



# EU Climate Policy 2020 & 2030

A short intro

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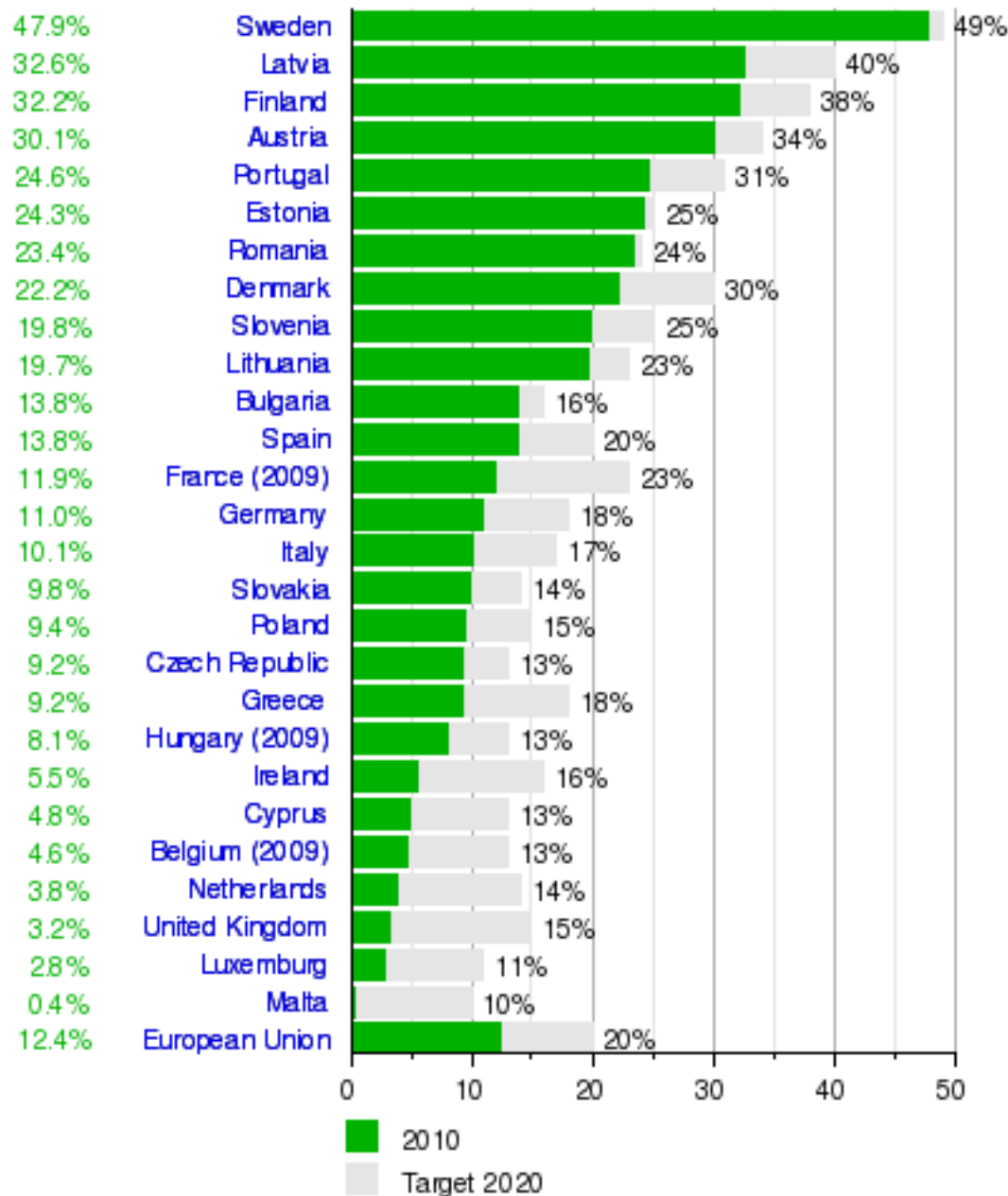
# 2020 Climate & Energy package

Set in 2007, known as the "20-20-20" targets, set 3 key objectives for 2020:

- A 20% reduction in EU greenhouse gas emissions from 1990 levels (binding);
- Raising the share of EU energy consumption produced from renewable resources to 20% (binding);
- A 20% improvement in the EU's energy efficiency (non-binding target)

# Renewable Energy Directive

- Under the [Renewable Energy Directive](#), Member States have taken on binding national targets for raising the share of renewable energy in their energy consumption by 2020.
- These targets, which reflect Member States' different starting points and potential for increasing renewables production, range from 10% in Malta to 49% in Sweden.
- EU as a whole: 20% renewable energy target for 2020 - more than double the 2010 level of 9.8% - as well as a 10% share of renewable energy in the transport sector.



