The Effort Sharing Regulation in numbers

Femke de Jong

25 January 2017

Carbon Market Watch

The emissions covered by the Effort Sharing Regulation

35%
from Transport

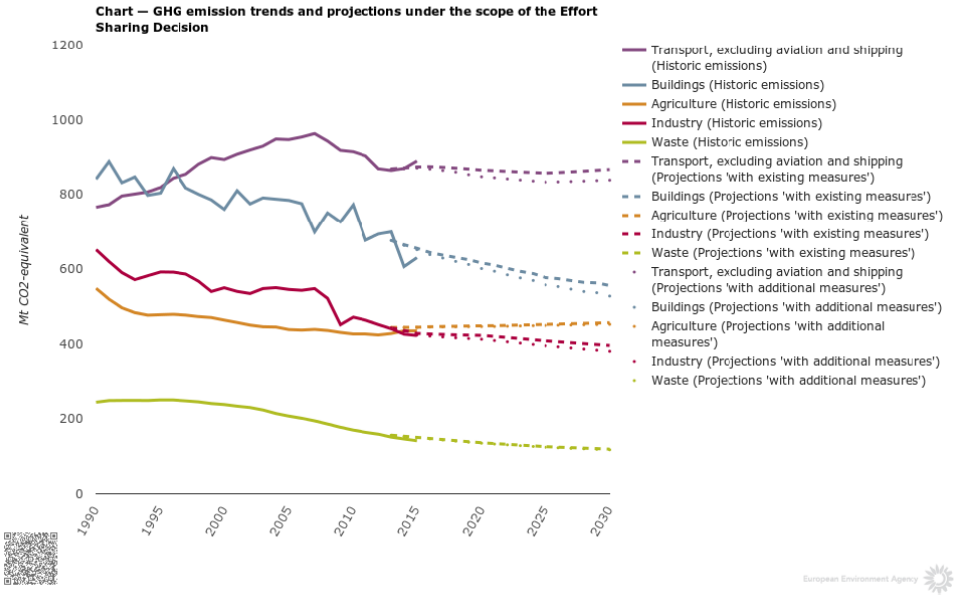
25%
from Buildings

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.

Carbon Market Watch

Emission cuts versus carbon budgets

Carbon budget:

