



COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE  
EUROPEAN PARLIAMENT**

**on EU policies and measures to reduce greenhouse gas emissions: Towards a European  
Climate Change Programme (ECCP)**

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### **on EU policies and measures to reduce greenhouse gas emissions: Towards a European Climate Change Programme (ECCP)**

#### **Political context:**

The year 2000 will be crucial for climate change. The 6<sup>th</sup> Conference of the Parties (COP6) to the United Nations Framework Convention on Climate Change in November should deliver decisions on the issues left unfinished in Kyoto, in particular on the flexible mechanisms and compliance. From March this year, all political energy in the climate field around the world will be geared towards that major rendez-vous.

In Bonn in 1999, the EU urged all Parties to ratify the Kyoto Protocol as soon as possible after COP6 in order to ensure its entering into force by the Rio+10 Conference in 2002. The EU is committed to put this political commitment into policy action. A positive element in this context is the decision of the European Council in Helsinki to ask the Commission to prepare a proposal for a long-term strategy dovetailing policies for economically, socially and ecologically sustainable development to be presented to the European Council in June 2001.

The EU intends to start the political process on ratification of the Kyoto Protocol immediately after COP6. This discussion will have several dimensions, but at least 2 are of major importance:

1. The burden sharing agreement that was agreed by the Council in 1998 will have to be incorporated into a legal instrument. The -8% target for the EU as a whole has been shared out amongst Member States so as to allow for different economic development patterns. The legal translation of the burden sharing agreement will allow the ratification of Kyoto jointly by the Member States as well as by the EC.
2. An implementation strategy will be needed to accompany the ratification instrument. This is a question of political credibility. It will be necessary to spell out which policies and measures will have to be undertaken, and how the so-called flexible mechanisms will be implemented within the EU and with other Parties from industrialised as well as developing countries .

Several difficult issues will have to be resolved, not least those which affect the respective responsibility of each Member State and of the European Community. There are questions related to protecting the internal market, to different sector policies and others related to the fact that the EU would be legally bound to comply with the -8% objective for the Community as a whole.

### **Current emission trends are worrying**

Over the last years, greenhouse gas emissions at European level have been increasing instead of decreasing. Without a reinforcement of current policy measures, the 'business-as-usual-scenario' is likely to end up more in the range of an increase between 6 and 8%, instead of a reduction of 8% compared to 1990 levels<sup>1</sup>.

Energy and transport are the main contributors to CO<sub>2</sub> emissions while industry is the source of fluorinated gases. The transport sector is expected to increase its CO<sub>2</sub> emissions by 39% in 2010 (from 1990 levels). With a strong growth in electricity and heat demand CO<sub>2</sub> emissions from power generation are projected to increase after 2010, while in the case of industry emissions are expected to decrease by 12% over the same period. Equally, the private and tertiary sector remain a source of concern. Emissions of fluorinated gases are expected to increase by about 40% between 1990 and 2010 without further measures. However, total emissions of these gases will remain small, estimated at about 2.6% of total emissions in 2010.

Emission trends in Member States vary widely from average figures. Some Member States made a good start. German unification and the switch from coal to gas in the UK led to emissions reduction in the first half of the 1990s. Such unique events are, however, unlikely to occur again before 2012. Annex 1 provides a picture of progress made by Member States so far compared to their reduction target resulting from the 'burden sharing' agreement.

Most Member States find it increasingly difficult to control their greenhouse gas emissions for different reasons. In Austria, Denmark, Finland and the Netherlands for example, much has already been done in the past – the "low hanging fruit" have gone – and they face from now on higher implementation costs. On the basis of improved data, some other Member States observe that their emission trends are rapidly going in the wrong direction: Belgium and Italy in particular. Finally, Spain, Portugal, Greece and Ireland realise that the increase of their emissions allowed under the burden sharing agreement does not exempt them from the need for effective action.

Member States therefore have to commit themselves to a further strengthening of their domestic policies if they are to achieve their respective emission reduction targets under the burden sharing agreement. Common and co-ordinated measures at Community level will be a useful supplement to these national strategies in accordance with the principle of subsidiarity.

