



How to raise Europe's climate ambition for 2030?

*Implementing a -55% Target in EU Policy
Architecture*

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Raising the EU's 2030 climate target towards -55% is at the center of EU climate policy discussions during the German Council Presidency. A decision is expected by December.



“The EU will lead international negotiations to increase the level of ambition of other major emitters by 2021. By this date, I commit myself to putting forward a comprehensive plan to increase the European Union’s target for 2030 towards 55% in a responsible way.” – July 2019

President Ursula von der Leyen



“It is important to me in this context that we enshrine Europe’s aim to be climate neutral by 2050 in legislation. And so I welcome the European Commission’s proposal, as an interim step, of reducing emissions to 50 to 55% of 1990 levels by 2030. With this aim in mind, we will support the work on the European Climate Law.” – July 2020

Chancellor Angela Merkel



*“[The EU budget] shall comply with the objective of EU climate neutrality by 2050 and contribute to achieving the Union's new 2030 climate targets, which will be updated by the end of the year.”
– July 2020*

European Council Conclusions

How to raise Europe's climate ambition for 2030?

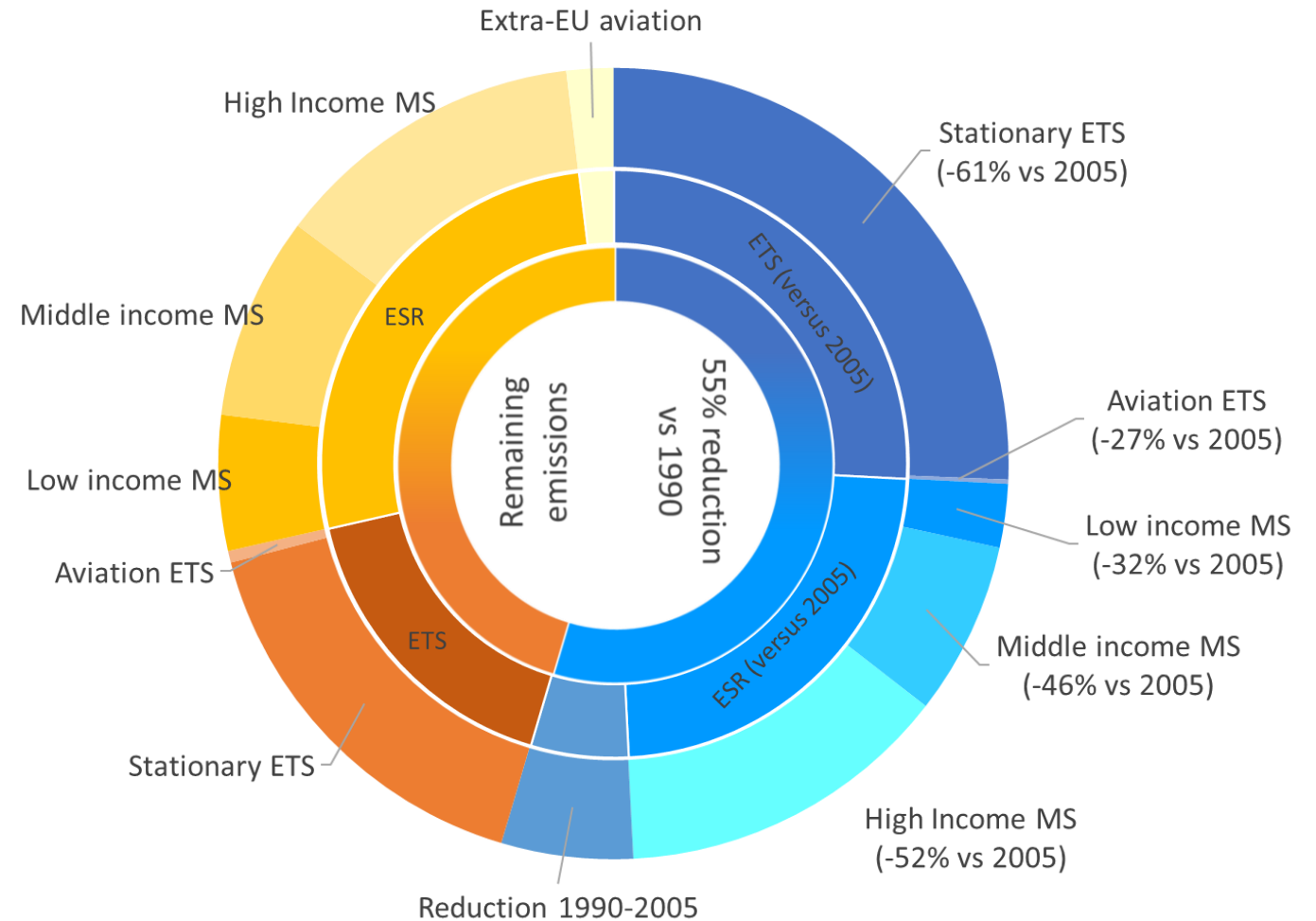
Implementing a -55% Target in EU Policy Architecture

