



EEB's response to the consultation on the preparation of a legislative proposal on the effort of Member States to reduce their greenhouse gas emissions to meet the European Union's greenhouse gas emission reduction commitment in a 2030 perspective



Questionnaire to be filled in online at: <https://ec.europa.eu/eusurvey/runner/CLIMA-ESD-2030>

The responses are found in the text boxes below.

1. Flexibility mechanisms

1.1. How can the availability and use of the two existing internal flexibility instruments under the ESD be enhanced to ensure cost-effectiveness of the collective EU-effort in 2021-2030:

- a) for banking and borrowing; and*
- b) for AEA transfers among Member States, respectively?*

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Response EEB

Cost-effective action needed

The EEB supports the decision to ensure the cost-effective action for the period from 2021 to 2030. We are concerned, that the approach taken by the European Council meeting in October 2014 does not constitute the cost-effective path for 2030.

At the cost-efficient level of action for 2030 at least 41% end use energy savings, a share of 45 % renewable energy and 60 % GHG reductions compared to 1990 can be reached. The energy modeling and impact assessment prepared for the 2030 framework for climate and energy policies did not meet the Commission's internal guidelines regarding transparency, consultation and assessment methods. The choice of demand projections for natural gas and elevated discount rates for investments in energy efficiency pre-empted political choices, rather than providing an adequate and impartial fact base to inform all EU institutions in the political decision-making.

If the EU wants to ensure the cost-effectiveness of the collective EU-efforts from 2021 – 2030 we have to address these crucial flaws so that we can raise the ambition and strengthen the legislation in place, especially the existing energy efficiency legislation.

Given the fact that potentials for additional, cost-efficient actions exist across all sectors, we see no need for additional flexibility. Furthermore we it is necessary to stress the danger of any flexibility mechanism, that would reduce the ambition level for the non-ETS sectors or to an increased risk of non-compliance

Banking

Banking of unused annual emission allowances (AEA) should be used to encourage early action and is an appropriate tool to reflect varying economic activities.

Borrowing:

Extensive borrowing rules open a loophole for countries to avoid action and delay the necessary decisions and investments to bring EU member states in line with the common climate goals. Given the risk extensive borrowing creates on non-compliance the concept of borrowing is not supported by the EEB. To contain the risk of borrowing, it should be limited to less than approximately one year's worth of reduction efforts (< 2 %).

Transfer of AEAs:



The option of AEA transfers among Member States has not been used and has thus proven to be irrelevant for the current period (2013 – 2020). Furthermore, it must be seen to be detrimental to good and ambitious national implementation and increases the risk of locking Member States into pathways, which are not in line with the long-term energy and climate objectives. The risk of individual Member States not being able to meet their targets later in the commitment period of 2021 – 2030 outweighs possible benefits.

Given the existing cost-effective potential to decrease the GHG emissions by 60% compared to 1990 the decision not to allow international project credits in the ESD after 2020 is fully supported by the EEB, as it would weaken domestic action. International projects should be sufficiently supported through the financing facilities under the UNFCCC framework including the Green Climate Fund and others.

1.2 With respect to the latter, is there need for more transparency in how Member States engage in AEA transfers? Could the current rules be further enhanced through more transparent reporting, the use of trading platforms, project-based mechanisms, auctioning, or through other means? Are there examples from other areas that could provide useful experience in designing a post-2020 transfer system? 4,000 character(s) maximum

Response EEB

As to date, there has been no information on the details and prices of AEA transactions there is a need for more transparency in how Member States engage in AEA transfers. More transparent reporting on AEA transfers is hence needed after 2020. All auctioning should be public and be announced in advance. Sales and purchases should be reported.

LULUCF:

Emissions sinks and reductions from the LULUCF sector should not be eligible for compliance in the ESD sectors. Therefore, the LULUCF sector should remain outside the ESD and have its own separated target. Furthermore, offsets from projects in the LULUCF sector should not be eligible for compliance under the ESD.

Chapter 2. Monitoring, reporting and compliance

2. On the basis of experience with the present set of rules on reporting, monitoring, and corrective actions, which aspects should be maintained and which should be changed after 2020?

