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Third edition
The 'EU Legislation in Progress' briefings are updated at key stages throughout the legislative procedure. Please note this document has been designed for on-line viewing.

Effort sharing regulation, 2021-2030

Limiting Member States' carbon emissions

In July 2016, the European Commission presented a proposal for a regulation to limit post-2020 national emissions of greenhouse gases (GHG) in sectors not covered by the EU emissions trading system (ETS). These include transport, buildings and agriculture.

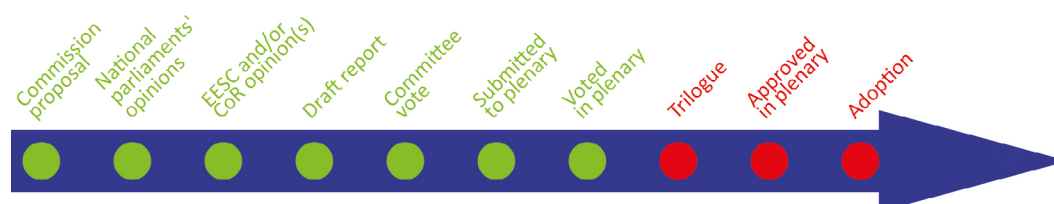
The proposed regulation would be the successor of the Effort Sharing Decision that sets annual national GHG emission limits for the period 2013-2020. The proposed regulation is part of the EU's efforts to reduce its GHG emissions by at least 40% below 1990 levels by 2030. This target was set by the European Council in October 2014, and also constitutes the EU's international commitment under the 2015 Paris Agreement on climate change.

The European Parliament adopted its position on 14 June 2017, and the Council is expected to adopt its position during the Estonian Presidency, enabling the start of trilogue negotiations.

Proposal for a Regulation of the European Parliament and of the Council on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 for a resilient Energy Union and to meet commitments under the Paris Agreement and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change

COM(2016) 482, 20.7.2016, 2016/0231(COD), Ordinary legislative procedure (COD, Parliament and Council on equal footing – formerly 'co-decision')

Committee responsible:	Environment, Public Health and Food Safety (ENVI)
Rapporteur:	Gerben-Jan Gerbrandy (ALDE, The Netherlands)
Shadow rapporteurs:	Pilar Ayuso (EPP, Spain), Miriam Dalli (S&D, Malta), Ian Duncan (ECR, United Kingdom), Kateřina Konečná (GUE/NGL, Czech Republic), Bas Eickhout (Greens/EFA, The Netherlands), Eleonora Evi (EFDD, Italy), Jean-François Jalkh (ENF, France)
Next steps expected:	Adoption of Council position and trilogue negotiations



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Introduction

On 20 July 2016, the European Commission presented a [legislative proposal](#) for GHG emission reductions in the non-ETS sector (known as the 'Effort Sharing Regulation'), along with a legislative [proposal](#) concerning GHG emissions and removals from [land-use and forestry](#), a [communication](#) on accelerating Europe's transition to a low-carbon economy and a [European strategy for low-emission mobility](#).

The new proposals are part of a series of legislative initiatives to enact the EU's climate and energy policy for the period after 2020, based on the targets agreed by the European Council in 2014 and the EU's international commitments under the Paris Agreement on climate change.

The proposed Effort Sharing Regulation (ESR) would set national limits on Member States' GHG emissions for the 2021-2030 period in sectors not covered by the EU ETS. It is the successor of the Effort Sharing Decision (ESD) that covers GHG emissions in the period 2013-2020. It would cover more than half of the GHG emissions in the EU.

Context

The proposed Effort Sharing Regulation is part of EU climate policies and the EU Energy Union strategy. These aim to reduce the EU's GHG emissions and contribute to the transformation towards a low-carbon economy.

The EU has set targets for reducing its greenhouse gas emissions. The long-term objective for 2050, agreed by the European Council in 2009, is an 80-95% reduction in GHG emissions compared to 1990. In the short to medium term, the EU aims to reduce GHG emissions by 20% by 2020, and by at least 40% by 2030.