### **The need for a reinforcement of policies and measures**

The European Community's leadership in implementing the Kyoto Protocol will be measured on progress made over the next few years. There are a number of positive signs, both at Member State and European level, that implementation of the Kyoto Protocol is high on the political agenda.

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<sup>1</sup> COM(99)230

Some Member States have already strengthened their climate change strategies to start implementation of their Kyoto commitments under the 'burden sharing' agreement. Many others are in the process of developing such new strategies. The measures proposed cover all sectors and are likely to result in significant emission reduction.

Also, the Commission has successfully brought forward important measures. Some of these measures, such as the agreement with car manufacturers on the energy efficiency of passenger cars, have been successfully concluded. Several new Commission initiatives are imminent, such as the proposal for a Directive on the Promotion of Renewable Energy Sources in the context of the Internal Electricity Market, the proposal for a Directive on Complementary Fuel Specifications for the year 2005, a Communication on actions relating to the integration of sustainable development in enterprise policy, the revision of the Common Transport Policy, a Green Paper on Urban Transport, a Strategy for Energy Supply Security including the evaluation of the environmental impact of all energy sources, an Action Plan for Improved Energy Efficiency in the Community and an Action Plan for Renewable Energy Sources.

The guidelines on state aid for environmental protection, soon to be updated, will encourage the use of new market-based incentives by Member States. At the same time, the aim to prevent climate change will be reflected in the decisions to be taken by the Commission in the future within the framework of the current rules when assessing Member States' state aid schemes.

However, progress would have been far more pronounced if some key proposals, such as the energy tax proposal, would have been more actively pursued by the Council, or were not adopted in a significantly weakened form, such as the SAVE and ALTENER programmes. The Commission insists on the utmost importance of energy taxation within an overall strategy on climate change and urges the Council to adopt its proposal rapidly.

In view of respecting the commitments undertaken by the EU in Kyoto, action - both at Member State and Community level - will have to be reinforced. In order to do so the Commission will follow a twin-track approach : the reinforcement of Community-wide policies and measures, and the development of emissions trading system within the EU to enhance the cost effectiveness of the EU's implementation strategy including the preparation for the use of the Kyoto Protocol's flexible mechanisms. Demonstrating that the EU is committed to implement both elements of the Kyoto agreement will increase its credibility at international level.

A strengthening of common and co-ordinated policies and measures for all major greenhouse gas emitting sectors will be facilitated through the integration of environmental aspects into sector policies such as those for energy, transport, agriculture, industry, internal market and development, where strategies have been or are being developed. In addition, the Environment Council in its conclusions of October 1999<sup>2</sup> urged the Commission to put forward a list of priority action on

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<sup>2</sup> Council Conclusions on a Community strategy on Climate Change, Doc. 11654/99, Luxembourg 12 October 1999

climate change as early as possible in 2000 and to prepare appropriate proposals in due course. In this context, the Council stressed the need to take forward those policies and measures already identified by Council in its conclusions of June 1998<sup>3</sup>.

In response to these requests the Commission is now putting forward a list of proposed common and co-ordinated policies and measures (Annex 3). The list is not exhaustive but rather focuses on priority actions in the energy, transport and industry sector. It could be adjusted following discussions in Council and Parliament and decisions taken concerning different sector policies such as those for energy, transport, industry and agriculture.

Key elements for the development of a successful package of common and co-ordinated policies and measures concern the reduction potential and the related abatement cost in the different policy areas. The Commission's Communication of May 1999<sup>4</sup> indicates the reduction potential and related abatement cost of a number of measures in the energy, transport and industry sector which can also be found in the list of proposed common and co-ordinated policies and measures in Annex 3. For example, in the area of energy efficiency in households and the tertiary sector a reduction potential of 140 MT CO<sub>2</sub> equivalent can be achieved at a cost of up to 50 €/ton (in 1997 prices).<sup>5</sup>

Supplementary to the above policies and measures are the so-called "flexible mechanisms" of the Kyoto Protocol. While those mechanisms are promising in terms of cost-effectiveness, the EU has limited experience with them. Together with this Communication and as part of the same package, the Commission has therefore adopted a Green Paper on greenhouse gas emissions trading within the European Union. Its purpose is to familiarise all decision-makers with this new instrument and to launch consultation with all relevant stakeholders. As part of this exercise it will be necessary to ensure that the different elements of the proposed Community approach form a coherent whole. It is of particular importance that the Community has a clear view on its functioning in the context of the Single Market and on how the use of emissions trading interacts with the compliance of the EU with its overall target.