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

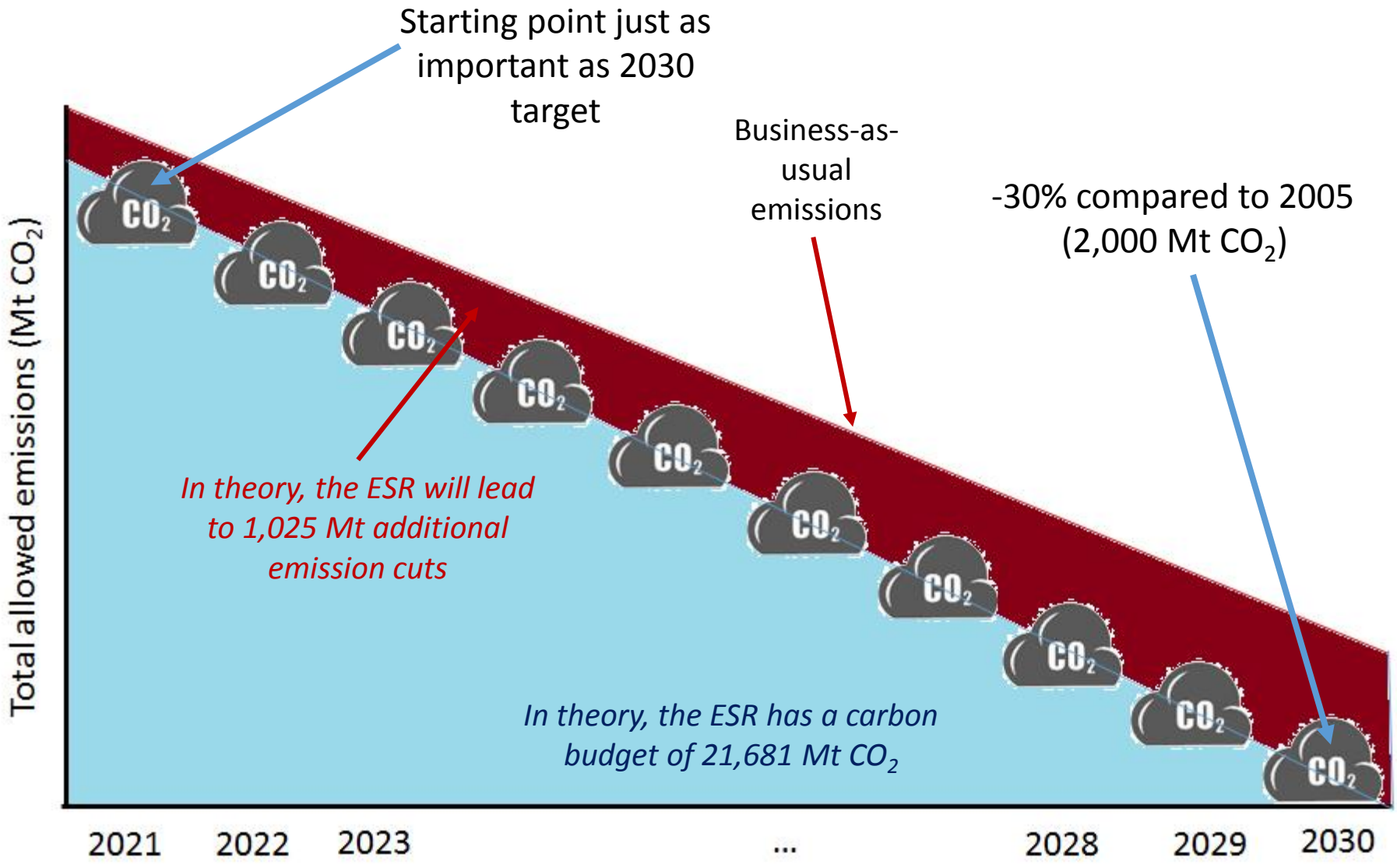
Emission cuts:

- 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***