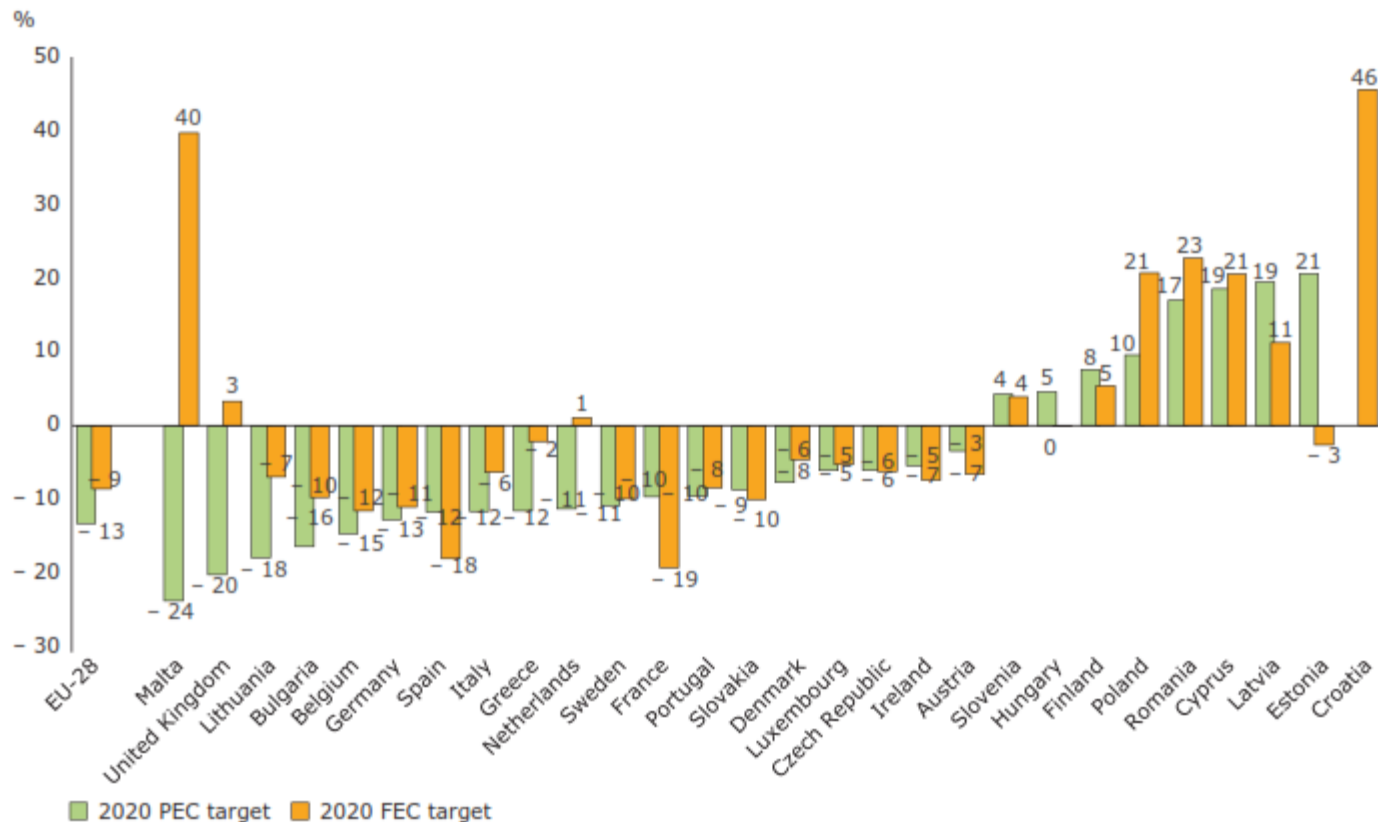
# Energy Efficiency

- The climate and energy package does not address the energy efficiency target directly.
- This is being done through the 2011 [Energy Efficiency Plan](#) and the [Energy Efficiency Directive](#).
- Baseline is projected business-as-usual energy use in 2020.
- The target sets maximum of energy consumption in 2020 (not an intensity target)