The Community will continue to demonstrate that it takes the concerns of developing countries in relation to climate change seriously. Specific Community actions will be defined to assist developing countries in mitigating climate change and in adapting to its adverse effects. After COP6 new initiatives need to be taken to help the poorer and the most vulnerable developing countries to take full advantage of the opportunities provided by the Kyoto Protocol notably the Clean Development Mechanism.

### **The European Climate Change Programme (ECCP)**

The European Climate Change Programme (ECCP) is a programme of the European Commission which will bring together all relevant stakeholders to co-operate in the

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<sup>3</sup> Council Conclusions on a Community Strategy on Climate change, doc 9702/98, Brussels 19 June 1998

<sup>4</sup> COM(99)230

<sup>5</sup> COM(99)230

preparatory work of common and co-ordinated policies and measures to reduce greenhouse gas emissions. While it is the Commission's prerogative to make appropriate policy proposals, positive experience has been gained by applying a multi-stakeholder approach to the preparatory phase of such proposals.

The European Climate Change Programme will primarily deal with the policies and measures listed in Annex 3.

Its proposed structure is outlined in more detail in Annex 2 and will be further elaborated by the Commission. It is recognised that the scope of the Programme will be limited in the beginning in order to address the most promising emission reduction measures, in view of achieving the Kyoto target of -8%. However, in a mid- and long-term perspective, the ECCP should become more comprehensive addressing issues such as adaptation, international co-operation through capacity-building and technology transfer, research/observation, demonstration of efficient and clean technologies and training and education. Preparatory work on these issues could then be the basis for concrete policy proposals by the Commission.

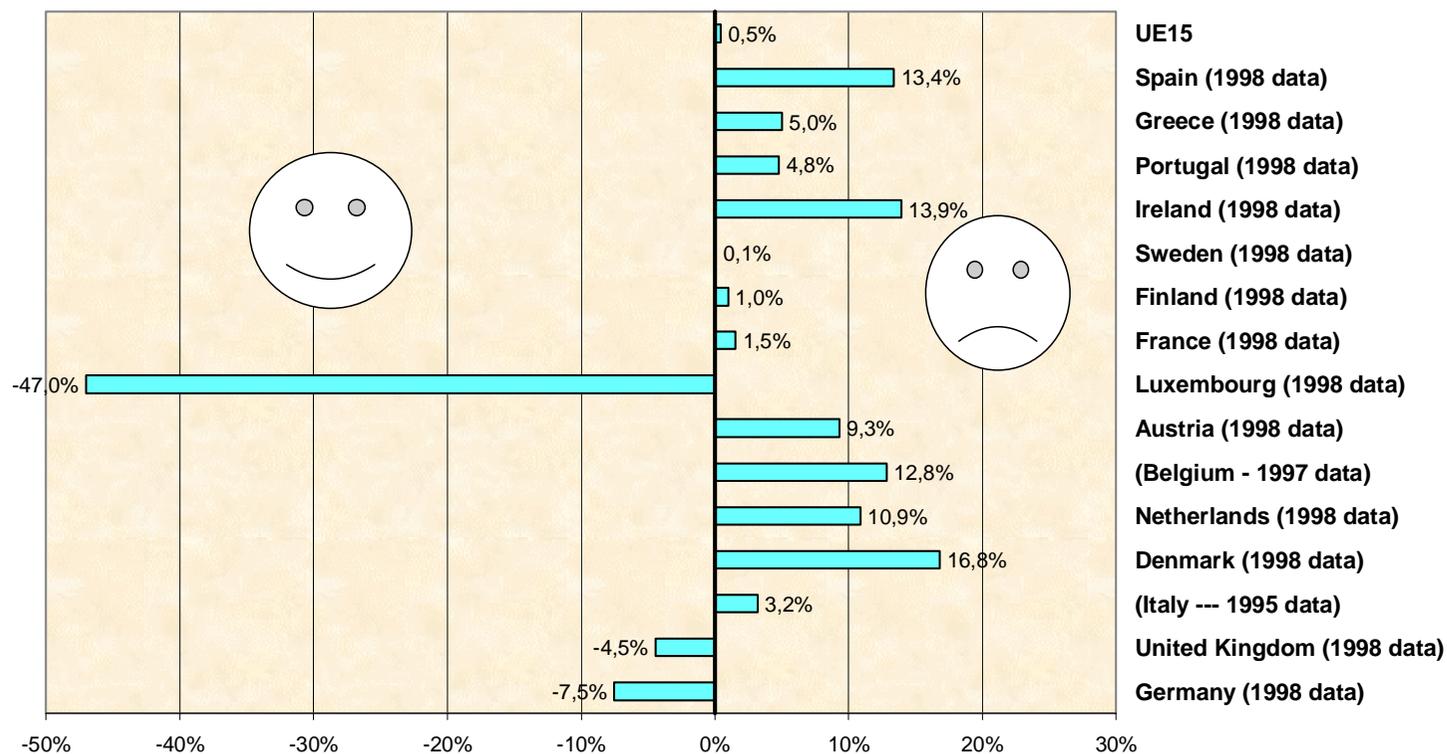
The ECCP will not operate in isolation. Links to existing initiatives in the areas including air quality, energy and transport that have an impact on climate change will be made and developed in a way that these programmes are compatible and mutually reinforcing. Input from the implementation of sector strategies will also be provided.

