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INFORMATION

From:	General Secretariat of the Council
To:	Working Party on the Environment
N° Cion doc.:	ST 10865/20 - COM(2020) 562 final ST 10868/20 - COM(2020) 563 final
Subject:	2030 Climate Target Plan: follow-up to the informal videoconference of the WPE on 17 September 2020 - Commission presentation

Following the above informal videoconference of the WPE, delegations will find attached the presentation made by the Commission of its Communication on the 2030 Climate Target Plan and the legislative proposal amending the European Climate Law proposal.



Stepping up Europe's 2030 Climate Ambition

Investing in a climate-neutral future for
the benefit of our people

The 2030 Climate target plan

*Working Party Environment,
17/09/2020*

Addressing the climate crisis: context

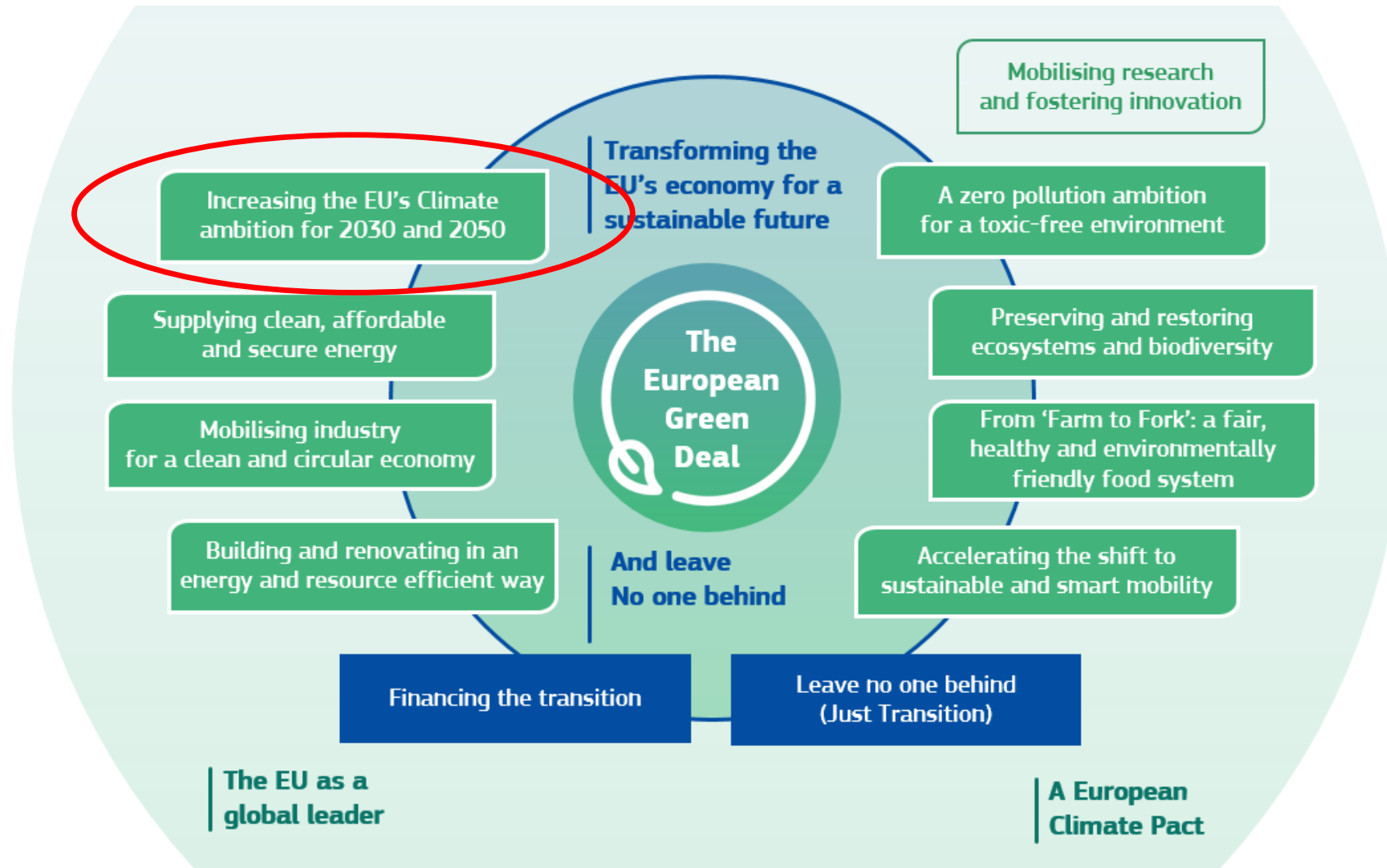
- Global warming already reached 1.1°C, impacts increasingly obvious, IPCC reports on 1.5°C, land and cryosphere warns about future impacts. Science sees increasing risks.
- COVID-19 health crisis ongoing. Unprecedented European response to address economic fall-out. Offers an opportunity to accelerate investments into a clean transition.
- EU net GHG emissions and removals in 2019 reduced by an estimated 25% compared to 1990 while GDP grew with 62%.
- Existing climate target and legislation increase the risk for carbon lock-in and require back-loading of action after 2030 to achieve climate neutrality by 2050. Existing targets only achieve around 60% greenhouse gas reductions in 2050.
- Clearer and stronger investment signals are urgently needed for today's investment planning and decisions to be coherent with the transition to climate neutrality.