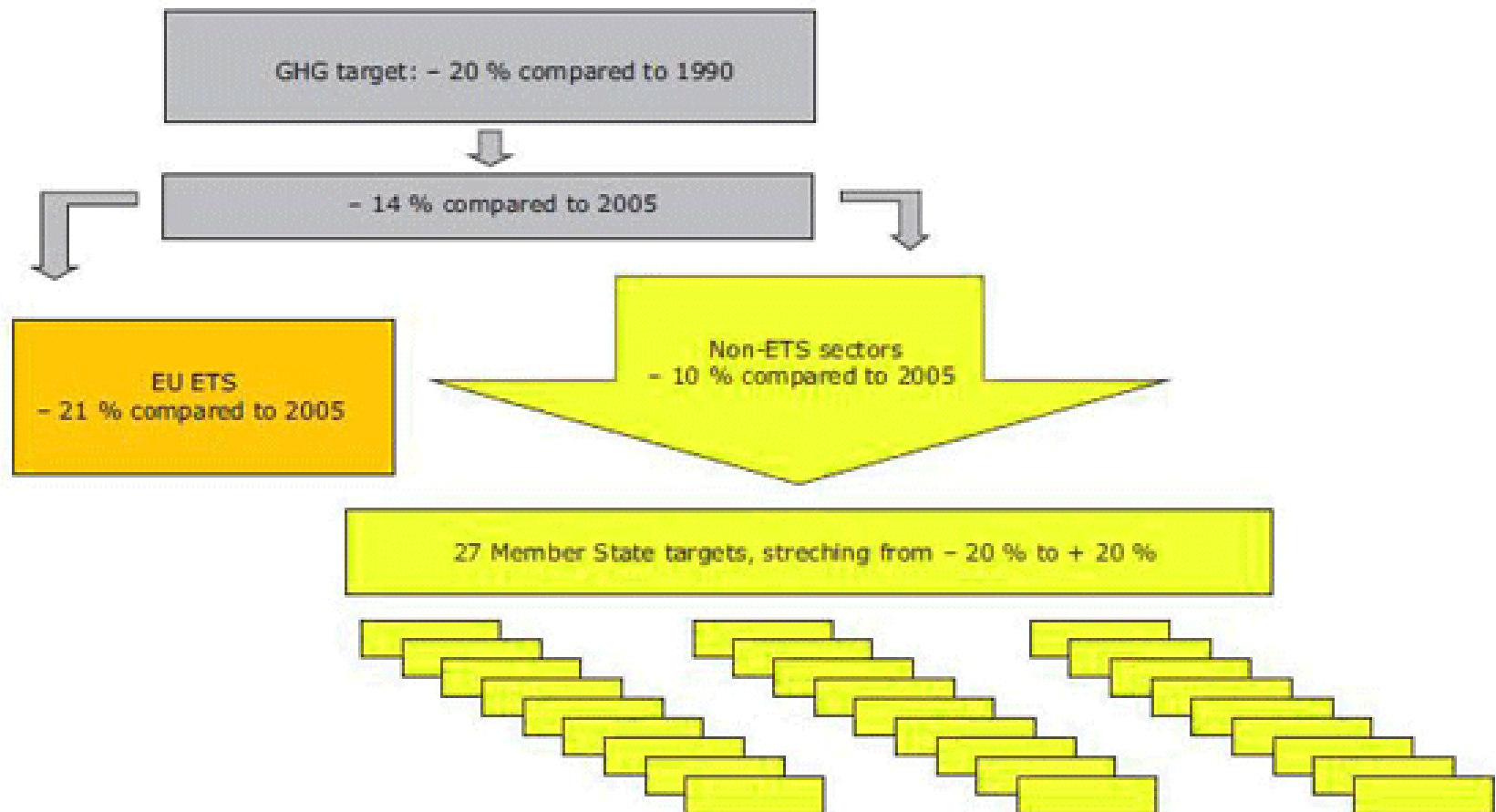
# Energy Efficiency Directive

The 2012 [Energy Efficiency Directive](#) establishes a set of binding measures to help the EU reach its 20% energy efficiency target by 2020. Under the Directive, all EU countries are required to use energy more efficiently at all stages of the energy chain from its production to its final consumption.