Carbon Market Watch

Carbon budget and emission cuts explained



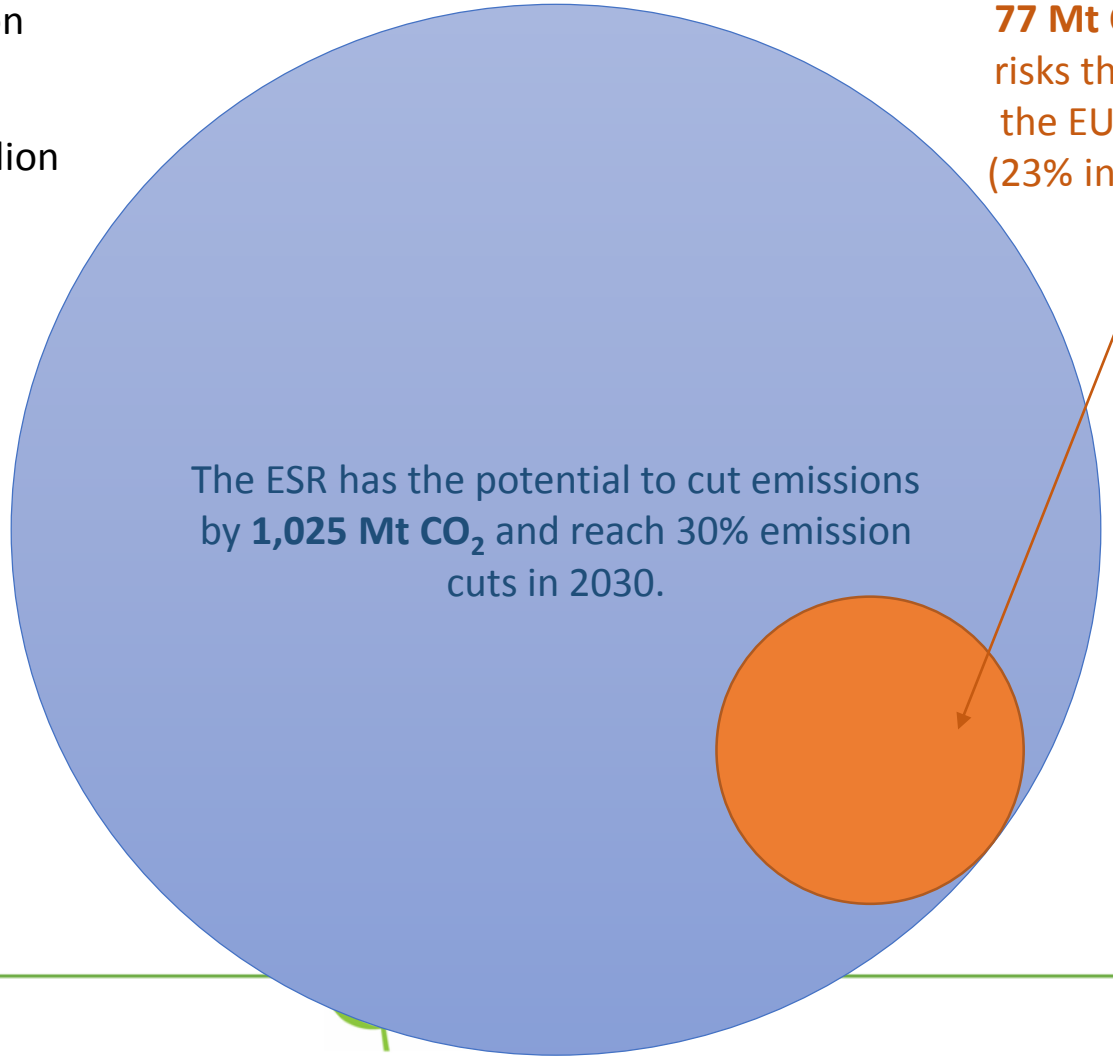
What choices affect the amount of emission cuts in ESR sectors?