Jakob Graichen and Dr. Felix Matthes | Freiburg | Darmstadt | Berlin, 10.09.2020

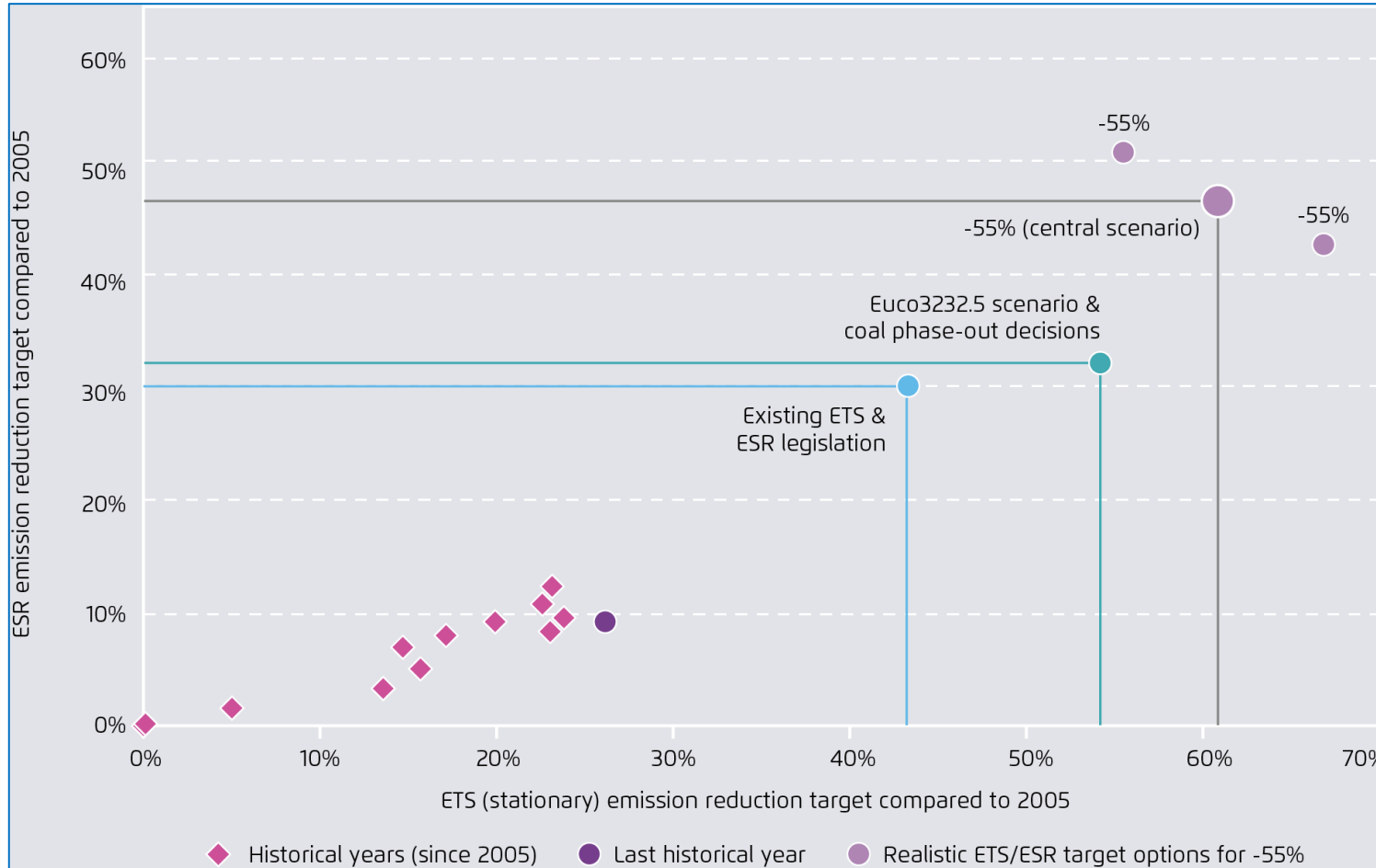
Raising the EU's climate policy ambition

