State of the Union: Questions & Answers on the 2030 Climate Target Plan

Brussels, 17 September 2020

1. **What are the key elements of the Commission's proposal and what are the next steps?**

The Commission has presented today its 2030 Climate Target Plan, consisting of: a Communication on Stepping up Europe's 2030 Climate Ambition; an accompanying Impact Assessment; an EU-wide Assessment of National Energy and Climate Plans; and an amended proposal on the draft European Climate Law to incorporate the new 2030 emissions reduction target.

Today's Communication proposes an EU-wide net greenhouse gas (GHG) emissions reduction target of at least 55% by 2030, compared to 1990 levels. This target puts the EU on a balanced pathway to reaching climate neutrality by 2050. The Commission's proposal is based on a thorough impact assessment, and confirms that reducing emissions by at least 55% by 2030 is a realistic and feasible course of action.

Achieving this increased climate ambition will require an investment boost, which will contribute to a green recovery from the current COVID-19 crisis. In this context, the European economic response to COVID-19 offers a unique opportunity to accelerate the transition to a climate-neutral economy.

The Communication previews a set of actions required across all sectors of the economy to achieve this more ambitious decarbonisation pathway. It outlines which pieces of legislation the Commission will review to implement this ambition increase: the EU Emissions Trading System, the Effort Sharing Regulation, the Land Use, Land Use Change and Forestry Regulation, the Energy Efficiency Directive, the Renewable Energy Directive and the CO_2 Emissions Performance Standards for Cars and Vans Regulation. Following broad public consultation and thorough impact assessments, the Commission will come forward with the corresponding legislative proposals by June 2021.

Other legislation that will also be reviewed in due course includes the Energy Performance of Buildings Directive and the Ecodesign Directive, legislation supporting the roll out of the necessary infrastructure such as TEN-E and TEN-T and the Alternative Fuels Infrastructure Directive, and the Regulation on the Governance of the Energy Union and Climate Action.

The Communication and the proposal to raise the 2030 target to at least 55% prepares the ground for a public debate in autumn 2020 on increasing the EU's Nationally Determined Contribution (NDC) under the Paris Agreement by the end of 2020. Adopting the new target in time would allow the EU to communicate its higher ambition to international partners well ahead of the 2021 UN Climate Conference (COP26) in Glasgow and set the bar for others to follow.

The Commission has also tabled today a revised legislative proposal to include this 2030 target in the European Climate Law, which aims to set the long-term direction of travel for all EU climate policies by fixing a legal obligation for the EU to be climate-neutral by 2050.

2. **Why are you proposing a higher emission reduction targets for 2030?**

The climate crisis remains the defining challenge of our time. The past five years were the warmest on record. Global average temperature increased by 1.1°C above pre-industrial levels in 2019. The impacts of global warming are beyond dispute, with droughts, storms, and other weather extremes on the rise. We must take urgent and sustained action to preserve the health, prosperity, and well-being of people in Europe and all over the world. EU citizens are increasingly, and rightly, worried. Nine out of ten see climate change as a serious concern. The EU leads the global fight against climate change and the Commission is determined that the EU takes further action now.

Current policies would not lead us on a balanced pathway to climate neutrality by 2050, and would result in the need to accelerate annual reductions after 2030. Such a rapid transition could prove unrealistic for some sectors, and particularly for industries with long lead-times. The current targets would mean we

only achieve a 60% reduction by 2050. Existing policies also do not deliver the required predictability for investors about our medium- and long-term goals, and create a risk of stranded assets and unnecessary carbon lock-in.

As an advanced economy with a proven track record in successful implementation of ambitious climate policy, the EU plays an important role in influencing global GHG emissions trends. Raising the EU ambition from the current level to 55% within the next ten years is a significant increase of the EU's Nationally Determined Contribution under the Paris Agreement and sets the stage for the upcoming UN climate negotiations in 2021, thereby reinforcing the EU's global leadership.

3. **What are the economic and social impacts of this increased ambition?**

The EU has succeeded in decoupling emissions from economic growth over the last three decades, with net GHG emissions falling by 25% between 1990 and 2019 while GDP grew by 62%. The economic recovery from the COVID-19 pandemic requires a massive boost of investment, and doing so in line with the increased climate ambition will provide a short-term economic stimulus that can foster long-term sustainable growth.