**Figure 2.3 National indicative primary and final energy consumption targets**



# EU 2020 GHG Target

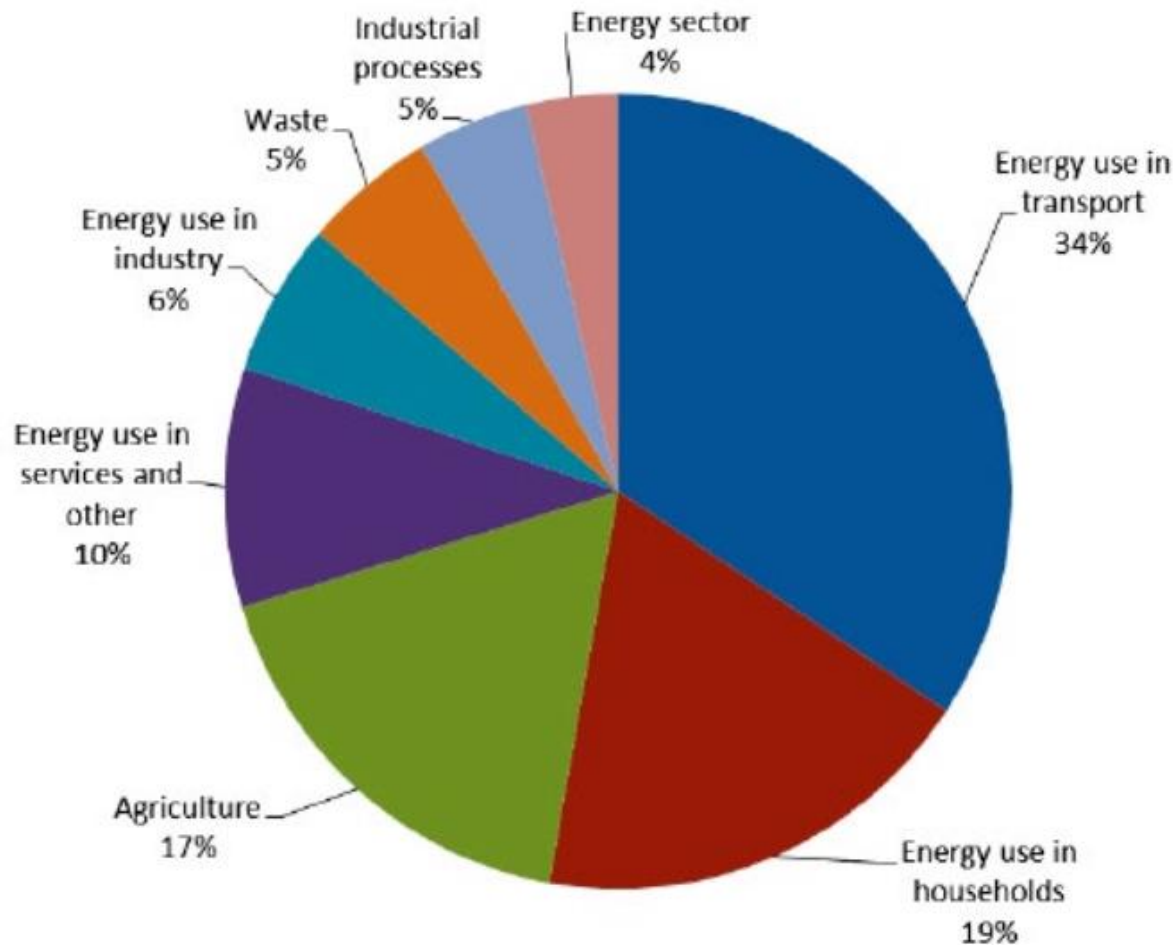




# Non-ETS Emissions Sectors

Around 60% of the EU's total emissions

**ESD emissions by sector (2005)**

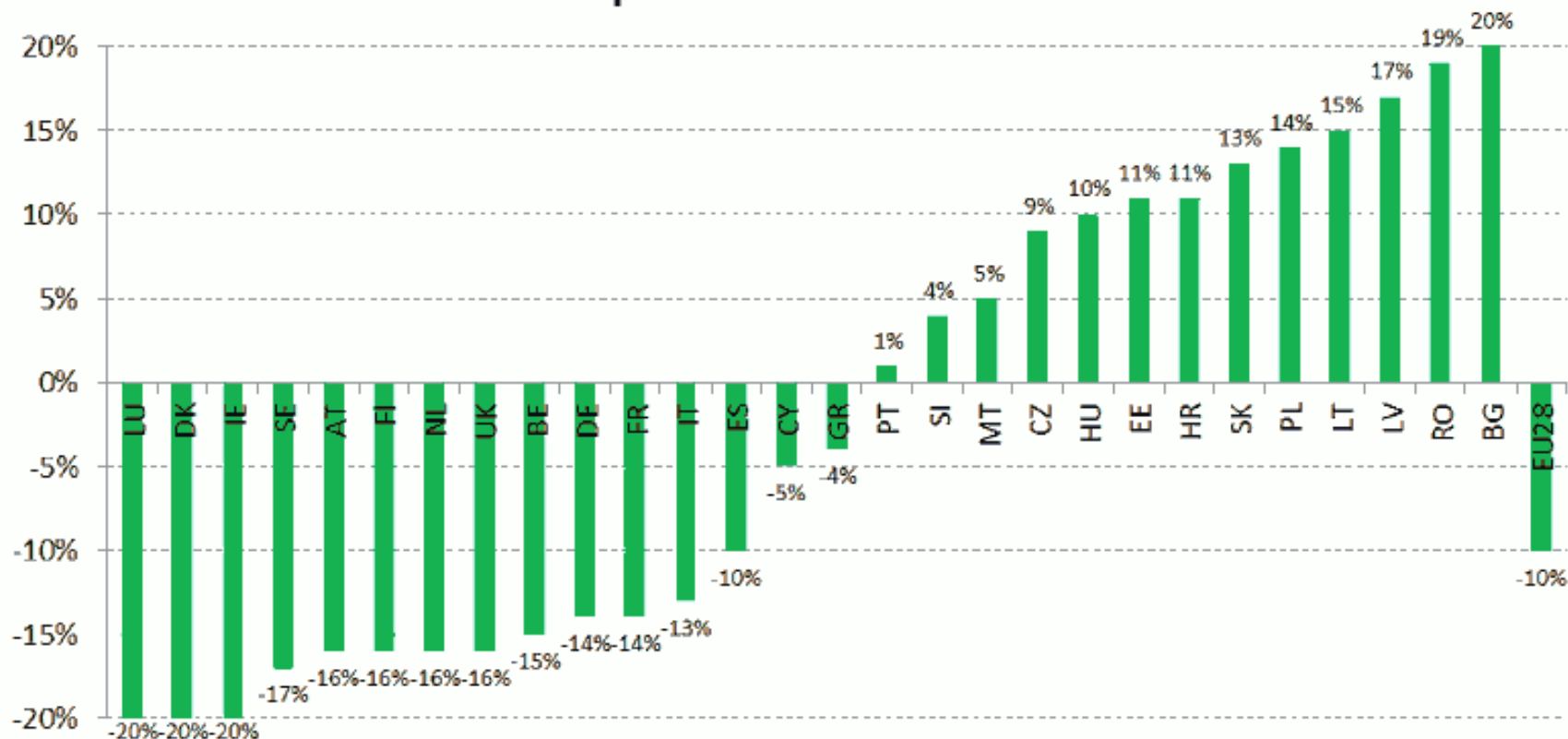


# Non-ETS Emissions

## (Effort Sharing Decision)

- National targets for non-EU ETS emissions: Member States have taken on binding annual targets for reducing GHG emissions from non-EU ETS sectors.
- The national targets are differentiated according to Member States' relative wealth. They range from a 20% emissions reduction (compared to 2005) by the richest Member States to a 20% increase by the least wealthy.