Current & proposed 2030 EU target architecture for a 55% NDC

- GHG: 40% below 1990 incl. international aviation => **55%**
- ETS: 43% below 2005 => **61%**
- ESR: 30% below 2005 => **47%**
- RES: 32% of gross final energy consumption => **tbd**
- Efficiency: 32.5% reduction compared to 2007 baseline => **tbd**
- LULUCF: no accounted net debit => **tbd**
- International shipping excluded => **tbd**



Possible range of ESR and ETS targets



Contribution of ESR and ETS to the 55% target based on Vision Scenario

	ETS	ESR	Aviation
Max ESR	- 59%	- 49%	- 27%
Max ETS	- 63%	- 45%	- 27%
Central Case	- 61%	- 47%	- 27%

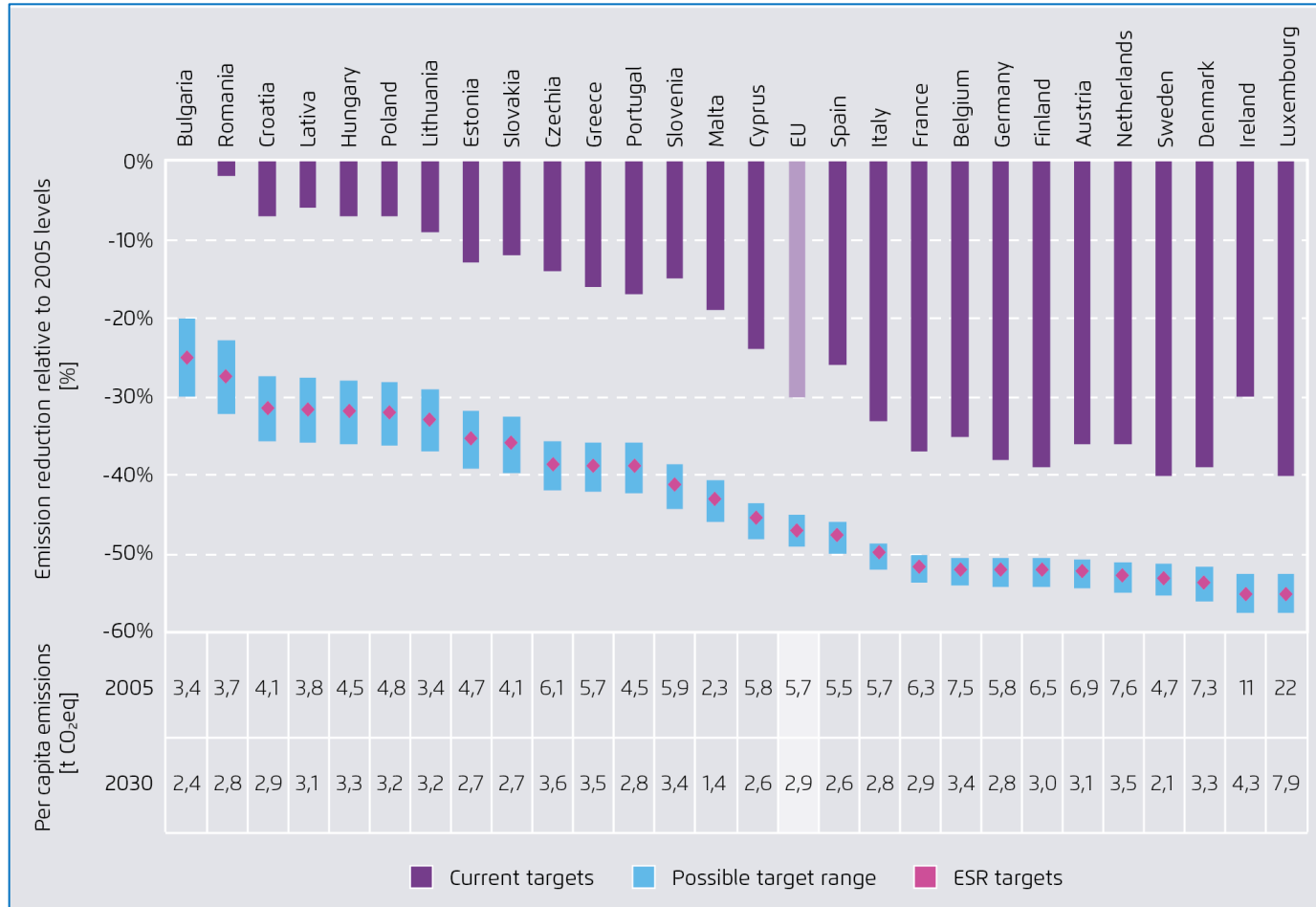
Revised Effort Sharing Regulation

Sharing the effort with a view towards 2050

- Distribution of ESR-targets is based on GDP/capita
- Current targets: richest MS need to reduce emissions by 40 percentage points more than poorest
- Spread needs to be narrower
 - In 2030 poorer MS will have highest per capita emissions
 - On the way to climate-neutrality by 2050 the spread must disappear
 - Low GDP MS must also accelerate climate action by 2030



Enhanced national contributions and new solidarity mechanisms



- A narrower target spread would require enhanced contributions by lower-GDP member states
- Approach used : GDP/capita as basis but with maximum spread of 30 percentage points
- As a result, new solidarity mechanisms will be needed
 - Within the ESR: modernisation fund or allocation of allowances with mandatory auction
 - Outside the ESR: dedicated funding from the EU Budget

Enhancing flexibilities in the ESR

Activate market based mechanisms

- Currently very little trading of emission quantities and no project based mechanisms
- Creating a market for Annual Emission Allocations (AEA):
 - Enhance transparency (e.g. central information platform)
 - Create price signal through auctions for solidarity mechanism