By 2030 the investment stimulus if coupled with the use of revenue from carbon pricing to reduce other distortionary taxes can bring GDP growth of up to 0.5%. In the current circumstances, where the economy is operating below potential output due to the COVID-19 health crisis, the necessary investment boost to achieve increased climate ambition could provide much needed stimulus to the economy. Conversely, investing in 'business as usual' may stimulate short-term recovery but create stranded assets by not addressing the climate change challenge, and thereby increase the need for further investments later on. The pandemic has already accelerated the move away from fossil fuels.

Putting a price on GHG emissions, for instance by extending the use of emissions trading, leads to improved macro-economic outcomes. It not only gives an economic incentive to reduce emissions cost effectively, it also generates revenues that can be used for reductions in labour taxation, for capital investments, and to support low-income households. Heating expenses in low-income households are a relatively higher burden than in higher-income households, and low-income households more commonly use highly polluting fuels like coal. Social policy and building renovation will help keep the impact on heating and electricity bills in check.

With enabling policies we are paying particular attention to providing support for the most vulnerable in our society during this transition to ensure that no one is left behind. NextGenerationEU and the Multiannual Financial Framework for 2021-2027, of which at least 30% should be dedicated to climate-relevant spending, provide for a number of tools to address this head on, such as the Just Transition Mechanism and its Just Transition Fund, which will support coal and carbon-intensive regions. The Renovation Wave will help the most vulnerable households and those at risk of energy poverty to benefit from more energy efficient housing.

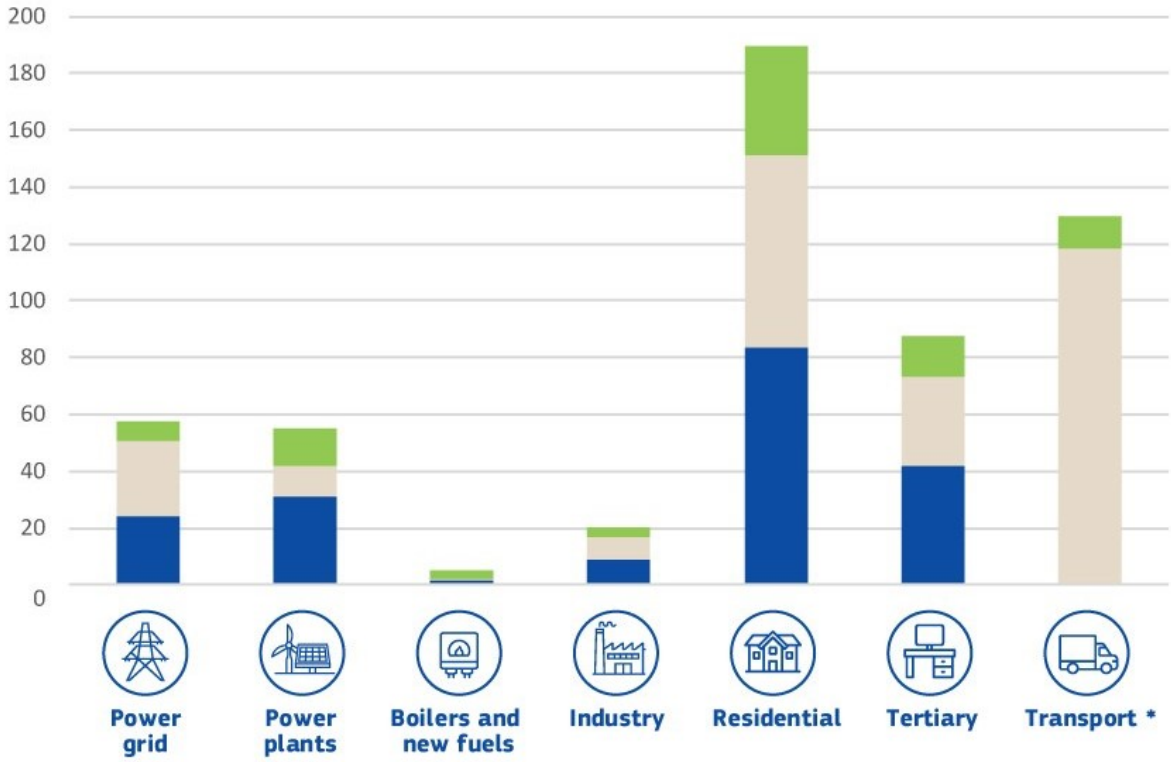
4. **What are the investment needs?**

Reducing GHG emissions by at least 55% by 2030 will require significant additional investment, to decarbonise power generation, industry and transport, and to improve the energy efficiency of buildings. In the long run, it will reduce fuel expenses and dependence on fossil fuel imports, and improve the EU's energy security.

