



TEN/724

**State of the Energy Union Report 2020 and
Assessment of National Energy and Climate Plans**

OPINION

European Economic and Social Committee

Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – 2020 report on the State of the Energy Union pursuant to Regulation (EU) 2018/1999 on Governance of the Energy Union and Climate Action

and

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – An EU-wide assessment of National Energy and Climate Plans: Driving forward the green transition and promoting economic recovery through integrated energy and climate planning

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1. **Conclusions and recommendations**

- 1.1 The European Economic and Social Committee (EESC) is impressed by how meticulously and accurately the Commission documents and evaluates the development of the Energy Union. The way in which the national energy and climate plans (NECPs) were drawn up and assessed shows that the governance of the Energy Union works.
- 1.2 The EESC is relieved to learn that – although some Member States are falling well below the targets – the energy and climate objectives for 2020 have largely been met. However, this must not lead to complacency. The objectives for the next 30 years, starting with the 2020s, are much more ambitious. The pace of transformation needs to be significantly increased, but the social and economic situation in the individual Member States should not be overlooked in the process, as this could jeopardise social acceptance of investment and reforms aimed at accelerating the energy transition. That transition is also at risk if politicians promise participation for broad swathes of society, but in reality do not take that promise seriously and do not put it into practice.
- 1.3 This makes it all the more important to consider not only the global (climate) objectives, but also the specific objectives that the Commission has set for itself with the Framework Strategy for a Resilient Energy Union and the Clean Energy for All Europeans package. In this regard, the findings are much worse.
- 1.4 The most important objective that the Commission set out in the framework strategy is that citizens should be at the core of the Energy Union. In its Communication on the State of the Energy Union, the Commission makes no mention of the extent to which this objective is being achieved or the strategies it will adopt to meet it in the future. This is completely unacceptable to the EESC.
- 1.5 In its assessment, the Commission believes that insufficient attention is paid to the development of community energy in the Member States' NECPs. This is worrying. It is disappointing that the Commission's only response to this is a very general appeal to Member States. If ambitious objectives, as set out in the Clean Energy for All Europeans package and the Energy Union Framework Strategy, are not seriously adhered to, this is not only detrimental to the Energy Union – the credibility of EU policy as a whole is at stake.
- 1.6 Therefore, the EESC thinks that, in future reports, the Commission should more carefully analyse the level and quality of implementation, compliance and enforcement with regard to the third energy package in the Member States, in particular in terms of how they intend to put "citizens at the core". In the past, the implementation of energy regulations has been delayed and has often not benefited citizens.
- 1.7 A critical view should also be taken with regard to three of the Energy Union's other objectives: reducing energy dependency by cutting down energy imports, eliminating subsidies for climate- and environmentally harmful energy sources, and taking a leading role in renewable energy, energy efficiency and electro-mobility. These three objectives have all been missed, as can be seen from the Commission Communications. However, the reasons for this are not discussed.

Nor is any mention made of the lessons to be drawn from these failures and what the next steps are, e.g. with respect to the Recovery Fund.

- 1.8 In the EESC's opinion, the Member States' NECPs reveal a lack of coherence in European energy policy. The EESC also considers most of the NECPs to be too non-specific, particularly with regard to the key issues of energy security and just transition.
- 1.9 The EESC therefore calls on the Commission to pay more attention, when evaluating NECPs, to the adequacy of the just transition strategies and, in particular, to assess the extent to which the following objectives have been achieved:
- facilitating employment transitions;
 - supporting workers who lose their jobs as a result of decarbonisation (at the very least, a lost job should be compensated for with another, equivalent job);
 - combating energy poverty and offsetting degressive distributional effects; and
 - developing the regional economic potential arising from renewable energy sources and new forms of participation in electricity production.

