

## CSO Workshop: Implementing the Paris agreement and tackling climate challenges in Central and Eastern Europe

Warsaw, 3-4 November 2016

### Summary Report

## IMPLEMENTING THE PARIS AGREEMENT AND TACKLING CLIMATE CHALLENGES IN CENTRAL AND EASTERN EUROPE

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From 3-4 November 2016, Carbon Market Watch together with the Polish Green Network and Transport & Environment organized a workshop on implementing the Paris agreement and tackling climate challenges in Central and Eastern Europe (CEE). Other organisations contributing to organisation of the event included: Climate Action Network, CEE Bankwatch, HEAL, Zero Waste Europe, and FERN.

The workshop was opened by Marek Józefiak from the Polish Green Network, who explained that the aim of the event is to build capacity of civil society organizations (CSOs) from CEE on the use of European Union's (EU) climate mechanisms in relation to the Paris agreement and engage national and international organisation in the advocacy work in the reform process at the EU level.

The workshop was divided into two sessions, which focused on two of the EU's main climate tools; (1) Addressing sectoral emissions through Effort Sharing, and (2), and Transition through the EU Emission Trading System. Both sessions included a general introduction to the policy, national experience, and how national NGOs can advocate at the EU and national level.

As an outcome, 20 organisations from CEE countries and others supporting the cause, endorsed a [joint statement](#), calling on EU policy makers to bring EU's climate policies in line with the Paris agreement.

Key highlights can be summarised as follows:

- The current targets in the non-ETS sectors, combined with the overgenerous flexibilities, are too weak to drive emission reductions in the sectors of transport, buildings, agriculture, energy, industries (that are not in the ETS), waste, and industrial processes.
- Sustaining and enhancing coal capacity in CEE contributes to detrimental effects on human health (with 22,900 premature deaths in 2013), environment, lost in labor income and welfare.
- For the EU ETS funding to truly support transition in CEE, it must stop subsidizing unsustainable energy systems, particularly coal.
- The reform of EU climate policies must take the Paris Agreement into account and provide CEE countries with the necessary tools and resources to help them secure the climate friendly transformation and maximise resulting environmental, social and economic benefits

Concluding, participants identified key milestones for future activities and the need to intensify collaborations, strengthen partnerships and increase synergies between EU and national groups.



#### Day 1, 3 November 2015

##### **Femke de Jong, Carbon Market Watch: Introduction to EU climate policies**

Femke began by presenting historical moments leading up to the Paris agreement. She highlighted that when the EU works together, it can be an important player in tackling climate change. However, the EU is on a delayed climate path and to meet its 40 % greenhouse gas (GHG) reduction target compared to 1990 levels, it will need to use its climate tools – the EU Emission Trading System (EU ETS) and the Effort Sharing Regulation (ESR) – wisely. Femke stressed that there are many benefits to EU's climate friendly policy, such as energy independency, green jobs, clean water and air.

##### **Carlos Calvo Ambel, Transport&Environment: What is the Effort Sharing Regulation (ESR)?**

Carlos disclosed that the ESR will take place after 2020, and similar to the current Effort Sharing Decision (2013-2020), it applies limits to what countries can emit every year. Currently the European Parliament and the Council are discussing a proposal for ESR that the Commission proposed last July. He explained that the most important sectors in the ESR are transport, followed by buildings, agriculture, energy, industries (that are not in the ETS), waste, and industrial processes. The 2030

package represents a new opportunity and introduces the GHG reduction target of 30% by 2030 compared to 2005. Carlos stressed that if the ESR is strong, sectoral policies will be strong.

### **Carlos Calvo Ambel, Transport&Environment: Links between the Effort Sharing Regulation (ESR) and low carbon transition**

Carlos highlighted that a strong ESR does not only have climate benefits but can deliver smart economic policy, security, innovation and improvement in quality of life. However, a strong ESR can be compromised by several loopholes. For example the starting point of the legislation, if set higher, can result in additional emissions. While the Commission's proposal for the starting point would achieve around 493Mt of CO<sub>2</sub> reduction, a more ambitious starting point could lead to more than 1000Mt of CO<sub>2</sub> reduction. He pointed out other loopholes that can undermine the 2030 target, such as using forestry offsets and allowing the surplus of ETS allowances to stall the transition of the non-ETS sectors.