It is estimated that with the 55% GHG target, annual investment in the energy system will need to be around EUR 350 billion higher in the coming decade (2021-2030) than in the previous decade (2011-2020). This is mainly due to new capacities and interconnections, including replacements of old power and industrial plants which come to the end of their economic life and building renovation. This level of investment can provide much needed stimulus to promote a long-lasting recovery from the COVID-19 crisis for the benefits of our economy and our people. Directing funds to the appropriate investments is more important than ever in the current context, and our economies cannot afford to invest in assets that may become obsolete in the near future.

To put this into perspective, with NextGenerationEU and the next multi-annual EU budget, the EU will be spending EUR 1.8 trillion to help reboot the economy following the damage inflicted by the coronavirus pandemic, and a minimum of 30% will be spent in support of our climate objectives.

Annual average investment 2011-2020 and additional 2021-30 under existing policies and to achieve -55% greenhouse gas emissions reductions - in billions euros (2015)



* Transport only shows additional investment

	Additional to achieve -55% greenhouse gas reductions, 2021-2030
	Additional under current 2030 policies in 2021-2030 compared to 2011-2020
	Historic annual investments in the energy system 2011-2020

5. **What are the other benefits that can be expected?**

Increasing climate action improves air quality, which would be particularly beneficial for citizens in a number of Central and Eastern European Member States. Combined with the existing clean air policy, a 55% reduction in GHG emissions would reduce air pollution by 60% by 2030, compared to 2015. This will substantially improve the health of Europeans and reduce health damages by at least EUR 110 billion compared to 2015 levels. Increased climate action alone would reduce air pollution control costs by at least EUR 5 billion and the EU area affected by acidification by almost 10%.

The EU is dependent on imports for its energy needs, and fossil fuel imports currently amount to around 2% of GDP. Accelerating the climate and energy transition will enable the EU to reduce fuel costs and imports significantly, improving trade balance and freeing up resources for other uses. Reducing GHG emissions by 55% by 2030 would mean that the volume of fossil fuel imports falls by over 25% compared to 2015 levels. Achieving climate neutrality by 2050 would therefore save EUR 100 billion in the next decade and up to EUR 3 trillion by 2050.

Climate change is a direct driver of biodiversity loss. Limiting climate change is thus key to preserving biodiversity on a global scale. Actions to increase removals from the land use sink, such as the rewetting of organic soils and peatlands as well as forest restoration, can contribute to halt biodiversity loss in Europe. With the development of the EU carbon farming initiative, farmers will get a new business opportunity in carbon sequestration.

6. **What are the impacts of this plan at Member State level and what measures are proposed for the regions most challenged by the increased target?**

At this stage, the impacts have been assessed at the EU level only. The macro-economic impacts at Member State level will vary somewhat as Member States face different starting points on the trajectory towards climate neutrality, as well as differing sectoral compositions of their emission profiles. That is why the just transition is the cornerstone of the Green Deal.

Member States will benefit from important tools at the EU level to address any challenges they may face. The proposed EU multiannual financial framework for 2021-2027 and NextGenerationEU will dedicate at

least 30% of funds to spending that is relevant for climate change, and they require that 100% of funding be in line with the Paris Agreement objectives.

Examples of specific instruments ensuring a just transition include the European Green Deal Investment Plan and the Just Transition Mechanism, including the Just Transition Fund, which focus on regions that have carbon intensive sectors that are most affected by the transition to a climate neutral economy. The Modernisation Fund will also support investments in the energy transition in the lowest income Member States.

In addition, national recovery and resilience plans and spending of the recovery funds will need to be fully aligned with the green and digital transition. Smart use of these funds can trigger significant private sector investments.

Existing climate legislation ensures redistribution as well. This includes the differentiated Member State targets in the ESR, the re-distribution of EU ETS allowances for auctioning and the Modernisation Fund that focuses on investments in modernising the economy and fostering a just transition in 10 lower-income Member States.

Legislative proposals to update the climate legislation framework will be put forward in June 2021. As part of this process, the Commission will review impacts at the level of Member States and consider distribution-related issues. An important consideration in this context will be how revenues from carbon pricing are distributed between Member States and the EU as own resources.