 - Mandatory auctioning of share of AEA
 - Inclusion of private sector through project based mechanism

LULUCF Flexibility

- Current rules limit flexibility in size and applicability
- Option 1: increase limit for LULUCF
- Option 2: remove usage restrictions
- Option 3: Set dedicated LULUCF target as separate pillar

ETS flexibility

- Increase limit and/or applicable Member States for cancelling EU ETS allowances (EUAs) for ESR compliance

The role of the EU ETS

- EU ETS (for stationary sources)
 - Represented 45% of total GHG emissions from the EU in 2005
 - Will need to deliver the larger share of additional GHG emission reductions
- A higher climate ambition for EU ETS
 - Needs more stringent caps for 2030
 - Can be implemented in different ways
 - Creates also reform needs for other EU ETS provisions (MSR, free allocation, revenue distribution etc.)
- Implementing a more stringent cap (61% below 2005 = 805 million EUA)
 - Adjusting the Linear Reduction Factor (LRF) for steady cap contraction
 - Defining the start year for LRF adjustment
 - Rebasing: adjusting the base level for application of the linear reduction factor
- With this cap EU ETS-regulated emissions would represent 39% of total EU GHG emissions by 2030

Options to implement a more ambitious EU ETS cap (for stationary installations)

Linear Reduction Factor

- changes between ~1 and ~1.3 pts by each 150 Mt rebasing
- changes depend significantly on the start year for new LRF

Cumulative new allowances

- decrease between 7 and 8% by each 150 Mt rebasing
- decrease between 1 and 3% for LRF adjustment from 2023 instead of 2025

	Rebasing in Mt CO ₂	LRF adjustment from ... onwards	New LRF	Total new EUA in million EUA (2021-2030)
"EU ETS cap (for stationary installations) 61% below 2005 (805 million EUA)"	0	2023	4,60%	12.030
	0	2025	5,41%	12.405
	152	2023	3,64%	11.189
	152	2025	4,11%	11.412
	300	2023	2,69%	10.370
	300	2025	2,86%	10.446

