



Questions and Answers - The Effort Sharing Regulation and Land, Forestry and Agriculture Regulation

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THE EFFORT SHARING REGULATION

1. What is the purpose of the Effort Sharing Regulation?

The Effort Sharing Regulation (ESR), as adopted in 2018, sets national targets for emission reductions from road transport, heating of buildings, agriculture, small industrial installations and waste management. These sectors – which were not included until now in the EU Emissions Trading System (EU ETS) - currently generate about 60% of EU greenhouse gas emissions. To meet the EU's overall emission reductions target by 2030, the Commission is now proposing to reduce emissions under the ESR by at least 40%, compared to 2005 levels. This is an increase of 11 percentage points compared to the existing target of a 29% emission reduction.

The ESR ensures that all Member States contribute in a fair and just manner to EU climate action. It distributes the national efforts by ensuring that Member States with higher GDP per capita have higher emission reduction targets. Annual emissions allocations are set for each Member State, and these are progressively reduced until 2030. The ESR contains a number of flexibilities enabling Member States to reach their targets in a cost efficient manner.

The [Commission's proposal](#) keeps the existing architecture and scope of the Regulation. Apart from setting more ambitious targets for the EU and Member States, the proposal includes limited adjustments in the way Member States can use existing flexibilities to meet their targets. Overall, the updated targets further reduce the range of Member States' emissions per capita in 2030 compared to the current targets. Finally, the proposal creates an additional safety reserve to help Member States in complying with their more ambitious ESR targets.

The ESR will continue to cover the road transport and buildings sectors, alongside their inclusion in a new emissions trading system.

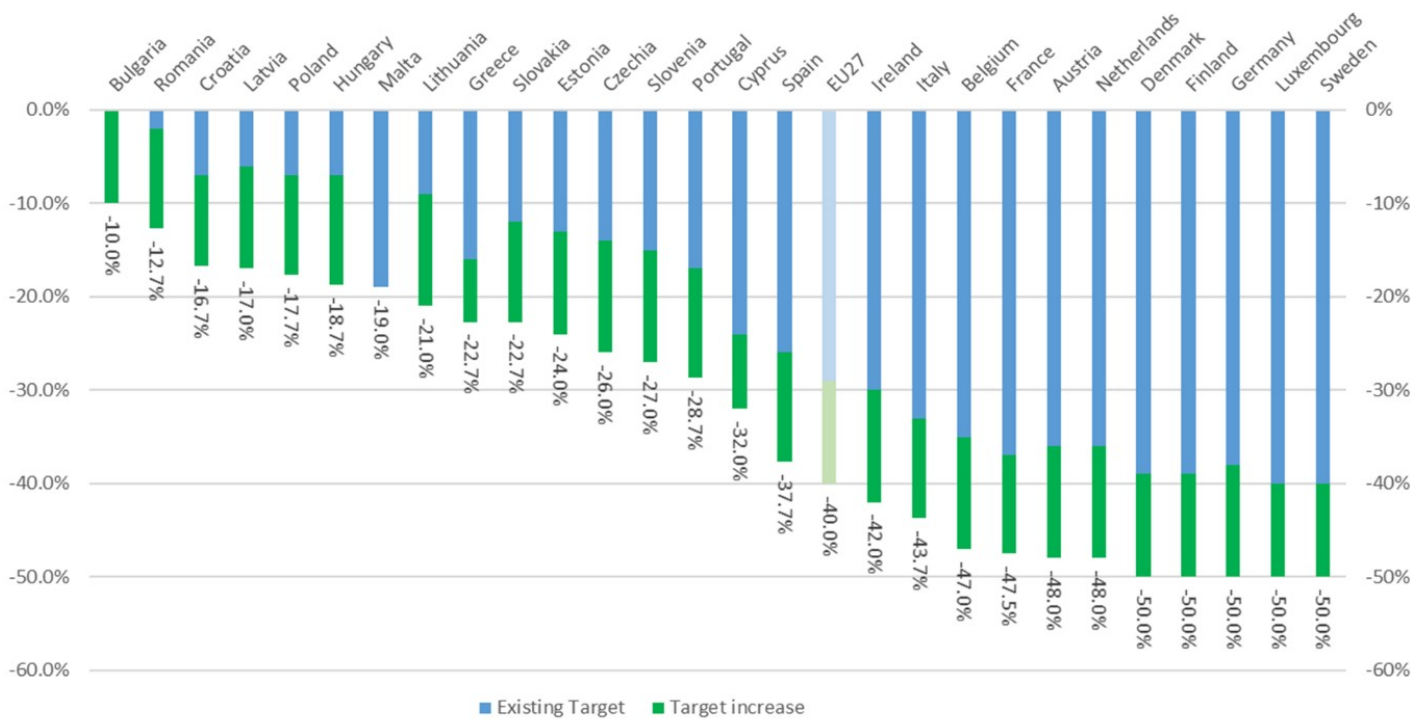
2. Why is it necessary to keep buildings and transport in the Effort Sharing Regulation when they are now also covered by emissions trading?