#### **Monitoring progress towards the EU Kyoto target**

The Commission wishes to underline the responsibility of Member States in establishing their own policies and measures for reducing greenhouse gas emissions. Their effectiveness will have to be monitored on a continuous basis. Council Decision 99/296 EC for a Monitoring Mechanism of Community CO<sub>2</sub> and other greenhouse gas emissions provides the necessary tool for the assessment of policies and measures but needs to be extended and reinforced to cover the use of the "flexible mechanisms". Only then will the monitoring mechanism be an effective instrument in assessing overall compliance with the Kyoto target.

# ANNEX 1

**Figures highlighting actual performance compared to where they should be according to Burden Sharing agreement (and assuming a linear evolution from 1990 towards 2010 target) in percentage of 1990 emissions (3 gases - LUCF excluded)**



The graph indicates whether a Member State is on track assuming its emissions are limited in a linear way (between 1990 and 2010). A negative value shows an over-achievement and a positive value an under-achievement. In the case of Luxembourg overall greenhouse gas emissions are very small (0.3% of EU). The substantial emission reductions achieved come from a restructuring of the iron and steel industry. The data used are the ones submitted annually by Member States to the Commission in accordance with the Monitoring Mechanism (Council Decision 93/389/EEC as amended by Decision 99/296/EC). These data will be included in the Annual European Community Greenhouse Gas Inventory 1990-1998 as prepared by the European Environment Agency.

**MAIN ELEMENTS OF  
THE EUROPEAN CLIMATE CHANGE PROGRAMME (ECCP)  
TO BE INITIATED BY THE EUROPEAN COMMISSION**

*Objectives*

The ECCP's overall objective is to identify and develop all those elements of a European Climate Change strategy that are necessary for the implementation of the Kyoto Protocol. These will comprise mitigation of emissions through policies and measures and the flexible mechanisms, capacity building/technology transfer, research/observation and training and education. Through a co-operative effort of all relevant stakeholders such as representatives of the Commission, the Member States, industry and the NGO community the programme will undertake preparatory work for the Commission to propose in due course concrete policy proposals to Council and the European Parliament.