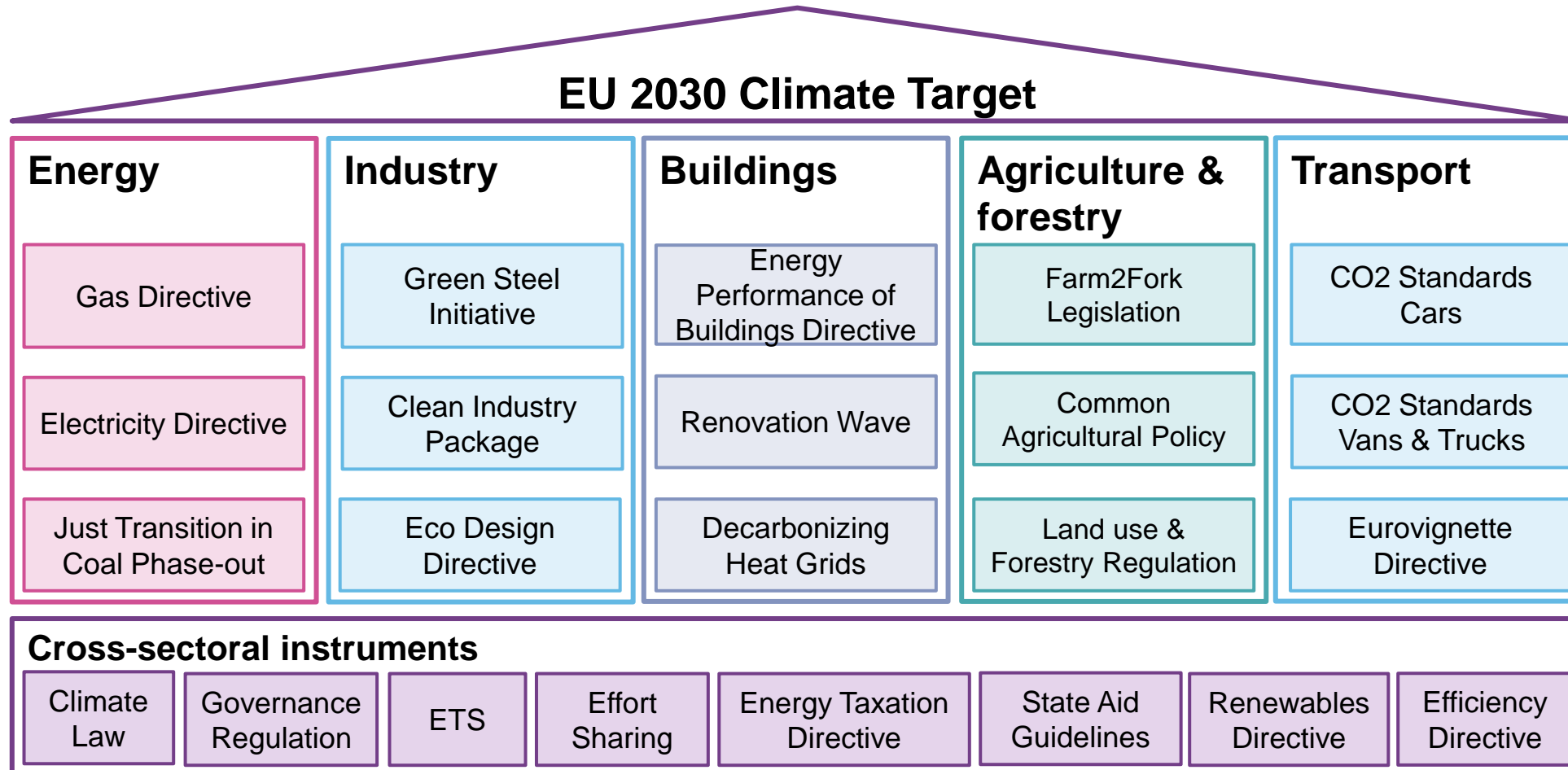
Flexibility options

- Four ETS-related flexibility options were explored
 - EU-wide inclusion of whole new sectors
 - Member State(s) include new sectors in the EU ETS
 - Introduction of a separate ETS for transport and /or buildings
 - Member States participate in a separate ETS for transport and/or buildings
- Significant pros and cons exist for each option, assessment depends essentially on views/core beliefs on
 - policy mix and cost-efficiency considerations
 - distributional and competition effects
 - necessary political & administrative efforts/vulnerabilities or compliance considerations
- Generic debates lead to nowhere, its all about specific provisions