Towards a climate-neutral EU by 2050

The EU climate law

- The EU submitted its long term strategy to the UNFCCC in March 2020, committing to climate neutrality by 2050.
- Climate neutrality by 2050 is in line with the Paris Agreement goals to keep climate change below 2°C while pursuing efforts to keep it below 1.5°C
- Commission proposed on 4 March 2020 a Climate Law, to enshrine this EU target legally.
- Commission proposes now to add the 2030 target into the Climate law, as starting point of the trajectory to climate neutrality by 2050.

The European Green Deal



The 2030 Climate Target Plan

1. EU-wide, economy-wide greenhouse gas emissions reduction target of at least 55%, including emissions and removals, by 2030 compared to 1990
2. Actions required across all sectors of the economy and launch of revisions of the key legislative instruments
3. Public debate in autumn 2020 to increase the EU's contribution to the Paris Agreement before the end of the year and set the stage for the Commission to make detailed legislative proposals by June 2021

Economic and social benefits (1)

- Impact Assessment examined in detail the effects on our economy, society and environment of reducing emissions by 55% by 2030, compared to 1990.
- Limited impact on energy system costs.
- Annual investments in the energy system increase by ca. € 350 billion per year in the period 2021-2030 compared to 2011-2020. €90 billion more than under existing targets and policies.
- Positive impacts on GDP and employment, in particular where the economy is performing below capacity or where revenues can be recycled to lower distortionary taxes.
- Next Generation EU and the Multiannual Financial Framework, with their combined weight of over 1.8 trillion euros, provide significant firepower to boost sustainable investment.
- Investments to modernise the economy, increase opportunities for clean technology leadership and for gaining competitive advantages.
- EU fuel import bill saving of € 100 billion over the period 2021-2030, up to € 3 trillion by 2050.

Economic and social benefits (2)

- Further decrease in air pollution, reaching a total reduction of 60% by 2030 compared to 2015. Reduced health damages compared to 2015 levels by at least € 110 billion.
- Renovating Europe's buildings not only lowers energy bills and GHG emissions, also improves living conditions and creates local jobs.
- More challenging in Member States and regions with a higher share of fossil fuels, higher energy intensity and lower GDP per capita. Low-income households bear a higher burden.
- Focused policies needed, e.g.:
 - Upcoming renovation wave to address energy efficiency and affordability in the building sector.
 - Social and energy efficiency policies to target renovations and keep energy bills in check.
 - Recycling carbon pricing revenues to low income households can address income impacts and stimulate a switch to low-carbon technologies.
- Consumers should be facilitated to choose sustainable and healthy food and diets. This helps to reduce emissions, improves consumers' health, reduces health-related costs and food waste.