The 20% target for 2020 is to be achieved by a 21% reduction in GHG emissions in the sectors covered by the EU ETS (compared to 2005) and by a 10% reduction in the non-ETS sector (compared to 2005).¹ The ETS sector comprises energy industries, large industrial installations and aviation. Emission reductions in the non-ETS sector are broken down into national targets for all EU Member States under the Effort Sharing Decision (see next section). These targets are complemented by a 20% target for the share of renewable energy in total EU final energy consumption and a 20% target for energy efficiency (energy consumption compared to business-as-usual projections), both to be achieved by 2020. EU climate legislation includes the [ETS](#) (recently reformed with the introduction of a future [market stability reserve](#)), [ecodesign and energy labelling](#), the [Renewable Energy Directive](#), the [Energy Efficiency Directive](#), the [Fuel Quality Directive](#), CO₂ limits for [cars](#) and [vans](#), and legislation on [fluorinated gases](#).

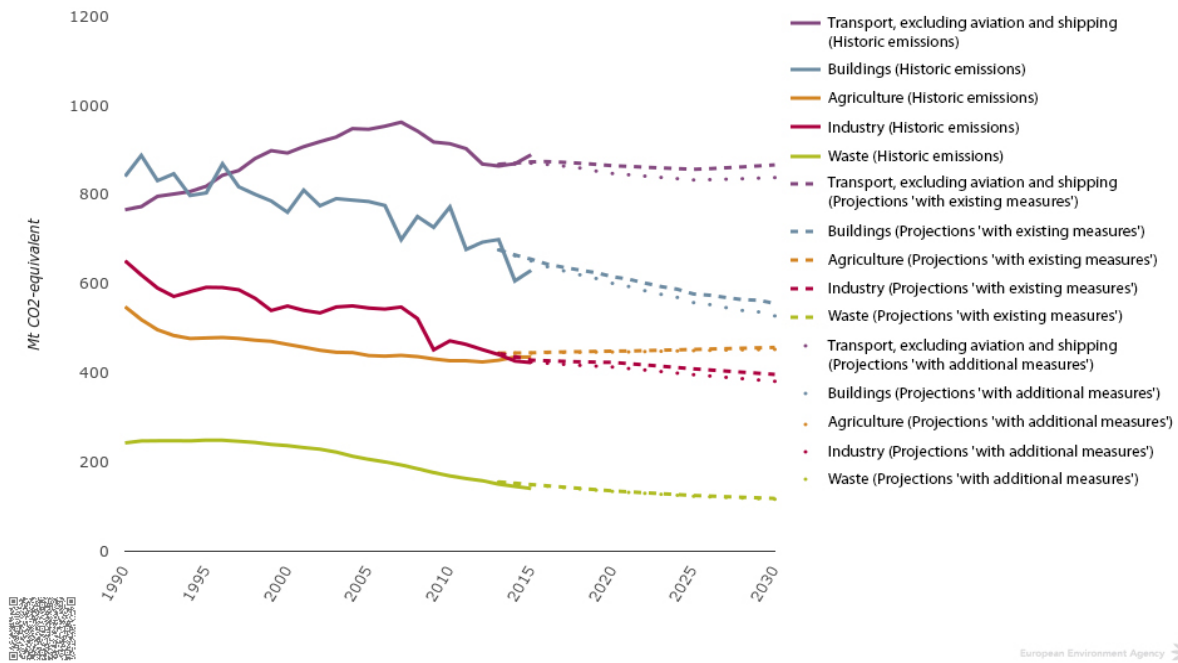
The EU participates in international efforts to reduce GHG emissions under the UN Framework Convention on Climate Change (UNFCCC). The Kyoto Protocol to the UNFCCC commits developed nations to GHG emissions reductions in the period up to 2020. In December 2015, the Parties to the UNFCCC adopted the

¹ The targets for the ETS and non-ETS sectors have 2005 as the base year because it is the first year in which the EU ETS was operational. The base year for the EU-wide targets is 1990, which is also the base year for the Kyoto Protocol. EU-28 GHG emissions in 2005 were 7.9% lower than in 1990.

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[Paris Agreement](#), a legally binding climate agreement that applies to all countries and aims to limit global warming to well below 2 degrees Celsius, making efforts to stay below 1.5 degrees.

Figure 1 – GHG emission trends and projections under the scope of the Effort Sharing Decision, 1990-2030



For the 2016-2030 period, dashed lines represent projections with existing measures; dotted lines represent projections with measures planned but not yet adopted as of August 2015.

Source: [Trends and projections in Europe 2016](#), European Environment Agency.

In October 2014, the European Council set the EU climate and energy targets for the period up to 2030, notably a 40% reduction in emissions of greenhouse gases, compared to 1990 levels. This target also serves as the EU's [international commitment](#) under the Paris Agreement. It is to be achieved by reducing GHG emissions in the ETS sector by 43% below 2005 levels, and emissions in the non-ETS sector by 30% below 2005 levels.