## Member State greenhouse gas emission limits in 2020 compared to 2005 levels



**The overall EU target under the ESD is a 10% emission reduction in 2020 compared to 2005.**

# ESD flexibilities

## Current flexibility mechanisms under the ESD

Flexibility	Details	
Annual Emission Allocation (AEA)		
Carry forward (borrowing)	§ 3.3:	Up to 5 % from the following year until 2019
	§ 3.3:	Increased rate in 2013 and 2014 in the case of extreme meteorological conditions
Carry over (banking)	§ 3.3:	Unlimited until 2020
Transfer	§ 3.4:	Up to 5 % of its AEA for a given year
	§ 3.5:	Unlimited transfer of surplus AEA
Credits from Project Activities		
International Projects	§ 5.4:	Up to 3 % of 2005 emissions annually until 2020
	§ 5.5:	Up to 1 % of 2005 emissions annually in addition to § 5.4 for the 12 Member States listed in Annex III until 2020
Carry over (banking)	§ 5.6:	Unlimited for the rights under § 5.4. Does not apply to § 5.5.
Transfer	§ 5.6:	Unlimited transfer of unused part of § 5.4. Does not apply to § 5.5.
Community-level projects	§ 5.7:	Unlimited use of credits issued pursuant to Art. 24a of the ETS Directive

# Progress towards 2013–2020 ESD targets

- Targets too weak: emissions will be considerably lower than target. Partly because of use of offsets.
  - Expected surplus: 750-2000 Mt CO<sub>2</sub>eq (according to EC and Oeko Institute)
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## Resources:

[Trends and projections in Europe 2014](#) (EEA Report No 6/2014)

TACKLING 60% OF THE EU'S CLIMATE PROBLEM (Carbon Market Watch reports)

- [THE LEGISLATIVE FRAMEWORK OF THE EFFORT SHARING DECISION](#)
- [MEMBER STATES PROGRESS IN IMPLEMENTING THE EFFORT SHARING DECISION](#)

# Overview of the EU ETS

- Operates in the 28 EU countries and the three EEA-EFTA states (Iceland, Liechtenstein and Norway)
- Covers:
  - ~ 45% of the EU's GHG emissions.
  - > 11,000 installations: power plants and industry.
  - Flights to and from the EU and the three EEA-EFTA states.

# Trading periods

- **Phase I: 2005 – 2007 (three years)**
  - No carry over, price dropped to zero due to over-allocation
- **Phase II: 2008 - 2012 (five years)**
  - coinciding with 1st commitment period of Kyoto Protocol.
  - Iceland, Norway and Liechtenstein joined
- **Phase III: 2013 – 2020 (eight years)**
  - 21% reduction of greenhouse gases by 2020 compared to 2005.
  - inner European air travel included
  - Croatia joined
  - EU-wide cap on emissions reduced by 1.74% per year (Linear Reduction Factor, LRF)
  - gradual shift towards auctioning of allowances
- **Phase IV: 2021 – 2030 (?)**

# Current Status of the ETS

- Low carbon price (**€7** for a tonne of CO<sub>2</sub> pollution).
- Surplus of excess pollution permits equaling more than a year's emissions (**> 2 billion** tonnes of CO<sub>2</sub> pollution).
- In 2020: surplus will be 2.6 - 4.5 billion.
- Huge industry pollution subsidies: 5.5 billion free pollution permits equal to around **€45 billion** during 2013-2020.
- Overgenerous use of international carbon offsets with little environmental integrity (**up to 1.6 billion offsets** allowed until 2020 trading for €0.10 (or less)).



# EU ETS reform proposal: The Market Stability Reserve

**The Market Stability Reserve (MSR): to create more price stability**

If in any year, there is a large **oversupply** of emission allowances, allowances are automatically put in the reserve (→**less allowances are auctioned**).

If in any year, there is **scarcity** on the carbon market, allowances are released from the reserve (→**more allowances are auctioned**).

## CAN-E position

- Mid-2016 start.
- Prevent the back-loaded and unused allowances (≈1.7 bn) from re-entering the market.
- Make adjustments stronger when the supply is large.
- Limit the surplus from being used as future rights to pollute.

