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Mr Milan ŠTĚCH
President of the Senát
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Dear President,

The Commission would like to thank the Senát for its Opinion on the climate action progress report, including the report on the functioning of the European carbon market and the report on the review of Directive 2009/31/EC on the geological storage of carbon dioxide {COM(2015) 576 final}.

The 2015 climate action report concludes that the EU is on track towards meeting its Europe 2020 greenhouse gas emissions reduction target as well as its Kyoto Protocol targets. For all but four Member States, projected emissions are below the national targets set under the Effort Sharing Decision No 406/2009/EC[1]*. While the EU continues to successfully decouple its economic growth from its greenhouse gas emissions, additional measures are needed if the EU is to meet the target of a domestic reduction in greenhouse gas emissions of at least 40% by 2030 compared to 1990 levels.*

The 2015 annual report on the functioning of the European carbon market concludes that over the last decade, the EU Emissions Trading Scheme (ETS) has proved that putting a price on carbon is an effective way to achieve cost-efficient emission reductions and encourage businesses to foster innovative technologies. Moreover, the first two years of phase 3 of the EU ETS (2013 and 2014) indicated that the system architecture is robust and that it has created a functioning market infrastructure. As a result of the Market Stability Reserve and the measures proposed to meet the increased ambition as decided in the 2030 climate and energy policies framework, the EU ETS will continue to deliver a meaningful price on carbon emissions, stimulate greenhouse gas emission reductions and play its role as a technology neutral, cost-effective and EU-wide driver for low-carbon investments.

The report on the review of Directive 2009/31/EC on the geological storage of carbon dioxide concludes, in light of an evaluation study conducted under the Commission's Regulatory Fitness and Performance (REFIT) programme, that Directive 2009/31/EC

[1] OJ L 140, 5.6.2009, pp. 136-148.

('Carbon Capture and Storage [CSS] Directive')[2] is fit-for-purpose and provides the necessary regulatory framework to ensure the safe capture, transport and storage of carbon dioxide while allowing the Member States sufficient flexibility. It also outlines further steps to be taken to accelerate the deployment of CSS technologies within the EU.

The Commission welcomes the Senát's appreciation for the progress achieved in the reduction of greenhouse gas emissions and takes note of the Senát's view that the transition towards a low-carbon economy must be brought about by measures based on market mechanisms, cost-effectiveness and technological neutrality.

The Commission would like to recall that the 2030 climate and energy policies framework aims to give Member States the flexibility they need to choose policies that best match their national circumstances, while ensuring progress towards a competitive, secure and sustainable energy system. The agreed targets under this framework include, inter alia, a reduction in greenhouse gas emissions of at least 40% by 2030 compared to 1990 levels.

This greenhouse gas emissions reduction target to be met by 2030 will be delivered collectively by the EU in a cost-effective manner, with reductions in both EU ETS and non-ETS sectors.

Since 2005 the EU ETS has been the cornerstone of the EU's climate change policy, delivering the intended emission reductions objectives. Its importance was confirmed by the European Council of October 2014, according to which a well-functioning, reformed EU ETS together with an instrument to stabilise the market, as proposed by the Commission at the time and that was adopted in 2015[3], will constitute the main mechanism to achieve the greenhouse gas emissions reduction target amounting to a decrease of 43% of emissions compared to 2005 in the sectors covered by the EU ETS.

In line with the 2030 climate and energy policies framework, in July 2015 the Commission presented a legislative proposal to revise the EU Emissions Trading System for the next trading period 2021–2030[4]. The Commission welcomes the Senát's view that this revision is crucial for reaching the 2030 targets and remains convinced that a reformed ETS is the most cost-effective way to achieve emission reductions for the necessary transition to a low carbon economy.

The Commission notes that the Senát is not convinced that the EU ETS alone can efficiently reduce greenhouse gas emissions and that the Senát would welcome launching a discussion on other tools.

The Commission points out that besides the EU ETS, the aforementioned Effort Sharing Decision provides an obligation for all Member States to reduce emissions and is supported by other sectoral EU climate legislation, such as the Regulations on CO_2 emissions from

[2] OJ L 140, 5.6.2009, pp. 114-135.
[3] Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC, OJ L 264, 9.10.2015, pp. 1-5.
[4] COM(2015) 337 final.

passenger cars and from light commercial vehicles[5]*. The Effort Sharing Decision relies mostly on Member States defining and implementing additional national policies and measures to limit their emissions in the sectors it covers. It also sets annual allocations for emissions for the period 2013 to 2020. In view of the 2030 framework, the Commission has recently proposed new legislation on effort sharing for the period 2021–2030*[6] *as well as on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 framework*[7]*.*

Lastly, the Commission notes the Senát's reservations on the technology of geological storage of carbon dioxide with regard to its cost efficiency and safety.

The report on the review of the CSS Directive also found that results from research-scale storage sites and from projects in other countries indicate that safe and long-term storage without leakage is possible. However, the number of CCS installations constructed is much lower than expected due to the lack of a commercial case for the technology, largely because of the global economic downturn and low carbon prices.

At the same time, to ensure that CCS technologies can be properly deployed in the 2030 timeframe, the Commission believes that increased research and development efforts (as recognised in the Strategic Energy Technology Plan[8]*) and commercial-scale demonstration projects are essential over the next decade. A supportive EU framework is also necessary through, for example, the Innovation Fund and strengthened use of EU ETS auctioning revenues to support the deployment of CCS technologies.*

The Commission hopes that the clarifications provided in this reply address the issues raised by the Senát and looks forward to continuing our political dialogue in the future.

Yours faithfully,

Member of the Commission

[5] For cars: Regulation (EC) No 443/2009, OJ L 140, 5.6.2009, pp. 1-15 & Regulation (EU) No 333/2014, OJ L 103, 5.4.2014, pp. 15-21. For light commercial vehicles (vans): Regulation (EU) No 510/2011, OJ L 145, 31.5.2011, pp. 1-18.
[6] COM(2016) 482 final.
[7] COM(2016) 479 final.
[8] https://ec.europa.eu/energy/en/topics/technology-and-innovation/strategic-energy-technology-plan