



European Economic and Social Committee

NAT/400
Effort-sharing – GHG
emissions up to 2020

Brussels, 9 July 2008

OPINION

of the
European Economic and Social Committee
on the

**Proposal for a Decision of the European Parliament and of the Council
on the effort of Member States to reduce their greenhouse gas emissions to meet the
Community's greenhouse gas emission reduction commitments up to 2020**

COM(2008) 17 final - 2008/0014 (COD)

On 11 February 2008, the Council decided to consult the European Economic and Social Committee, under Article 175 of the Treaty establishing the European Community, on the:

Proposal for a Decision of the European Parliament and of the Council on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020
COM(2008) 17 final - 2008/0014 (COD).

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 4 June 2008. The rapporteur was Mr Morkis.

At its 446th plenary session, held on 9 and 10 July 2008 (meeting of 9 July), the European Economic and Social Committee adopted the following opinion by 116 votes to 2 with 8 abstentions.

*

* *

1. **Summary of the EESC's comments and recommendations**

- 1.1 The European Economic and Social Committee welcomes the European Commission's initiative under which, to combat climate change, Member States are asked to share the effort of meeting the Community's commitment to reduce greenhouse gas emissions from sources not covered under Directive 2003/87/EC (sources outside the EU emissions trading scheme (EU ETS)) from 2013 to 2020.
- 1.2 The Committee recognises and endorses the EU's leading role in the international negotiations on environmental and climate protection commitments. Through its own commitments, the EU is leading by example and seeking to spur other countries on to comparable measures.
- 1.3 The Committee considers that civil society has a key role to play in implementing the decision and meeting the commitments undertaken by the countries concerned. The Member States should do more to promote community initiatives designed to help cut greenhouse gas emissions and develop ways of backing up such initiatives:
 - Civil society as a whole could play a key role in implementing this decision. The requirements of the decision and its means of implementation in each Member State thus need to be more widely disseminated.
 - There is also a need to increase the emphasis on educational campaigns to raise public awareness and understanding of the need for efforts to reduce greenhouse gas emissions.

- It is also vital to train experts and raise broad public awareness in the fields of energy-saving, environmental protection and climate change.

1.4 The Committee believes that measures to cut greenhouse emissions should be implemented in such a way as to protect and even enhance Europe's economic competitiveness in a long term perspective. Renewable energy development and energy efficient products and modes of production will increasingly be in demand in the world, and Europe is well placed to gain a competitive edge by becoming a world leader in many of these areas. The EU and the Member States must support such R&D.

1.5 Under Article 3(3) of the proposed decision, a Member State may carry forward from the following year a quantity of greenhouse gas emissions equal to 2% of the limit of that Member State or, if the emissions are below the limit in paragraph 2, may carry over its excess reductions to the subsequent year. This provision is too rigid, as the one-year timeframe lacks the flexibility required to implement large-scale projects and deliver good results. That is especially important for small Member States implementing large-scale GHG mitigation projects.

The Commission proposes that each Member State should prepare a plan for achieving its national target. However, the average annual emissions of GHG during the period 2013-2020 should not be higher than the average of annual emissions from 2005 to 2020. In the Committee's view it will be important for the implementation of these plans to be monitored regularly at national and European level to allow any divergences to be identified promptly and corrective action taken.

1.6 In order to enhance the overall cost efficiency of the total commitment of the Community and to achieve the joint objectives at the lowest cost, the Committee feels that the decision should enable a Member State, on the basis of bilateral, intergovernmental agreements, to be able to transfer part of its allowed GHG emissions entitlement to another Member State.

1.7 The Committee feels that, by using flexible tools in projects designed to secure the joint implementation of the Clean Development Mechanism, an appropriate balance must be struck between action taken within the EU to cut greenhouse gas emissions on the one hand, and a sense of solidarity in the face of the introduction of emission-reducing measures in developing countries on the other. However, the use of flexible tools should be appropriate only when they really reduce global GHG emissions. They should not stimulate leakage of GHG emissions from EU to non-EU countries.

1.8 The Committee endorses the commitments made and approves effort-sharing between Member States. It believes the public must be better informed about the principles underpinning effort-sharing. In arrangements for effort-sharing, an assessment must be made of the specific circumstances of each individual country, the costs involved in cutting emissions and the impact on that country's competitiveness and development. The effort-

sharing decision should lead to an equal relative cost of mitigation in relation to GDP of each country.