2. **General comments on the Commission document**

- 2.1 The Commission presented its Communication on a Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy¹ on 25 February 2015. The strategy addressed the following goals:
- energy security, including by reducing dependence on energy imports;
 - a fully integrated European energy market;
 - a sustainable, low-carbon and climate-friendly economy;
 - research, innovation and competitiveness to enable Europe to become a global leader in renewable energy;
 - a European labour force with the skills for the energy system of tomorrow;
 - investor confidence through price signals that reflect long- term needs and policy objectives.
- 2.2 Most importantly, as the Commission put it at the time, it was striving for "an Energy Union with citizens at its core, where citizens take ownership of the energy transition, benefit from new technologies to reduce their bills, participate actively in the market, and where vulnerable consumers are protected". It also identified stakeholder involvement in shaping the Energy Union as a priority and a socially just transition as a fundamental principle in tackling the energy transition.
- 2.3 The Commission also explained that the Energy Union needed an integrated governance and monitoring process. The EU has adopted a legal basis for this with Regulation (EU) 2018/1999 on the Governance of the Energy Union. This requires Member States to regularly submit

¹ [COM\(2015\) 80 final](#).

national energy and climate plans (NECPs), which should include a description of their contributions to achieving the Energy Union.

2.4 In its 2020 report on the State of the Energy Union, the Commission now sets out the progress made under five headings:

- Decarbonisation (including development of renewable energy)
- Energy efficiency, with particular attention to the "Energy Efficiency First" principle
- Energy security (including cutting EU energy imports, increased flexibility and greater resilience of national energy systems)
- Internal energy markets
- Research & innovation and competitiveness

It also addresses the topic of "The Energy Union in a broader Green Deal perspective".

2.5 Proceeding from this, the Commission sets out ideas on "Pursuing green recovery and a sustainable economy", examining firstly the existing strategies for the integration of the energy system and the development of hydrogen in Europe.

2.6 The Commission also justifies the need to increase the reduction target for carbon emissions to at least 55% compared with 1990 and announces a strategy to reduce methane emissions and a "vision for offshore energy". It criticises, in this connection, the strategies presented by the Member States in their NECPs for often being unclear and short on detail.

2.7 Overall, the Commission considers the situation still less than satisfactory, although it is noted that the 2020 targets for renewable energy development across the EU have largely been met. "Progress is still needed" in some Member States.

2.8 It calls for more efforts to be made on energy efficiency; significant shortcomings are noted particularly in building renovation.

2.9 The report is accompanied, for the first time, by a detailed analysis of energy subsidies², which clearly states that (a) there is still a need for better data on energy subsidies³ and (b) "there is a clear need to step up efforts" to reduce fossil fuel subsidies. The legal instruments currently in place at EU level are described as insufficient.

2.10 Also labelled "not encouraging" is the fact that R&D investment in this sector in the EU-27 has been falling and that Europe is lagging behind enormously compared with other economic regions. The Commission announces efforts in areas such as battery storage facilities and hydrogen, for instance, to revitalise research and innovation and to counter the decline in investment observed at national level.

² [COM\(2020\) 950 final, Annex 2.](#)

³ Which is surprising, given that there has been talk for more than thirty years about the need to phase out environmentally harmful subsidies in the EU.

- 2.11 It is noted that the cost of energy imports has risen again in recent years (to more than EUR 330 billion a year), reversing the erstwhile downward trend.
- 2.12 The Commission concludes its report by confirming that, in the wake of the coronavirus outbreak, Europe has a unique opportunity to invest to support the recovery of the EU economy while at the same time hastening the green and digital transitions.
- 2.13 In its Communication on the EU-wide assessment of the NECPs, the Commission draws a positive conclusion at this stage, since progress in greenhouse gas reduction and renewable energy enabled a significant increase in the corresponding 2030 targets in 2021. On the other hand, the Commission sees a massive shortfall in energy efficiency, investment in research and innovation. To address these shortcomings, it concludes, the Member States must react to the new funding opportunities under the Multiannual Financial Framework and the Recovery and Resilience Facility.

