Introduction to the Effort Sharing Regulation (ESR)

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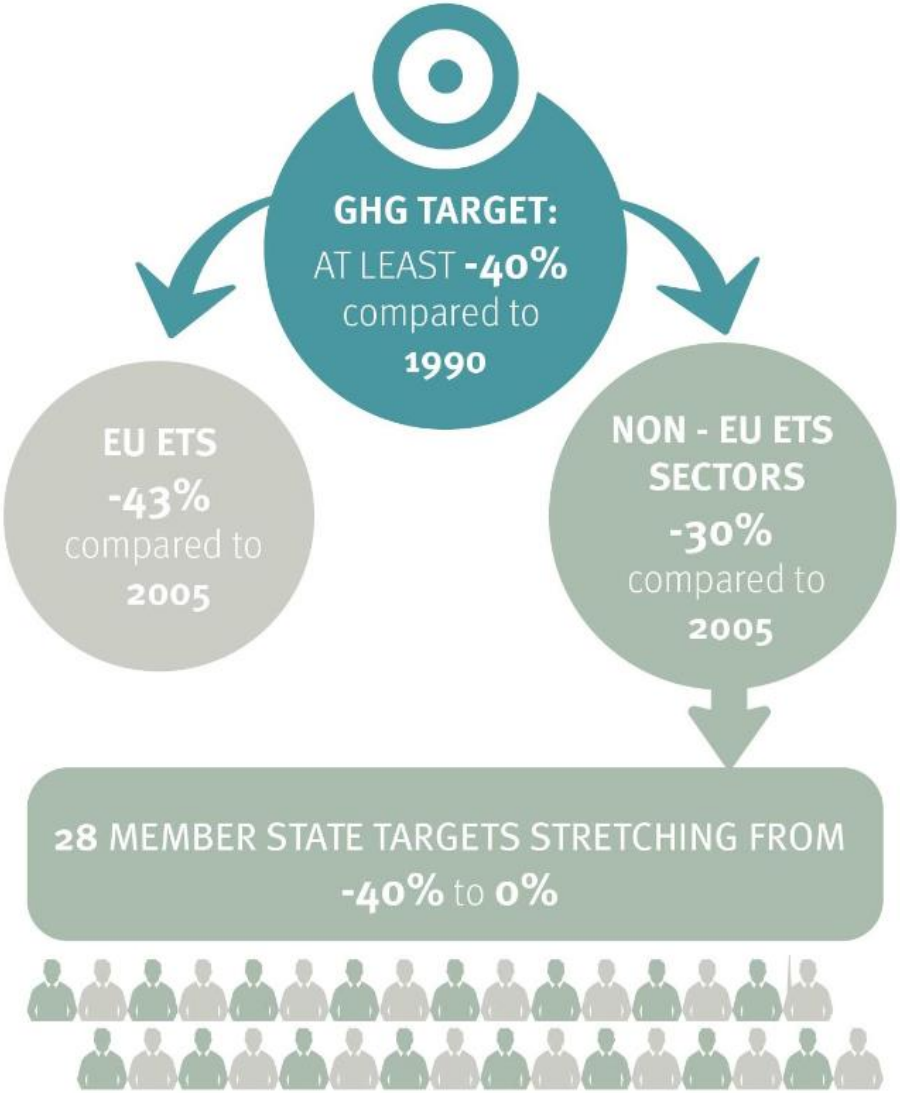
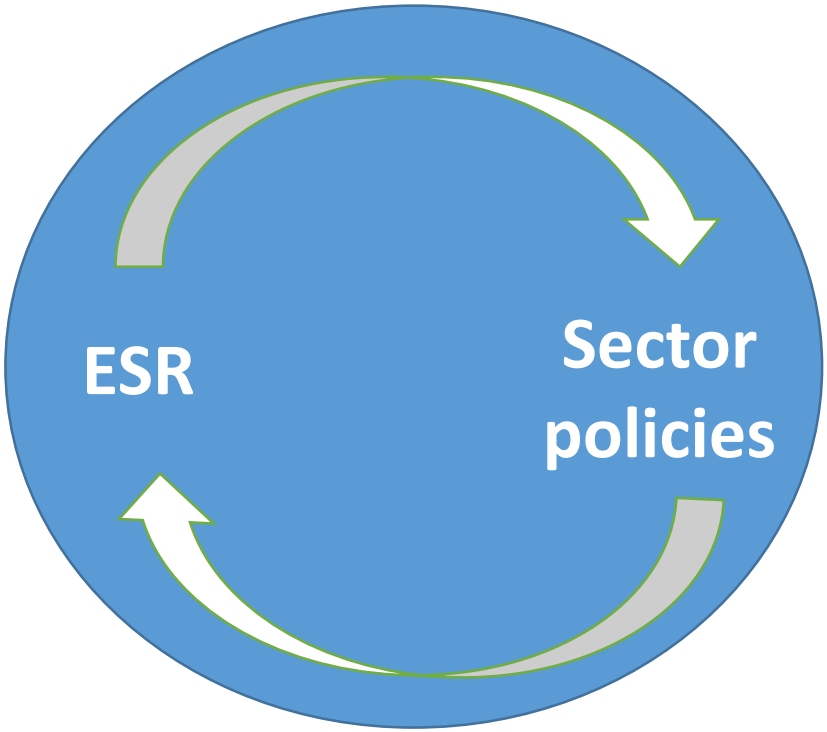
Carbon Market Watch