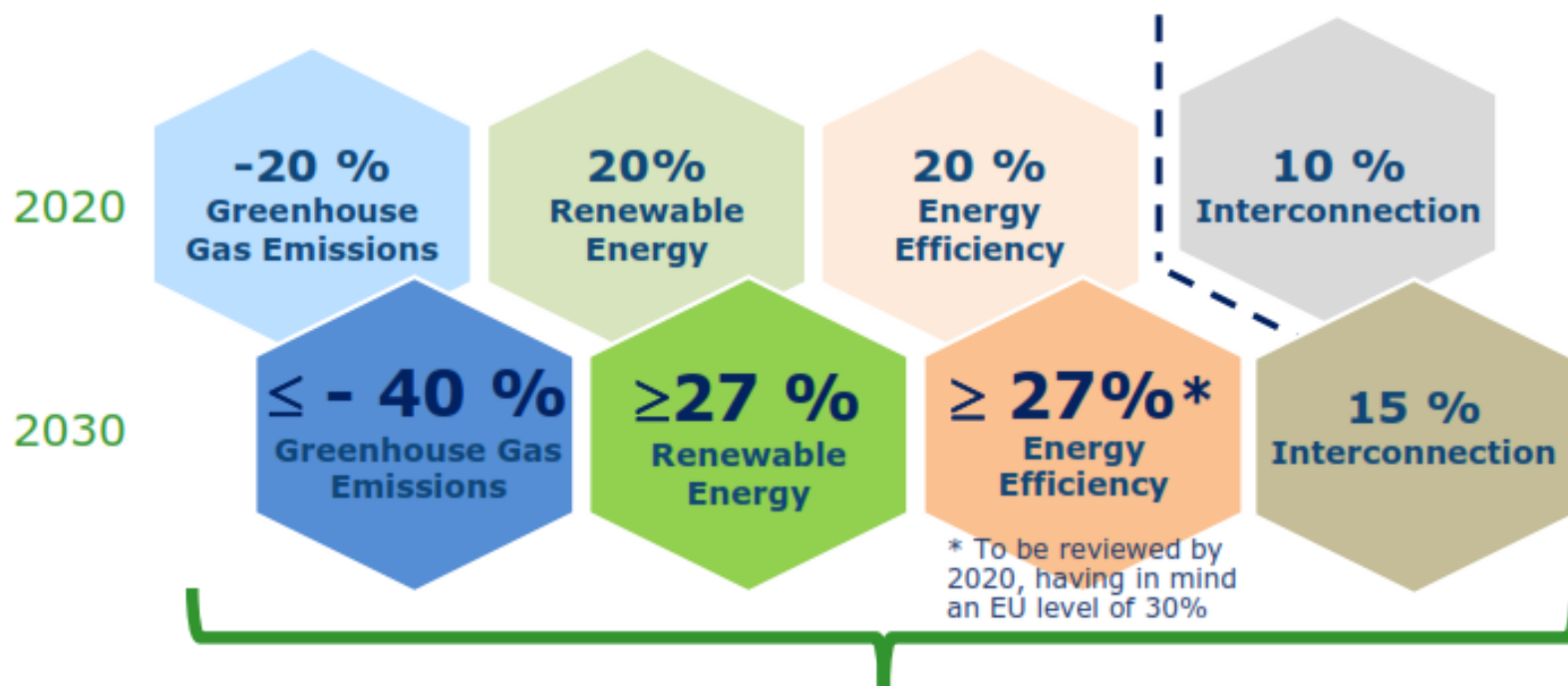
# ETS or Taxes?

- The EU ETS alone will not be able to deliver the necessary incentives to decarbonize the EU.
- Member States need a combination of national and European policy tools including national binding renewable energy and energy efficiency targets.
- Other complementary measures could include the adoption of an Emission Performance Standard for power plants, a carbon tax, etc.
- Policy tools have to be designed to complement each other and work synergistically.