3. **The EESC's general comments**

- 3.1 Firstly, the Commission deserves explicit praise: the degree of detail with which it is pushing forward the governance of the Energy Union, as reflected in the extensive documents (including annexes), shows a great degree of seriousness. And this is indeed essential, given that the climate change targets set so far, which are to be tightened, are only barely – if at all – being met. The goal of achieving climate neutrality in the European Union by 2050 at the latest is of epoch-making importance and requires a strategic planning and coordination – possibly unique in history – of very different policy approaches that must by far exceed what has been decided so far.
- 3.2 With this in mind, the EESC strongly agrees with the Commission when it underscores the need for Member States to develop and implement clearer strategies without delay. In this connection, greater account should be taken of the social, employment and skills implications and other distributional effects of the energy transition, and it must be explained how the attendant challenges will be addressed.
- 3.3 The Commission's main conclusions are understandable and merit support. This applies in particular to the finding that progress towards achieving the greenhouse gas emissions reduction targets, increasing energy efficiency and developing renewable energies are a springboard for greater ambitions.
- 3.4 The EESC also agrees with the Commission that further momentum is needed. However, it would have been desirable for the Commission to spell out what form this further momentum would take.
- 3.5 It also seems logical that the Commission links the development of the Energy Union with the European Green Deal and the pandemic-related recovery policy, neither of which was in evidence when the Strategic Framework for the Energy Union and the Governance Regulation were framed. The EESC stresses that the European Energy Union provides an ideal basis for action in favour of the Green Deal. It would have been all the more important for the current

review to better identify the emerging shortcomings and to devise counter-strategies. This has not happened in at least three cases, which will be addressed below.

Failure to implement the "Energy Union with citizens at its core" goal

- 3.6 As cited in point 2.2, the Commission identified the importance of citizen-led and citizen-centred policies as the *most important(!)* goal in the strategic framework of the Energy Union. This goal should therefore also have rated particular attention in the State of the Energy Union report, in particular through specific suggestions for transparent and active participation and involvement from citizens, social partners and stakeholders in decision-making processes, e.g. NECPs, and active participation in the market. In fact, however, the participation aspect is not even mentioned in the report; nor is there any consideration of whether the measures proposed for the future explicitly serve this goal.
- 3.7 The problem also occurs in other areas, among them the energy system integration strategy presented by the Commission, where citizens figure only as consumers, and not as active market participants. Also with regard to the priorities outlined by the European Commission⁴, namely the hydrogen strategy and the announced "offshore energy vision", it is difficult to imagine that the involvement of citizens is even possible or envisaged. That the Commission, in the Communication assessing the NECPs, says it intends to use the established EU renewable energy financing mechanism in particular to further offshore technologies must therefore attract strong criticism.
- 3.8 In doing this, the Commission is ignoring EU law, since Recital 43 of the Internal Market for Electricity Directive (EU) 2019/944 states: "community energy [is] an effective and cost-efficient way to meet citizens' needs and expectations". [...] By directly engaging with consumers, community energy initiatives demonstrate their potential to facilitate the uptake of new technologies and consumption patterns, including smart distribution grids and demand response, in an integrated manner. Community energy can also advance energy efficiency at household level and help fight energy poverty through reduced consumption and lower supply tariffs. [...] Where they have been successfully operated such initiatives have delivered economic, social and environmental benefits to the community." In the view of the European legislator, then, community energy has the capacity to remedy a number of the shortcomings complained of in the Commission documents, making it all the more incomprehensible that the Commission does not deign to address this in its own documents. There is a yawning chasm between ambition and reality and the EESC fails to detect any real Commission strategy to make citizens active partners.
- 3.9 However, the same criticism can also be levelled at most of the Member States, which are required by Article 20 of the Governance Regulation (EU) 2018/1999 to explore community energy in their NECPs. The Commission notes in its assessment that the Member States have failed in part or in whole to do so. The EESC calls on the European Commission to propose more specific provisions to promote community energy in the forthcoming revision of the Renewable Energy Directive.

⁴ And the German Council presidency.

Failure to implement the "security of supply/reduction of energy imports" goal

- 3.10 One strategic objective of the Energy Union is to increase energy security, including by reducing energy imports. The Commission notes, more or less in passing, the lack of evident progress: on the contrary, spending on energy imports has again increased. The increasing importance of hydrogen could even help to increase imports even further in the future, as the Commission is consciously counting on imports in its hydrogen strategy! The EESC expects the Commission to give a clear explanation on this.
- 3.11 The EESC also calls for the tenet of European solidarity to be followed when securing unavoidable energy imports. Independent national initiatives such as the Nord Stream 2 gas pipeline project may endanger not only the climate but also security of supply. Such actions, which undermine European solidarity, jeopardise public trust in the EU and the EU's image in non-Member States.