- ✓ **The 2021 starting point:**
  - A lower starting point, that better reflects real emissions, will lead to a smaller carbon budget and more emission cuts in the ESR sectors.
- ✓ **The 2030 target:**
  - A more ambitious 2030 target will lead to a smaller carbon budget and more emission cuts in the ESR sectors.
- ✓ **The use of EU ETS allowances:**
  - The use of EU ETS allowances to comply with ESR targets will allow more emissions in the ESR sectors.
- ✓ **The use of land use and forestry (LULUCF) credits:**
  - The use of land use credits to comply with ESR targets will allow more emissions in the ESR sectors.
- ✓ **The low-income pollution bonus:**
  - The 2021 bonus for low-income states will increase the carbon budget.
- ✓ **Banking limitations:**
  - Limits on how much surplus can be banked to future years will result in more emission cuts.

The effectiveness of the ESR as a climate tool

The difference in low-carbon potential equals:

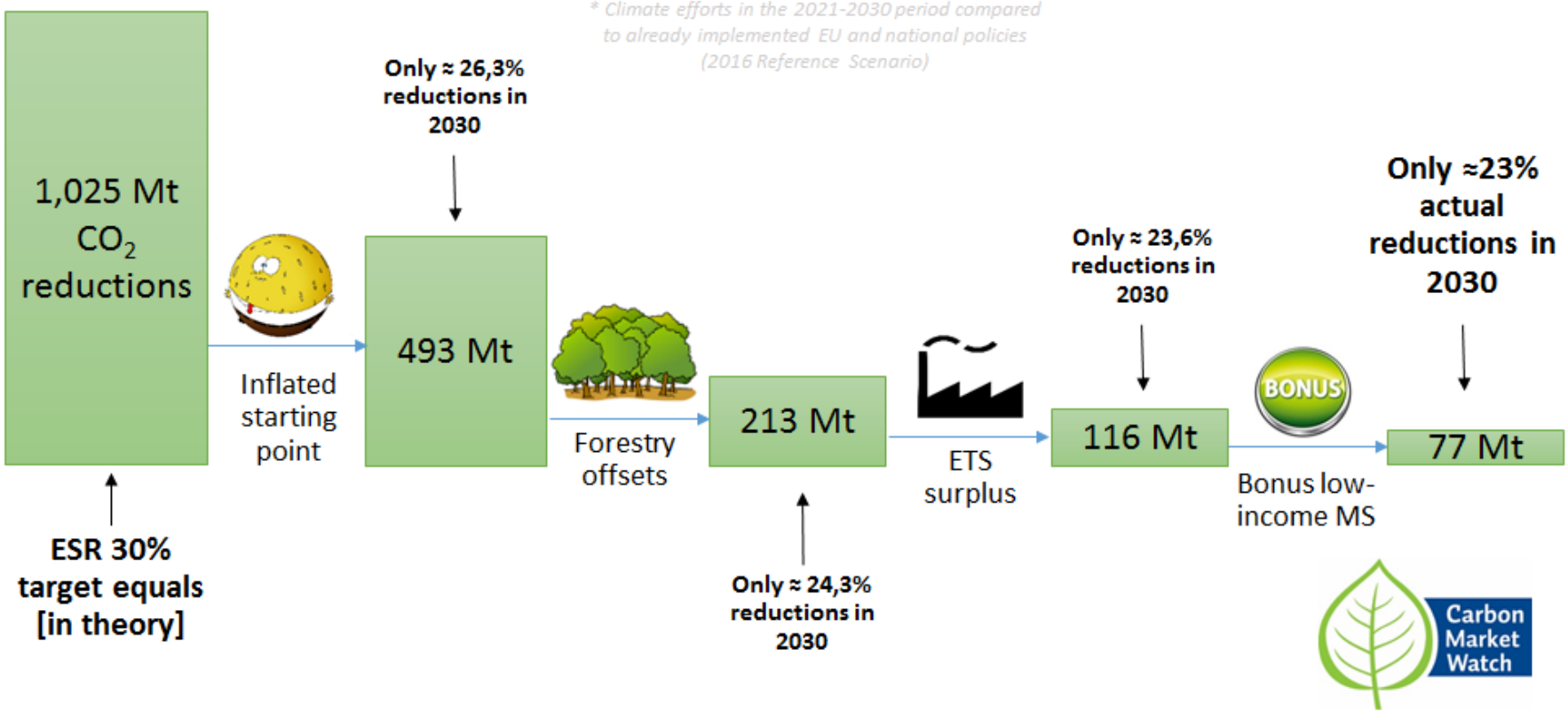
- Emissions of 903 million cars
- Emissions of 384 million uninsulated houses in a year
- Emissions of 1.7 billion unrecycled plastic waste
- Emissions of 425 million methane-burping cows



