

ROADMAP			
TITLE OF THE INITIATIVE	Effort Sharing Decision in 2030 Climate and Energy Policy Framework		
LEAD DG – RESPONSIBLE UNIT	DG CLIMATE ACTION, UNITS C1 AND A4	DATE OF ROADMAP	03/2015
<p>This indicative roadmap is provided for information purposes only and is subject to change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or final content and structure.</p>			

A. Context and problem definition

- (1) What is the political context of the initiative?
- (2) How does it relate to past and possible future initiatives, and to other EU policies?
- (3) What ex-post analysis of existing policy has been carried out? What results are relevant for this initiative?

The main policy architecture to implement binding EU climate targets is comprised of the EU Emissions Trading System (ETS), which includes a cap for the EU-wide greenhouse gas (GHG) emissions of the sectors covered, and a set of legally binding country specific targets for the emissions of sectors not covered by the EU ETS in the so-called Effort Sharing Decision (ESD). The ESD sets national targets in 2020 for sectors including transport, buildings, agriculture, small industry and waste. Emissions and removals from land use, land-use change and forestry (LULUCF) are currently not included in the ESD.

The European Council in October 2014 agreed targets and key elements for a 2030 Climate and Energy Policy Framework. It endorsed the binding domestic target for reducing EU GHG emissions of at least 40% in 2030 as compared to 1990, which shall be delivered collectively by the EU in the most cost-effective manner possible, with the reductions in the ETS and non-ETS sectors amounting to 43% and 30% by 2030 compared to 2005, respectively. It also emphasised that all Member States will participate in this effort, balancing considerations of fairness and solidarity.

The European Council explicitly called for a continuation of the current policy architecture and gave clear guidance on the main issues to be addressed in an Effort Sharing Decision for the period 2021 to 2030. Such a decision would continue to set national reduction targets considering fairness and strengthening the existing flexibility instruments to ensure cost-effectiveness. All Member States will contribute to the overall EU reduction in 2030 with the targets spanning from 0% to -40% compared to 2005.

An important element that can impact the ESD is the future EU policy framework for LULUCF. The Council conclusions make clear that LULUCF should be part of the "at least 40%" target. National non-ETS reduction targets are to a certain degree linked to the chosen option for the integration of the LULUCF sector into the 2030 Framework. See the Roadmap "Addressing greenhouse gas emissions from the land use sector in the context of the 2030 EU climate and energy framework", that will consider different options for LULUCF (i.e., include the LULUCF sector into the ESD, create a self-standing and separate land use pillar that includes LULUCF as well as non-CO2 from agriculture or maintain a system with the LULUCF sector as a separate pillar outside the ESD).

Other EU-wide policies already contribute to the achievement of the national and EU targets, notably on renewables, energy efficiency, CO₂ emissions of cars and vans, waste, F-gases and sustainable agriculture. An example for an already defined supporting EU policy for the post 2020 horizon is the revised F-gas regulation of 2013.

An ex-post evaluation of the implementation of the Effort Sharing Decision is on-going and is expected to be completed in 2015. National and EU GHG emission projections based on current trends and policies indicate that a number of Member States are not on track to meet their 2020 obligations under the Effort Sharing Decision, but EU-wide the 2020 target for the ESD is expected to be overachieved.

What are the main problems which this initiative will address?

The main problems to be addressed are:

- With current implemented policies GHG emissions are not expected to sufficiently decrease to reach the EU's overall 2030 target of at least 40% GHG domestic reductions as compared to 1990 and, more specifically, a 30% GHG reduction in non-ETS sectors compared to 2005. Under current trends, emissions covered by the Effort Sharing Decision would only decrease by around 20% below 2005 levels in 2030.
- In order to achieve the 2030 targets for non ETS GHG reductions, national targets have to be defined that in turn will provide the incentives for further policies that ensure that the non-ETS sectors sufficiently contribute to achieving the EU-wide GHG reduction target of at least 40%.

- Member States have significant differences in economic and investment capacity as well as in reduction potentials. As the 2030 framework impact assessment (SWD/2014/015) has shown, applying cost-effectiveness as sole criterion for the distribution of efforts would lead to considerable variations in the necessary national economic efforts. On the other hand, setting targets that take into account fairness and solidarity may result in large differences in the costs per ton reduced emissions between Member States. Therefore the existing flexibility within the ESD needs to be increased to allow achieving cost efficient emission reductions across the EU.

Who will be affected by it?

The decision is addressed at Member States to be implemented at national level. Depending on the nature and scope of national measures implemented by Member States they may affect various stakeholders in the sectors concerned by the ESD, including consumers.

Is EU action justified on grounds of subsidiarity? Why can Member States not achieve the objectives of the proposed action sufficiently by themselves? Can the EU achieve the objectives better?

Co-ordinated EU action is needed to achieve the EU-wide 40% greenhouse gas reduction target for 2030 endorsed by the European Council, in particular to ensure cost-effective and fair distribution of efforts across the EU and its Member States.

B. Objectives of the initiative

What are the main policy objectives?

- To ensure cost-effectiveness of GHG emission reductions at EU level and a fair distribution of efforts among Member States in a 2030 perspective.
- To provide predictability and certainty for Member States and investors and promote early and sufficient action to reach the EU 2030 greenhouse gas reduction targets.

Do the objectives imply developing EU policy in new areas?

No

C. Options

- (1) What are the policy options (including exemptions/adapted regimes e.g. for SMEs) being considered?
- (2) What legislative or 'soft law' instruments could be considered?
- (3) How do the options respect the proportionality principle?

