



POSITION PAPER ON THE INCEPTION IMPACT ASSESSMENT OF THE 2030 CLIMATE TARGET PLAN

PRAGUE, 15 APRIL 2020

GENERAL COMMENTS

1. The analysis needs to be made comprehensively with regards to the main objective of achieving EU carbon neutrality by 2050, thus for the whole trajectory up to 2050. The evaluation of the tightening of the target by 2030 separately would not address implications for meeting the 2050 target. It is necessary to create a sufficient basis for a responsible assessment of the benefits of a possible tightening of the 2030 target, taking into account the 2050 carbon neutrality target and the related societal and economical costs and benefits.
2. The analysis must be conducted objectively, taking into account the main objective of achieving EU carbon neutrality by 2050. Setting limiting conditions for the implementation of this objective (eg setting stricter interim targets by 2030, etc.) limits the degrees of freedom in choosing a cost-optimal scenario and hence the possible choice of suboptimal solutions with a negative impact on the overall cost and probably the greenhouse gas emissions themselves.
3. The impact analysis must be carried out at national level and take into account Climate and Energy plans submitted by Member States. Each Member State is in a different situation, be it in terms of the possibility of using renewable energy sources, energy mix, economic structure, measures implemented so far, etc. The impact analysis must therefore take into account the national specificities and starting positions of each Member State. The principle of technological neutrality must be preserved. Consequently, meeting the EU's ultimate target of carbon neutrality by 2050 will most likely mean different solutions, requirements and targets across EU Member States so that achieving the EU target as a whole is cost-effective.
4. It is necessary to clearly define what the 2030 GHG reduction target actually means (or what the target format is, what is included). It should be clearly stated whether the target comprises a simple reduction of emissions from the certain sectors or includes the whole economy with inclusion of emission sinks within the land use and land use change forestry sector (the so-called LULUCF sector). Such a fundamental issue needs to be solved/defined before the proposal to modify the objectives, as it greatly affects the possible resulting solutions and the expected costs of achieving them. The target should be defined as total greenhouse gas emissions, incl. of the LULUCF sector, which represent the overall impact of the economy / society on the climate. Otherwise it would not be possible to define trajectory ending in 2050 where target is defined as zero net emissions not as zero emissions. This approach also complies with the national greenhouse gas inventory reports as required by the UNFCCC.

5. The baseline scenario should be clearly defined. The baseline scenario should only include measures planned by the European Commission by the end of 2020, which is therefore business-as-usual (BAU). Consequently, a scenario with existing requirements according to the approved legislation by 2030 should be modelled. Beyond this scenario, more ambitious requirements can be modelled (e.g. to tighten the target by 2030 and beyond). This breakdown is crucial for determining the overall cost of the transition towards a low-carbon economy and also for comparing the cost and effectiveness of a possible tightening of the 2030 target, where the cost of achieving additional (marginal) emission reductions can be expected significantly higher than achieving current 2030 targets.
6. Any increased climate ambition requires a strengthened and effective framework of carbon leakage provisions. Moreover, such provisions must be implemented and functional once the EU endorses its goal, otherwise the competitiveness of the European industry would be highly endangered. Thus, the assessment and concrete proposal of such provisions must be an integral part of each IA/proposal for the increased EU ambition. It is unacceptable for us that the Commission would leave a comprehensive analysis of carbon leakage measures for a separate initiative at a later stage.
7. The analysis must assess technical and economical availability of technologies for further deep reduction of GHG emissions and access to competitive low carbon energy in stable and sufficient amount.
8. Taking into account the importance of the topic, the analysis should be as comprehensive as possible with the maximum involvement of the public concerned, governments, NGOs, industry and other stakeholders, incl. appropriate discussion on different platforms. Unfortunately, the current situation regarding the COVID-19 pandemic makes this inclusive approach largely impossible. It would therefore be very appropriate to postpone the elaboration of the impact analysis to the post-crisis period.

SPECIFIC COMMENTS

1. Page 1, Chapter A. Context, Problem definition and Subsidiarity Check, Context

„The EU actively pursues policies to cut its greenhouse gas (GHG) emissions and decoupling them from economic growth. By 2018, the EU had reduced its emissions by 23% compared to the 1990 level, while its economy had grown by 61% in that period“.

It is necessary to clarify which target of greenhouse gas reduction is proposed (in what format). The target should be defined as total greenhouse gas emissions (incl. of the LULUCF sector), which represent the overall impact of the economy/society on the climate. One sector cannot be neglected. Also meaningful trajectory for achieving the target in 2050 which is defined as net zero emissions could not be established if the interim targets would be in different format. Taking into account total greenhouse gas emissions (incl. of the LULUCF sector), according to the latest verified available UNFCCC data for 2017, the EU-28 reduction compared to 1990 is 24.8%.