The Energy Union strategy, adopted by the Commission in February 2015 and endorsed by the European Council, sets a holistic framework for the achievement of the targets, while also ensuring that energy supplies are secure and affordable.

The EU is currently in the process of reviewing and updating most of its climate-related legislation to bring it into line with the 2030 targets. The process started in July 2015 with a [proposal for reforming the EU ETS](#), aiming at a 43% reduction in emissions of greenhouse gases in the ETS sector, compared to 2005 levels. The ETS sector accounts for some 45% of GHG emissions in the EU. New legislation on [energy efficiency labelling](#) was also proposed in July 2015. Moreover, the Commission published an [EU heating and cooling strategy](#) in February 2016. In July 2016, the Commission published a proposal to make the EU's land-use

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and forestry sector carbon-neutral during the next decade and a strategy for low-emission mobility. In November 2016, it presented a [legislative package](#) entitled 'clean energy for all Europeans'. Proposed EU legislation on [waste and the circular economy](#) would also have an impact on GHG emissions from the waste sector.

Existing situation

Within the 2020 climate and energy framework mentioned above, the Effort Sharing Decision ([406/2009/EC](#)) sets binding annual GHG emission targets for Member States for the 2013-2020 period. The national emissions targets for 2020 have been agreed unanimously by Member States.

The ESD concerns emissions from most sectors not included in the EU ETS, such as transport (except aviation and international maritime shipping), buildings, small industry, agriculture and waste. In 2013, these sectors accounted for more than 55% of GHG emissions in the EU. However, emissions from land use, land-use change and forestry (LULUCF) are not included in the Effort Sharing Decision.

It is up to Member States to implement policies to achieve their national targets, supported by EU policies (such as ecodesign or emission limits for cars).

By 2020, the [national targets](#) aim for a reduction of around 10% in total GHG emissions from the sectors covered compared with 2005 levels. GDP per capita has been used as the main criterion when setting the national targets, in order to distribute efforts and costs in a fair and equitable manner. The wealthier Member States have to reduce their emissions by up to 20%, while the less wealthy ones may increase them by up to 20% above 2005 levels, in order to allow for faster economic growth. Croatia, which joined the EU on 1 July 2013, is allowed to increase emissions by 11%.

Besides the national emission reduction targets for 2020, annual emission allocations (AEA) limit the amount of GHGs (in tonnes) that each Member State may emit in each year from 2013 to 2020. The ESD specifies how the AEAs are to be calculated. The AEAs for each Member State and year were [approved](#) by the EU Climate Change Committee (representatives of EU Member States) in October 2012, adopted by the Commission in March 2013 and adjusted in October 2013.

Member States must provide annual reports on their past and projected emissions and on planned additional national policies and measures. A Member State will have to take corrective action if it exceeds its AEA after taking flexibilities into account. Progress is monitored in the annual European Semester policy coordination exercise.

To increase the cost-effectiveness of their emissions paths, Member States are allowed some flexibility in meeting their AEAs. Within a Member State, over-achievement of the target for a given year can be carried over to subsequent years, up to 2020, and an emissions allocation of up to 5% from 2013 to 2019 may be brought forward from the following year's AEA. Under certain conditions, Member States may transfer part of their AEA for a given year to other Member States. Member States may also use international credits from the Clean Development Mechanism and Joint Implementation under certain quantitative and qualitative conditions. So far, Member States have not made any use of these flexibilities.



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The Monitoring Mechanism Regulation (EU) No [525/2013](#) lays down the rules for monitoring and reporting Member States' GHG emissions, in line with UNFCCC rules and Kyoto Protocol requirements.

Effectiveness of the Effort Sharing Decision

The EU is on track to achieve its 2020 targets for emissions reductions in the ESD sectors. Total 2014 emissions in the ESD sectors were 12.9% below 2005 emissions, over-achieving the 2020 target. GHG emissions in 2013 and 2014 over-achieved the annual limits in all Member States. In all but four Member States (Luxembourg, Ireland, Belgium and Austria), projected emissions for 2020 meet the domestic targets set under the Effort Sharing Decision. These four Member States would have to implement additional policies or make use of the flexibility mechanisms in the ESD, in order to achieve these domestic targets.