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



Carbon Market Watch

The EP reports increase the efficiency of the ESR proposal

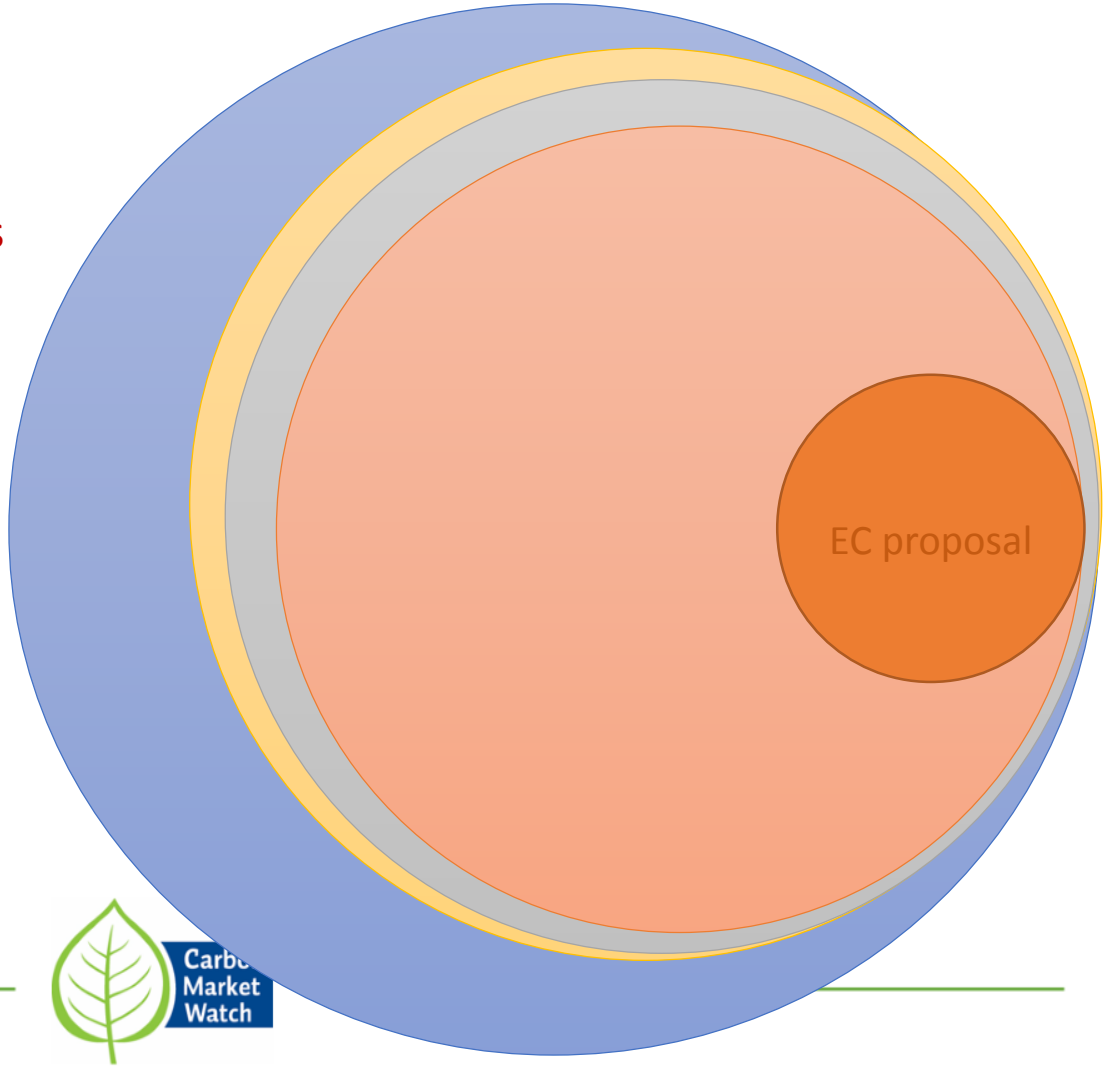
ITRE report: **746 Mt CO_2** cuts

ENVI report: **684 Mt CO_2** cuts

TRAN report: **598 Mt CO_2** cuts

The low-carbon opportunities in ESR sectors are increased through:

- ✓ Better starting point (all).
- ✓ Lower limit on LULUCF credits (ITRE, ENVI).
- ✓ Lower limit on ETS credits (ITRE).
- ✓ No pollution bonus for low-income MS (TRAN).
- ✓ Banking limitation (TRAN).