Sectoral transition (1): energy and buildings

- Decarbonisation of the energy system is a priority (75% of EU greenhouse gas emissions).
- 60% emission reductions by 2030 or more compared to 2015 in buildings and power sector from rapid penetration of renewable energy, use of the energy efficiency first principle, electrification and energy system integration.
- Use of fossil fuels will fall substantially. Coal for instance decreases by more than 70% compared to 2015.
- By 2030, the share of renewable electricity production will double to 65% or more.
- Industry and buildings can subsequently decarbonise, with heating and cooling reaching a 40% renewable share by 2030.
- Renovation rate for buildings would need to double to 2% by 2030.

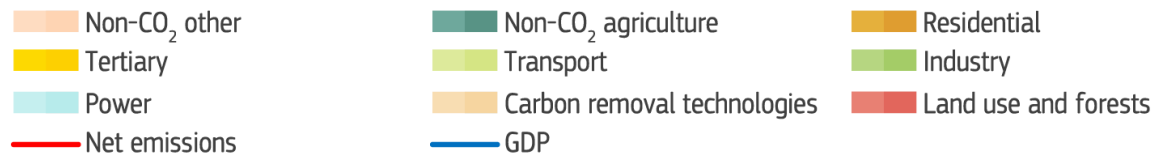
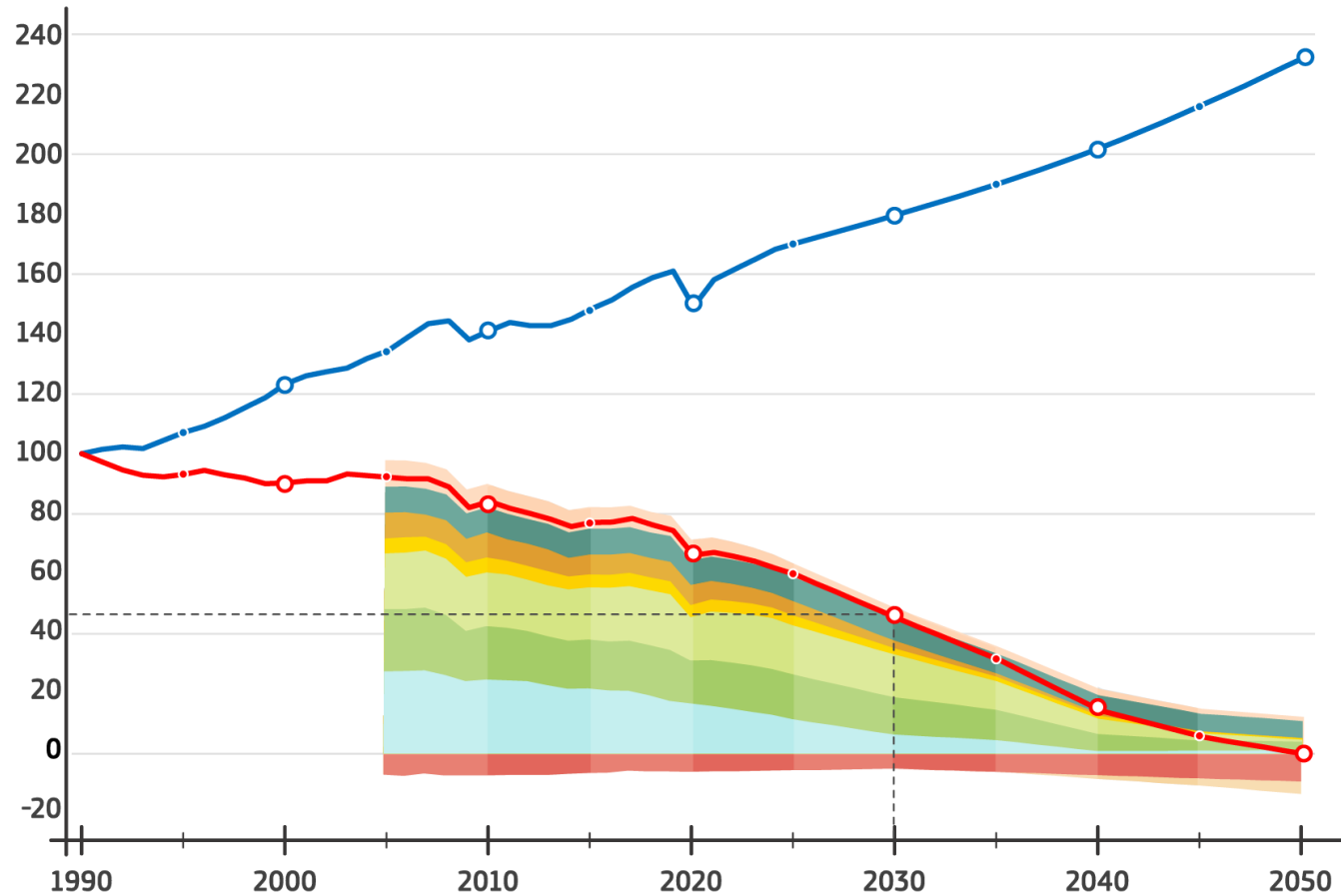
Sectoral transition (2): transport and industry