2. Page 1, Chapter A. Context, Problem definition and Subsidiarity Check, Context

„In view of further advancing these efforts, the EU recently adopted legislation to reduce GHG emissions by at least 40% by 2030 compared to 1990 levels. It also adopted renewables and energy efficiency policies and targets for 2030 as well as other sectoral policies, which would bring the reduction in GHG emissions to around 45% by 2030, if fully implemented“.

According to the EC analysis from June 2019 (Technical Note, Results of the EUCO3232.5 scenario on Member States), the reduction achieved under the current approved policies by 2030 should be 45.6% excluding the LULUCF sector. This quantification does not yet envisage modified policies in the framework of updated national climate-energy plans (submitted by the end of 2019).

3. Page 1, Chapter A. Context, Problem definition and Subsidiarity Check, Context

„Consequently, The Commission put climate change and environmental degradation as one of its key priorities and adopted the European Green Deal in December 2019. The climate neutrality by 2050 objective, which the Commission proposed to enshrine in an EU law, is one of the central elements of the European Green Deal. In order to achieve this long-term goal and taking into account the challenge of the necessary economic transition, the Commission intends to propose increasing the EU’s GHG emission reductions target for 2030 to at least 50% and towards 55% compared with 1990 levels in a responsible way and in line with the ‘do no harm’ principle“.

According to an EC analysis on the Communication - Clean Planet for All of November 2018, to achieve neutrality by 2050, emissions of 3091 Mt, 3067 Mt, 3060 Mt in each scenario (1.5TECH, 1.5LIFE and 1.5LIFE-LB) should be achieved in 2030 without the LULUCF sector. The EC assessment of the policies adopted to date by 2030 from June 2019 (Technical Note, Results of the EUCO3232.5 scenario on Member States) assumes emissions of 3132 Mt in 2030. At the same time, this analysis does not take into account the stricter national climate and energy plans of individual countries (submitted by the end of 2019). According to analyses already carried out by EC, the existing approved legislation until 2030 is sufficient to embark on meaningful trajectory to achieve EU climate neutrality by 2050.

4. Page 2, Chapter A. Context, Problem definition and Subsidiarity Check, Problem the initiative aims to tackle

„In absence of more ambitious actions in a 2030 perspective, the EU would need to eliminate more than half of its 1990 economy-wide emissions in only 2 decades after 2030 to achieve climate neutrality by 2050. This is a much faster reduction in annual emissions than has been achieved so far and thus a greater transition challenge than in the prior 4 decades. Therefore, the initiative aims to assess what would be required to have a more balanced reduction pathway from 2020 to 2050 and thus redistribute in time the transition effort towards climate neutrality“.

There is no logical explanation why the EC in November 2018 developed scenarios for achieving climate neutrality by 2050, which contradict this statement and show a cost-effective path to climate neutrality by 2050, which envisages a reduction of about 50% over the period 2030-2050. It should be noted that this long-term objective is unlikely to be met by a linear reduction path, but the technological reality of the options available must be reflected. A short-term tightening of the target in the meantime may make it necessary to implement the available measures without the possibility of prolonging existing technologies, which could be immediately replaced by clean solutions. This can have a negative effect on the lock-in of existing technologies instead of using future technologies that are not yet commercially available. It can also increase substantially total cost of achieving climate neutrality in 2050. Innovation, which is indispensable for transformation, will not follow a linear path and that the disruptive breakthrough technologies that are needed for the long term climate neutrality objective will require sufficient time for being developed, upscaled and commercialised.

5. Page 2, Chapter A. Context, Problem definition and Subsidiarity Check, Problem the initiative aims to tackle

„Increasing climate ambition and, where necessary, raising energy targets as well as adapting relevant policies already in the 2030 timeframe would result in a more gradual annual reduction path and distribution of efforts between now and climate neutrality in 2050. It would mean, however, a significant step-up of ambition in the short term, with reduced lead-time for devising and implementing additional measures and for the economic actors to adjust“.

This statement is clearly misleading. Taking into account the existing emission reduction trajectory according to the approved legislation and the EC assessment in the period 2020-2030, the emission reduction is 26% in 10 years. A simple continuation of this trend in 2030 and 2050 means a further 52% reduction in emissions between 2030 and 2050, which adds to a total of 98% reduction by 2050, which is fully in line with carbon neutrality in 2050.

6. Page 2, Chapter A. Context, Problem definition and Subsidiarity Check, Problem the initiative aims to tackle

„As to the transition effort to climate neutrality by 2050, all sectors of the economy and society will need to contribute, albeit with mitigation potentials differing strongly among sectors. Energy will play a central role in this process as its production and use (including by households, industry, services and transport) account for more than 75% of total emissions. Next to the energy sector, agriculture, waste and industry also generate significant amounts of non-CO₂ emissions. The EU's land use sector (agriculture land, forests and other natural land) is presently a net sink of CO₂, meaning that it removes more CO₂ from the atmosphere than it releases GHGs. Emissions from the maritime sector and aviation are projected to increase significantly and need to be addressed in the transformation to a climate neutral EU economy“.

