Main elements of the legislation on Non-ETS emissions (Effort Sharing Decision)

CAN Europe GA
27 – 28 April 2016
Main reforms needed in the ESD

• More ambitious EU-wide and national targets in line with Paris
• Emissions level starting point in 2021
• Cancellation of surplus pollution permits
• No credits from LULUCF (land-based sector)
• Limitation on ETS → to ESD flexibilities
Non-ETS sectors under the ESD

Covers 60% of EU’s emissions

Covers all sectors not included in the EU’s carbon market (EU ETS) except land use + forestry (LULUCF)

**Sectors included:** road transport, buildings heat consumption, agriculture, waste.

source: Carbon Market Watch based on EEA GHG data viewer
Non-ETS Sectors (Effort Sharing Decision)

The EU agreed under the Effort Sharing Decision on national targets for the emissions not-covered by the Emissions Trading System.

• **EU 2020 target:** -10% below 2005 emissions.

• **Individual 2020 targets:** from -20% to +20% on the Member States' GDP.
Non-ETS Sectors (Effort Sharing Decision)

2020 Target will be overshot by all but 4 member states (Ireland, Belgium, Austria, Luxembourg)

Surplus estimated 1.4 billion tonnes
New 2030 non-ETS Targets

**EU 2030 target:** -30% below 2005 emissions.

**Individual 2030 targets: between 0% to -40%:**
- GDP/capita for those countries whose GDP is below the European average
- GDP/capita and cost-effectiveness for those countries whose GDP is above the European average.
- Individual Member States targets are still being negotiated.
ESD reform timeline

ETS reform likely discussed together with the Legislative proposals on the Effort-Sharing Decision and LULUCF.

Likely timeline:
- March/April/May 2016: Commissioner Arias Canete visits all Member States to negotiate on their possible national target;
- June 2016: Commission will publish legislative proposals on ESD and LULUCF (in one publication).
- Late spring 2017: Council Decision on ESD targets for Member States including some decisions/guidelines on flexibilities and LULUCF → this would enable the EU to ratify the Paris agreement even though the legislative files will likely not be finalized until 2018.
- Second half of 2017 or 2018: finalizing ESD, ETS and LULUCF legislation
  → important to finalize well ahead of Paris review in 2018 to enable EU to raise target.
Alignment with Paris Agreement: long-term target and ratchet-up mechanism

Aim to keep global temperature rise to well below 2°C above pre-industrial levels and to pursue efforts towards a stronger target of 1.5°C.

→ Incorporate a 95% reduction by 2050 target
→ Include 5-yearly reviews as ratchet-up mechanism
→ Allow Member States to increase their own ambition after EU legislation is agreed
More ambitious EU-wide and national targets

While the European Council decided that overall greenhouse gas emission reduction target for 2030 is "at least" 40%, it fixed the non-ETS target at minus -30% without taking into account the “at least”.

→ ESD target not in line with the objectives of the Paris Agreement that was approved by all EU Member States.

→ all Member States should accept an automatic revision of their national targets, on the basis of the agreed criteria, once the "at least 40%" target is reviewed.
Impact of 2021 starting point on total ESD emissions budget for 2021-2020

- 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

2020 ESD reduction target (-10%)

Actual 2020 emissions in ESD sectors

About 750 million emissions surplus with starting point at 2020 target

Note: Surplus from current trading period is not included in this budget.

Current legislation does not allow for carry over.
Emissions level starting point in 2021

To ensure that the 2030 target is not watered down:

The 2021 starting point for MS that will:

• overshoot their 2020 target: Based on a linear trajectory from 2016 to 2020;
• miss their 2020 target: their 2020 target

This may be easier to (partially win) than in the ETS, as the Commission is on our side (unlike with the ETS).
Cancellation of surplus pollution permits

2020 target will be overshot by all but 3-4 Member States (Ireland, Belgium, Austria, Luxembourg) ➔ total surplus of estimated 1.4 billion tonnes

Surplus should not be used to water down 2030 target.

Currently no carry over allowed. This may therefore be easier to win than cancellation in the ETS but we will still need to be vigilant. Some member States will push for this...
Land-use sector (LULUCF)

If credits from the LULUCF sectors could be fully used, it would lower ESD targets from 30% to only 10-20%. If LULUCF could offset emissions in other, it could increase ESD emissions by 1.3 billion tonnes.

Ireland, Poland and Denmark are among the strongest voices calling for such a loophole.

**LULUCF should be covered under a separate pillar AND reductions should not be counted towards the ESD target.**
Using ETS allowances under ESD

- “one-off reduction of the ETS allowances”

EU ETS

Large ETS surplus → no impact on the ETS emissions

ESD

Up to 300 million allowances

Reduced mitigation efforts in the ESD sectors
Beware of loopholes

Loopholes could turn minus 30% target into emissions increases!

Loopholes would transform the reduction target into emissions equivalent to +2382 Mt CO₂
Strengthening synergies with sectoral policies

Other EU measures support ability of Member States to meet their targets, e.g.:

→ Energy Efficiency Directive
→ 2025 CO2-targets for road vehicles
→ Circular Economy Package

These instruments should be reinforced to help Member States deliver their ESD targets across all sectors.
CAN Europe Position at a glance

**Timing:** The reforms of the climate legislation (ESD, ETS and LULUCF) should be finalized well ahead of the Paris agreement review in 2018 to enable EU to raise its 2030 target.

**Target:** The overall 2030 ESD target should be raised. All Member States should accept an automatic revision of their national targets, on the basis of the agreed criteria, once the "at least 40%" target is reviewed.

**Loopholes:**

- **Cancellation of surplus pollution permits:** 1.4 billion surplus should be cancelled.
- **Starting point in 2021:** Should be at actual emissions or lower, otherwise more surplus on top of above.
- **No sinks for ESD targets:** if sinks can be used fully, it would lower ESD targets from 30% to only 10-20%. LULUCF needs to be a separate pillar AND reductions should not be counted towards the ESD target.
- **Minimize use of ETS allowance sin the ESD.**
Introduction to the ESD and related legislation:

Tackling 60% of the EU’s Climate Problem: The Legislative Framework of the Effort Sharing Decision

Newest Numbers:


Studies on 2030 ESD:


Enhanced flexibilities for the EU’s 2030 Effort Sharing Decision

Thank you for your attention

For questions, please contact:

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