Implementing the Paris Agreement in the EU





The ESR sectors need to undergo radical changes both in the short and longer term

35%
from Transport

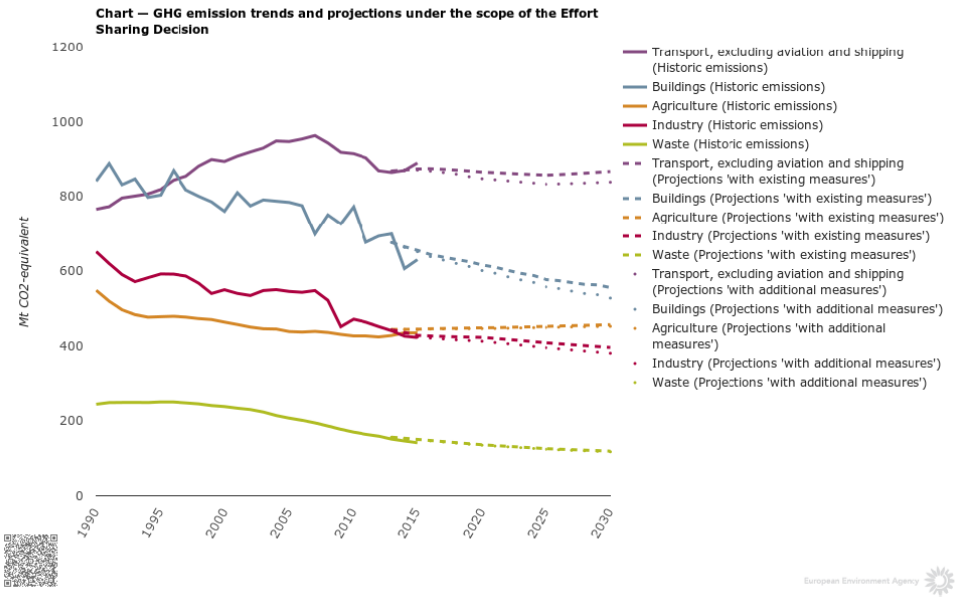
25%
from Buildings

17%
from Agriculture

16%
from Industry

5%
from Waste

Figure 1.4 GHG emission trends and projections under the scope of the ESD, 1990–2030



Click on the image for interactive data visualisation

Note: Solid lines represent historic GHG emissions (available for the 1990–2014 period). Dashed lines represent projections in the 'with existing measures' (WEM) scenario. Dotted lines represent projections under the 'with additional measures' (WAM) scenario.

The non-ETS emissions presented are estimated based on the attribution of GHG emissions, reported by source categories in national GHG inventories and national projections, to EU ETS sectors and/or non-ETS sectors.

Source: EEA, 2016a, 2016b, 2016c and 2016d.

