Opinion of the European Economic and Social Committee on ‘Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2018/842 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement’

(COM(2021) 555 final — 2021/0200 (COD))

(2022/C 152/31)

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Section responsible	Agriculture, Rural Development and the Environment
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Plenary session No	565
Outcome of vote	
(for/against/abstentions)	220/4/8

1. **Conclusions and recommendations**

1.1. The EESC welcomes the proposal from the Commission to amend the Effort Sharing Regulation (ESR) — Regulation (EU) 2018/842 of the European Parliament and of the Council ([1]) on binding annual greenhouse gas emission reductions by Member States — in order to align the ESR’s contribution towards delivering the increased ambition for 2030 aimed at by the European Green Deal and translated by the rest of the Fit for 55 package into concrete action.

1.2. Although the increased ambition of the EU emissions reduction targets is respectable by international comparison, even these enhanced efforts may fall short of a meaningful contribution from a rich economy and major historic emitter to a maximum 1,5 °C warming scenario by the end of the century, given also the dramatic forecast set out in the recently published AR6 report by the IPCC (2021) ([2]). For this reason, it is vital that the 55 % EU-wide reduction target by 2030 is being implemented, and Member States’ efforts are critical here. The EESC therefore acknowledges that having ambitious and binding ESR targets for Member States is key.

1.3. The high level of climate ambition for the entire Fit for 55 package is thus unquestionable. At the same time, the distributional effects of this necessary climate action can be significant (both between and within Member States) and thus need to be addressed properly.

([1]) Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

([2]) IPCC (2021): Summary for Policymakers. In: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [MassonDelmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Cambridge University Press.

1.4. The EESC therefore agrees with the view that differences between Member States have to be taken into account to ensure maximum fairness and cost-effectiveness. To achieve genuine cost-effectiveness in a fair way, effort-sharing calculations should ideally address both aspects at the same time and set the targets in a way that the relative emission reduction costs to GDP are the same for each country. In order to compensate for the shortcomings of effort-sharing, the EESC considers the role of flexibility mechanisms crucial, and these deserve special attention.

1.5. The integration should take place in a way that enhances progress towards long-term climate neutrality and therefore both the reduction of emissions and the sequestration of carbon need to be taken into account, as do the challenges of adaptation and food security.

1.6. With a view to establishing a new emissions trading system for road transport and buildings, the EESC supports the current Commission proposal to keep these sectors under the scope of the ESR even after a new emissions trading system for road transport and buildings is set up and takes note that the emission reductions resulting from emissions trading in those sectors will count towards Member States' efforts to meet the ESR obligations. The EESC points to the need for the Commission and Member States to deal with the interface between the two systems in a smooth and transparent manner.

2. **General comments**

2.1. As a part of the Fit for 55 package launched by the European Commission on 14 July 2021, this proposal aims to amend the Effort Sharing Regulation ('ESR') in order to align its contribution towards delivering the 55 % emissions reduction target for 2030 in line with European Climate Law. Overall reductions would need to increase by around 11 percentage points from the 29 % ESR reduction target for 2030 that was set in 2018. In this opinion, the EESC expresses its views on the proposed regulation on the binding annual greenhouse gas emission reductions by Member States from 2021 to 2030.

2.2. The ESR proposal is part of the implementation of the EU's commitment to reducing its greenhouse gas emissions by at least 55 % by 2030, compared to the 1990 level. As proposed by the Commission, the 2030 target requires an emissions reduction of 61 % in the sectors under the existing EU Emissions Trading System (ETS), a reduction of 43 % in the proposed separate ETS for transport and buildings and of 40 % in other sectors (non-ETS), all compared to the 2005 levels.