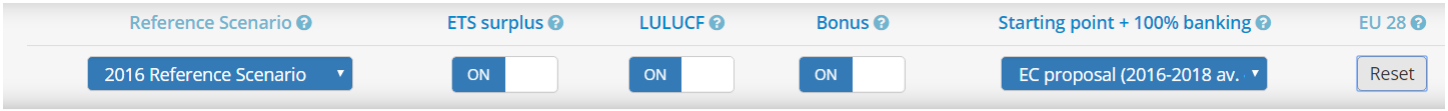


Carbon Market Watch

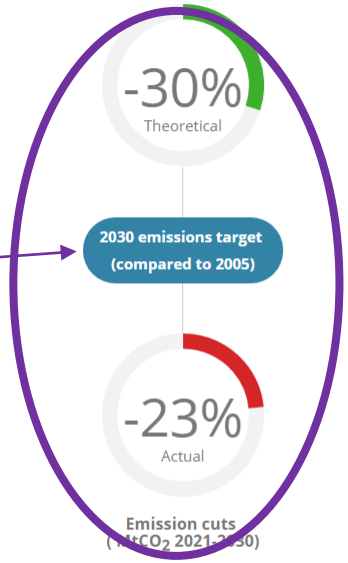
EFFORT SHARING EMISSIONS CALCULATOR

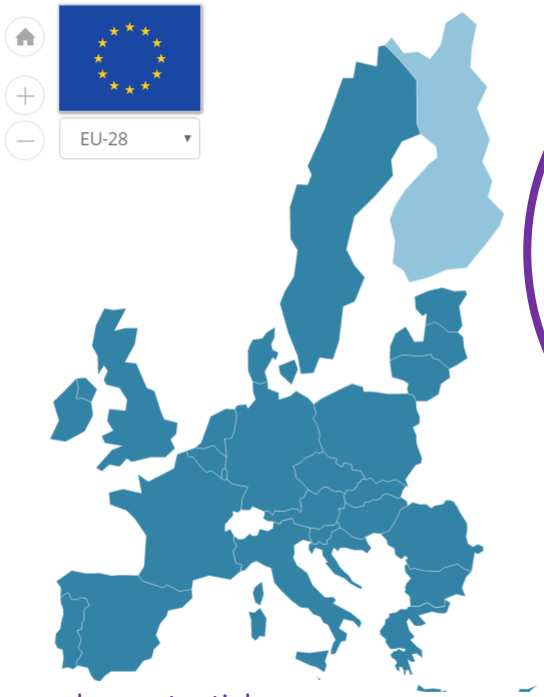
www.effortsharing.org

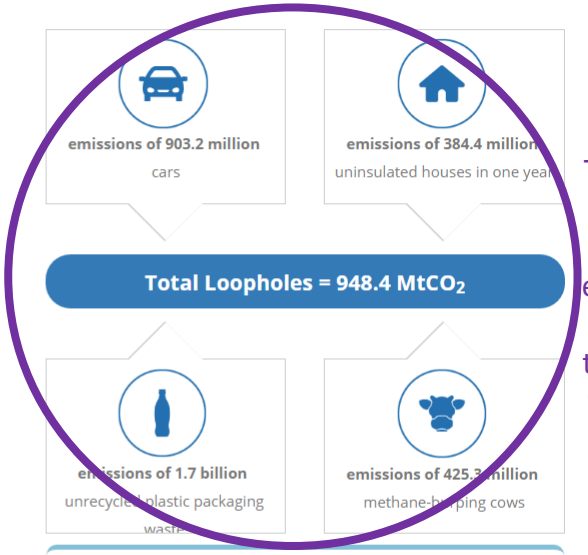
EC proposal settings



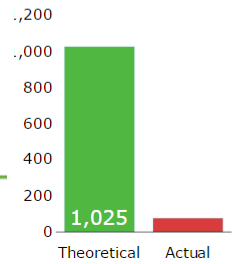
Current settings prevent the real-world delivery of the 2030 target







The "loopholes" [that allow additional emissions in ESR sectors] equal the emissions of 903 million cars