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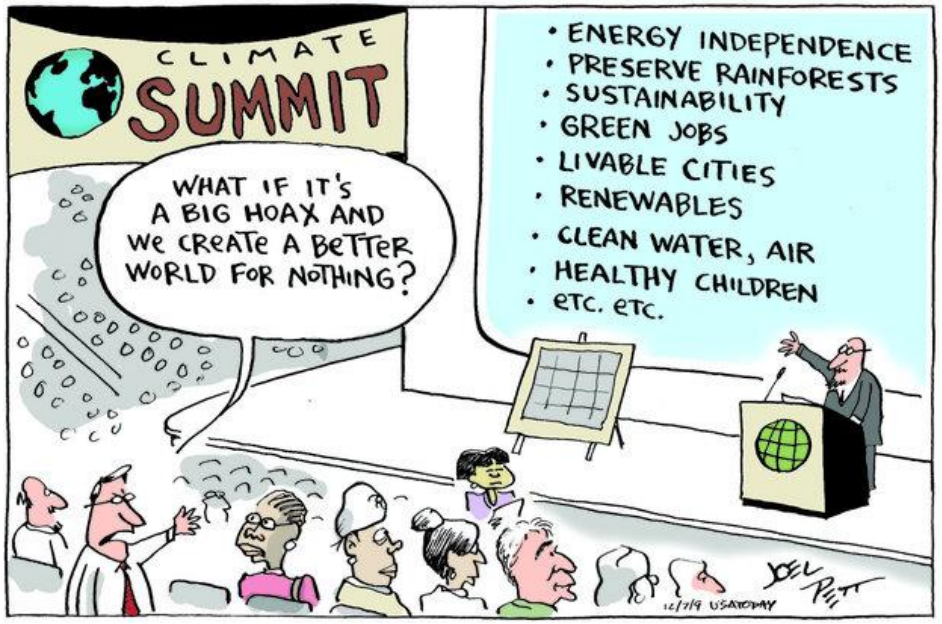
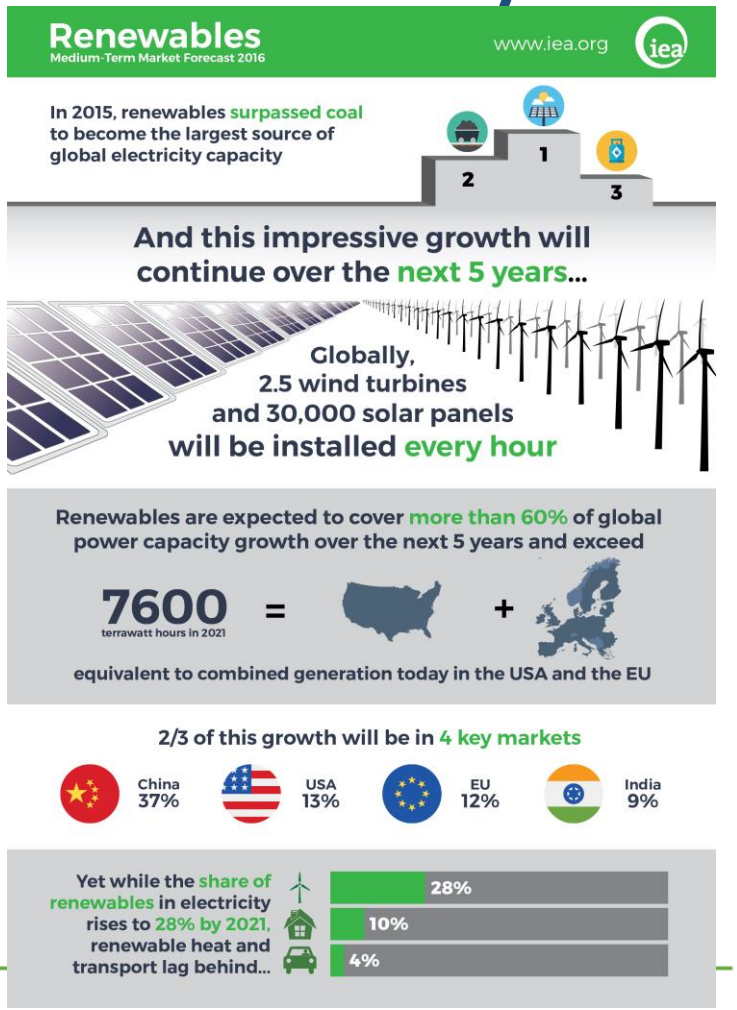
If designed in the right way, the ESR can play a crucial role in the decarbonization of our economy





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How will the effort be shared between countries?

