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Ares(2016) 257 28 72

## Opinion

### Title

**DG CLIMA –Effort sharing decision in the context of the 2030 climate and energy framework**

(version of 29 April 2016)\*

### **(A) Context**

The Effort Sharing Decision (ESD) establishes a binding annual greenhouse gas (GHG) emissions target for each Member State for the period 2013-2020, that are consistent with the overall achievement of the emissions reduction target for the EU. These targets capture emissions from most sectors not included in the EU emissions trading system (ETS) such as transport (except aviation and international maritime shipping), buildings, agriculture and waste, but excludes emissions and removals from land use, land use change and forestry (LULUCF). The ESD leaves it to Member States to choose where and how to achieve the necessary emission reductions.

The EU has committed itself in the Paris Agreement of December 2015 to a target of at least a 40% reduction in domestic GHG emissions by 2030 (relative to emissions in 1990). At the European Council meeting in October 2014, EU leaders expressed their wish to continue the ESD approach for the period 2021-2030, with the aim to reduce emissions in the non-ETS sectors by 30% by 2030 compared to 2005 as the contribution in implementing the overall economy-wide emission reduction target. The European Council mandated the Commission to translate the EU target into national targets, which is the purpose of the current initiative.

### **(B) Overall opinion: POSITIVE**

**The Board gives a positive opinion, on the understanding that the impact assessment report shall be adjusted in order to integrate the Board's recommendations, with respect to the following aspects:**

**1) The report should better assess the performance of the current framework, referring to the targeted reduction in the ETS and non-ETS sectors and clarify how concerned sub-sectors and countries have contributed to the reduction of GHG emissions in order to assess how realistic it is to take as a starting point for 2030 the achievement of the 2020 overall and sectoral targets.**

**2) The report should better explain the scope of the present initiative as compared to what will be decided in subsequent specific policies for sub-sectors and explain how coherence and cost-efficiency will be ensured.**

\* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted.

**3) The guidance given by the European Council in its October 2014 conclusions should be more clearly explained, including the extent to which it has influenced the objectives and the range and analysis of policy options examined in the report. The report should clarify the interaction of the objectives and the role and meaning of environmental integrity in this respect.**

**4) The baseline should be defined as a 'no policy change' scenario (in this case the REF2016 scenario) and key related assumptions should be mentioned or better explained in the main text. The various flexibility options should be analysed as possible alternatives for reaching efficiency.**

**5) The impacts on the ESD on national policies should be clarified. What do the targets mean in practice for individual Member States?**

**The lead DG shall ensure that the report is adjusted accordingly prior to launching the interservice consultation.**

**(C) Main recommendations for improvements:**

**1) Better assess the performance of the current framework.** The report should include a clear explanation of the performance of the current framework, including a comparison between initial projections and actual achievements with respect to the targeted emissions reductions in the ETS and non-ETS sectors where it should be broken down per non-ETS sub-sector and Member States. It should clearly show which sectors have contributed to the reduction of GHG emissions and which ones did not deliver on the objectives, discussing their mitigation potential. Based on more extensive use of the results of the evaluation of the current framework and referring to available evidence and stakeholders' views, the report should better present the lessons learnt from the implementation of the current ESD, differentiating between the different elements of the system.

**2) Clarify the scope and link with subsequent initiatives.** The report should better explain the scope of the present initiative (i.e. target distribution among Member States) as compared to what will be decided in subsequent initiatives (i.e. definition of specific policies for sub-sectors). It should be elaborated how coherence and cost-efficiency will be ensured between on the one hand the forthcoming initiatives in various sub-sectors that derive from a cost-effectiveness analysis and on the other hand, the approach of the ESD which establishes Member State-specific targets predominantly on fairness criteria and provides flexibility to the Member States on how to achieve the necessary emissions reductions.

**3) Clarify the objectives and the choice of the options.** The report should be explicit on the political choice to follow the guidance given by the European Council in its October 2014 conclusions. It should explain why this choice was made and how it has influenced the objectives and the range of retained and discarded policy options in the report. An operational definition of "environmental integrity" should be provided and the concept should be used in a coherent way throughout the text, including as an impact criterion. The interaction of the different objectives should be explained and the link with the resulting convergence of emissions per capita clarified. The various flexibility options (ETS-ESD, LULUCF, existing flexibility) should be presented and analysed as alternatives for reaching the objective of cost-efficiency.

**4) Better define the baseline scenario.** Since there is no legal obligation to act and the current ESD will continue to produce effects beyond 2020, the baseline should be defined as the absence of any new initiative (i.e. no policy change, in this case the REF2016

scenario) and any envisaged variations as options. The main report should clearly mention and explain certain components of the baseline, for instance: i) the assumptions underlying the achievement of the 2020 targets, given that the current overachievement is partly linked to factors external to the policy (mild winters, economic recession in the early years); ii) explain whether the baseline incorporates current trends of overachievement in the ETS part and renewables and underachievement in the residential and transport sector; iii) the extent to which the 2016 reference scenario differs from the scenario used to set the 2030 targets; iv) the assumptions on policies and trends for the 2021-2030 period; v) the main differences with the WEM scenario (i.e. the scenario based on projections defined by Member States).

**(5) Better assess the impacts.** The report should better explain what the targets will mean in practice for individual Member States and how they take into account the diverse situations across countries (e.g. on the energy mix). It should also clarify whether the results in terms of fairness and cost-effectiveness depend on the baseline assumptions and whether different scenarios (in particular the one based on Member States' projections) would lead to different results. Does the alternative baseline defined by the Member States alter the distribution of emission reduction effort among Member States?

**(D) Procedure and presentation**

A problem tree showing the flow throughout the text between the problems, the objectives and the options (i.e. the intervention logic) should be included. The section on impacts should be shortened as it is largely focused on the presentation of modelling outputs rather than analysing the key impacts and presenting these in a non-technical manner. Stakeholders' views should be better presented throughout the report and the reasons for discarding some of their suggestions/options should be explained (e.g. on discount rates).

**(E) RSB scrutiny process**

Reference number	2015/CLIMA/002
External expertise used	No
Date of RSB meeting	31 May 2016