- Abatement options: vehicle efficiency improvements, fuel mix changes, modal shift.
- Projections include increase in transport renewables to 24% by 2030 (as measured as in RED II), around 50% improvement of the CO₂ emissions per kilometre for passenger cars, as compared to the 2021 targets.
- Clean hydrogen crucial for decarbonising heavy-duty transport and, through its derivatives, the aviation and maritime sector.
- Projected increases in bioenergy use by 2030 are limited. Bioenergy production best to come from better use of biomass wastes and residues, sustainable cultivation of energy crops, replacing the production of first generation food-crop-based biofuels.
- Industry could decrease emissions by 25% by 2030 compared to 2015 through a combination of best practices, use of waste heat and increased electrification.
- To prepare for a transition towards climate neutrality post 2030, zero- and low-carbon technologies will need to be kick-started.

Sectoral transition (3): non-CO₂ and land

- Methane, nitrous oxide and F-gases emissions from energy, waste and agriculture could be reduced cost-effectively by 35% by 2030 compared to 2015.
- Strong enforcement policies key for waste sector, methane strategy to address fugitive emissions in energy system, potential in the agriculture sector (e.g. fertiliser use efficiency, precision farming, health ruminants herds, anaerobic digestion)
- Sink is decreasing. Unchanged land use practices, increases in harvesting could see further decline of sink to 225 million tons CO₂eq by 2030. Increasing risks from natural hazards due to a changing climate itself.
- Reversing the current trend requires significant short-term action due to long lead times, especially in forestry. The Impact Assessment estimates potential up to levels above 300 million tons CO₂eq.

EU pathway to climate neutrality



Current 2030 climate and energy framework

- Commission proposal for Climate Law on climate neutrality by 2050.
- EU Emissions Trading System sets up a cap and trade system for large industrial and power sector installations and aviation (-43% by 2030 compared to 2005).
- Effort Sharing Regulation: binding GHG emissions targets at Member State level (-30% by 2030 compared to 2005).
- Land Use, Land Use Change and Forestry Regulation: no-debit rule.
- Energy Efficiency Directive target of 32.5%, Renewable Energy Directive target of 32%; Governance of the Energy Union and Climate Action.
- Sectoral legislation on transport, incl. CO₂ standards for cars, Ecodesign, Energy Performance of Buildings Directive, etc.

Updating the legislative framework: amending the proposal for Climate Law

- The Proposal for the Climate Law described the process to get to the new 2030 target.
- The Commission is now amending its proposal to include the 2030 target into the Climate Law, and set out the process to implement it in sectoral legislation.
- Rest of the proposal remains unchanged.