- The EU-wide GHG reduction effort is shared between all countries.
- Each of them have **national targets** that are set mostly based **on the basis of a country's wealth**, measures by GDP per capita.
- The wealthiest Member States need to reduce their emissions by 40%, the poorest is allowed to keep its 2005 emissions stable until 2030.
- Within these national targets, the ESR does not specify a target for each sector, nor where, how and with what policies should reduce its emissions.

Emission cuts versus carbon budgets

Carbon budget:

- The total greenhouse gas emissions allowed in a certain time period.

Emission cuts:

- The difference between the projected emissions and the carbon budget in a certain time period.

*A lower carbon budget will lead to **more emission cuts and associated co-benefits***

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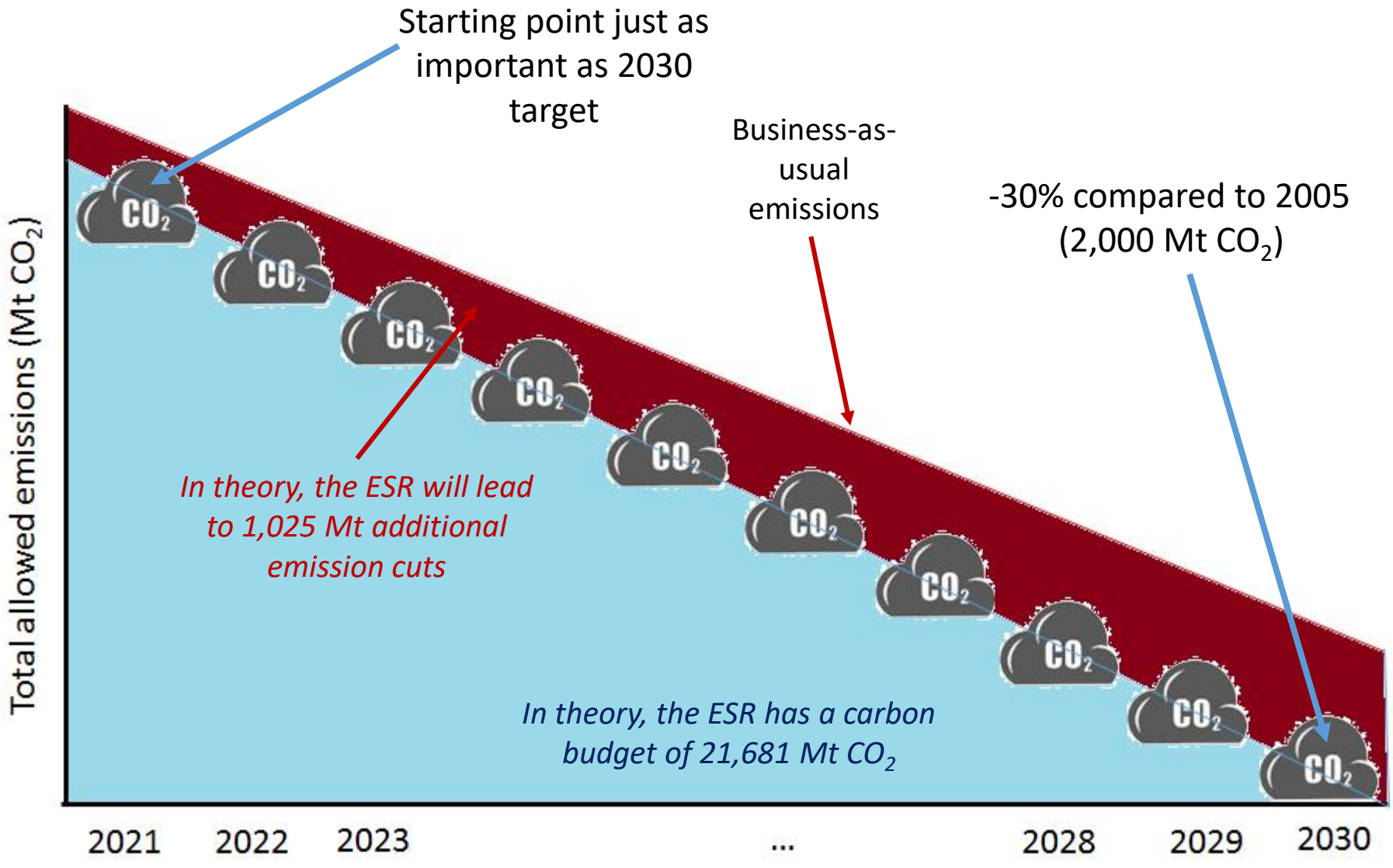
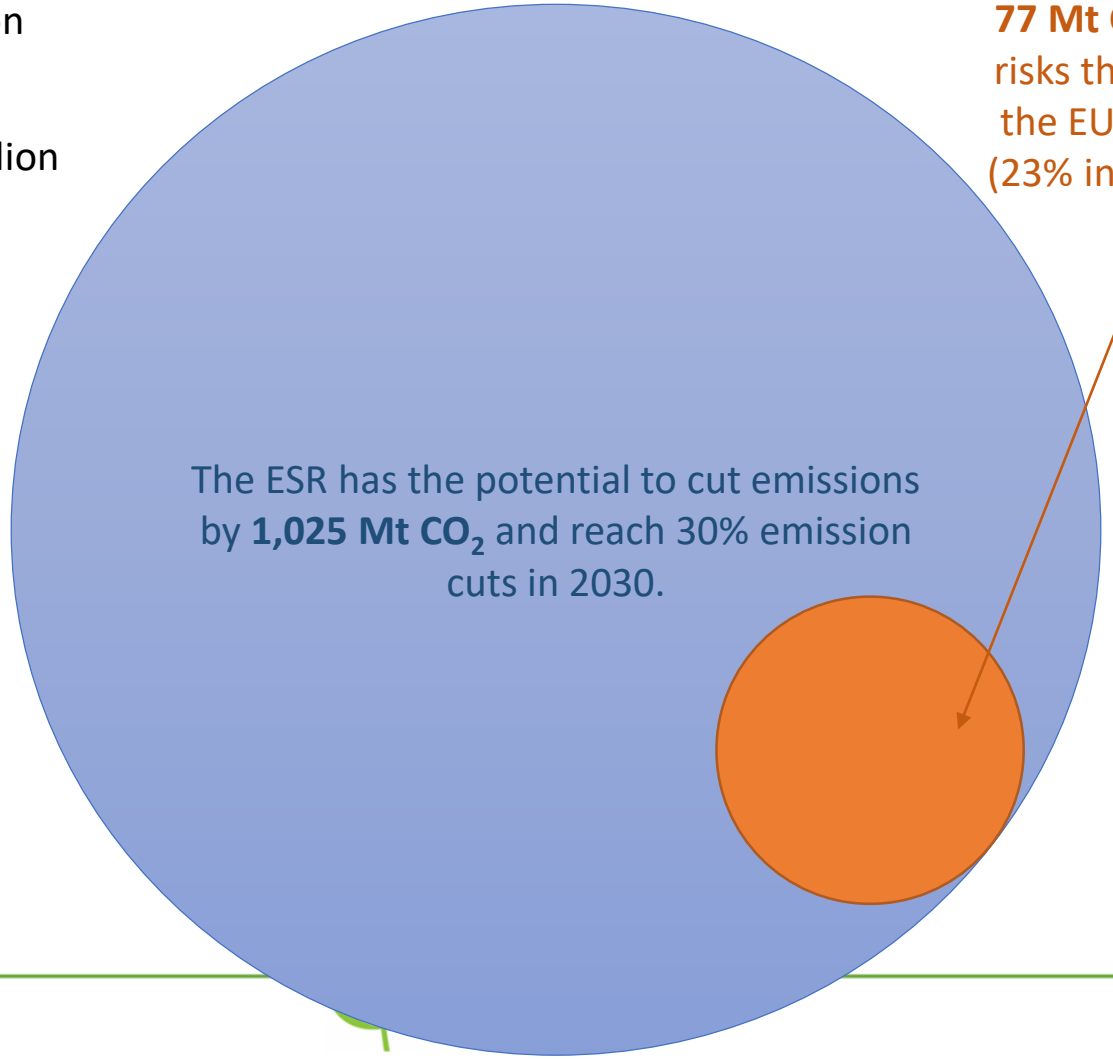
Carbon budget and emission cuts explained