With regard to national target setting for 2030, the European Council has provided clear guidance that the targets should be set between 0 and -40% compared to 2005, cumulatively achieving an EU-wide 30% GHG reduction. The methodology to set national reduction targets should continue to be based on the criterion of GDP per capita, with all the elements applied in the current Effort Sharing Decision, but with the application of an additional criterion to adjust targets for Member States with a GDP per capita above the EU average to reflect cost-effectiveness in a fair and balanced manner.

Hence national targets need to be set according to the existing methodology under the ESD, including a target trajectory for the compliance period 2021-2030, while examining different options for accounting for cost-effectiveness with respect to Member States with a GDP per capita above the EU average. Where needed, the target options will be analysed in a way that is consistent with the key options for the separate impact assessment for the LULUCF sector in the context of the 2030 Framework in order to reflect possible interactions with LULUCF policies.

A related option for Member States with national reduction targets significantly above both the EU average target and their cost effective reduction potential (as well as for Member States that did not have free allocation for industrial installations in 2013) is to establish a new flexibility to help them achieving their ESD targets through a limited, one-off conversion of allowances foreseen to be auctioned in the ETS into emission allocations under the ESD. Eligibility conditions and design options ensuring predictability and environmental integrity will have to be assessed.

With regard to the European Council's guidance to significantly enhance the availability and use of existing flexibility instruments within the non-ETS sectors in order to ensure cost-effectiveness, the Commission will examine various such options, including for banking and borrowing of emission allocations during the compliance period and transfers of emission allocations between Member States.

The proposed options fully reflect the proportionality principle as they are appropriate to achieve the objectives pursued, and because they give Member States significant flexibility in achieving their national obligations under the ESD thereby offering the least burdensome measure possible to achieve those objectives.

As the architecture and main provisions of the current Effort Sharing Decision, in particular in terms of target setting and flexibilities, have been endorsed by the European Council and are to be continued or further strengthened after 2020, the appropriate approach would be to amend the existing Decision.

D. Initial assessment of impacts

What are the benefits and costs of each of the policy options?

With respect to target setting, the debate and conclusions on the 2030 Framework have shown that the GDP per capita approach as basic target setting criterion should be continued. It is fair in terms of economic capacity and greatly limits negative economic impacts for lower income Member States compared to an allocation based on cost-effectiveness of emission reduction.

However, the 2030 framework impact assessment also showed that within the group of higher income Member States significant differences exist with respect to the cost efficient reduction potential. These differences need to be accounted for when setting targets for this group. Different options to set targets taking into account cost-efficiency considerations will impact individual Member States in different ways. Furthermore, the European Council acknowledged the multiple objectives of the agriculture and land use sector, given their lower mitigation potential.

Maintenance of environmental integrity will be another important assessment criterion, in particular in view of recent GHG emission inventory updates and changes of global warming potentials.

When designing flexibility instruments, the effectiveness and feasibility of the instruments will be key to optimise cost-effectiveness on EU level. There might be trade-offs between the degree of flexibility allowed and the design of the compliance regime. Administrative costs for Member States and the European Commission will also have to be considered.

Could any or all of the options have significant impacts on (i) simplification, (ii) administrative burden and (iii) on relations with other countries, (iv) implementation arrangements? And (v) could any be difficult to transpose for certain Member States?

Some of the options could have impacts on the administrative burden in Member States and in the Commission but these effects are likely to be quite limited.

- (1) Will an Impact Assessment (IA) be carried out for this initiative and/or possible follow-up initiatives?
- (2) When will the IA work start?
- (3) When will you set up the IA Steering Group and how often will it meet?
- (4) What DGs will be invited?

An Impact Assessment will be carried out and a Steering Group has been established to which 15 DGs have been invited (SG, LS, AGRI, CLIMA, COMP, ECFIN, ENER, ENV, GROW, JRC, MOVE, REGIO, RTD, TAXUD, TRADE). The work will commence in the first quarter of 2015.

- (1) Is any option likely to have impacts on the EU budget above € 5m?
- (2) If so, will this IA serve also as an ex-ante evaluation, as required by the Financial Regulation? If not, provide information about the timing of the ex-ante evaluation.

No

E. Evidence base, planning of further work and consultation

- (1) What information and data are already available? Will existing IA and evaluation work be used?
- (2) What further information needs to be gathered, how will this be done (e.g. internally or by an external contractor), and by when?
- (3) What is the timing for the procurement process & the contract for any external contracts that you are planning (e.g. for analytical studies, information gathering, etc.)?
- (4) Is any particular communication or information activity foreseen? If so, what, and by when?

Member States annually report their greenhouse gas emissions and progress towards their 2020 commitments, including on national policies and measures. These data are published each year by the European Environment Agency and the Commission and will provide useful information for preparing the IA. With respect to options for flexibility instruments and compliance, preparatory work will be done internally, complemented by external support.

The Commission will also perform in 2015 an ex-post evaluation of the ESD with the help of an external contractor. The results of the evaluation will be used as input to the IA.

Regarding the setting of targets, the impact assessment for the 2030 Framework (SWD/2014/015) provides a wealth of relevant information. Among others, it includes a reference GHG emission scenario under current trends and policies which has been extensively consulted with Member States. It also includes policy scenarios on which the further analysis can build, including several scenarios that achieve combinations of EU wide targets that are achieved in a cost effective manner and their impact at Member State level. With the help of an existing external contract on EU climate policy modelling, further analysis will be conducted building on this analysis addressing the relevant additional elements of the European Council conclusions in a consistent way.

Which stakeholders & experts have been or will be consulted, how, and at what stage?

Consultation with Member States administrators and experts will be carried out starting in April 2015. A public stakeholder consultation is planned for the second quarter 2015.