1.9 The Committee calls on the Commission to establish a compliance regime, under which Member States would, for instance, be fined for exceeding the set emission levels.

2. **Introduction: the Commission document**

2.1 On 23 January 2008, the European Commission unveiled a package of proposals to combat climate change and promote renewable energies.

2.2 The purpose of the Commission proposal is to put into effect the agreement reached at the European Council meeting on 8 and 9 March 2007 under which the European Union is committed to a 20% reduction in greenhouse gas emissions by 2020 compared to 1990, and, also by 2020, to a target share of 20% of renewables in its energy consumption.

2.3 The total effort for greenhouse gas reduction is divided between the EU ETS and non-ETS sectors. The Commission is proposing the following approach: a 21% reduction in EU ETS sector emissions compared to 2005 by 2020; a reduction of around 10% compared to 2005 for the sectors that are not covered by the EU ETS. Taken together, these reductions will result in an overall reduction of 14% compared to 2005, which is equivalent to a reduction of 20% compared to 1990.

2.4 The Council announced even more ambitious targets provided that a global and comprehensive agreement is signed for the period beyond 2012 and that other developed countries commit themselves to comparable emission reductions and economically more advanced developing countries to contributing adequately according to their responsibilities and respective capabilities. Within these parameters, the Community would have to seek to cut greenhouse gas emissions by 30% by 2020.

2.5 The present proposal for a decision determines the contribution of Member States to meeting the Community's greenhouse gas emission reduction commitment from 2013 to 2020 for greenhouse gas emissions from sources not covered under Directive 2003/87/EC (sources outside the EU ETS).

2.6 The proposed decision lays down rules on the determination of the contribution of Member States to meeting the greenhouse gas emission reduction commitment of the Community from 2013 to 2020.

2.7 The Commission also takes the view that greenhouse gas reduction efforts should be shared among Member States, taking into account economic differentials and each country's *per capita* GDP. Thus, Member States that currently have a relatively low *per capita* GDP and

high GDP growth expectations for the future should be allowed to have higher greenhouse emissions in 2020 than in 2005.

- 2.8 In the light of the proposed differentiation, the Commission recommends that certain limits be established for individual countries, albeit no Member State should be required to reduce its greenhouse gas emissions in 2020 to more than 20% below 2005 levels, and no Member State should be allowed to increase its greenhouse gas emissions in 2020 to more than 20% above 2005 levels.
- 2.9 The Commission stipulates that each Member State must, by 2020, limit its greenhouse gas emissions from sources not covered under Directive 2003/87/EC by the percentage set for that Member State in the annex to the decision in relation to its emissions in the year 2005.
- 2.10 The Commission's view is that reductions in greenhouse gas emissions must take place every year between 2013 and 2020. However, there is also some degree of flexibility, in that each Member State is allowed to carry forward from the following year a quantity equal to 2% of the greenhouse gas emission limit of that Member State. Any Member State whose emissions are below its limit is also allowed to carry over its excess emission reductions to the subsequent year.
- 2.11 Each Member State is to annually limit these greenhouse gas emissions in a linear manner to ensure that the emissions do not exceed the maximum level for that Member State in 2020 as specified in the annex to the decision.
- 2.12 In order to provide for further flexibility for Member States in implementing their commitments, to promote sustainable development in third countries, in particular in developing countries, and to provide certainty to investors, the Commission is proposing that Member States should continue to be able to use CDM credits to help ensure a market for those credits even after 2012.
- 2.13 To help ensure such a market as well as to ensure further greenhouse gas emission reductions within the EU and thus enhance the implementation of the objectives of the Community relating to renewable energy, energy security, innovation and competitiveness, it is proposed to allow the annual use by Member States of credits from greenhouse gas emission reduction projects in third countries, until a future international agreement on climate change has been reached, up to a quantity representing 3% of the emissions of each Member State from sources outside the ETS in the year 2005. This maximum quantity is equivalent to around a third of any Member State's reduction effort in 2020. Member States should be allowed to transfer the unused part of that quantity to other Member States.
- 2.14 The Commission feels that once a future international agreement on climate change has been reached, Member States should only accept emission reduction credits from countries which have ratified that agreement and subject to a common approach.