The effectiveness of the ESR as a climate tool

The difference in low-carbon potential equals:

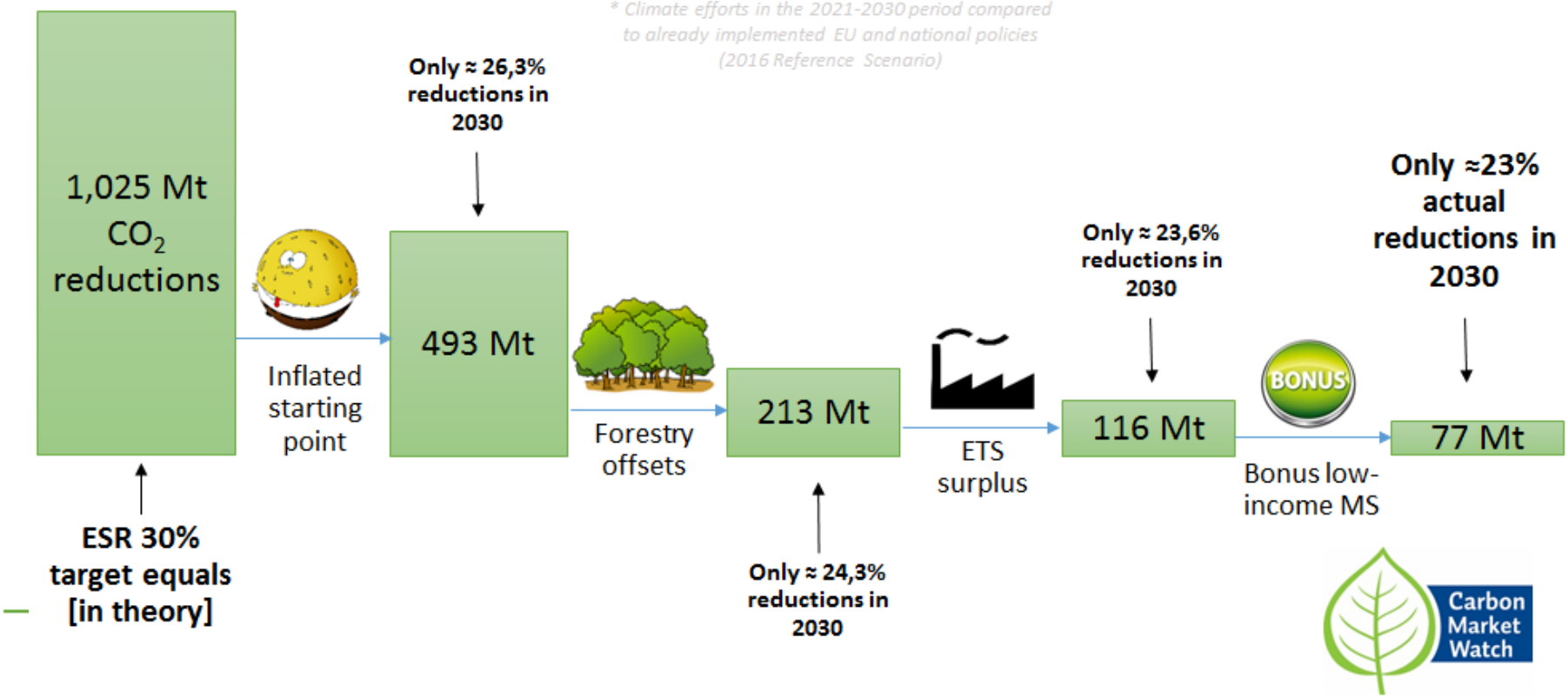
- Emissions of 903 million cars
- Emissions of 384 million uninsulated houses in a year
- Emissions of 1.7 billion unrecycled plastic waste
- Emissions of 425 million methane-burping cows



The Commission proposal leads to only **77 Mt CO_2** cuts and risks the delivery of the EU 2030 target (23% instead of 30% cuts).

