



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

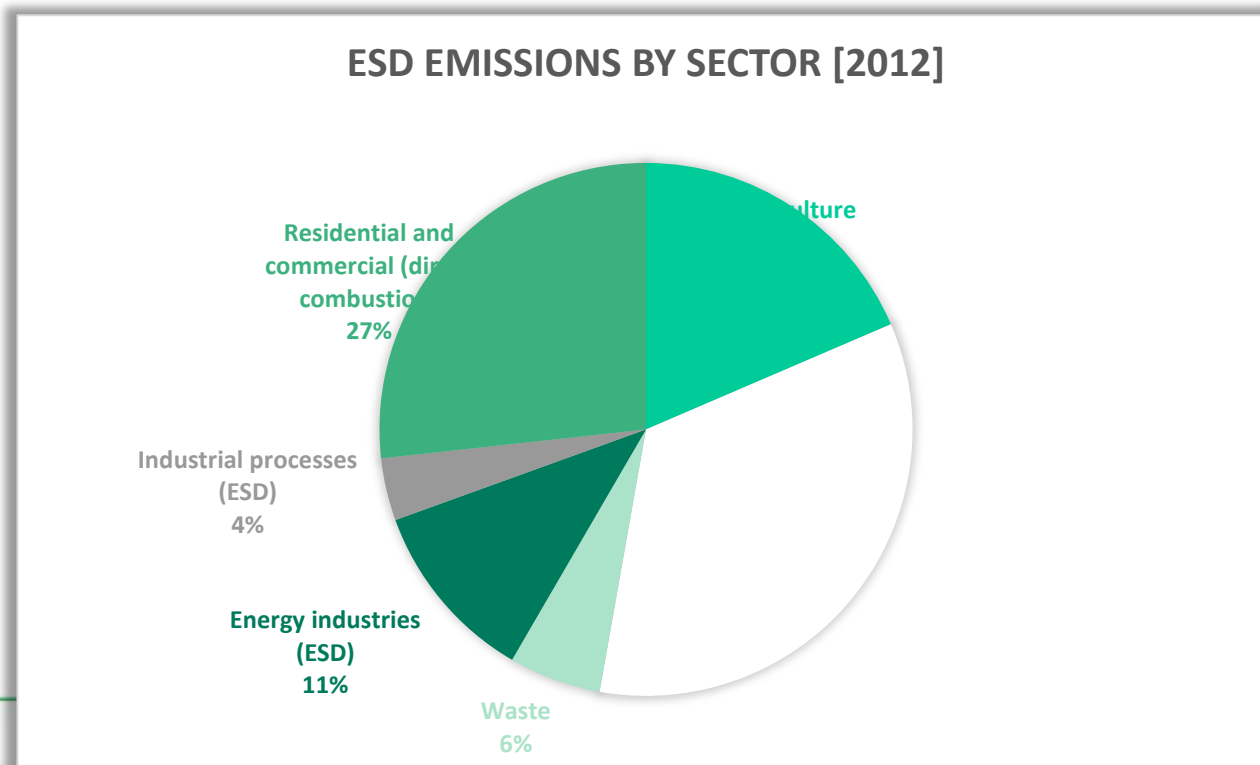
- More ambitious EU-wide and national targets in line with Paris
- Emissions level starting point in 2021
- Cancellation of surplus pollution permits
- No credits from LULUCF (land-based sector)
- Limitation on ETS → to ESD flexibilities

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)