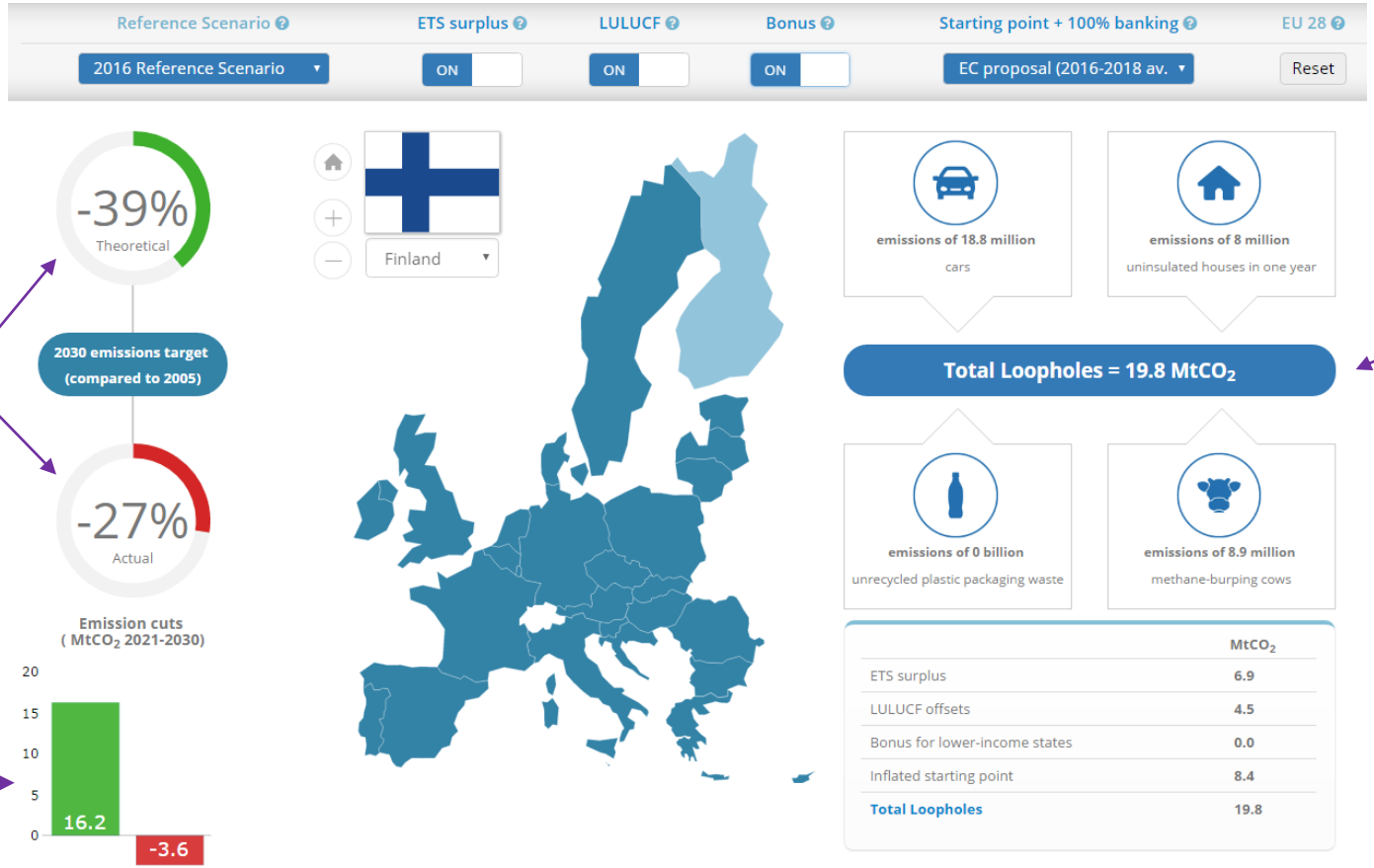


Low-carbon potential reduced from 1,025 to merely 77 Mt CO_2 cuts

	$MtCO_2$
ETS surplus	97.1
LULUCF offsets	279.8
Bonus for lower-income states	39.1
Inflated starting point	532.4
Total Loopholes	948.4