Please select one of the following:

Selection a)

a) Keep it as it is: Annual reporting and annual compliance checks with existing corrective action (explain your reasons);

Selection a)

Please explain your selection:



4,000 character(s) maximum

Response EEB

Annual reporting and annual compliance checks, including corrective action is necessary to ensure that the compliance with the ESD is assessed in a credible, consistent and transparent manner. In addition to the existing reporting we see the necessity to extend the projections period included in the reporting (Art. 14 of the Monitoring Mechanism Regulation No 525/2013) to cover projections on 2050 already in the period from 2020 onwards and improve the monitoring of the quality of the low-carbon development strategies (Art. 4 Regulation No 525/2013).

Timely reporting on projections is necessary to bring all member states on the path of a low carbon economy in 2050 and to avoid stranded investments in infrastructures that are not in line with the 2050 objectives.

Also, we want to stress the importance of reporting and projections on the sectoral level for the Member States to ensure the necessary link between policy decisions and emission activities.

Chapter 3. Setting national targets for GHG emissions not covered by the EU Emissions Trading System

3. How can cost-effectiveness be reflected in a fair and balanced manner in adjusting individual ESD targets for Member States with a GDP per capita above the EU average? What can be the role of the one-time reduction through a limited amount of ETS allowances in achieving these Member States' ESD targets, while preserving predictability and environmental integrity?

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Response EEB

As pointed out prior, the actual cost-effective potential of greenhouse gas-reduction, RES and EE are significantly higher than the October council agreement from 2014 foresees. As an example, both, demand for natural gas and capital cost for financing energy investments are significantly lower than assumed in the IA for the 2030 climate and energy framework. As a consequence, it is feasible and the cost-effective path to decarbonize the economy by committing to higher GHG-savings targets than envisioned by the ESD.

The option of one-time reduction through a transfer of ETS allowances into MS effort-sharing-decision accounts is not suitable to preserve predictability and environmental integrity and is not deemed necessary.

We object the use of ETS allowances in the ESD as it is set to delay mitigation action in non-ETS sectors and does not lead to additional abatement in ETS sectors as the majority of these EUAs will otherwise be transferred into the Market Stability Reserve.

Any form of one-time reduction mechanism would have to be as limited as possible to avoid free loading and include a strict discounting factor to penalize insufficient action for domestic greenhouse gas savings. To maintain a minimum level of predictability, a possible auctioning volumes would have to be reduced one-off (in a single year) with the exact amount communicated before 2020. In addition it is necessary to make it obligatory for all member states to achieve at



least minimum emission reductions in every sector to ensure continued learning, effort and innovation and the necessary orientation towards the long term objectives.

4. Further evidence and studies on implementation of the Effort Sharing Decision at Member-State level and at regional level

4. Do you have studies on:

- *the implementation of the ESD at the level of Member States and at regional level;*
- *how the ESD incentivises greenhouse gas reductions in the different sectors concerned;*
- *good practices of policies and measures that are of particular interest for sharing with other Member States; and*
- *other benefits apart from greenhouse gas emission reductions*

that you think the Commission should be aware of?

In your view, what are the key lessons learned of these studies relevant for the European Commission and other Member States, and what other benefits does ESD implementation bring (e.g. in terms of job creation, energy security, health benefits, ...)?

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Response EEB

It is of great concern that member states currently don't ensure that all their sectors contribute adequately to the necessary greenhouse gas reductions. It poses a great risk for the cost-effectiveness of our mitigation policies if the adequate and necessary actions in all sectors are delayed and lock-in effects occur. It is, in particular, important agriculture contributes to its share as currently very little is done when it comes to climate mitigation from farming.

As regards the studies we believe the Commission should be aware of, we want to refer to the following studies

a) Fraunhofer ISI (2013), Analysis of a European Reference Target System for 2030

http://energycoalition.eu/sites/default/files/Fraunhofer%20ISI_ReferenceTargetSystemReport.pdf

b) Fraunhofer ISI (2014), Study evaluating the current energy efficiency policy framework in the EU and providing orientation on policy options for realizing the cost-effective energy efficiency/saving potential until 2020 and beyond.

https://ec.europa.eu/energy/sites/ener/files/documents/2014_report_2020-2030_eu_policy_framework.pdf