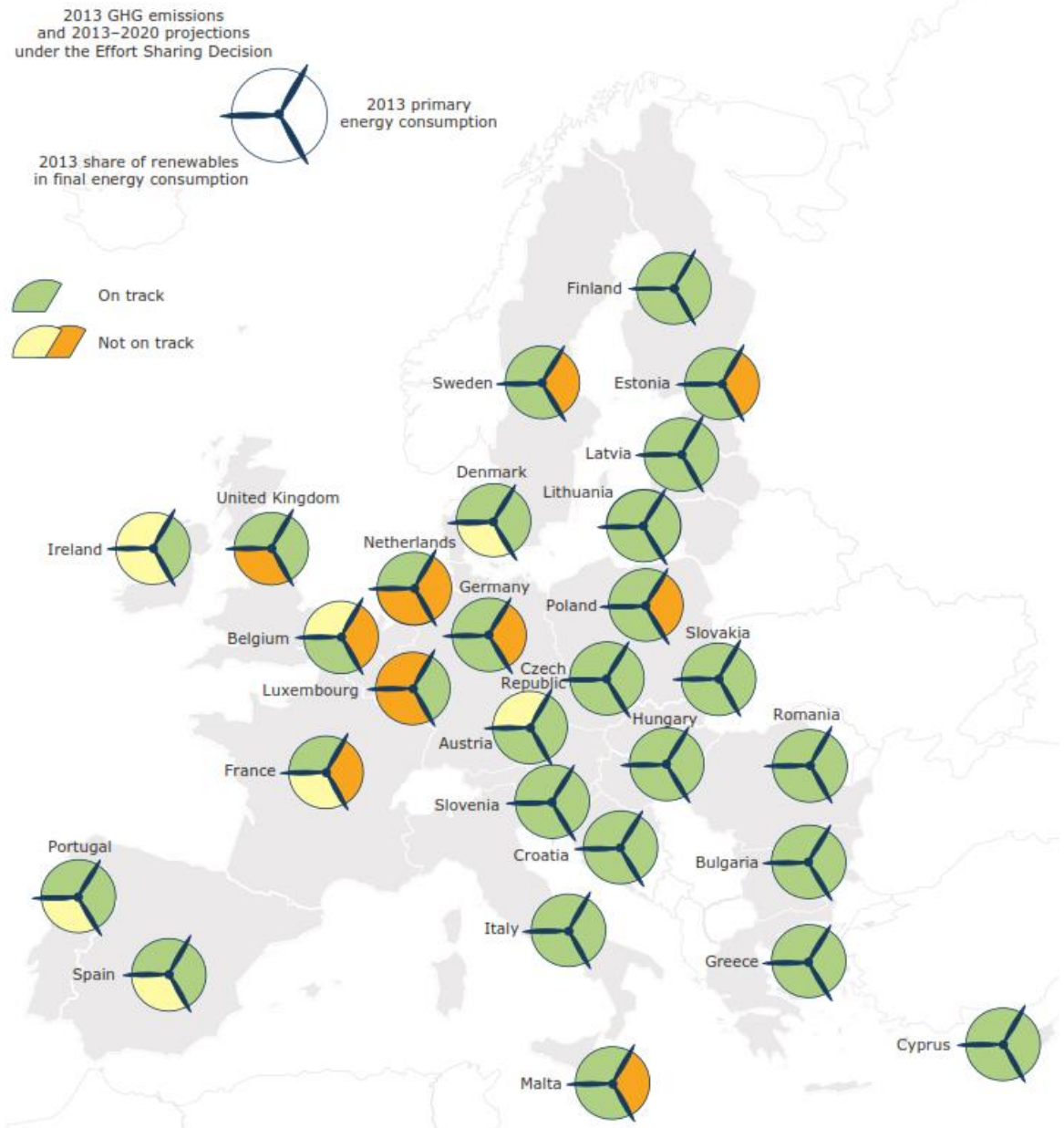
The EU agreed under the Effort Sharing Decision on national targets for the emissions not-covered by the Emissions Trading System.