### **What the ESR means for Member states' national targets, Carlos Calvo Ambel, Transport&Environment**

Carlos gave a brief presentation on what the ESR means for the different countries in terms of the required emission cuts. Through examples of Poland, Romania and Slovenia, he showed what would be the required emission cuts with or without the loopholes. For example, Poland should cut its emissions by 101Mt of CO<sub>2</sub>, but with loopholes it is needs to reduce only half of this (51Mt of CO<sub>2</sub>).

### **Pawel Gluszynski, Zero Waste Europe: The impact of municipal waste management on climate change**

Pawel revealed that the most typical waste treatment or disposal methods are not carbon neutral. For example, incineration can produce twice as much CO<sub>2</sub> than burning coal. But there are other methods that have the potential to reduce GHG emissions, such as recycling and in-vessel composting. He pointed out that there are different systems of Municipal Solid Waste (MSW) management in CEE. The best management is applied in Slovenia, where almost half of MSW is recycled, while the worst one is in Estonia where more than half is incinerated. Pawel stressed the value of circular economy which has the potential to boost global competitiveness, foster sustainable economic growth and generate new jobs. Pawel underlined that ESR targets need to take into account the climate mitigation that will be achieved through the waste related targets i.e. set by Circular Economy Package. He also recommended to introduce mandatory waste collection including bio waste as a vital part of ESR.

### **Raul Cazan, 2Celsius: ESR: Romanian perspective**

Raul introduced the Romanian perspective to ESR and Land use, land-use change and forestry (LULUCF). He exposed the issue of corruption in climate change, particularly in relation to illegal logging, which is a major problem in Romania. The challenges include dominant players on the market which support cutting trees and wood sourcing in protected areas. In a decade Romania lost around 3% of its forested land, because forestry offsets appeal to market players and the government. Raul proposed the solution used in Albania where a Moratorium forbids all illegal logging. He highlighted

that forestry offsetting is not the solution, but that trees need to grow old in order to be used in a fight against climate change.

#### **Katjusa Savc, Focus: The ESR in Slovenia**

Katjusa gave an introduction to ESR sectors in Slovenia, within which transport accounts for more than half of GHG emissions. It is the only sector where emissions are growing and where CO<sub>2</sub> emissions from all cars are below the 2013 target. This is why it is the sector Slovenia needs to focus most on. Katjusa explained that more than half of Slovenian territory is covered by forests (54%) and that Slovenia argues for inclusion of forest management sinks in ESR. On the other hand, Katjusa clarified that the starting point of the ESR target makes little difference for Slovenia, therefore it does not contest it.

#### **Hannah Mowat, FERN: Tackling deforestation through ESR**

Hannah started by introducing the background on the Paris Agreement, which now puts forests at the center of talking about “removals by sinks of greenhouse gases”. Carbon sinks (trees) are crucial to achieve the Paris goal to limit global warming to well below 2°C, since they can sequester carbon. The Paris target will only be achieved if we couple zero emissions with sequestration. One cannot cancel the other one. Hannah also exposed the fact that carbon sequestration by trees is not permanent. Forests can be hit by fires, ash diseases and thus release the carbon they have previously absorbed. At the EU level, Hannah explained how to ensure that LULUCF does not undermine the ESR. A group exercise was then carried to reflect on the national CEE context and to brainstorm on what the role of NGOs could be.

#### **Cristina Mestre, Transport&Environment: How can national NGOs can help**

Cristina explained how the EU co-decision process works and what the role of national organizations is in the policy process. She identified several strategies of how to influence the European Parliament and the Council. She stressed that building coalition between civil society is vital to build capacity at national level. An interactive session served the debate on how civil society can engage in the policy process and influence the EU and national policies.

### **Day 2, 4 November 2015**

#### **Agnes Brandt, Carbon Market Watch: What is the EU Emission Trading System (ETS)?**

Agnes described how the EU ETS, world’s first carbon market, functions. The EU ETS regulates about half of EU’s CO<sub>2</sub> emissions by covering more than 11,000 installations in 31 countries. It works on the principle where polluters need to pay to emit each tonne of CO<sub>2</sub>. The cap, which is the limit on the total volume of greenhouse gas (GHG) emissions installations can emit, is reduced over time. Agnes stressed that that the current carbon price of less than €5 is not high enough to incentivise investments in clean, low-carbon technologies and threatens Europe’s longer term climate objectives. This is why the EU ETS is currently undergoing a needed reform process.

