concluded later in 2014 after a review of the Energy Efficieny Directive.

Prior to the annoucement of these targets, there has been intensive debates among various interest groups concerning Continue to page 2

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how far the targets should be set. Although it is important for the EU to put more efforts in resolving environmental problems, there are growing concerns from the business sectors about the potentially higher costs for their businesses in the midst of tougher international competitions. The Commission, while recognizing the need of climate action, emphasized that it is also important to achieve the goals at least cost. The proposal also indicates that the Commission will regularly review the key indicators, including energy price differential with major trading partners.[3]

Public opinions are mixed regarding to the Commission's plan. Environmentalists are generally disappointed with the targets as they expect higher gas emmissions and renewable energy targets and said that the commission's envrionmental ambition was too low. Nevertheless, some business groups said that they were positive with the outlines as the Commission takes into consideration of the challenges of high energy prices for business.
As the next steps of this proposal, the European Commission will seek the consent of the Council and the European Parliament. The European Council will also consider the plan at its spring meeting on 20-21 March 2014. In the long run, the EU has set the framework of the Energy Roadmap 2050 to reduce greenhouse gas emissions by 80-95% below 1990 levels by 2050[7].

Read more about the topic:

1) More about EU 2020 Climate Goal
2) More about EU ETS
3) Details of 2030 Framwork
4) Media's reports about 2030 targets: 1 | 2 | 3
5) Commission Press release
6) Statement by President Barroso
7) EU Energy Roadmap 2050

Chinese Chamber of Commerce in Berlin opened

By Jerry Li

China opened its first European chamber of commerce in Berlin on 16 January. Observers commented that it would deepen business ties between China, Europe and Germany. During the opening ceremony, German Vice-Chancellor and Economy and Energy Minister Sigmar Gabriel said that German government welcomed Chinese investors and would make their efforts to dissolve the concerns.

Over 2,000 Chinese companies are operating in Germany, according to data provided by the new Chinese chamber. By September 2013, Chinese investment in Germany stood at 3.8 billion US dollars while German investment in China has increased to 21.59 billion U.S. dollars.

Setting up a Chinese chamber is seen as an important step for Chinese companies to better enter German market. At the same time, China is increasing efforts to be a reliable investor worldwide. China is now Germany's number three trading partner - and it is also buying up an increasing number of German firms. "Market experts expected the chamber would get active in paving the way for Chinese companies to take over more German small and medium-sized firms," news reported.

Read more about the topic:

1) Deutsche Welle
2) Xinhua

EU and China begin investment agreement negotiation

The first round of negotiations for an EU-China investment agreement took place in Beijing on 21-23 January 2014. The agreement aims at ensuring to open the markets to investment in both directions and providing simpler, secure and predictable legal frameworks to investors in the long term.

The negotiation of the agreement was officially announced during the visit of President Barroso at the 16th EU-China Summit on 21 November 2013. The agreement aims at further strengthening investment ties between the two regions. Although the trading of goods between the EU and China stands over €1 billion per day, the bilateral foreign direct investment still accounts for less than 3% of their total foreign direct investment and there is a huge potential to grow.

This agreement is also significant to EU-Hong Kong relations. During the visit of President Barroso in November 2013, he remarked that *"Given the key role of Hong Kong as a hub between China and the European Union, such an agreement will provide a platform to intensify relations with Hong Kong as well."* [1]

According to an EU diplomat[2], Chinese President Xi JinPing will visit Europe in March this year and is expected to meet the EU leaders in Brussels on 29 March and it is likely that they will discuss the bilateral investment agreement.

Read more about the topic:

1) Speech of President Barroso in Hong Kong in 2013
2) Sources
3) EU Press Release

Report on energy prices and costs in Europe

The European Commission, in response to a European Council request, prepared an in-depth analysis of energy prices and costs in Europe to help policy makers understand the background context, the impact of engery prices and its political implications.

Focusing on electricity and gas prices, the report looks at how energy costs evolved in recent years for both consumers and businesses by analysing three main components, namely energy elememt, network costs and taxes and levies.