Conclusions

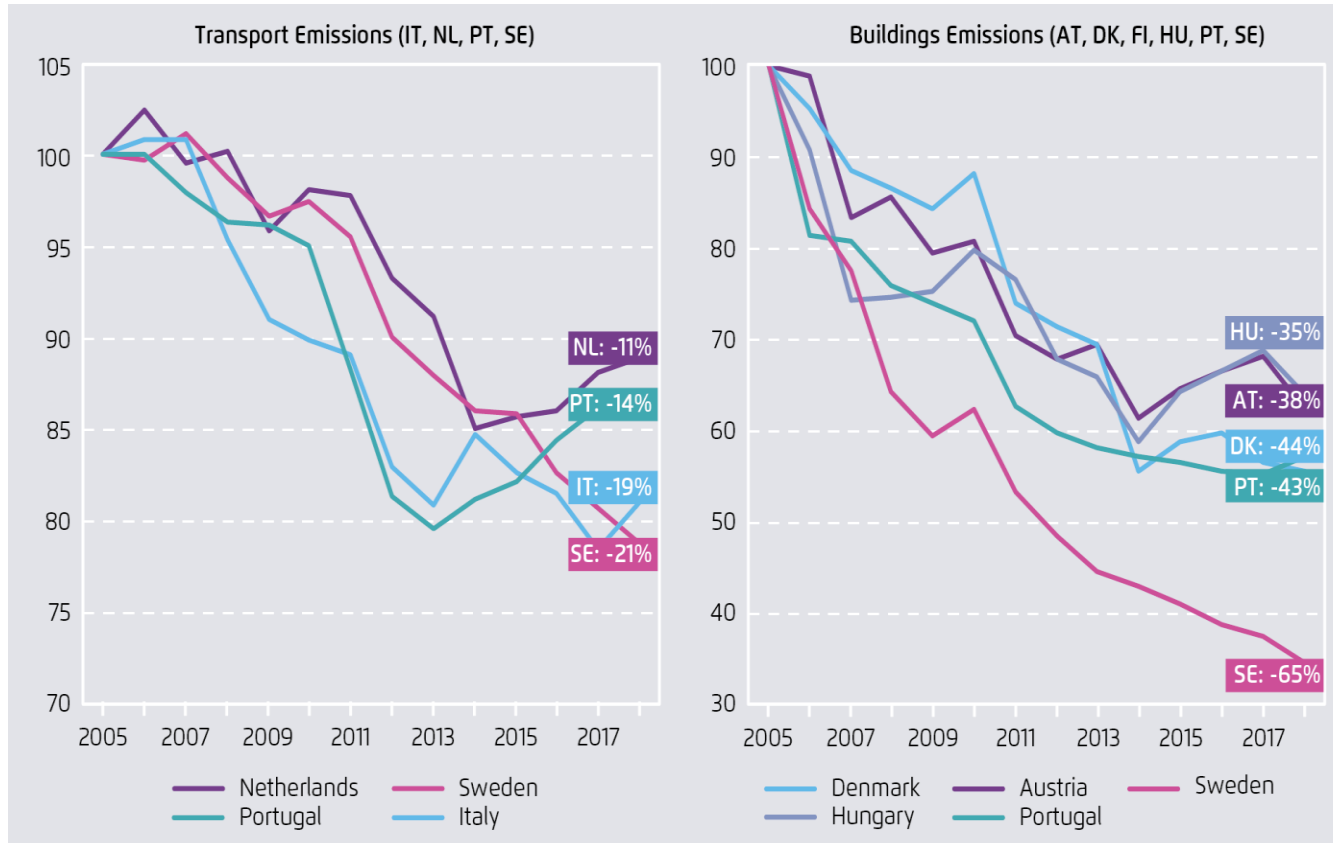


Achieving an enhanced EU 2030 climate target will require a policy-mix, in particular for the non-ETS sectors. By mid-2021 the European Commission will propose a legislative package* that will be decisive in delivering the target.



*Selection of EU policy instruments under consideration for introduction or revision under the EU Green Deal

Significantly faster emissions reductions in transport and buildings are possible. Member States are beginning to align national targets with higher ambition...