- 2.15 The Commission also takes the view that, following the conclusion by the Community of a future international climate change agreement, Member State emission limits should be adjusted on the basis of the Community's new greenhouse gas emission reduction commitment as set out in that agreement.
- 2.16 Member States, in their annual reports submitted under Article 3 of Decision 280/2004/EC, must report their annual emissions resulting from the implementation of Article 3 and the use of credits in accordance with Article 4. Member States are also to submit an update of their projected progress before 1 July 2016.

3. **General comments**

- 3.1 The European Commission's initiative under which, to combat climate change, Member States are asked to share the effort of meeting the Community's commitment to reduce greenhouse gas emissions from sources not covered under Directive 2003/87/EC (sources outside the EU ETS) from 2013 to 2020 is an important link in a chain of decisions taken to combat climate change.
- 3.2 The Committee is convinced that this decision will help the Community meet its tasks vis-à-vis environmental protection and climate change. Community policy in this area must secure a considerable reduction in greenhouse gas emissions through the imposition of mandatory requirements on the Member States, coupled with strict compliance checks.
- 3.3 At the same time the Committee would like to draw the attention to the fact that the effectiveness of the Parliament and Council decision on sharing efforts to reduce greenhouse gas emissions is significantly dependent on the other two components of the energy and climate change package: the directive on renewable energy sources and the EU-ETS directive. This means that they must function in direct synergy; any amendment to one will impact on the others.
- 3.4 The Community's commitments are to be adjusted should an international agreement be reached. There are high hopes for the negotiations launched in Bali, Indonesia, in December 2007, which may potentially be of vital importance for worldwide action up to 2020. It would be most helpful to wind up these negotiations and secure a climate protection agreement at the Climate Change Conference in Copenhagen in 2009. Progress on this front is also expected to be made at a further climate summit due to be held before then in Poznań, Poland.
- 3.5 It is good that EU is taking the lead in these negotiations. Through its own commitments, the EU is leading by example and seeking to spur other countries on to comparable measures. Although emerging countries such as China, India and Brazil are not, understandably, set to cut emissions, they are in a position to curb any increase relative to economic growth. The EESC encourages the Commission to make every effort to reach an international (post-Kyoto)

agreement, committing developed countries to a 30% cut in greenhouse gas emissions by 2020, compared to 1990 levels; this would be in line with the projections of the 4th IPCC report, which estimates that a 25-40% reduction by 2020 on 1990 levels is needed to limit global warming to 2 degrees Celsius above pre-industrial levels. If this international agreement can be concluded, it will of course be necessary to revisit this and the other proposals contained in the Commission's energy and climate change package in order to recalibrate their objectives to the tighter target. It is important therefore that all concerned should recognise and plan on the basis that the targets currently proposed for 2020 are only the first step and that tighter targets will be needed in due course, possibly as soon as 2020 and certainly in later years.

3.6 The Committee believes that measures to cut greenhouse emissions should be implemented in such a way as to protect and even enhance Europe's economic competitiveness in the long term. Renewable energy development and energy efficient products and modes of production will increasingly be in demand in the world, and Europe is well placed to gain a competitive edge by becoming a world leader in many of these areas. The EU and the Member States must support such R&D. Otherwise, the objectives will be difficult to achieve. It is also vital to train experts and raise broad public awareness in the fields of energy-saving, environmental protection and climate change.

3.7 Civil society has a key role to play in implementing the decision and meeting the commitments undertaken by the countries concerned. The Member States should do more to promote community initiatives designed to help cut greenhouse gas emissions and develop ways of backing up such initiatives:

- Civil society as a whole could play a key role in implementing this decision. The requirements of the decision and its means of implementation in each Member State thus need to be more widely disseminated.
- There is also a need to increase the emphasis on educational campaigns to raise public awareness and understanding of the need for efforts to reduce greenhouse gas emissions.
- It is also vital to train experts and raise broad public awareness in the fields of energy-saving, environmental protection and climate change.

4. **Specific comments**

4.1 The Committee feels that, by using flexible tools in projects designed to secure the joint implementation of the Clean Development Mechanism, an appropriate balance must be struck between action taken within the EU to cut greenhouse gas emissions on the one hand, and a sense of solidarity in the face of the introduction of emission-reducing measures in developing countries on the other. However, the use of flexible tools should be appropriate only when they really reduce global GHG emissions. They should not stimulate leakage of GHG emissions from EU to non-EU countries.

