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EU aims for moral high ground with swingeing climate change package

• Blueprint's binding targets for 27 member countries
• Brussels wants deal with US, China and India

Graphic: new EU renewable energy targets for 2020

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Ian Traynor and David Gow in Brussels
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A blueprint for tackling global warming was put on the table yesterday by the EU, which challenged the US and other big polluters worldwide to join the battle against climate change. Setting out plans for the world's first significant low-carbon economy, the EU ordered swingeing cuts in greenhouse gas emissions which included challenging targets for Britain.

Under draft legislation unveiled by the European commission, 20% of Europe's energy mix is to come from renewable sources by 2020, while Europe's biggest polluting industries must slash their emissions by 21% against 2005 levels by the same deadline.

The climate change package, senior officials in Brussels said, would give the EU the moral high ground, letting it lead the drive for a new, post-Kyoto international bargain on global warming with the US, China and India.

While the overall aim is to reduce greenhouse gas emissions in the EU by 363m tonnes, or 20%, by 2020, Stavros Dimas, the environment commissioner, said the scheme included "automatic triggers" to take the cuts to the level of 30% if the remainder of the world signed up for similar action.

"Climate change is the great project of our generation," said José Manuel Barroso, the commission president. "Europe can be the first economy for the low-carbon age ... The package is the most far-reaching legislative proposals made by the European commission for many years."

The EU executive laid out binding targets for each of the 27 member countries on emissions reductions and on renewable energy in order to reach the goal of the 20% cut in greenhouse gases, as well as the 20% target for Europe's energy mix being provided by renewables, and 10% of all road fuel deriving from biofuels.

Barroso put the cost of the package at about €3 a week for every European - the price of three tanks of petrol a year.

The bulk of the reduction in carbon dioxide and other greenhouse gas emissions is to be obtained through a carbon trading scheme in which the union's biggest industrial polluters, such as power generators and oil refineries, buy and sell emission permits. The "price of carbon" is expected to rise and the hope is that the market will deliver the compulsory cuts.

In the sectors not involved in the carbon trading scheme, such as transport, farming, and construction, national caps are being imposed.

The British government welcomed the commission's draft, which orders a 16% cut in emissions by Britain by 2020. The UK is also obliged to increase its reliance on renewable energy, from less than 2% now to 15% of the country's total energy needs by the same date.

The environment secretary, Hilary Benn, said: "This plan shows exactly what we are aiming for globally - a comprehensive and effective agreement to tackle climate change, with the carbon market at its heart."

John Hutton, the business secretary, said the government would review its strategy to meet the UK share of the EU renewables target. "This package will show the EU's continuing global leadership on climate change. I want to see it agreed as soon as possible to give business the certainty it needs to plan low-carbon investments with confidence."

Environmental pressure groups sounded broadly satisfied with the package, which has to go through the European parliament and be endorsed by national governments before becoming law, perhaps in a year's time.

"A work in progress", was the verdict of Rajendra Pachauri, head of the UN intergovernmental panel on climate change. "I see no reason why some of these targets may not become stronger, may not become more stringent."

Barroso said the package would unleash a money-spinning bonanza in Europe and urged EU firms to seize the opportunity to become global leaders in innovative green technologies. He predicted hundreds of thousands of new jobs, insisting that the overall €60bn cost would be less than 0.5% of Europe's economic output.

The scheme would save €50bn a year in reduced oil and gas imports, he said.Bowing to pressure from energy-intensive industries such as the steel and cement sectors, which have threatened to pull out of Europe if the measures cripple their competitiveness, the commission held out the prospect of free pollution permits under the carbon trading scheme.

This came amid warnings that it would be "economic suicide" to penalise the sectors too heavily. But big energy groups, which amassed huge profits in the early stages of the trading scheme, will have to bid at auction for all their permits from 2013.

The commission says that by 2020, this will be adding 5%, or about €150, a year to household bills, though its own officials say that the rise could be 15%.

A decision on free permits for sectors hit by competition from low-cost countries is to be taken from 2010 onwards.