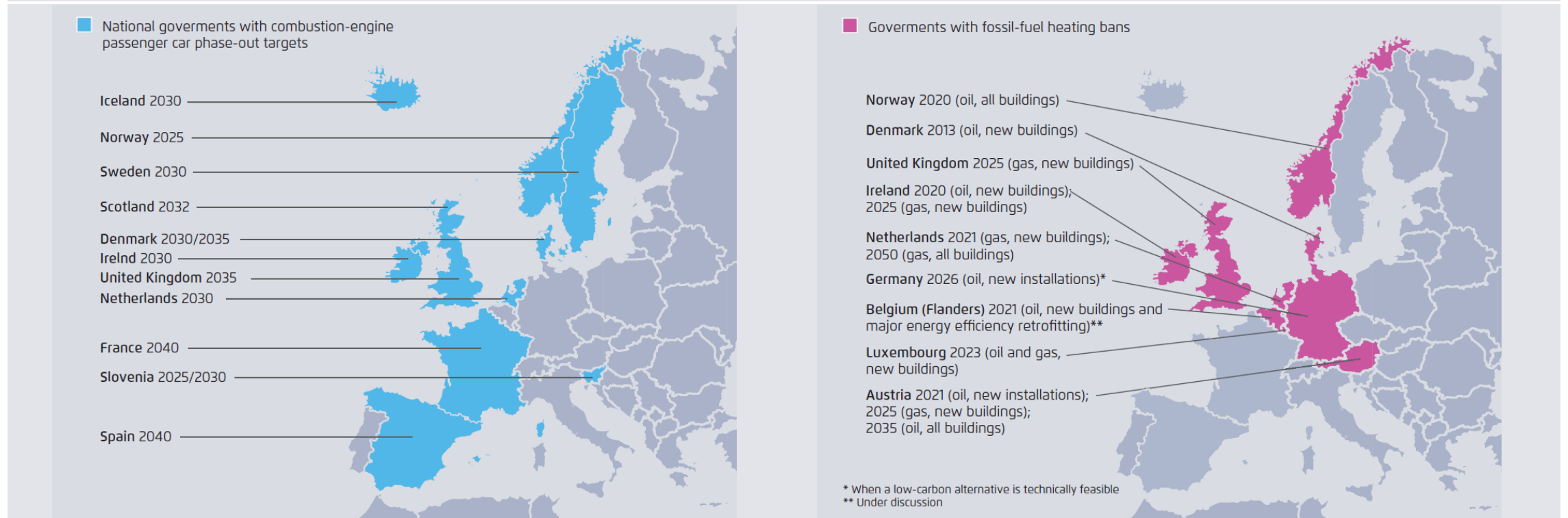
Select Member State Targets

- **AT:** Net-zero emissions by 2040 and 100 % renewable electricity by 2030.
- **DK:** -70 % overall GHG emissions by 2030
- **FI:** Carbon neutrality by 2035.
- **IE:** -51 % overall GHG emissions and a 70 % renewable electricity by 2030.
- **LU:** Non-ETS sector target of -55 % by 2030.
- **SE:** Net-zero emissions by 2045, as well as interim milestones for the non-ETS sector targets of -63 % by 2030 and -75 % by 2040

Calculations by Öko-Institut e.V. based on EEA (2020)

... and signalling that the days of fossil fuel use in buildings and transport are numbered.

Select national targets for fossil-fuel bans as of June 2020



ICCT (2020) and Analysis based on research by Öko-Institut e.V. (2020)

Key Findings

1

An economy-wide -55 % GHG 2030 target is technically and economically feasible to implement. Our central scenario of -47 % for the Non-ETS-sectors -61 % for the ETS-sectors (w.r.t. 2005) represents a reasonable balance

2

Delivering a climate target of -55 % is possible with a mix of additional domestic and EU measures. Adopting additional member state policy measures, enhancing EU-wide policies and reforming the EU-ETS are key.

3

Many flexibility options exist for member states to deliver higher climate ambition target in the effort sharing sectors. They do not replace the need for early action and a broader policy mix.



4

A -55 % target will require changes to the current climate policy architecture and dedicated solidarity mechanisms. Additional efforts by Member States with below-average GDP per-capita levels should be supported within the ESR and in the upcoming EU budget.

