Binding annual greenhouse gas emission reductions by Member States from 2021 to 2030

2016/0231(COD) - 20/07/2016 - Legislative proposal

PURPOSE: to achieve a reduction at EU level of 30% in greenhouse gas emissions (GHG) by 2030 compared to 2005, in all sectors that are not part of the Emission Trading System (non-ETS sectors) in order to implement EU commitments under the Paris agreement.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides following the ordinary legislative procedure on an equal footing with Council.

BACKGROUND : the Commission considers that with current policies, GHG emissions are not expected to sufficiently decrease to reach the European Union's target of at least 40% reductions on 1990 by 2030 and, more specifically, a 30% GHG reduction in non-ETS sectors compared to 2005. Under current trends and with full implementation of existing legally binding targets and policies, emissions covered by the Effort Sharing Decision ('ESD') are only projected to decrease by around 24% below 2005 levels in 2030. Hence, national reduction targets, which provide the incentive for further policies driving deeper reductions, are required.

The proposal is an important element of the strategic framework for the Energy Union. It aims to implement the Paris Agreement on Climate Change (December 2015), which includes a long-term goal to keep the global temperature increase well below 2°C above pre-industrial levels and to pursue efforts to keep it to below 1.5°C. The EU's climate objective is to reduce GHG emissions by 80-95% in 2050 compared to 1990, in the context of necessary reductions by developed countries as a group. In order to achieve the European Union's domestic long-term objective to cut emissions by at least 80% by 2050, continued progress is needed for a transition to a low-carbon economy.

IMPACT ASSESSMENT : the impact assessment considered options for implementing the reduction in the non-ETS sectors other than the LULUCF sectors, building upon the current ESD and the guidance given by the European Council. The impact assessment looks at what the impact of the proposal would be on fairness, cost efficiency, and environmental integrity.

CONTENT : the proposal lays down the minimum contributions of Member States to emission reductions for the period from 2021 to 2030 and the rules for determining the annual emissions allocations and those on evaluation on progress. The reductions aim to promote improvements, particularly in the sectors building, agriculture, waste management and transport.

Annual emission levels for the period from 2021 to 2030: the proposal lays down Member States emission limits in 2030 as set in Annex I, and the rules on how emission levels are determined for 2021-2030:

- all Member States will have national emission targets for 2030 expressed as a percentage reduction from 2005 emission levels as well as access to new flexibilities to achieve those targets cost effectively. Collectively, these national targets give an overall EU reduction of 30% in the sectors covered by the proposal. The 2030 targets range from 0% to -40% compared to 2005 levels;
- the annual emission levels are determined based on a linear trajectory starting with average emissions for 2016-2018 based on the most recent reviewed GHG emission data. Annual emissions allocations (AEAs) in CO2 equivalent for each Member State for each year of the period will be set out in an implementing act ;
- different capacities of Member States to take action are recognised by differentiating targets according to GDP per capita across Member States.

Flexibility instruments to achieve annual limits: the proposal sets out the flexibility available to Member States to achieve their annual limits including flexibility over time through banking and borrowing of annual emissions allocations (AEAs) within the commitment period, and flexibility between Member States through transfers of AEAs. In particular, two new flexibilities are introduced, which will allow Member States to reach their targets cost efficiently.

- One-off flexibility for certain Member States to access allowances from the EU Emissions Trading System: the new flexibility allows eligible Member States to achieve their national targets by covering some emissions in the non-Emission Trading System sectors with EU Emission Trading System allowances which would normally have been auctioned, generating revenue for that Member State;
- Flexibility to access credits from the land use sector (LULUCF): the proposal permits up to 280 million tonnes of CO2 to be credited from certain land categories to be used for national targets over the entire period from 2021-2030. The flexibility applies only to net credits generated at national level by deforested land, afforested land, managed cropland and managed grassland.

Corrective action: if, based on the annual evaluation performed by the Commission, a Member State's progress deviates from its annual emission allocation, that Member State will need to prepare an action plan with additional measures to be implemented in order to ensure that it will comply with its obligations.

Compliance check: the compliance check on GHG emissions from each Member State will take place every five years, and no longer annually, for each of the previous years of the period. Should a Member State be found to be non-compliant with its annual emissions allocations for any year of the period, corrective action in the form of the addition to the next year's emissions of a quantity equal to the amount in tonnes of CO2 equivalents of the excess emissions multiplied by a factor of 1.08 will apply.

BUDGETARY IMPLICATIONS: the proposal has very limited implications for the EU budget (EUR 3346 for the period 2017-2020).

The indirect impacts on Member States budgets will depend on their choice of national policies and measures for GHG emission reductions and other mitigation action in sectors covered by this initiative. The proposal provides for continued annual reporting but with less frequent compliance checks. This will reduce the administrative costs for Member States.

DELEGATED ACTS : the proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union.