*Steering Committee*

The Steering Committee will be composed of all Commission services that take part in the ECCP. It should be responsible for the overall management and co-ordination of the ECCP both in terms of policy approach and organisation. The Steering Committee will create working groups on specific problem areas and will decide on their terms of reference and timetable on the basis of a proposal by the relevant Directorates General. The Steering Committee should meet once a month. It will also inform and exchange information with other stakeholders on a regular basis

*Working groups (WGs)*

The WGs will work according to an agreed work programme, based on the Terms of reference and the timetable developed by the 'Steering Committee'. Main elements of the work programmes will include assessments of the environmental and cost implications of policies and measures as well as their compatibility with the sector integration policies. On the basis of these assessments policy recommendations can be made to the Commission (see further under 'End Product').

Each working group will have its specific 'set of stakeholders' representing a European rather than a national or regional clientele. The WGs will have a limited size and will consist of approx. 15 persons .

As a start the ECCP will concentrate on energy, transport, industry and the flexible mechanisms. Working groups will be formed around a number of themes. These themes correspond in principle to the 'list of proposed common and co-ordinated policies and measures' which the Commission is going to submit to the Environment Council end of March.

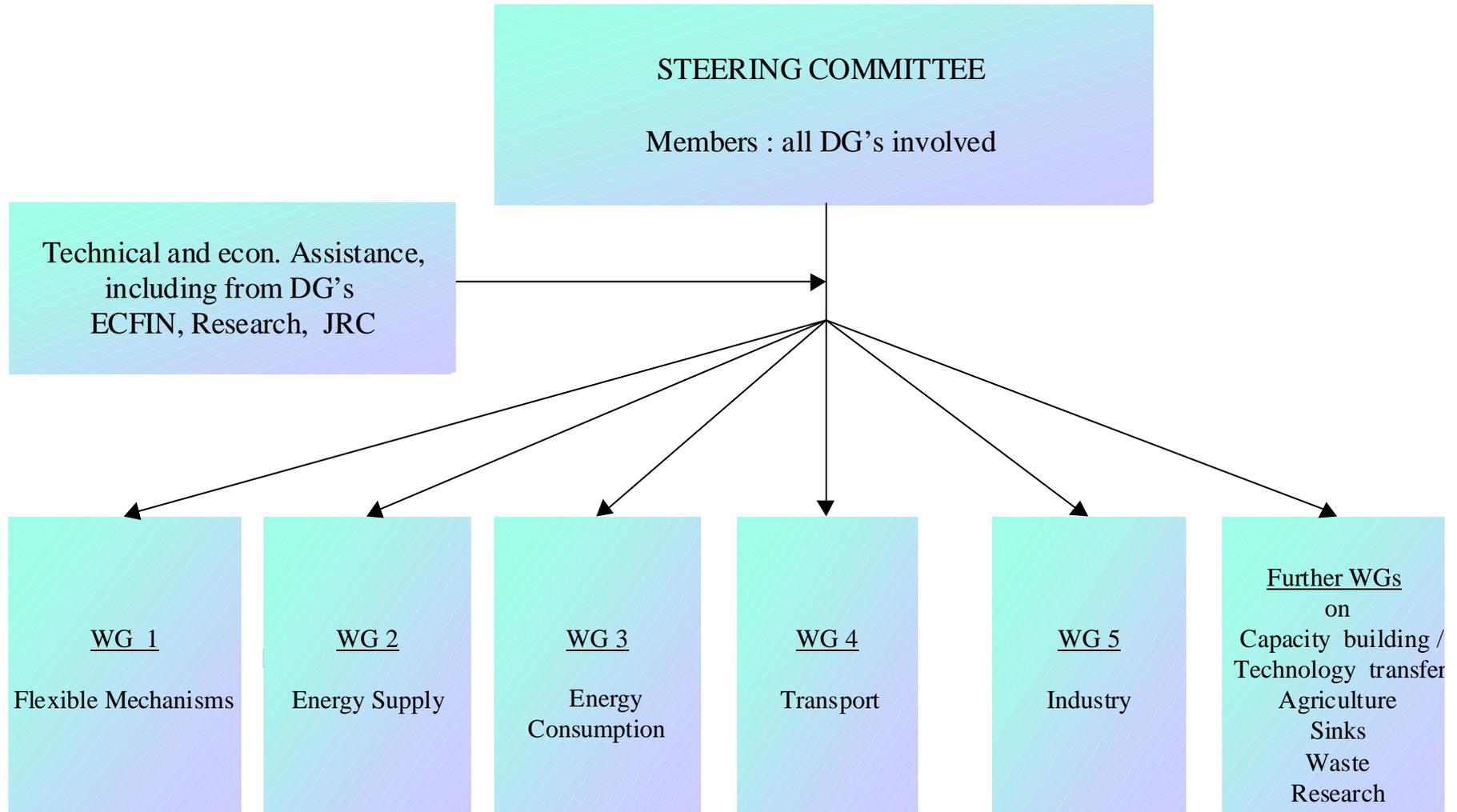
At a later stage the number of working groups will be extended to areas such as agriculture, sinks, waste, capacity-building/technology transfer, research.