# EU 2030 targets

- [EU leaders agreed on 23 October 2014:](#)
- **Domestic** 2030 GHG reduction target of **at least 40% compared** to 1990
- Target of **at least 27%** for renewable energy and energy savings by 2030. **Binding at EU level not member state level.**
- Increasing energy efficiency: **indicative target of 27%** to be reviewed in 2020 having in mind a 30% target.
- **NGOs had asked for nationally binding targets: at least 55% GHG reductions, at least 40% for efficiency and at least 45% for renewables**

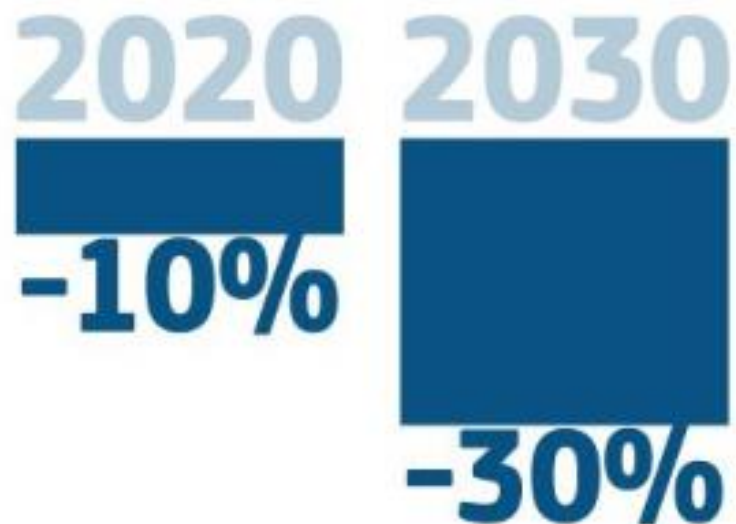
## Agreed headline targets 2030 Framework for Climate and Energy



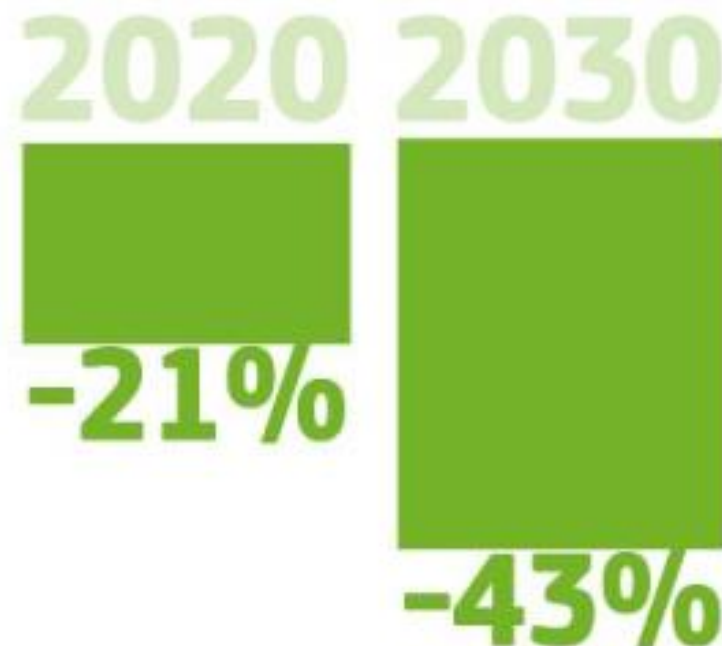
### New governance system + indicators

[http://ec.europa.eu/clima/policies/2030/docs/2030\\_euco\\_conclusions\\_en.pdf](http://ec.europa.eu/clima/policies/2030/docs/2030_euco_conclusions_en.pdf)

# Greenhouse gas targets in ETS and non-ETS



**NON  
ETS** INCLUDING  
ROAD TRANSPORT,  
HOUSING,  
AGRICULTURE  
etc.



**ETS** INCLUDING  
POWER/ENERGY  
SECTOR & INDUSTRY

Baseline 2005 emissions

# What's it going to take to reform the ETS? Can it be reformed?

Over the coming year the Commission will develop legislative proposals to implement the details of the decision.

The timeline for this is not yet fully clear but the Commissions' proposals will unlikely come before mid-2015 and may likely not be published until 2016

ETS reforms should, amongst other things:

- 1) permanently remove the surplus
- 2) strengthening the target (e.g. through a review of the ETS)
- 3) revise carbon leakage approach by letting polluters pay while supporting the frontrunners in order to leverage additional clean and innovative industry investments;

# 2030 Council Conclusion: Timeline