Road transport and buildings are responsible for around 55% of the emissions covered by the ESR today. Emission reductions in these sectors have been insufficient so far – emissions from road transport have risen – and therefore need to accelerate to deliver on the increased 2030 target. This requires a different policy approach.

The price signal resulting from emissions trading for road transport and heating fuels will incentivize businesses and consumers to save energy and make climate-friendly investments (see [Memo on Emission Trading](#)). However, these are sectors where price incentives should be complemented by government action such as tackling market failures, investing in infrastructure, favouring the uptake of zero-emission cars and promoting building renovation. In turn, such policies will enable and facilitate consumers and businesses' required investment decisions, enhancing cost-effective action and reducing the impact of carbon pricing on individual consumers to the minimum necessary.

3. Will all Member States have to increase their efforts to meet the new EU target? How will the efforts be distributed?

All Member States should contribute to the achievement of the increased Union wide target. The new Member State targets will span from 10% to 50% compared to 2005 emissions. An approach based solely on GDP per capita would create relatively higher costs for some Member States to reach their targets, so the Commission proposes to adjust the targets to reflect cost-effectiveness. The graph below indicates the proposed 2030 emission reduction target of each Member State.



4. Is there any flexibility in how Member States can reach their binding targets for these sectors?

The Effort Sharing Regulation has several mechanisms that help Member States comply with their targets in a cost efficient way. Member States may 'bank and borrow' emission allocations. In years where emissions are lower than their annual emission allocations, Member States can bank surpluses and use them in later years. In years where emissions are higher than the annual limit, Member States can borrow a limited amount of allocations from the following year. Member States can also buy and sell emission allocations between themselves, thus increasing the cost efficiency of reaching the overall EU emissions reduction target. In addition, Member States can use a limited amount of credits generated in the land sector by removals of greenhouse gases to comply with their targets under the ESR.

To help them achieve their targets, based on the October 2014 European Council conclusions, six Member States whose national reduction targets were above the EU average and their cost-efficient reduction potential (i.e. Belgium, Denmark, Ireland, Luxembourg, Austria and Finland) can use a limited number of EU ETS allowances to cover emissions in the effort sharing sectors, by cancelling allowances that would otherwise have been auctioned. Malta was given the same possibility, as it had not allocated any free EU ETS allowances to industrial installations in 2013. Member States may also benefit from a safety reserve under certain conditions, provided that the overall EU emissions reduction target is met.

The Commission also proposes the creation of an additional reserve for Member States based on 'non-used' greenhouse gas removals generated in the EU. The additional reserve would act as an insurance and only become effective if the EU reaches its 2030 target of reducing net greenhouse gas emissions by at least 55%. The maximum contribution of net removals to reaching the -55% target is fixed at 225 MtCO₂Eq by the European Climate Law.

5. Which policies and measures will help Member States reach their effort sharing targets?

The proposals adopted today are all closely interconnected, with each proposal complementing the others and helping to reach its goals. The Energy Efficiency Directive, Renewable Energy Directive, CO₂ standards for cars and vans, Alternative Fuels Infrastructure Regulation and emissions trading will help Member States' to reach their targets under the ESR. At national level, these policies need to be complemented by government action to address market failures, such as infrastructure investment, support to the purchase of zero emission cars, and support to building renovation in a cost-efficient manner.

REGULATION ON CLIMATE-NEUTRAL LAND USE, FORESTRY AND AGRICULTURE

1. What is the purpose of the Regulation for land use, forestry and agriculture?

To achieve the objectives of the Green Deal, support the restoration of biodiversity and become the first climate neutral continent by 2050, we need healthy natural carbon sinks. This requires an urgent reversal of the current negative trend; the amount of CO₂ that European forests and soils are removing from the atmosphere decreased by around 20% from 2013 to 2018. Restoring and growing our carbon sinks in the next decade is possible, but needs immediate and decisive action. The [Commission is proposing](#) to revise the Regulation on land use, land use change and forestry to provide more powerful incentives for Member States to grow and improve their natural carbon sinks in line with the European Climate Law, and to reduce the complexity of the current rules. The Commission proposes to move towards a more integrated policy framework covering activities related to agriculture, forestry, and land use (AFOLU), under one climate policy tool beyond 2030.

2. What reforms are you proposing to the Regulation?

The Commission is proposing to put in place binding targets for Member States to increase their net carbon removals in the land use and forestry sector for the period from 2026 to 2030 and to significantly simplify compliance rules. The new Member State targets will add up to net carbon removals of -310 Mt of CO₂ equivalent in the Union for 2030, an increase of about 15% compared to today.

The Commission is also proposing to aim for an EU-level objective to reach climate neutrality in the combined land use, forestry and agriculture sector by 2035, including non-CO₂ agricultural emissions, such as those from fertiliser use and livestock. The primary production of food and biomass should become climate-neutral by 2035, putting the EU on track towards climate neutrality in 2050.