Failure to implement the "innovation, global leadership" goal

- 3.12 The picture is also gloomy when it comes to innovation. Based on the State of the Energy Union report's depiction of investment in research and innovation and patent applications, the Energy Union's full-throated ambition to be a global leader is being hampered. In light of this concerning finding, there is a need for a rigorous and in-depth analysis that can help identify the source of the problem precisely and with nuance. Concrete countermeasures need to be developed on this basis.
- 3.13 Against the backdrop described in points 3.6 to 3.11, it has to be said quite clearly: it is not enough to churn out the same mantras again and again if no tangible measures follow. If this continues, the credibility of EU policies will be compromised. The fact is that in all available Commission documents, including the Energy System Integration and Hydrogen Strategy, no concrete measures are identified that could help to achieve the objectives referred to above.

Social and regional policy relevance of the Energy Union

- 3.14 In Chapters 2.6 and 3.3 of its State of the Energy Union report the Commission also sets out a number of social policy considerations. These are sound and the EESC endorses in particular the coupling of coronavirus recovery aid with climate and energy policy objectives. The just transition measures are also to the point and a basis for successfully bringing the public on board with meeting the climate and energy policy objectives. Whether this will actually help to meet the "leaving no one behind" principle will depend specifically on the operationalisation and funding of individual instruments and their specific implementation at national level.
- 3.15 As expressed in earlier opinions⁵, the EESC is convinced that not only must the resources for social and regional cohesion and recovery be deployed so as to support climate mitigation and the energy transition, but climate and energy policies must (and can) also be configured so as to

⁵ [OJ C 47, 11.2.2020, p. 30](#), [OJ C 62, 15.2.2019, p. 269](#).

further social and regional cohesion. Such strategies already exist; some of them are even mentioned in the Communication assessing the NECPs, such as projects for building solar farms on former lignite mining sites in Portugal and Greece, or the very strategic support for prosumers in Lithuania. But these examples are far from common practice or mainstream.

- 3.16 The risk exists, therefore, of the energy transition increasing social and regional disparities, for example if the Commission implements as planned the integration of the energy system, the development of hydrogen infrastructure and the promotion of offshore energy, in the process favouring centralist approaches to the detriment of decentralised ones.
- 3.17 In any event, expanding centralised and decentralised infrastructure in parallel is problematic and risks being a cause of misguided investment. For example, there is competition for use between a comprehensive hydrogen pipeline network and the development of low-temperature district heating systems, as called for in the Commission Communication assessing the NECPs. For this reason, and in the interests of investment certainty, the EESC has therefore called for the necessary fundamental decisions to be made⁶. These are also of strategic importance for the success of the Energy Union, yet are not addressed in the documents discussed here.
- 3.18 As in almost all recent Commission energy policy documents, digitalisation plays no part in the State of the Energy Union report. And yet digitalisation opens up interesting concepts such as smart micro grids and smart markets, microtrading, virtual power plants, and so on. All of these can contribute to a higher efficiency and performance of the internal energy market, including by strengthening the role of active consumers. The Commission has addressed this, albeit somewhat briefly, in the Energy Union Framework Strategy⁷. That it ignores this aspect in the State of the Energy Union report defies comprehension, especially since the use of digital technologies needs to be carefully examined in terms of their usefulness and potential ethical problems, particularly with regard to data sovereignty.
- 3.19 In any case, however, it should be ensured that digitalisation is designed in the interests of the end users. Citizens are still waiting for increasing digitalisation to lead to improved services, such as daily supplier switching, immediate feedback on faulty meters or suspicious usage patterns and seamless procedures for connecting their own generation to the grid.

4. **Specific comments**

The "Decarbonisation" chapter of the State of the Energy Union report

- 4.1 The Commission rightly points out that there are many advantages to the use of renewable energy. However, who benefits from these depends crucially on whether the energy transition is in principle decentralised or centralised⁸. The Commission is mute on this in its report.