- **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



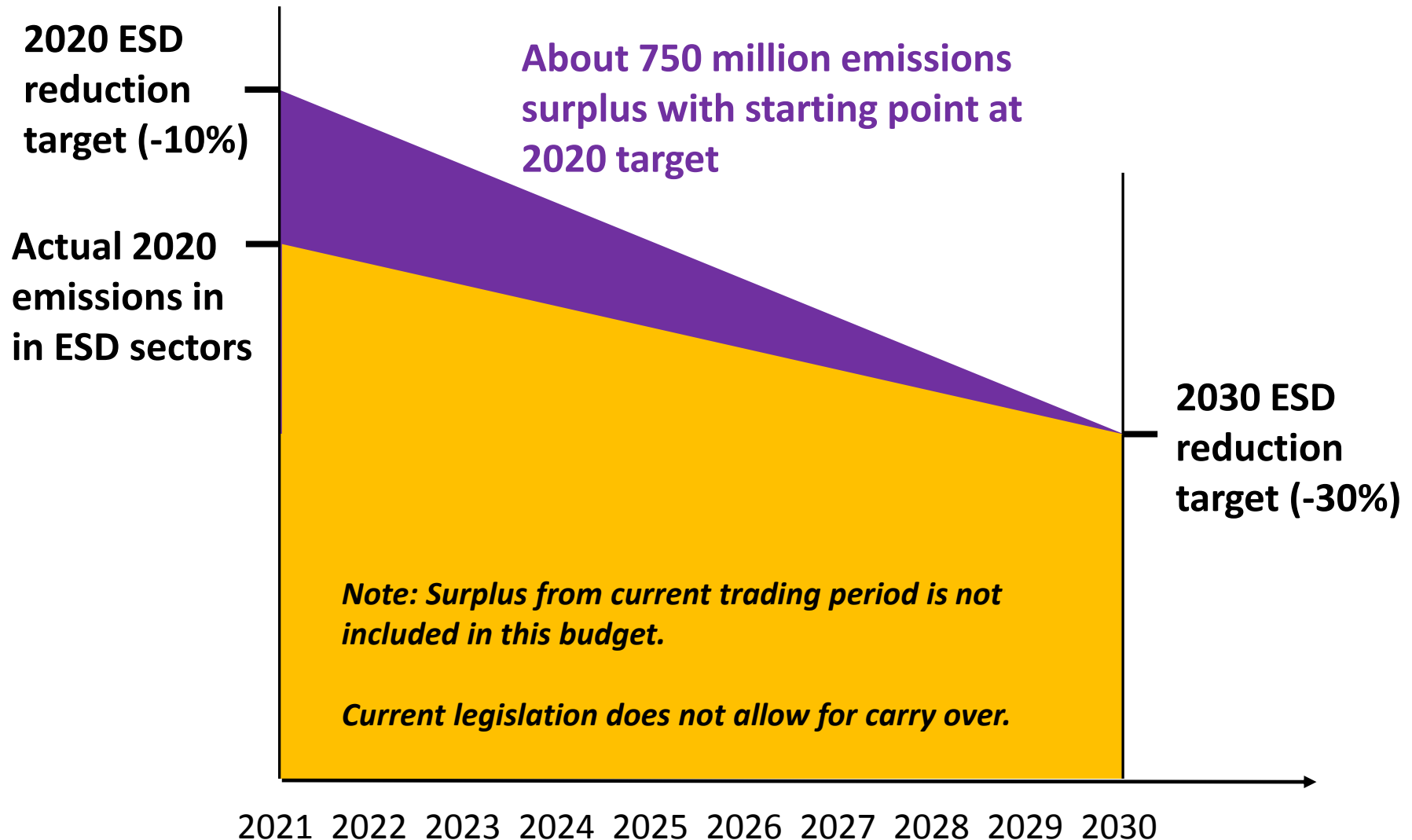
More ambitious EU-wide and national targets

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 2021-2030



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 overshoot 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”



