



EUROPEAN COMMISSION

*Brussels, 20.2.2017*

*C(2017) 775 final*

*Dear Chair,*

*The Commission would like to thank the Senato della Repubblica for its Opinion on the proposal for a Regulation of the European Parliament and of the Council on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 climate and energy framework and amending Regulation No 525/2013 on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change {COM(2016) 479 final}.*

*This proposal forms part of a broader legislative package based on the guidance provided by European leaders at the European Council of October 2014, with a view to achieving the agreed target of at least 40% emission reductions compared to 1990. It is one of the elements by which the EU implements its commitments under the Paris Agreement on climate change, which has recently been ratified by the European Union, and which entered into force on 4 November 2016.*

*The Commission is pleased that the Senato della Repubblica shares the view that action at EU level as envisaged in the proposal is required to ensure that the contributions of the land use and forestry sectors towards climate change mitigation are adequately enhanced. The Commission has taken due note of the specific remarks expressed by the Senato della Repubblica in its Opinion and is pleased to refer to the replies given in the attached Annex.*

*Discussions between the Commission and the co-legislators concerning the proposal are now underway and the Commission remains hopeful that an agreement will be reached in the near future.*

*Mr Giuseppe MARINELLO  
Chair of the Committee on  
Land Use, Environment,  
Environmental Assets of the  
Senato della Repubblica  
Piazza Madama, 1  
IT – 00186 ROME*

*cc. Mr Pietro GRASSO  
President of the Senato della Repubblica  
Piazza Madama, 1  
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*The Commission hopes that the clarifications provided in this reply address the issues raised by the Senato della Repubblica and looks forward to continuing the political dialogue in the future.*

*Yours faithfully,*

*Frans Timmermans  
First Vice-President*

*Miguel Arias Cañete  
Member of the Commission*

## ANNEX

*The Commission has carefully considered the issues raised by the Senato della Repubblica in its Opinion and would like to offer the following observations grouped by topic.*

*When proposing a 5-year compliance cycle, the Commission has taken into account that a reporting exercise on emissions and removals in the land use, land use change and forestry (LULUCF) sector is already carried out annually pursuant to the requirements under the United Nations Framework Convention on Climate Change. The annual reporting should provide sufficient prognostic information; therefore the accounting exercise can be carried out over a longer period of time as it is current practice. This reflects the large inter-annual variability of the LULUCF sector and reduces administrative burden on national governments.*

*Concerning the modalities of the EU ratification of the Paris Agreement, the Commission would like to underline that, given the international momentum towards early entry into force of the Paris Agreement, and following the Bratislava Summit, the Member States agreed unanimously and on an exceptional basis to a coordinated approach to the deposit of the EU's and Member States' ratification instruments (as opposed to the traditional simultaneous deposit of the instruments).*

*The Senato della Repubblica refers to the national targets covering the overall amount of emissions in sectors covered by the EU emissions trading system (ETS) as well as in sectors not covered by the system (non-ETS). However, as of 2013 the ETS has a single EU-wide cap on emissions. Thus, there are no national ETS targets but the EU meets its targets collectively for the sectors covered by the ETS. Companies in sectors covered by ETS can choose to reduce emissions or to buy allowances on the market. This flexibility is a key element in ensuring the reductions are achieved in a way that is cost-effective and technology neutral. The agreement reached by European leaders in October 2014 re-affirmed the role of a well-functioning ETS as the key mechanism to achieve emissions reductions in the period 2020-2030.*

*For the non-ETS sectors, the proposed Regulation on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 sets national targets and defines a number of flexibilities. As part of those, Article 6 of the proposal would allow for a strictly limited one-off flexibility from the ETS to the non-ETS. In line with guidance from the European Council, this flexibility is only available "for Member States with national reduction targets significantly above both the EU average and their cost effective reduction potential as well as for Member States that did not have free allocation for industrial installations in 2013". This limitation helps preserve market stability and environmental integrity.*

*Finally, concerning the review of the ETS, the Commission would like to recall that the ETS's Market Stability Reserve adopted in 2015 will respond to major changes in the demand of allowances, regardless of whether these are the result of economic factors or due to policy developments, for example in relation to improved energy efficiency or the deployment of renewable energy. The architecture of the reserve is such that it automatically and in a gradual manner reduces the auction supply if there is a significant oversupply of allowances.*