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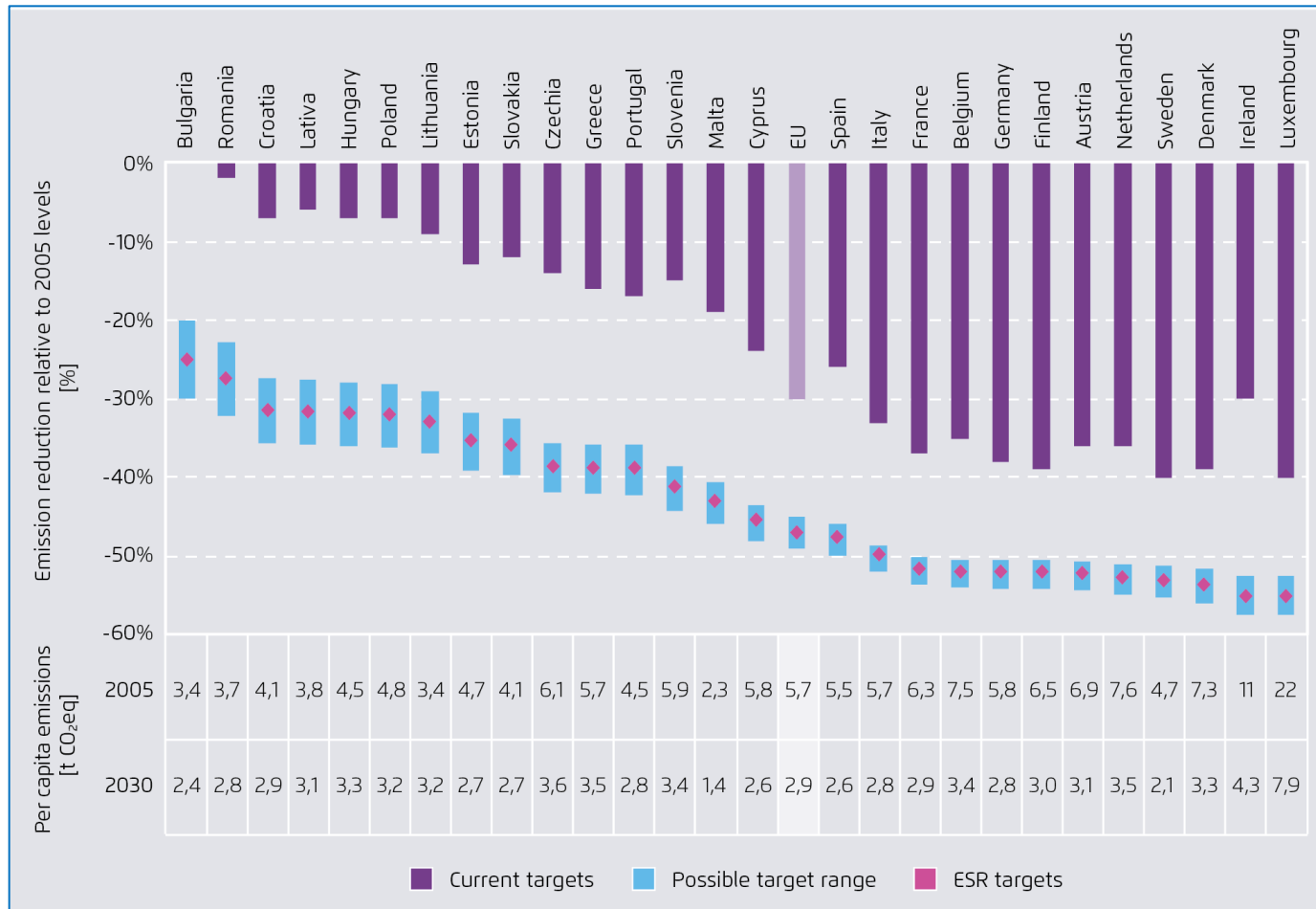
An aerial photograph of a vast, snow-covered mountain slope. A long, single-file line of hikers is seen ascending the slope. The hikers are wearing colorful gear and carrying backpacks. The surrounding landscape is rugged, with rocky outcrops and patches of snow. The sky is clear and bright.

**Thank you for
your attention!**

Questions or Comments? Feel free to contact me:
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Agora Energiewende is a joint initiative of the Mercator
Foundation and the European Climate Foundation.

Proposed Effort Sharing targets by Member State



- Approach used
 - Distribution based on GDP/capita
 - Spread of 30 percentage points
 - Targets range from -25% (BG) to -55% (IE, LU)
- Other elements (e.g. cost-effective potential) could be used to modify individual MS targets similar to existing targets
- Blue bars show targets in ESR max/ ETS max case