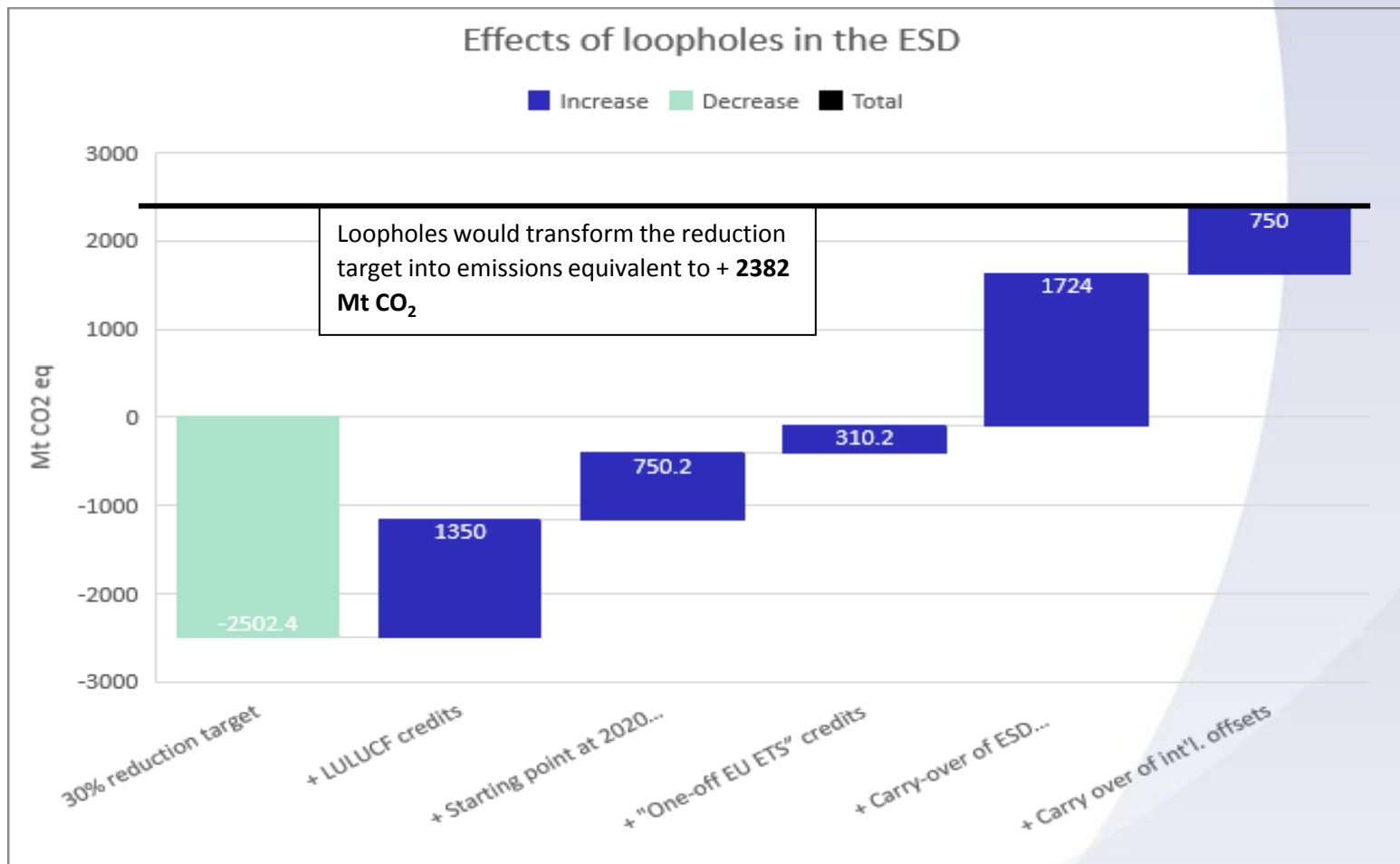
Large ETS surplus → no
impact on the ETS
emissions



Reduced mitigation
efforts in the ESD
sectors

Beware of loopholes

Loopholes could turn minus 30% target into emissions increases!



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
- Energy Performance of Buildings' Directive
- 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.**

More information

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:

EEA Report No 4/2015. Trends and projections in Europe 2015

<http://www.eea.europa.eu/publications/trends-and-projections-in-europe-2015/download>

Studies on 2030 ESD:

EU effort sharing for the 2021-2030 period <http://www.oeko.de/oekodoc/2463/2016-002-en.pdf>

Enhanced flexibilities for the EU's 2030 Effort Sharing Decision

<http://www.oeko.de/oekodoc/2373/2015-537-en.pdf>

Impacts on the EU 2030 climate target of including LULUCF in the climate and energy policy framework <http://www.oeko.de/oekodoc/2320/2015-491-en.pdf>



Thank you for your attention
For questions, please contact:

anja@caneurope.org