7. **How will the 55% target be implemented in climate legislation?**

Current climate legislation is designed to achieve a reduction of at least 40% GHG gas emissions by 2030, compared to 1990. The EU Emissions Trading System (EU ETS) and the Effort Sharing Regulation, combined with the 32% renewable energy target and 32.5% energy efficiency target are projected to reduce emissions by around 45% by 2030. Including removals from the land use, land use change and forestry sectors the net emissions are projected to decrease by around 47% by 2030 compared to 1990 levels. This legislation will all need to be updated to reflect a 55% emission reduction target by 2030, incorporating all emissions and removals.

The EU ETS has proven to be an effective tool in reducing GHG emissions. It is clear that when the carbon price is sufficiently robust, it becomes a strong driver for immediate change, and a clear signal for low carbon investments. It thus contributes decisively to the deployment of renewable energy and energy efficiency technologies.

An expanded EU ETS could be developed to include road transport and buildings, and potentially in time covering all uses of fossil fuel combustion. Emissions from the maritime sector will be covered by the EU ETS, taking into account the current monitoring system. It will also be necessary to revisit the cap of the EU ETS and its yearly reduction pathway (Linear Reduction Factor).

A decision on how to tackle extra EU aviation and navigation in the EU ETS will depend on the outcomes of the future impact assessment studies, in the light of progress at the International Maritime Organization (IMO) and the International Civil Aviation Organization (ICAO), such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

The Effort Sharing Regulation (ESR), which sets national GHG reduction targets for sectors currently outside the EU ETS, will be reviewed. Extending the scope of the EU ETS may result in overlaps with the ESR. The Commission will further review this.

The economy-wide GHG emission reductions target will fully include emissions and removals from the Land Use, Land Use Change and Forestry sector, as reported in the EU inventory. As such, the Land Use, Land Use Change and Forestry (LULUCF) legislation will be reviewed and will continue to set minimum requirements for land use in the EU that will define its minimum ambition level.

In road transport, emissions trading has the advantage of capturing fleet emissions under the cap and simultaneously incentivising behavioural change with lasting effects on mobility solutions through the price signal. At the same time, the CO2 emissions performance standards for cars are the main driver to ensure the supply of modern and innovative clean vehicles, including electric cars. To ensure a clear pathway towards zero-emission mobility, the CO_2 emissions standards for cars and vans will be revisited and strengthened.

The EU will continue using its green, climate and energy diplomacy – and the full spectrum of its external policy instruments to enhance the ambition level of its partners and accelerate the global transition to climate neutrality. In the absence of comparable increases in ambition by our partners, as the EU increases its climate ambition, the Commission will propose a carbon border adjustment mechanism compliant with WTO rules, for selected sectors, to reduce the risk of carbon leakage.

8. **Why is the Commission not proposing individual targets for Member States' emission reductions?**

Binding national GHG emission reduction targets for 2021 to 2030 are set in the Effort Sharing Regulation (ESR). They apply to non-ETS sectors, such as buildings, agriculture, waste and transport (excluding aviation and international shipping). Introducing emissions trading for a significant share of the existing ESR sectors, which the Commission will look into, would have consequences for this Regulation.

The Commission will consult further on different options when developing the various sectoral policy initiatives planned for June 2021. It will deepen this analysis in the sectoral impact assessments, including Member State specific analysis to address distributional and fairness concerns.

9. **What is the role of the agriculture and land use sector in achieving increased climate ambition?**

As a source of nitrous oxide and methane emissions, the agriculture, Land Use, Land Use Change and Forestry sectors are crucial to achieve the overall objective of net zero greenhouse emissions by 2050. At the same time, this sector has an important role to play in storing carbon. With smart cooperation among farmers, with the use of technologies such as precision farming and with support to investments, advice and innovation, these sectors can already become climate neutral and begin to generate carbon removals by 2035. Not only does this present a business opportunity for farmers, actions such as afforestation, restoration of wetlands, peatlands and degraded land are also beneficial for biodiversity. The Communication looks into how the current Land Use, Land Use Change and Forestry (LULUCF) Regulation can contribute to expanding the land use sink.

In addition, the agriculture and forestry sectors are an important source for feedstock, for the bioeconomy, for materials, for the construction sector and for bio-energy, allowing other sectors to reduce their emissions. This will have to be done in a sustainable manner and not rely on any unsustainable intensification of forest harvesting.