⁶ [OJ C 429, 11.12.2020, p. 85.](#)

⁷ [COM\(2015\) 80 final, p. 13.](#)

⁸ [OJ C 429, 11.12.2020, p. 85.](#)

The "Energy security" chapter of the State of the Energy Union report

- 4.2 The Commission quite rightly pays great attention to the issue of security of supply and, in this connection, to energy security. Its importance for the economy is, after all, immeasurable. In addition to the classic question of import dependence, thought must be given first and foremost to resilience to external attacks, such as cybercrime. The latest research findings⁹ say on this that the best strategy for high resilience is to strengthen decentralised structures that have stand-alone capability. The Commission should take greater heed of these findings.
- 4.3 There is absolutely no doubt that green hydrogen will contribute in the future to a secure European energy system. The EESC refers to its opinions on the hydrogen strategy¹⁰ and the strategy for energy system integration¹¹.
- 4.4 Here too, it is important not only to think in terms of large-scale technologies (including the development of hydrogen import infrastructure). There are a multitude of innovative, environmentally-friendly and, above all, local/regional solutions that can be implemented directly on the ground (including regional production of hydrogen or synthetic e-fuels). This will increase security of supply, reduce dependence on imports, and promote local employment in the form of green jobs and added value in the regions. Micro, small and medium-sized enterprises should also be given the opportunity to participate in and benefit from the Green Deal, which will also increase acceptance of the Green Deal and energy transition.

The "Internal energy markets" chapter in the State of the Energy Union report and the progress report on the internal energy market

- 4.5 The Commission explains that the Clean Energy Package introduced more conducive arrangements for encouraging consumers to participate in energy markets and creating a level playing field for new entrants. In reality, however, the only provisions relevant here are those of the Directive on the internal electricity market. The extent to which the Member States have actually implemented these provisions cannot yet be ascertained. The Commission's conclusion is therefore premature. The EESC urges a serious evaluation of the important consumer participation goal, including with regard to the effects of distributive policy in terms of the participation of low-income households.
- 4.6 The Commission underlines the importance of market price signals, not least for investors. This is without doubt an important aspect. Nevertheless, a more nuanced view is needed here. Most wholesale electricity markets indicate short-term prices. Whether these prices send any signals to investors is a contested issue in energy economics. The EESC has pointed this out in previous opinions¹². It is therefore not appropriate for the Commission to refer to an "internal energy

⁹ See Hirschl, B., Aretz, A., Bost, M., Tapia, M., and Gößling-Reisemann, S. (2018): Vulnerabilität und Resilienz des digitalen Stromsystems. Schlussbericht. Berlin, Bremen, available for download at: www.strom-resilienz.de

¹⁰ [EESC Opinion TEN/718 on Hydrogen strategy](#) (not yet published in the OJ).

¹¹ [EESC Opinion TEN/717 on EU Strategy for Energy System Integration](#) (not yet published in the OJ).

¹² [OJ C 82, 3.3.2016, p. 13.](#)

market" indiscriminately here. A new market design, at least in the electricity sector, is essential for the success of the Energy Union. Full balancing responsibility for renewable energy alone will not be enough. The EESC therefore calls on the Commission to set out its ideas for a new market design as soon as possible. Care should also be taken to ensure that the same conditions apply to all market participants on balancing markets. This is also essential for the success of energy system integration¹³.

- 4.7 At the same time, it should be borne in mind that the objectives of security of supply and climate neutrality cannot be achieved by price signals alone.
- 4.8 In the progress report on the internal energy market, the Commission properly underscores the fact that enabling competition in generation and supply must remain a priority for national and EU energy policy. What exactly this means in practice remains, however, open to conjecture. To say that only market coupling can drive competition is erroneous and does not reflect European law as enshrined in the Clean Energy Package. When applying the principles of capacity allocation and congestion management set out in Article 16 of the Electricity Market Regulation, the geographical situation of the Member States should be taken into account, which could also justify a deadline extension for installing capacity. In any case, market access, especially for smaller players, is particularly important for active competition. Digitalisation, among other things, has a lot to offer here.
- 4.9 The Commission also states in the progress report on the internal energy market that, although thermal plants such as gas-fired power plants with combined heat and power can give the system important flexibility, poorly designed capacity mechanisms can seriously distort the internal market. In this regard, the EESC refers to the position it expressed in opinion TEN/625. It calls on the Commission to conduct a critical evaluation of the capacity mechanisms in place in the Member States, including in relation to compliance with the provisions of Article 22 of the Regulation on the internal market for electricity, which provide for a 550 g CO₂/kWh threshold, among other things.
- 4.10 The Commission states in the progress report on the internal energy market that transmission or distribution system operators were generally excluded from owning and operating electricity storage systems. The EESC has welcomed this decision in principle¹⁴, which should allow distribution system operators to own and operate electricity storage systems in the interests of the grid. Moreover, it considers that this must go hand in hand with the strengthening of smart markets, so that storage operators have an incentive to follow network operators' signals and to configure their storage in a way that serves the system. Network operators need incentives to emit the signals.
- 4.11 Distribution networks play a fundamental role in the deployment of smart markets and overall in the success of the energy transition. Therefore, EU energy policy must in future be more focused on modernising them.

