

Binding annual greenhouse gas emission reductions by Member States (Effort Sharing Regulation)

2021/0200(COD) - 26/04/2023 - Final act

PURPOSE: to amend Regulation (EU) 2018/842 (Effort Sharing Regulation – ESR) on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement.

LEGISLATIVE ACT: Regulation (EU) 2023/857 of the European Parliament and of the Council amending Regulation (EU) 2018/842 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement, and Regulation (EU) 2018/1999.

CONTENT: the revised Regulation on effort sharing regulation is part of the ‘Fit for 55’ package presented by the European Commission which aims to enable the EU to reduce its net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels, and to achieve climate neutrality in 2050.

Reduction targets of greenhouse gas emissions by 2030

The new effort sharing regulation (ESR) sets an EU-level **greenhouse gas emission reduction target of 40% by 2030**, compared to 2005, for the sectors that it covers.

While under the revised directive on the EU Emissions Trading System (EU ETS), emissions trading will also apply to international maritime transport as well as buildings, road transport and additional industrial sectors, the scope of the ESR is maintained (road and domestic maritime transport, buildings, agriculture, waste and small industries).

Annual emission levels for the period 2021-2030

The revised Regulation sets a **higher national target** for each Member State. Each Member State will, in 2030, limit its greenhouse gas emissions at least by the percentage set for that Member State in column 2 of Annex I in relation to its greenhouse gas emissions in 2005.

When undertaking the actions to limit the greenhouse gas emissions, Member States will consider the need to ensure a just and socially fair transition for all. The Commission may issue guidance to support Member States in that regard.

Flexibilities

The Regulation adapts the way Member States can use existing flexibilities to meet their targets.

For the years 2021 to 2025, a Member State will be able to use up to 7.5% of its annual emission allowance for the following year.

In addition, a Member State whose greenhouse gas emissions for a given year are below its annual emission allocation for that year, taking into account the use of flexibilities provided for in the Regulation, may:

- in respect of the year 2021, **bank** the excess part of its annual emission allocation up to a level of 75 % of its annual emission allocation for 2021 to subsequent years until 2030; and

- in respect of the years 2022 to 2029, bank the excess part of its annual emission allocation up to a level of 25 % of its annual emission allocations up to that year to subsequent years until 2030.

A Member State may **transfer** up to 10 % of its annual emission allocation for a given year to other Member States in respect of the years 2021 to 2025, and up to 15 % in respect of the years 2026 to 2030.

Member States should use revenues, or their equivalent in financial value, generated by transfers of annual emission allocations to **tackle climate change** in the Union or in third countries. Member States will inform the Commission of any actions taken and will make that information public in an easily accessible form.

Corrective measures

The Regulation revises the requirements for corrective action plans to be submitted by Member States to the Commission in the event of failure to make sufficient progress towards achieving their annual emission levels. The Commission will be able to issue an opinion on the reliability of the corrective action plans submitted by Member States. If the Member State concerned does not respond to the Commission's opinion, it will have to provide a justification to the Commission.

Review

The Regulation will be kept under review taking into account, *inter alia*, evolving national circumstances, the manner in which all sectors of the economy contribute to the reduction of greenhouse gas emissions, international developments and efforts undertaken to achieve the long-term objectives of the Paris Agreement and of Regulation (EU) 2021/1119.

The Commission will submit a report to the European Parliament and to the Council, within six months of each global stocktake agreed under the Paris Agreement, on the operation of this Regulation, including the balance between supply and demand for annual emission allocations, as well as on the suitability of the national greenhouse gas emission reduction targets contained in Annex I to this Regulation as regards their contribution to the Union's climate objectives.