- 4.2 The Commission is proposing that Member States should continue to be able to use CDM credits to help ensure a market for those credits even after 2012. The Committee has concerns regarding the quality of the certified emissions reductions (CER) resulting from the CDM and proposes that, if the investing States (in projects begun pre-2013) are to continue to benefit from CER, the baseline should be revised and verified to determine whether the project is still additional. In the case of new CDM projects that are planned to go towards a Member State's contribution to sharing efforts to reduce greenhouse gas emissions, only projects using BAT (best available techniques) as the baseline should be considered.
- 4.3 The Commission refers only to the general principle that countries that have a high *per capita* GDP are to take on board tougher reduction commitments, which are to be less stringent for countries where *per capita* GDP is lower. However, it is quite possible that, even if – in relative terms – they have a similar *per capita* GDP, different countries may require different degrees of effort to achieve the same results in cutting emissions. In arrangements for effort-sharing, an assessment must be made of the specific circumstances of each individual country, the costs involved in cutting emissions and the impact on that country's competitiveness and development. The effort sharing decision should lead to equal relative cost of mitigation in relation to GDP of each country.
- 4.4 The Committee also draws attention to a glaring inconsistency in the text of the decision. The Commission proposes 2005 as the reference year for assessing Member States' efforts to reduce their greenhouse gas emissions, and 2020 as the end of the period. Under the second subparagraph of Article 3(2), each Member State is to annually limit the greenhouse gas emissions concerned in a linear manner. At the same time, under the first subparagraph of the same article, each Member State is to ensure that its total greenhouse gas emissions in 2013 from sources not covered under Directive 2003/87/EC do not exceed the average annual greenhouse gas emissions of that Member State from those sources during the years 2008, 2009 and 2010, as reported and verified pursuant to Directive 2003/87/EC and Decision 280/2004/EC. This means that 2008, 2009 and 2010 serve as the reference years for evaluating the position in 2013.
- 4.5 Under Article 3(3) of the proposed decision, a Member State may carry forward from the following year a quantity of greenhouse gas emissions equal to 2% of the limit of that Member State or, if the emissions are below the limit in paragraph 2, may carry over its excess reductions to the subsequent year. This provision is too rigid, as the one-year timeframe lacks the flexibility required to implement large-scale projects and deliver good results. That is especially important for small Member States implementing large scale GHG mitigation projects.

The Commission proposes that each Member State should draw up a plan to achieve its national targets. However, the average annual emissions of GHG during the period 2013-2020 should not be higher than the average of annual emissions in 2005. In the Committee's view it will be important for the implementation of these plans to be monitored regularly at

national and European level to allow any divergences to be identified promptly and corrective action taken.

- 4.6 In order to enhance the overall cost efficiency of the total commitment of the Community and to achieve the joint objectives at the lowest cost, the Committee feels that provision should be made in the decision whereby a Member State should, on the basis of bilateral, intergovernmental agreements, be able to transfer part of its allowed GHG emissions entitlement to another Member State.
- 4.7 The Committee calls on the Commission to establish a compliance regime, under which Member States would, for instance, be fined for exceeding the set emission levels.
- 4.8 Also, in terms of the equitable geographical distribution of projects, Article(4)(1)(c) is not specific enough as to the application of measures on the purchasing of credits.
- 4.9 To implement this decision, the Commission should provide the Member States with pointers for action, instruments and other measures. A good first step could be to issue a guide containing examples of successes already achieved in the EU.
- 4.10 To achieve the objective of this decision, the Committee recommends that Member States make use of the Structural and Cohesion Funds for projects that do not produce, or that even reduce greenhouse gas emissions.
- 4.11 For ETS installations, provision has been made for the auction of emission allowances during the next allocation round from 2013 to 2020. This will secure the funds needed to reduce greenhouse gas emissions from non-EU-ETS sectors. Part of the funds obtained in this way should be directed towards economic sectors that are making an effort to reduce greenhouse gas emissions. The other part should be channelled into a solidarity fund for developing countries, and allocated to climate change adaptation projects in those countries.

Brussels, 9 July 2008.

The President
of the
European Economic and Social Committee

The Secretary-General
of the
European Economic and Social Committee

Dimitris Dimitriadis

Patrick Venturini