¹³ [OJ C 364, 28.10.2020, p. 158.](#)

¹⁴ [OJ C 288, 31.8.2017, p. 91.](#)

- 4.12 The EESC agrees with the Commission that the prime aim of the Energy Taxation Directive 2003/96/EC is no longer being achieved. It therefore stands behind the Commission's intention and calls for an ambitious recast of this directive and other mechanisms to phase out fossil fuel subsidies and to internalise external costs.
- 4.13 The EESC again underscores the matter of energy poverty and calls on the Commission to enact specific measures that go beyond the abstract guidelines on definition and an observatory. The EESC has repeatedly stressed that widespread participation of citizens in the energy sector is one of a number of ways this situation can be remedied.
- 4.14 In this connection, the EESC reaffirms its position that a two-tier energy society is to be avoided at all costs. We cannot have a situation in which only affluent and technologically well-equipped households benefit from the energy transition and all the rest have to bear the costs. Citizens in energy poverty are not usually the strongest politically. The Commission therefore needs to do more to ensure that the Member States actively strive to effectively tackle energy poverty: both the energy Renovation Wave pursued in the building sector and the active involvement of citizens in the generation of renewable electricity can help to alleviate the problem. It should also be noted that the potential extension of emissions trading to the heating and transport sectors may have an impact on distributive justice.

The "Research & innovation and competitiveness" chapter in the State of the Energy Union report

- 4.15 The EESC fears that one reason for the EU's backwardness in some domains such as solar and lithium-ion batteries is insufficient demand. The EESC therefore calls on the Commission to broaden its strategy: the EU needs active industrial policy initiatives to end China's market dominance. For example, the Commission's proposal for a regulation on batteries is a step in the right direction. Moreover, decentralised structures should be strengthened in the future energy system. This is because this stimulates demand for batteries, for example, generates economies of scale and thus makes batteries attractive on price.

The "Energy Union in a broader Green Deal perspective" chapter in the State of the Energy Union report

- 4.16 The EESC supports the Commission's endeavours to promote ambitious climate agreements worldwide. This requires the introduction of a border countervailing duty in conjunction with ambitious and concrete incorporation of climate change (and other sustainability goals) in international trade agreements¹⁵.

The Communication on the assessment of NECPs

- 4.17 The EESC fails to grasp why the Commission confines its criticism of the insufficient appreciation of renewable energy potential to the offshore sector. It calls on the Commission to

¹⁵ [OJ C 81, 2.3.2018, p. 44.](#)

abandon its own one-sided preference for offshore technologies to the detriment of onshore photovoltaic and wind energy and to set out its own development strategies for the latter two.

- 4.18 The EESC welcomes the Commission's recognition of the potential of renewable energies for job creation. It stresses, however, that this potential will not be exploited to the full as a matter of course, but requires active policies, particularly on the quality of jobs. It is completely incomprehensible here that the Commission attaches so little attention to photovoltaics, especially when, as stated in the Communication, this is the most employment-intensive sector.
- 4.19 The EESC calls on the Commission, in the forthcoming revision of the Renewable Energy Directive, to draft tendering rules so as to make it easier for renewable energy communities and SMEs to bid.
- 4.20 The EESC agrees with the Commission that investment in low-temperature district heating systems is desirable as a matter of urgency. An initiative should be launched to this end.
- 4.21 Carbon reductions are an important instrument for climate change mitigation. However, concerns expressed in Member States' NECPs about increasing natural disturbances must be taken seriously. LULUCF credits should therefore only be seen as complementary to other mitigation options.

Brussels, 24 March 2021

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