Country example - Finland

Flexibilities are on



The 2030 target is undermined by 12%

The loopholes equal 20 $MtCO_2$

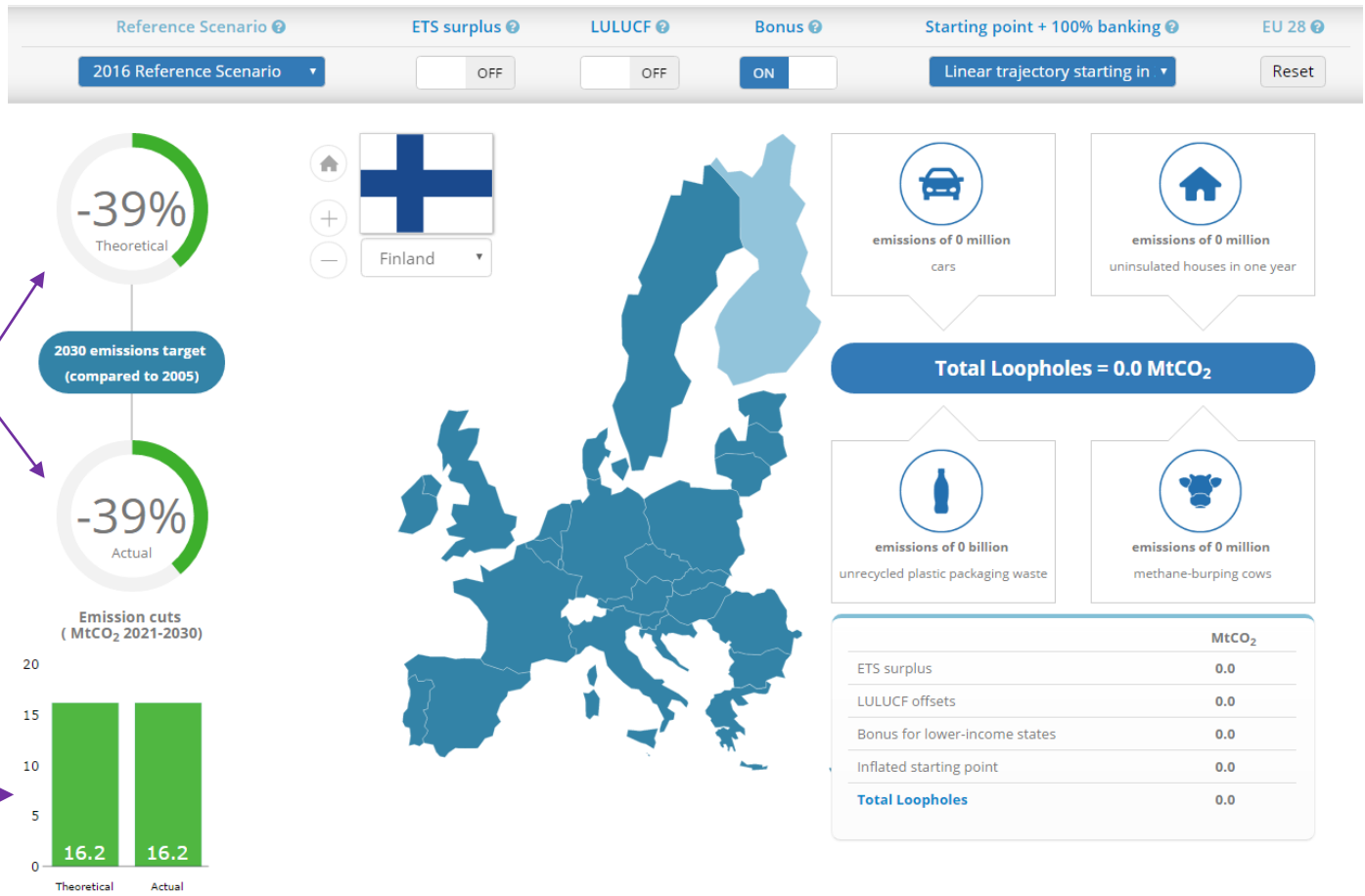
Finland can increase emissions by 3.6 $MtCO_2$.

Carbon Market Watch

www.effortsharing.org

Now the ETS surplus and LULUCF offset flexibilities have been removed.

A different starting point has been applied: the trajectory starts in 2017 instead of 2020



Closing the loopholes and changing the starting point means the 2030 target will be met.

Emissions will be cut in line with the potential, amounting to 16.2 $MtCO_2$.

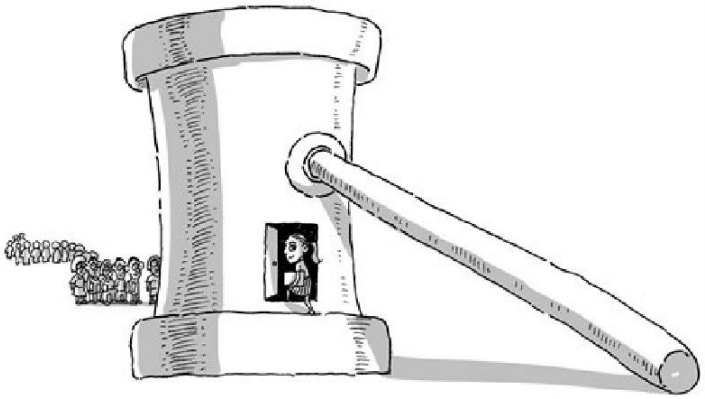
Carbon Market Watch

www.effortsharing.org

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.



Carbon Market Watch

Thank you!

See more on: www.effortsharing.org

Femke.dejong@carbonmarketwatch.org

www.carbonmarketwatch.org

@CarbonMrktWatch carbonmarketwatch