Updating the legislative framework (1): increasing role for emissions trading

- EU ETS to be strengthened. Cap tightened, Market Stability Reserve to be reviewed.
- The Commission sees important benefits in expanding the use of emissions trading. Achieves emissions reductions cost effectively, revenues can be re-invested and stimulate growth, ensures environmental integrity in the form of the emissions cap.
- Expansion of the use of emission trading could include road transport and buildings. The Commission will look into expansion to all fossil fuels when developing its proposal by June 2021.
- The Commission will look into setting up transitional arrangements or a pilot period. Development of a new market requires setting up functioning monitoring, reporting and verification systems.
- Carbon pricing does not address all barriers. Renewable energy, energy efficiency and transport policies and standards will be revised and new policies will be introduced. Sectoral ambitions will be set in light of the 55% greenhouse gas emissions reduction target.
- Align the Energy Taxation Directive, and its range of exemptions, with the Green Deal.

Updating the legislative framework (2): increasing role for emissions trading

- Distributional impacts on households are important. Low-income households bear a higher burden. Can be addressed for instance by using part of the auction revenues.
- How this can be done will depend on the revenue allocation between the EU and national level and on its well-targeted use (e.g. Modernisation Fund and Innovation Fund).
- In the light of progress at global level, the Commission will give consideration to how to ensure gradual decarbonisation of the international aviation and maritime sectors,
- Policies it will consider include the EU ETS, taxation and fuel policies, with the ambition to include international emissions from aviation and navigation into the EU ETS. The EU should regulate at least intra-EU aviation and maritime emissions in the EU ETS.
- Possible impact of a strengthened cap on the availability of free allocation and risks of carbon leakage will be properly assessed. The Commission is also working on introducing a carbon border adjustment mechanism in certain sectors to address the risk of carbon leakage. It is considering several options as an alternative to the current measures addressing that risk.

Updating the legislative framework: Agriculture, Land Use, Land Use Change and Forestry (LULUCF)

- LULUCF emissions and removals will be fully integrated into the 2030 EU GHG target as reported under the UNFCCC inventory. Proper metric to track progress to climate neutrality.
- Provide for food, feed and materials for a growing population in a climate-neutral economy.
- Strong synergies and trade-offs with biodiversity. The biomass sustainability criteria in the Renewable Energy Directive will be reviewed.
- To reverse the decreasing trend in the LULUCF sector, the Commission will consider:
 - The option of increased flexibility between the LULUCF Regulation and the Effort Sharing Regulation.
 - The option to increase ambition beyond current requirements under the LULUCF Regulation. Will take into account policies developed in the context of the biodiversity and forestry strategies.
- Commission is looking into developing a certification system for carbon removals to incentivize individual farmers or forest managers to store more carbon on their land.
- Over time, the Commission sees merit in an Agriculture, Forestry and Land Use sector which has the potential by 2035 to be the first sector with net zero GHG emissions.

Updating the legislative framework: Effort Sharing Regulation

- The Effort Sharing Regulation covers greenhouse gas emissions from transport, agriculture, buildings, or waste, which are not regulated under the EU ETS.
- An extension of the EU Emissions Trading System's scope would affect the current Effort Sharing Regulation. The Commission will consider different options:
 - Regulatory overlap between the sectors newly covered by the EU ETS and the Effort Sharing Regulation
 - Reduced scope of the Effort Sharing Regulation, maintaining mutually exclusive systems
 - If EU ETS is extended to all fossil fuels, if agriculture non-CO₂ emissions would be integrated in the LULUCF sector, what is the future role of regulatory policies to address non-CO₂ and the Effort Sharing Regulation?
- Important to maintain strong incentives and accountability for Member States to ensure action at national level.