The WGs will work on the basis of existing material rather than undertake their own modelling work. Environmental and cost-effectiveness assessments of policy measures in various sectors are already available or in the process. The WGs will be supported by the relevant Commission services. The possibility of assistance by outside consultants will be examined.

### ***End Product and Timeframe***

Every working group will regularly report to the Steering Committee through its chairperson. A written interim report will be requested after six months and a final report after 12 months. The final report will propose policy-orientated conclusions outlining the nature, scope and content of the policies and measures to be considered at Community level. On this basis the Commission will be in a position to prepare concrete policy proposals containing instruments such as technical regulation, taxation, voluntary agreements, or flexible mechanisms.

# *Structure of European Climate Change Programme*



## List of proposed Common and Co-ordinated Policies and Measures on Climate Change

### ***ENERGY SUPPLY***

- *Further development of the internal electricity and gas market incorporating environmental considerations*
- *Access to the grid for decentralised electricity production, increasing the share of renewable energies*
- *Increase the use of combined heat and power generation*
- *Reduction of methane emissions in mining and extraction industries*
- *CO<sub>2</sub> capture and disposal in underground reservoirs*
- *Promotion of more efficient and cleaner fossil fuel conversion technologies*
- *Energy efficiency in the electricity and gas supply industries*

### ***INDUSTRIAL SECTOR***

- *Improvement of energy efficiency standards for electrical equipment*
- *Improvement of efficiency standards for industrial processes*
- *Improved energy efficiency limiting CO<sub>2</sub> emissions (for boilers, construction products, etc.)*
- *Increased energy services for SMEs*
- *Development of an EC policy framework for fluorinated gases (HFCs, PFCs, SF<sub>6</sub>)*
- *Development of an EC wide policy framework for emissions trading*
- *Development of a framework for voluntary agreements*

## ***ENERGY CONSUMPTION IN THE DOMESTIC AND TERTIARY SECTOR***

- *Public procurement of energy-efficient end-use technologies*
- *Energy audits and heating performance certificates*
- *Improvement of building/lighting performances*
- *Building design and infrastructure planning*

## ***ENERGY CONSUMPTION IN THE TRANSPORT SECTOR***

- *Transport pricing and economic instruments for aviation*
- *Fiscal framework as part of the strategy on 'CO<sub>2</sub> and Cars'*
- *Extension of the environmentally enhanced vehicle concept to passenger cars and light duty vehicles (improved emission and fuel standards, new technologies and fuels)*
- *European campaign for more fuel-efficient driver-behaviour*

## ***TRANSPORT POLICY AND INFRASTRUCTURE***

- *Revision of Transport policy (rail, road freight, modal-shift, maritime, aviation)*
- *Green Paper on Urban Transport addressing the growing concern about congestion (incl. pricing, fiscal measures, parking initiatives, improving public transport)*
- *Sustainable mobility and intermodality*
- *Satellite assisted navigation systems (GALILEO)*

## ***WASTE***

- *Promotion of the biological treatment of biodegradable waste*
- *Revision of the Sewage Sludge Directive 86/278/EEC*
- *Packaging and packaging waste*

## **RESEARCH**

- *Implementation of the 5<sup>th</sup> Framework Programme, in particular the Energy, Environment and Sustainable Development Programme*
- *Networking of EU, national and other RTD efforts for climate change*

## **INTERNATIONAL CO-OPERATION**

- *Capacity building and technology transfer to developing countries through international cooperation*