The study calculates the overall cost-effective energy end use savings potential of 504 Mtoe, which corresponds to 41% reduction compared to the Primes 2009 baseline for final energy. The individual sector potentials include energy reductions of 61% in the residential, 41% in Transport, 38% in the tertiary and 26 % industry, showing the majority of cost-efficient potentials in the ESD-sectors. Tapping the EU's cost-effective potential for energy efficiency – coupled with more renewables – would allow Europe to deliver well beyond 50% greenhouse gas emissions cuts in 2030.

c) IEEP (2013), Review of costs and benefits of energy savings

<http://energycoalition.eu/sites/default/files/Energy%20Savings%202030%20IEEP%20Review%20of%20Cost%20and%20Benefits%20of%20Energy%20Savings%202013.pdf>



d) Coalition for Energy Savings (2015), Implementing the EU Energy Efficiency Directive - Analysis of Article 7 Member States reports

<http://energycoalition.eu/analysis-article-7-member-states-reports>

e) Coalition for Energy Savings (2015), Implementing the EU Energy Efficiency Directive - Analysis of Member States plans to implement Article 5

These studies show that the full potential for energy savings is far from being tapped. Realizing this potential would significantly boost Europe's economic growth, competitiveness, and jobs, at the same time as reducing greenhouse gas emissions and address climate change. More ambitious and mutually reinforcing climate and energy targets and policies are needed to drive forward this progress.

f) ADEME (2013), How can French agriculture contribute to reducing greenhouse gas emissions?

<http://www.ademe.fr/how-can-french-agriculture-contribute-to-reducing-greenhouse-gas-emissions>

The Study assesses abatement potential and cost of ten technical measures in the agricultural sector including changing feeding strategy of livestock to reduce methane emissions, mechanisation, good agronomic practices such as crop rotation (including leguminous crops) or retention of landscape elements to reduce the use of fertilizers.

These practices provide many additional benefits to GHG emissions including enhanced soil quality, biodiversity, and water quality, storing carbon, enhanced biodiversity and animal health. These practices also provide benefits for air quality- methane is indeed an ozone precursor and fertilizers are a source of ammonia that transforms into secondary PM in the atmosphere and contribute to air pollution.

In order to ensure efforts are made in the farming sectors in a cost efficient way, it is important that Member States are asked to set a national action plan for agriculture that contains cost efficient GHG mitigation measures. Further details on possible mitigation actions can be found in the proposed annex to the ESD (attached).

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5. Complementary EU-wide action in the sectors covered by the Effort Sharing Decision

Question

5. Is the current scope of EU-wide action and legislation OTHER than the ESD to support Member States' emission reductions in ESD sectors sufficient, or should it be enhanced?

Response EEB

b) The current scope should be enhanced.

Please explain your selection:

4,000 character(s) maximum

Response EEB

The following legislations and policy initiatives should be enhanced, improved and if necessary amended:

- The EU 2030 energy and climate framework needs to be implemented through **legislative acts that include necessary ambition on the energy savings and renewable target**.
- Extension of Article 7 of the **Energy Efficiency Directive** EED beyond 2020, removing the exemptions.
- Revision of the **Energy Performance of Buildings Directive** EPBD to include harmonized technical standards and definitions for NZEBs; provisions to strengthen Energy Performance Certificates and harmonize quality.
- Strengthen the Member States **long-term strategies for building renovation** by providing a clear, long-term view of how energy use in the building stock will be reduced drastically toward 2050.
- The **National Emissions Ceiling Directive** should include ambitious ceilings for methane and ammonia (sources of ammonia are similar to the ones of N₂O)
- Currently, existing policies are doing close to nothing to reduce GHG emissions from farming and have perverse impacts when it comes to bioenergy, including biofuels.
- The **Common Agricultural Policy** and its greening will unlikely make farming practices more sustainable. This is mainly due to a high level of exemptions and flexibility. It is, therefore, important that greening and its impact on GHG emissions reduction is properly assessed and that the necessary measures are taken on that basis. It is, in particular, important that the Rural Development programs focus on climate change mitigation measures rather harmful adaptation (irrigation, etc.). Environmentally sensitive grasslands in N2000 should all be protected and so should carbon rich soils and wetlands.
- There should be a more **holistic approach to food and farming** with initiatives to reduce food waste but also improve food quality and consumption patterns. It is of paramount importance the **sustainable food communication** is published and contains clear recommendations for policy changes.
- To tackle the perverse incentives in the transport sector the existing regulations for energy taxation need to be reviewed and revised including a **revision of the Energy Taxation Directive** and a target to speed up the **removal of environmental harmful subsidies**.
- **Ecodesign and Energy label policies Framework Directives** and their implementation measures have delivered 45% of our 2020 energy efficiency goals, contributing to bill savings for consumers and GHG reductions. An **ambitious revision and continuous implementation** could consider the following directions:
 - A) Accelerate decision taking on implementing measures definition to deliver earlier on the expected savings.
 - B) Address the absolute energy consumption of appliances on top of their energy efficiency to remediate the possible rebound effect.
 - C) Integrate learning curves when setting staged requirements (Tiers), which is reflecting the market price decrease of innovation linked to the related economy of scales that their market uptake enable.
 - D) For the energy label, it should be made reference to best available and best non available classes when setting the energy classes. This could become the basis for a real top performer approach at European level.
 - E) Taking advantage of digitalization of the energy label should be explored.
- Improved **Sustainability policy for biomass and biofuels** and sustainability safety regulations for the **revision of the Renewable Energy Package** including a correct carbon accounting for solid biomass (carbon debt) and biofuels (ILUC). No more sectorial target for transport in the post-2020 package and a phase out of first generation biofuels
- Incentivize waste prevention, reuse and recycling through a legislative proposal for the new **Circular Economy Package**. The Impact Assessment of the withdrawn Circular Economy Package shows that an increase of the recycling and reuse targets for waste would deliver a reduction of 443 million tons of greenhouse gas emissions in the 2014-2030 period.