Loopholes in the law undermine the effectiveness of the ESR

Impact of loopholes on the EU's climate efforts in the non-ETS sectors



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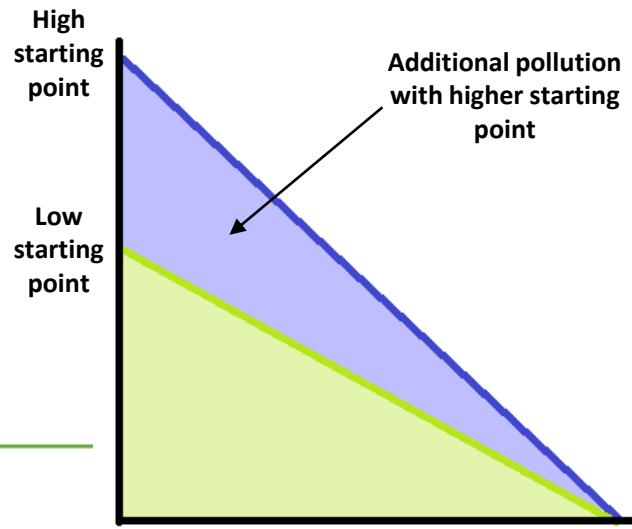
Start counting from the right point

In the ESR proposal, the starting point is set on the basis of the average 2016-2018 emissions:

- As emissions are expected to decline between 2016 and 2020, this would allow more carbon pollution compared to starting on the basis of actual 2020 emissions.
- Countries that fail to meet their 2020 targets are currently rewarded for under-achieving.



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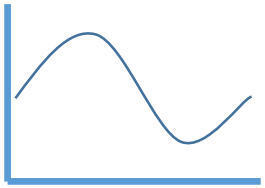
The use of forestry offsets allow more emissions elsewhere

FORESTRY OFFSETS ARE NOT PERMANENT

LARGE ANNUAL FLUCTUATIONS



CURRENT ACCOUNTING RULES HIDE EMISSIONS

NEGATIVE EMISSIONS NEEDED FOR 1,5°C

- All countries are allowed to use a total of **280 million credits** from planting trees and managing cropland + grassland to offset ESR emissions.
- This is equal to **125 million methane-burping cows**.

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Surplus ETS credits undermine climate actions in non-ETS sectors

- "one-off reduction of the ETS allowances"

Up to 100 million allowances

Large ETS surplus → no impact on the ETS emissions

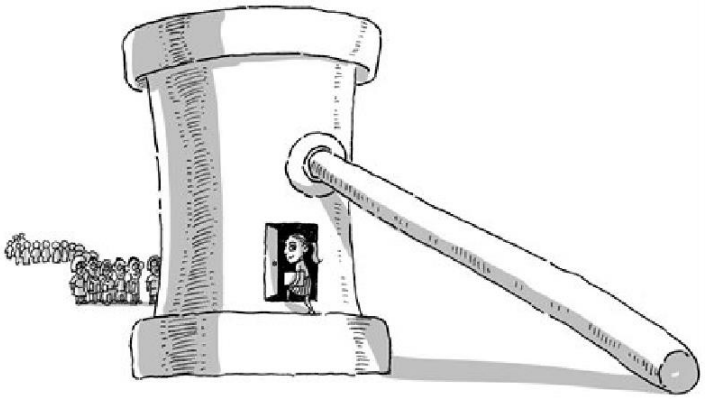
Reduced mitigation efforts in the ESR sectors

Higher emissions in the EU

Recommendations

to ensure the ESR unlocks the low-carbon opportunities in the non-ETS sectors

- ✓Increase ambition to be consistent with the EU's long-term climate objectives.
- ✓Close the loopholes in the law:
  - ✓Start counting from the right point to reflect actual 2020 emissions and do not reward countries for under-achieving.
  - ✓Limit the flexibility to use forestry offsets.
  - ✓Limit the flexibility to use surplus ETS allowances.