2.3. The proposed regulation applies to road transport and buildings, which would be covered by a separate emissions trading system, as stated in the Fit for 55 package as well as EU domestic navigation, and to non-ETS sectors and activities such as agriculture and waste. The EESC supports the Commission's proposal to maintain the ESR for the aforementioned sectors. The expected added value of this is, according to the Commission impact assessment, that it ensures that these sectors will deliver the required emission reductions and that (an extended) Emission Trading System should be seen as an additional support to reaching the increased 2030 ambition. The impact assessment also points out that increasing the national targets under the ESR will require revisiting the principles of fairness and cost efficiency. Complementary instruments (market and regulation) may, therefore, be needed for sectors with market rigidities (lack of access to affordable low-carbon solutions) where the population (in particular low-income groups) is directly affected. Maintaining these sectors within the regulatory possibilities of Member States acting under the ESR guarantees achievement of sought results and may provide better protection and fairness. This is why the EESC supports the current Commission proposal to keep these sectors under the scope of the ESR even after a new emissions trading system for road transport and buildings is set up. The EESC points to the need for the Commission and Member States to deal with the interface between the two systems in a smooth and transparent manner.

2.4. The Commission proposes maintaining the differentiated national emission reduction targets with the aim of complying with the principles of fairness and cost-effectiveness called for by the European Council. The revised GHG reduction targets of individual Member States in ESR sectors for 2030 vary from 10 % to 50 % compared to 2005 levels. The EESC strongly supports the concept that those Member States that are best equipped economically to reduce GHG emissions should do relatively more, while cost-effective emission reduction potential should also be considered and, for this purpose, flexibility mechanisms should make a significant contribution.

2.5. With regards to flexibility mechanisms, flexibility between Member States and flexibilities over time either through banking or borrowing should also be applied, taking into account different abilities and capacities by Member States, cost-effective solutions and the effect of economic cycles.

2.6. The Commission proposes to continue with a flexibility system that allows emission allocations to be transferred between Member States and over time. The Commission also proposes new flexibilities allowing the effort-sharing sector to carry out certain trade-offs with the ETS and LULUCF sectors.

2.7. The proposed Fit for 55 package also addresses the monitoring and reporting of greenhouse gases, including accounting rules for land use and forestry.

3. **Specific comments**

3.1. The Commission rightly takes into account the principles of fairness and cost-effectiveness in its proposal. The EESC agrees that the differences between Member States need to be taken into account to ensure both fairness and cost-effectiveness. This is to reflect differences in the specific features and starting points of the Member States, as well as their economic potential when it comes to reducing emissions.

3.2. The EESC stresses that when taking into account the national emissions reduction targets and how to achieve these in a fair and cost-effective way, existing state subsidies to fossil energy generation and consumption should be phased out in a considered way.

3.3. The EESC warns, however, that the proposed approach considers fairness and cost-effectiveness separately from each other. To achieve the most effective outcome at the EU level with genuine cost-effectiveness in a fair way, calculations should ideally cover both aspects in a comprehensive way across all Member States.

3.4. As for land use and forestry — a subject for a separate proposal, but with some relevance for other sectors as well — the Commission proposes that emissions and removals, calculated according to the accounting rules, have to be in balance in every Member State. With the inclusion of carbon sinks in the EU's 2030 greenhouse gas reduction target, net greenhouse gas removals in the LULUCF sector would be raised to 310 million tonnes. While the EESC considers the increase in the ambition to be necessary, it points out that carbon removals should not be seen as a mechanism for offsetting other sectors' emissions reductions.

3.5. The EESC believes that there needs to be an efficient, transparent system to monitor the outcome of the flexibilities. Therefore, the current monitoring framework operating through the registry established by the Commission Delegated Regulation (EU) 2019/1124 ([3]) should be enhanced to make sure that transaction data, including the use of flexibilities, is fully available to the public ([4]).

3.6. As regards national emission reduction targets, the EESC encourages the Commission to examine what characteristics of Member States other than purely GDP per capita should be taken into account when setting national targets (e.g. carbon intensity, vulnerable regions) with view also to support provided through the EU recovery and Resilience Facility.

Brussels, 8 December 2021.

The President
of the European Economic and Social Committee
Christa SCHWENG

([3]) Commission Delegated Regulation (EU) 2019/1124 of 13 March 2019 amending Delegated Regulation (EU) 2019/1122 as regards the functioning of the Union Registry under Regulation (EU) 2018/842 of the European Parliament and of the Council (OJ L 177, 2.7.2019, p. 66).

([4]) Currently, transaction data, including the use of flexibilities, is available to the public (Union Registry). Furthermore, the Commission annually reports on compliance with all EU climate legislation, through the Climate Action Progress Report.