



To: Ms Eva Jensen, Deputy Head of Cabinet, Commissioner for Climate Action

Copy to: Mr Jurgen Muller, Cabinet; Mr. Stefaan Vergote, DG Clima

10 October 2013

RE: Essential conditions on the GHG Target for 2030 - reforming the EU Effort Sharing Decision to unlock benefits of economy wide reductions

Dear Ms Jensen,

In addition to the need for 3 binding targets, and the need to significantly raise the level of ambition to ensure the GHG reduction goal for 2030 places the EU on track for 2050, we wish to highlight a number of essential conditions to the GHG target for 2030.

Achieving the EU goal of 80 to 95% reductions by 2050 cannot be done without spurring **long term transitions in all key sectors**, not merely those covered by the ETS. This means incentivising investment and policy transitions in transport, agriculture, buildings, lighter industry and waste.

In order to be acceptable and fit for purpose, **the first condition** is that the GHG target ensures a **genuinely economy wide approach** by including more ambitious and legally binding targets for Effort Sharing sectors. The 2020 package included an economy wide approach in theory, but not in practice. Although the EU Effort Sharing Decision,¹ (ESD) in splitting the 2020 GHG target between MSs, covers almost 60% of EU GHG emissions, the benefits of action in the non-ETS part of the economy are unlikely to be unlocked. A combination of low ambition for ESD targets, the economic crisis, and overly generous access to cheap international offsets means that for the majority of Member States, there is little or no EU incentive to consider national policies in non-ETS sectors.

Significantly higher Effort Sharing targets are required for 2030, otherwise 2050 targets will become increasingly unrealistic. The 2030 ESD targets must drive **domestic action** - not be met by purchasing international offsets. Recent studies, solicited after the 2050 Low Carbon Economy Roadmap, demonstrate large amounts of cost effective abatement potential in non-ETS sectors, even by 2020.² Furthermore, upcoming legislative reviews of several DG Environment dossiers (such as the

¹ Decision No. 406/2009/EC of the European Parliament and of the Council on the effort of Member States to reduce their greenhouse gas emissions reduction commitment up to 2020.

² See generally, ECOfys, *Next Phase of the European Climate Change Programme: Analysis of Member States actions to implement the Effort Sharing Decision and options for further community-wide measures* June 2012, (finding at least 400 million tonnes of additional potential by 2020 from technical measures), and CE Delft, *Behavioral Climate Change Mitigation Options and Their Appropriate Inclusion in Quantitative Longer Term Policy Scenarios Main Report*. CE Delft, April 2012. (Finding 600 million tonnes of untapped potential from behaviour change and demand side measures by 2020)

revision of recycling targets in the Waste Framework Directive and review of Air Quality Directives) could represent **new EU measures** that can support higher effort sharing targets, and in turn a higher GHG target. We urge the Commission to highlight these **updates to the Roadmap**, which help make the case for higher target ambition in the 2030 White Paper.

If the 2030 framework ignores the mitigation potential in non-ETS sectors, the vision of the low carbon economy will remain unclear and intangible. Meanwhile, the multiple **benefits of the low carbon economy** will never be fully unlocked without a regulatory framework driving national institutional arrangements that can improve investor certainty in a wider range of sectors.

These benefits include improved public health from cleaner transport, relieving pressure on fossil fuel imports and consumer energy bills through energy savings, reducing fugitive emissions, stimulating innovation in agricultural equipment and products, and encouraging healthier lifestyle choices for consumers and increased resource efficiency in general. In addition, ambitious low-carbon policies can trigger **investments yielding job creation**, including in public transport, infrastructure and the construction sector. A clearer **long term policy framework** mapping the trajectory to 2050 can help to consolidate the technological leadership that many EU companies have in manufacturing goods that are resource and energy efficient. Maintaining this first mover advantage is key in catalyzing a sustainable re-industrialization of Europe.

The second condition is that the GHG target is backed up by a stronger governance framework to ensure its delivery. A **reformed Effort Sharing Decision** can itself do more to improve investor certainty in key measures by focusing national and EU policy attention to 'gaps' in EU sectoral policies. Requiring Commission approval of more detailed national plans could help entrench economy wide plans over given time frames, helping to **minimize policy risk for investors**. Member States such as Denmark have recognized the need and benefits of an economy wide approach, with their new Climate Plan emphasizing the importance of policy integration across sectors, and doing more in buildings, agricultural and waste. A more ambitious framework for non-ETS sectors can **improve coherence with energy efficiency legislation**, by incentivizing higher ambition to help unlock the full range of cost effective energy efficiency measures, and by directing policy attention to demand response measures, which are currently not the focus of energy efficiency legislation.

The ESD has great potential to help secure a political deal for the 2030 package. The ESD grants flexibility to MSs in their choice of policy mix, and can be reformed to foster a **more collaborative and/or cost-optimized approach** to GHG reductions in the EU. Innovative financing mechanisms in the ESD could help further align the climate and energy framework with the modernization agenda of several Member States. For example, Effort Sharing allowances (AEAs) currently represent a **wasted revenue stream**, unlikely to be traded at large and without requirements for green investment schemes or leveraging funds for mitigation projects.

We urge you to highlight the **potentials and benefits of action in non-ETS sectors**, and to outline in the upcoming White Paper a range of options for an improved legal framework supporting more ambitious ESD targets. Highlighting recent studies of mitigation potentials in non-ETS sectors and upcoming legislative reviews can help update the Roadmap and support acceptance of a significantly more ambitious GHG target. If the Commission proposes a genuinely economy wide approach to the GHG target, civil society will have greater scope to help mobilise support for the 2030 package.

Sincerely,

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