10. **What are the effects of this plan on our energy system?**

Achieving at least 55% GHG emission reduction by 2030 requires an increased share of renewable energy in the range of 38% to 40% of gross final consumption. The power sector will continue to move away from fossil fuels, which would generate less than 20% of the EU's electricity in 2030 while renewables would supply around two-thirds of the EU's electricity. The Commission's Impact Assessment indicates that final and primary energy consumption would further fall by 2030 while achieving savings of 36-37% on energy efficiency.

In heating and cooling, renewables would achieve around 40% penetration in 2030, mainly through switching fuels towards renewable heating solutions of which heat pumps are the fastest growing solution. Buildings will become more energy efficient and rely less on fossil fuels for heating and cooling. As a result, by 2030, emissions from buildings would decrease by around 60% compared to 2015.

In the transport sector, as calculated in the Renewable Energy Directive, renewables would reach around 24% through further development and deployment of electric vehicles, advanced biofuels and other renewable and low carbon fuels. Simultaneously, revised CO2 emission standards for cars and vans will ensure enough clean cars are available on the market. Supporting this transition will require a corresponding roll-out of recharging and refuelling infrastructure by 2030. As part of the Green Deal, the Commission wants to place 1 million new charging points across the European Union.

11. **What is the role of energy targets and energy legislation? Will energy legislation be revised and when?**

The Energy Efficiency Directive, the Renewable Energy Directive and the Regulation on the Governance of the Energy Union and Climate Action are core pieces of legislation to implement an increased 55% GHG reduction target, together with the Energy Performance of Buildings Directive (EPBD) and products legislation (Ecodesign Directive and the Energy and Tyre labelling Regulations). The Energy Efficiency Directive and Renewable Energy Directive will be reviewed by June 2021.

Achieving the existing EU renewable energy and energy efficiency targets for 2030 of at least 32% and at least 32.5% respectively will lead to surpassing of the current 40% GHG emission reduction target. However, to sufficiently contribute to the 55% target, renewable energy and energy efficiency policies will need to be reinforced and supported by new initiatives for example the upcoming Renovation Wave and an Offshore Energy strategy. The review of relevant legislation could include the increase of the EU renewable energy and energy efficiency targets.

12. **How do Member States contribute to the EU 2030 target and the Green Recovery through their National Energy and Climate Plans?**

Member States outlined their contribution to the EU-wide climate and energy targets in National Energy and Climate Plans (NECPs). These plans provide an overview of how Member States approach the first phase of their transition towards climate neutrality and where they want to go in the period 2021 – 2030 across five areas: decarbonisation, energy efficiency, energy security, internal energy market, research

and innovation and competitiveness.

The first main finding from the EU-wide assessment, adopted together with the 2030 Climate Target Plan, is that Member States are accelerating their energy and climate transition. The plans indicate that almost all Member States are phasing out coal or have set a phase-out date. The use of coal is projected to decrease by 70% compared to 2015, with renewable electricity set to reach 60% of electricity produced by 2030. The positive market and investment trends will need to be accompanied by increased efforts to phase out fossil fuel subsidies, as already recommended by the Commission in 2019.

Member States are on track to surpass the current EU GHG reduction target of 40% by 2030 compared to 1990 levels. The assessment shows that under existing and planned measures in the NECPs the current 2030 targets would be surpassed. The share of renewable energy could reach 33.1-33.7% in 2030, going beyond the current target of at least 32% in 2030. However, the current national plans still show an ambition gap on energy efficiency, standing at 2.8% for primary energy consumption and 3.1% for final energy consumption. The NECPs do not yet pay sufficient attention to R&I needs for delivering on climate and energy objectives. The plans will however evolve, with the next formal revision foreseen for 2023.

The NECPs are also investment plans for the green recovery and transition. The recovery and resilience plans and the just transition plans, which Member States are preparing, to benefit from recently established EU financing mechanisms, have to be in line with the NECPs. The plans identify areas that could contribute to frontloading investments, such as energy efficiency, renovating buildings, deploying renewable energies, sustainable mobility, modernising electricity grids and boosting innovation.

The NECPs assessment will be a foundation for the Commission's guidance to Member States to draft their National Recovery and Resilience Plans. The assessment gives good examples of projects and technology areas such as renewable hydrogen and batteries, where investments in Member States are scaling up.

Today's EU-wide assessment will be complemented by 27 individual assessments to be adopted in October together with the State of the Energy Union Report. These assessments will include specific guidance to each Member State, including the magnitude of investments and reforms needed to unlock the potential of the clean energy transition.

For more information:

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