The report recognizes that electircity prices continued to rise since 2008 but gas prices, although fluctuating overtime, did not significantly increase from 2008-2012. Another important finding is the price differential with external competitors is increasing. EU industries gas prices are now three to four times more expensive than US, Indian, Russian prices and 12% more than Chinese prices. This disparity is expected to reduce the EU's share in global export markets for energy intensive goods.

With these observations, the report provides a number of recommendations to address the concern of the affordability of energy in Europe. It suggests the EU to complete the internal energy market in 2014, to develop energy infrasture further and to improve energy efficiency. Also the EU should work with its international partners to ensure a level playing field for energy prices.

Read more about the topic:

1) Full report

Interview with Dr. Theiselmann

About Dr. Theiselmann

Dr. Ruediger Theiselmann is a Managing Director of the *Corporate Finance Association (http://corpfina.org/en/home/) focusing on international trends in the fields of equity and debt capital raisings as well as M&A. He used to work in the investment banking and now acts as a lawyer, senior advisor to an asset manager and lecturer at universities. Ruediger has been involved in Sino-European business relationships (in particular cross-border acquisitions) for years.*

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Outbound investment from China to the rest of the world has been increasing in recent years and the Chinese government stated in China's 12th Five Year Plan that Chinese outward direct investment is expected to increase 17% per year and will stand at USD 150 billion in 2015. The EU, as the largest host of foreign direct investment in the world, has seen increasing Chinese outbound investment in Europe in recent years. In November 2013, during the visit of President Barroso in Beijing, both the EU and China agreed to launch the negotiation of a bilateral investment agreement to further foster bilateral investment relations.

The EUAP interviewed Dr. Rüdiger Theiselmann, Managing Director of the Corporate Finance Association (Corpfina), a Germany based association of international corporate financiers about the prospect of EU-China investment trends and the role of Hong Kong in this agreement.

Pong: Outbound investment from China to the EU has increased in recent years and is expected to continue to increase in the coming years. From your opinion, what are the main factors that drive Chinese companies/ investors to invest in the EU?

Dr. Theiselmann: Political stability, reliability and growth perspectives are important prerequisites for spending money in a foreign market. Europe is seen by Chinese companies as a safe destination for investments although the sovereign debt crisis caused certain doubts. This region has a large consumer market, well-educated workforces and many esteemed brands. Thus, greenfield investments or acquisitions in Europe could help Chinese companies to grow both domestically and internationally.

Pong: Which sectors do they invest the most in Europe?

Dr. Theiselmann: In terms of deal numbers, communications equipment and services, industrial machinery as well as renewable energies have been the most frequently invested industries over the last years. In terms of the investment amount, automotive, chemicals, plastics and rubber, utility and sanitary services have been paramount.

Pong: What are the main difficulties and obstacles that Chinese companies/investors face when they invest in Europe? How do you think the EU-China Investment Agreement, which is now under negotiation, can address these problems?

Dr. Theiselmann: A major challenge results from approval requirements in China: when it comes to an auction process, Chinese acquirers face a comparative disadvantage given that they need more time than bidders from other countries. This issue can only be solved in China. Irrespective of this, Chinese investors faced to some extent protectionism in certain European sectors over the last years. In this respect, the new Investment Agreement is a *good step forward and will surely increase openness for investments on both sides.*

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Pong: Some commentators regard Hong Kong as a hub that links China with the rest of the world. What role do you think Hong Kong can play in Chinese outbound investment into Europe?

Dr. Theiselmann: Thanks to its long tradition as a financial centre, its mature infrastructure and its advantages as a special administration region, Hong Kong is a perfect hub for investments from and to Asia. Even if Shanghai will surely play an incremental role in future, many transactions between China and Europe will still be done via Hong Kong because of its strategic importance in Asia.

Pong: Do you have any advices for potential investors in Hong Kong or China who would be interested in investing in Europe?

Dr. Theiselmann: In particular over the last decade, Europe has faced an increased importance of social security and social justice, ethical values as well as environmental protection while capitalism and pure return focus are not well regarded. At the same time, the media and real-time internet communications often influence the public opinion. Chinese investors should have this in mind and ideally demonstrate that they act in the very best interest of the public. Significant investments creating jobs and keeping intellectual property in Europe are good prerequisites to convince relevant stakeholders.

About the Business and Economic Information Platform

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