In addition, the proposal will improve the monitoring, reporting and verification of emissions and removals, for example through the increased use of geographical data and remote sensing, so that Member States' progress towards achieving their targets can be followed with increased precision and accuracy (including for sensitive areas with high biodiversity or high carbon stocks). The proposed rules will also better cover the negative impacts of natural disturbances (e.g. forest fires, bark beetles) on Member States' target compliance. Finally, an improved incentive framework for the storage of carbon in long-lasting and circular use wood products, is proposed.

3. Are you setting binding national targets for Member States' carbon removals?

The Commission is proposing a three-step approach, with evolving Member State targets until 2025, from 2026 to 2030, and from 2031 to 2035.

- Current rules remain in force until 2025
- New targets for increased net carbon removals for 2026-2030

The proposal sets a Union-wide target for net carbon removals amounting to -310 Mt of CO₂ equivalent by 2030. This is an increase of around 15%, compared to current annual removals of around -268 Mt. Member States will be subject to binding targets for the period 2026-2030 in line with the overall ambition for 2030. Member State targets will be based on the average level of removals or emissions from 2016 to 2018, as well as their potential increase based on the available managed land area in each Member State.

- Climate neutrality in the land use, forestry and agriculture sector by 2035

The proposal aims for an EU-wide target for climate neutrality for the whole land sector in 2035, balancing all greenhouse gas emissions from land use, forestry and agriculture with removals from these three sectors at EU level. Member States are obliged to contribute to reaching the collective target, and by mid-2024 will present in their National Energy and Climate Plans how they intend to achieve this objective. In view of the submitted plans and an associated impact assessment, the Commission will propose Member State targets by the end of 2025, and possible EU-wide measures.

4. How are Member States supported in reaching their targets?

Natural disturbances (e.g. forest fires, bark beetles) may negatively impact the Member States' capacity for increasing carbon removals. The current Land Use Land Use Change and Forestry (LULUCF) Regulation already provides Member States with several flexibility and trading options to exclude extreme emissions from natural disturbances, or unforeseen changes in harvesting rates. The proposal adapts those flexibility rules for the period from 2026 to 2030 and improves them, with a view to offering higher compensation in duly justified cases and strengthens environmental integrity by including the emissions towards the EU target.

The following options are available to Member States that cannot meet their targets:

- Purchasing removal units from Member States who have overachieved their targets;

- Cancelling a share of its annual emission allocations under the Effort Sharing Regulation if it outperforms its target, and using those allowances to meet its target;
- Using its legally-defined share of an overall flexibility mechanism that offers Member States flexibility up to a fixed limit, provided that the overall EU target of -310 Mt is achieved;
- Requesting an additional share of the overall flexibility mechanism, provided that the Member State has exhausted all other available flexibilities and the overall Union target of -310 Mt is achieved.

With regard to the post-2030 period, the proposal creates an obligation for national governments to explain how they intend to contribute to the collective target of climate neutrality in 2035 via their National Energy and Climate Plans, which will be updated by mid-2024. Based on an analysis of the submitted plans, the Commission will propose, by the end of 2025, individual Member State targets and EU-wide measures for the post-2030 period.

The Common Agricultural Policy equips the Member States with substantial funds to support farmers and foresters in their efforts for more sustainable management of their forests and soils. The Commission is working on further enabling measures, such as the [Carbon Farming initiative](#) and the Certification of Carbon Removals, that should create new business models and reward those farmers and foresters that adopt more climate-friendly practices.

5. How does the Regulation combine with the Renewable Energy Directive to promote a more sustainable use of biomass?

Higher targets for carbon removals will promote a shift towards more sustainable, long-lasting and circular uses of natural resources, leading to jobs and growth in this sector. The storage of carbon in long-lasting wood products – like construction material or furniture – will be favoured through the biomass cascading principle rewarded and counted towards the national carbon removal targets. According to the biomass cascading principle wood should be used in the following order of preference: first, for high-quality, wood-based products such as construction material or furniture, the lifespan of the products should be extended where possible, before repurposing or recycling. Only if these uses are exhausted, should it be used for bioenergy, and be disposed of only if it is not suitable for any of the other purposes.

The improved rules on monitoring and reporting of emissions and removals will allow a better identification and more precise monitoring of sensitive areas with high biodiversity or high carbon stocks, such as wetlands or continuously forested areas, which should not be used for the sourcing of biomass. These will be referred to as “no-go areas” according to the proposed rules under the [revised Renewable Energy Directive](#).

The incentives for more sustainable use of biomass and the better monitoring of sensitive areas are complementary to strengthened sustainability criteria for bio-energy under the Renewables Directive.

For more Information

[IP - Legislative Proposals to transform the Economy and Society to meet our Climate Targets](#)

[Delivering the European Green Deal – dedicated webpage](#) (including legislative proposals)

[Delivering the European Green Deal – videos and photos](#)

[More information on Climate Action proposals](#)

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Press contacts:

[Tim McPHIE](#) (+ 32 2 295 86 02)

[Lynn RIETDORF](#) (+32 2 297 49 59)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](#) or by [email](#)