6. Capacity building and other support to implementation at national, regional and local level

6. Is there a need for additional EU action in terms of capacity building and similar support targeted at the regional and local level to facilitate national policies and measures under the ESD after 2020?

Response EEB

a) Yes

Yes, there is a need for more capacity building and support to increase awareness about the benefits of national policies and measures to reduce emissions in the transport, buildings, agriculture and waste sector after 2020. In addition, the annual guidance to Member States in the European Semester must also give recommendations for policies to phase out environmentally harmful subsidies, such as subsidies for unsustainable agriculture practices or subsidies to company cars that not only negatively impact public budgets but also aggravate environmental problems caused by the agriculture or transport sector.

There should be an annex to the ESD listing best practices per sector for the MS to include them in their national plans. This best practice canon should include all ESD sectors, with a focus on those sectors where only few emission reductions have been reached so far (e.g., agriculture).

Public participation is important to engage all the relevant stakeholders working on increasing energy efficiency and achieving greenhouse gas emission reductions, including local and regional authorities. This would significantly increase the ownership of results and help to identify challenges, success stories and further opportunities for energy savings and emissions reductions.

There is currently insufficient public and private investment flowing into energy efficiency; this is due to the lack of the right financial mechanisms and instruments rather than lack of funds. Innovative channels for funding have been developed in the EU and at national level. These can be replicated and strengthened. For example:

- Capacity-building funds, which provide technical assistance to Member States to develop innovative investment programmes and are already being used by the European Investment Bank to increase uptake of energy efficiency investments. For example, ELENA (European Local ENergy Assistance) which helps EU towns and regions with technical expertise and organisational capacity to implement large energy efficiency projects.
- The Covenant of Mayors has existed for many years and with the right tools, such as an EU energy transition fund, Covenant signatories would be able to fast-track energy efficiency investments with the involvement of the private sector and civil society. Experience shows that revolving funds work well at local level for using public money.
- Risk sharing facilities, such as guarantee funds reducing the risks for financial institutions, are key to increase bank lending to energy efficiency investments. For example, the Bulgarian Energy Efficiency Fund, which offers a special portfolio providing Energy Efficiency Service Companies (ESCOs) with guarantees against delayed payments from clients or defaulting clients, and individual owners with guarantees for loans made by financial institutions.
- Supporting aggregators, which bundle smaller loans together, reducing transaction costs, making them more palatable for big lenders like the EIB and more digestible those running projects. For example, the Housing Finance Corporation in the UK aggregates private financing requirements of housing associations so that they can gain access to the best competitive rates in the financial market.

The Energy Efficiency Financial Institutions Group (EEFIG) has produced, with the buy-in from the financial sector, a series of detailed recommendations on tools and approaches, required to stimulate energy efficiency investments; this should be explored further

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