The measures should be focused on carbon emissions from sectors outside the EU ETS, where price of carbon is not currently set under the EU-wide scheme (as in the case of the EU ETS) creating considerable discrepancies between Member States. In addition, the current situation results in significant emissions leakage outside the EU ETS. The EU should focus, among other things, on the waste sector, where current legislation still allows landfilling of large quantities of municipal waste by 2030 (the final landfill reduction target is defined for 2035). According to EUROSTAT data, about 55 million tonnes of municipal waste was landfilled in 2018, which represents annual emissions of greenhouse gases from landfills of about 55 million tonnes of CO₂.

7. Page 4, Chapter C. Preliminary Assessment of Expected Impacts, Likely economic impacts

„Third, the transition to a climate neutral economy would reduce imports of fossil fuels, which would benefit the security of supply of the EU energy markets and free up resources to be invested elsewhere in the economy. On the other hand, demand for critical raw materials that are crucial for the deployment of green technologies will increase significantly.“

This statement may not be valid in the 2030 horizon, when the achievement of higher targets by 2030 will push the energy sector to move faster from coal towards natural gas (often with supplies from 'politically unstable' countries). Moreover, many countries have high security of supply due to the use of domestic

coal/lignite (Poland, Czech Republic). On the contrary, an increase in ambition by 2030 may lead to a higher EU energy import dependency.

8. Page 4, Chapter C. Preliminary Assessment of Expected Impacts, Likely economic impacts

„To the extent that the increase in mitigation ambition by 2030 in the EU may not be followed by its main international competitors, there may be an increasing risk of carbon leakage, particularly in energy and GHG-intensive sectors. This aspect will be further assessed in detail in a separate initiative, including in terms of potential impacts and options for averting or remedying carbon leakage risks“.

The assessment should also be carried out for internal carbon leakage from sectors covered by the EU ETS to sectors outside the EU ETS within Member States.

9. Page 6, Chapter D. Evidence Base, Data collection and Better Regulation Instruments, Evidence base and data collection

„The EU Reference Scenario for Energy, Transport and GHG Emissions Trends is being updated. Due to the extensive process of updating and expert and Member State consultation, the full update will likely only be available in late 2020. Nevertheless, the modelling toolkit used for this initiative will already benefit from a full update of the historic GHG and energy statistics, growth projections, technology cost assumptions and EU policy updates. As such, the modelling toolkit should be up to date to produce a detailed assessment at the EU level“.

If the EU Reference Scenario is being updated, it is necessary to wait for a complete update and then model the impacts. Using the original 2016 scenario with only a partial update will produce incomparable and unreliable results compared to the fully updated scenario. Moreover, the use of the original scenario from 2016 (although with a partial update) does not correspond to the current economic reality.

10. Page 6, Chapter D. Evidence Base, Data collection and Better Regulation Instruments, Evidence base and data collection

“The Commission will look into how increased ambition in the EU ETS may impact the risk of carbon leakage in the industrial sectors, looking at historical empirical evidence and what the techno-economic potential is to achieve further GHG reductions in industrial sectors”.

Considering the high level of climate ambition and underlying carbon price to be expected in the coming decade, it is clear that any historical evidence based on very different conditions- including low carbon prices- does not represent an appropriate basis for the forward-looking analysis required by this issue.

The assessment of the techno-economic potential needs to take into account the external factors (such as the enabling regulatory framework and the relevant energy and raw materials) that would allow to overcome the barriers. Furthermore, the abatement potential should not be used as an argument for reducing carbon leakage protection, since it would make EU companies more vulnerable in the decisive time when compliance costs are complemented by the abatement costs of the implementation of the breakthrough technologies.

11. Page 6, Chapter D. Evidence Base, Data collection and Better Regulation Instruments, Consultation of citizens and stakeholders

„A web-based public consultation will be organised in early 2020, open for 12 weeks. It will contain multiple choice questions covering the wide range of issues associated with the initiative to increase GHG reduction ambition by 2030, it will also allow for open questions and invite stakeholders to send their own contributions. Social partners and social dialogue committees will be consulted in accordance with existing dedicated channels of consultation, including via high-level dialogues“.

Taking into account the importance of the topic, maximum participation and the opportunity to contribute to all EU citizens, Member State representatives, NGOs, industry and other stakeholders should be guaranteed. It is therefore necessary to postpone the consultation to post COVID-19 crisis period.