Updating the legislative framework: Renewable energy

- Use of renewable energy would increase to reach 38% to 40% of gross final consumption.
- Renewable Energy Directive will be reinforced.
- Supported by the recent EU strategies on Energy System Integration, on Hydrogen as well as forthcoming initiatives on a Renovation Wave, Offshore Energy, alternative fuels for aviation and maritime as well as a Sustainable and Smart Mobility Strategy.
- Heating and cooling sector: the Commission intends to assess the nature and the level of the existing, indicative renewable heating and cooling target.
- For the transport sector, the Commission will propose an updated methodology to promote the use of renewable and low-carbon fuels.
- Deployment of the necessary infrastructure. A holistic approach will guide the forthcoming revisions of the TEN-E and TEN-T regulations.

Updating the legislative framework: Energy efficiency

- Final and primary energy consumption would further reduce in 2030, achieving savings of 36-37% (FEC) and 39-41% (PEC)
- Higher ambition and closure of the collective ambition gap of the national energy efficiency contributions in the NECPs will require actions on a variety of fronts. Rigorous enforcement of existing legislation is necessary but insufficient to reach the increased climate target.
- Upcoming Renovation Wave will address necessary elements to sustain higher renovation rates (e.g. regulatory strengthening, adequate financial instruments to facilitate de-risking, incentivising the measurement of actual energy savings, fostering training in skills).
- Better enforcement of the Energy Performance of Buildings Directive, identify targeted revisions, including consider possibility of establishing mandatory requirements for the worst performing buildings and gradual tightening minimum energy performance requirements.
- The existing energy efficiency requirements and product standards will be reviewed in the first half of 2021, including the widening of the Ecodesign approach to other product categories.

Updating the legislative framework: Road transport CO₂ vehicle standards

- CO₂ vehicle standards are an effective policy tool to promote development and deployment carbon efficient vehicles. By June 2021, the Commission will propose strengthening standards for cars and vans for 2030.
- Revision of the Alternative Fuels Infrastructure Directive to provide necessary infrastructure.
- The Commission will assess in more detail how the sector can contribute to achieving climate neutrality by 2050 and at what point the internal combustion engines in cars should stop coming to the market.

Mainstreaming of climate action across all policies

- EU structural funds, including Just Transition Fund addressing differences in capacity to invest in green transition.
- Develop and deploy new technologies, e.g. Horizon Europe and the Innovation Fund.
- The Circular Economy Action Plan and the European Industrial Strategy point towards increased resource efficiency and the circular economy as pathways to modernize industry.
- The Sustainable Europe Investment Plan and InvestEU aims at boosting sustainable investments. Renewed Sustainable Finance Strategy to guide private investments.
- The CAP strategic plans to be developed by Member States are a key opportunity to direct more resources to reduce emissions in the agriculture sector.
- Citizens, communities and organisations have their part to play. European Climate Pact to give everyone a voice and launch grassroots activities.

International dimension

- Show our global partners that it is possible to reduce greenhouse gas emissions to net zero, while creating jobs and wealth and improving the wellbeing of our citizens.
- Raising ambition to 55% doubles the ambition of the EU's nationally determined contribution.
- The Commission invites to consider the increased GHG emissions target as the EU's new contribution to the Paris Agreement.
- This updated Nationally Determined Contribution should be submitted to the UNFCCC before the end of the year and set the stage for the upcoming UN climate negotiations in 2021.
- All countries and notably G20 members will need to come forward with much more ambitious actions to prevent catastrophic consequences.
- The EU should make use of the full spectrum of its external policy instruments and diplomacy outreach to promote increased action, taking into account changing geopolitical and geo-economic realities while continuing to foster multilateral rule-based cooperation.

Next steps

- The target of at least 55% net greenhouse gas emissions reductions compared to 1990 by 2030 included in the Climate Law proposal. The Commission invites the EP and Council to swiftly reach agreement.
- Agreement on increased target would allow the EU to update its NDC well before Glasgow.
- The Commission will review key climate and energy legislation drawing on a broad public debate and consultation with the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, as well as national Parliaments, citizens and stakeholders.
- Key necessary legislative proposals by June 2021.

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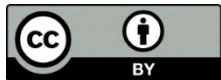


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