### **Urška Trunk, Carbon Market Watch: Free allowances for power sector through Article 10c: lessons learned for the post-2020 revision of the EU ETS**

Urška disclosed the main challenges with the Article 10c of the EU ETS Directive as currently designed. Article 10c allows some of the low-income Member States to continue giving free pollution permits to their power plants under the condition that they invest the equal monetary value in modernizing and diversifying their energy system. This derogation has largely been misused to subsidize investments in fossil fuels in Central and Eastern Europe. To date, the majority of Article 10c allowances have been distributed to lignite-fired and hard coal-powered plants. Urška underlined that the EU ETS revision is a crucial opportunity to stop the use of this derogation and rather streamline Article 10c allowances into the Modernization fund, which can be a much better instrument to support investment for transition in the region.

### **Aleksandra Mirowicz, Sandbag: Modernisation Fund How to support EU Emissions Trading System reform in Central and Eastern Europe**

Aleksandra started by stressing that moving away from coal will require significant investments. The modernization fund will be available exclusively to CEE governments, characterized by some common features, such as outdated fossil fuel infrastructure, regulated energy prices for end consumers, and low GDP per capita. Allowances from the fund will come from a share of EU ETS allowances for investments in power generation, energy efficiency and power transition measures. Aleksandra explained that with the current low prices, the fund could provide only about € 2 billion. But if the cap for phase 4 was rebased in line with real emissions, the value of Modernisation fund would increase by 32%. This money will be highly needed in CEE, thus it is a reform Sandbag is strongly supporting.

### **Weronika Piestrzynska, HEAL: The effect of CEE coal power plants on health, air quality and climate change**

Weronika exposed the threats of coal to our health and our planet. Air pollution causes around 7 million premature deaths per year, almost half million of this in the EU. Besides health, there are global economic costs due to coal amounting to lost in labor income and in welfare losses worldwide. EU's currently operational coal-fired power plants were responsible for about 22,900 premature deaths in 2013. Weronika stressed that it is even more worrying that more than half of them enjoy exemptions, or so called derogations that allow them to pollute over the agreed 'safety net' limits set out in the Industrial Emissions Directive. Number of power plants enjoying derogation under Article 10c of the EU ETS have caused over 4000 premature deaths in 2013. Weronika concluded that coal power's 'permission to pollute' is harming human health and should be brought to a halt.

### **Agnieszka Warso-Buchanan, ClientEarth: Art 10c: Experience from Poland**

Agnieszka explained how free allocation under Article 10c of the EU ETS was used in Poland. Poland was allowed to distribute free allowances to their power generators with a total market value of almost € 7.5 billion. However, most of the investments were dedicated to uphold the status quo and to upgrade the infrastructure in coal combustion. In addition, investments were selected with the absence of transparency and no assurance of public participation. About one third of investors do not disclose financial information. Agnieszka called for the necessary reforms, which must include competitive bidding, strict criteria for project selection and transparency.

### **Mihai Stoica, 2Celsius: Art 10c: Experience from Romania**

Mihai shared Romanian experience with the use of Article 10c derogation. He explained that most of the planned investments have been cancelled by beneficiaries, while the remaining focus on financing coal and gas capacity. The investment approval process lacked transparency and credibility, as the European Commission approved also investments that were exposed by civil society to be ineligible according to Article 10c criteria. Mihai underlined that funding under Article 10c has helped kept the 'dinosaur' plants alive in Romania, resulting in environmental and social impacts such as land affected by ash deposit and abuse of property rights of local land owners. For example, derogation has provided a lifeline for the Oltenia Energy Complex. Mihai highlighted that there is no excuse for this derogation to exist and continue to support investments unsustainable and detrimental systems.

### **Klára Sutlovicová, Glopolis: Art 10c: Experience from Czech Republic**

Klara explained that in the Czech Republic, Article 10c was a political deal to save the EU ETS review by the. In their approach to use the option for derogation, Czech Republic had developed no compliance or control mechanisms, neither quality criteria for the investments and ignored guidelines provided by the Commission. Moreover, the investment plan was kept from the public and published only after closure of the public consultation period. Klara raised her concern that almost half of planned investments will contribute to Czech dependency on coal. Therefore, she stressed that if continued in the future, the derogation should be limited only to investments for energy savings and sustainable renewable energy technologies.

### **Anja Kollmuss, CAN Europe: How can national NGOs help?**

Anja led a discussion on how national NGOs can get involved on influencing the EU ETS revision process at the national and EU level. She introduced the Climate Action Network (CAN) Europe, which is Europe's largest coalition working on climate and energy issues, including many organizations from CEE. She gave an overview of the ETS reform timeline and different strategies to influence members of the European Parliament.

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