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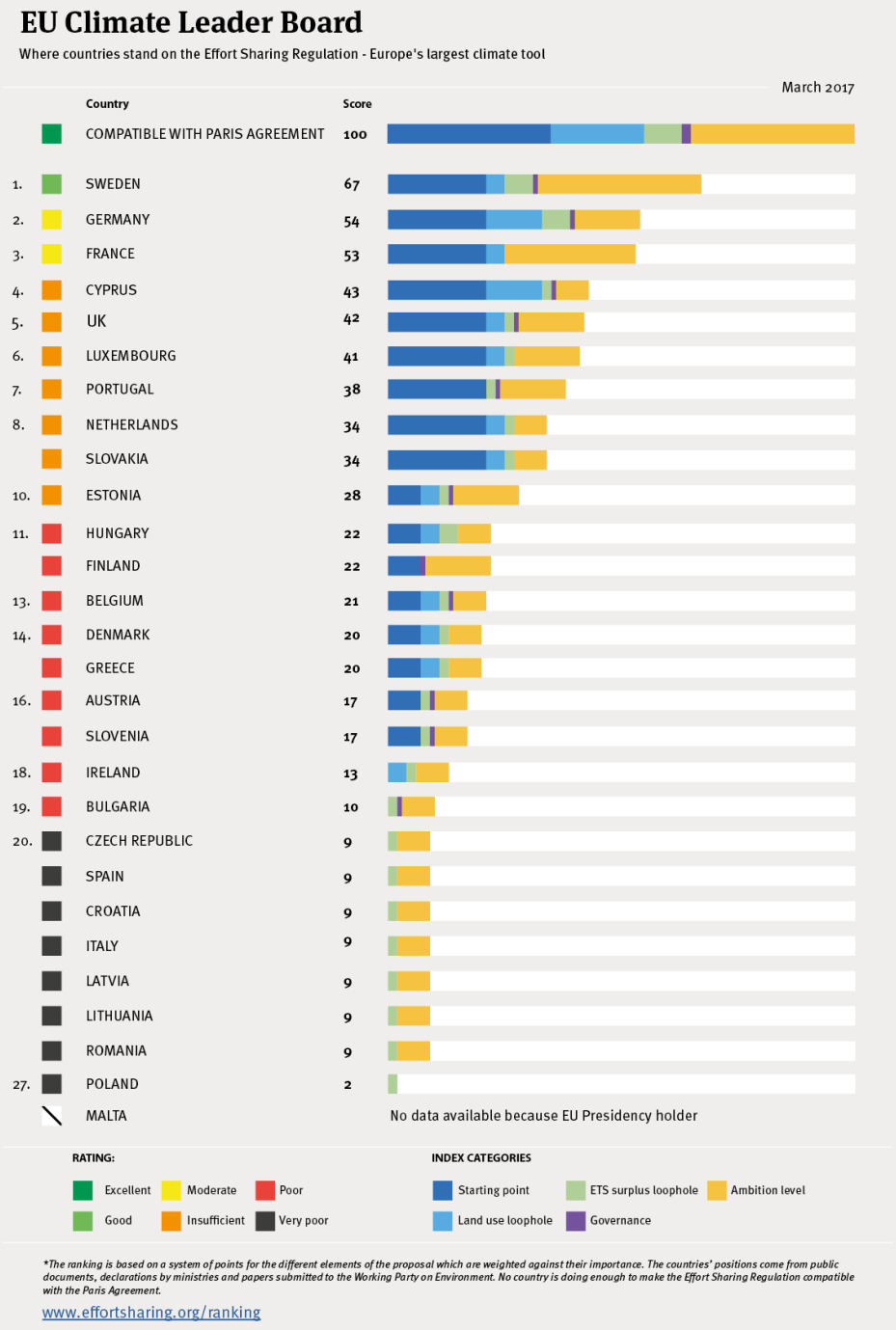
- Only Sweden, Germany and France among EU are pursuing Paris climate goals.
- At the other end, Italy, Spain and Poland weaken the Commission proposal, countering Europe's efforts to comply with the Paris Agreement



Thank you!

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