The Commission's [evaluation report](#) on the implementation of the ESD, tabled together with the proposal, finds that the ESD targets appear to have been effective in stimulating climate policy at Member State level, although there is insufficient evidence to quantify its impact on EU GHG emissions. It finds that the ESD is coherent with other EU climate and energy policies.

The Commission projects that emissions reductions in the non-ETS sector will reach 24% by 2030 (compared to 2005 levels) under current policies, and argues that national targets are required to drive additional emissions reductions in the 2021-2030 period.

Parliament's starting position

The European Parliament [resolution of 5 February 2014](#) on the 2030 climate and energy framework calls for an ambitious EU climate policy, including strong targets for renewable energy and energy efficiency. It notes significant unused potential for increasing energy efficiency in non-ETS sectors, notably buildings and transport. The resolution asks for a comprehensive EU policy framework to encourage investment in the decarbonisation of non-ETS sectors and a continuation of the effort-sharing framework while preserving Member States' flexibility on how to achieve their targets.

Council and European Council starting position

The [European Council conclusions](#) of October 2014 set out emissions reductions in the non-ETS sectors of 30% compared to 2005 levels. They call for the continuation of the ESD methodology until 2030 and for enhanced flexibilities. The Commission's proposal closely follows the guidelines set by the European Council.



Proposal

Preparation of the proposal

A [public consultation](#) was held from 26 March to 18 June 2015. It received 114 formal replies from stakeholders and Member States. Member States were consulted in four meetings of the Climate Change Committee working groups. The consultations focussed on enhancing flexibility mechanisms.

The [impact assessment](#) for the proposal complements the analysis of the impact assessment for the 2030 climate and energy framework. It shows that flexibilities from the ETS and land-use (LULUCF) sectors need to be limited in order to make sure that real additional action is taken in the non-ETS sectors. The proposal was also informed by the Commission's [evaluation](#) on the implementation of the ESD.

The changes the proposal would bring

The [proposed regulation](#) would establish a legal framework for GHG emissions from the non-ETS sectors for the period from 2021 to 2030. As with the existing ESD, these sectors comprise transport, buildings, agriculture, small industry and waste. The scope remains unchanged and includes the greenhouse gases carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), HFCs, PFCs, NF₃ and SF₆.

The proposal sets national GHG reduction targets for each Member State, which add up to a 30% reduction in GHG emissions by 2030 compared to 2005. Like with the ESD, GDP per capita has been used as the main criterion when setting the national targets, in order to ensure fairness and cost-effectiveness. Among the wealthier Member States, cost-effectiveness has also been taken into account. The national targets range from 0% for Bulgaria to a 40% reduction for Luxembourg and Sweden.

The proposal also sets out how the annual emission allocations (AEAs) in tonnes for each year from 2021 to 2030 are to be calculated. There would be an annual linear reduction from the starting point to the emission targets for 2030. The starting point would be the average annual emissions in the 2016-2018 period (the latest data that will be available in 2020). For Member States which were allowed to increase their emissions between 2013 and 2020, the starting point would be adjusted upwards.



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The changes the proposal would bring

Table 1 – Member State's GHG reduction targets and maximum annual flexibilities

	2030 target compared to 2005	Maximum annual flexibility (as a % of 2005 emissions)	
		One-off flexibility from Emissions Trading System to Effort Sharing Regulation	Flexibility from land use sector to Effort Sharing Regulation*
LU	-40%	4%	0.2%
SE	-40%	2%	1.1%
DK	-39%	2%	4.0%
FI	-39%	2%	1.3%
DE	-38%		0.5%
FR	-37%		1.5%
UK	-37%		0.4%
NL	-36%	2%	1.1%
AT	-36%	2%	0.4%
BE	-35%	2%	0.5%
IT	-33%		0.3%
IE	-30%	4%	5.6%
ES	-26%		1.3%
CY	-24%		1.3%
MT	-19%	2%	0.3%
PT	-17%		1.0%
EL	-16%		1.1%
SI	-15%		1.1%
CZ	-14%		0.4%
EE	-13%		1.7%
SK	-12%		0.5%
LT	-9%		5.0%
PL	-7%		1.2%
HR	-7%		0.5%
HU	-7%		0.5%
LV	-6%		3.8%
RO	-2%		1.7%
BG	0%		1.5%

*Estimate, limit is expressed in absolute million tonnes over 10 years.

Source: [European Commission](#).



In addition to the flexibilities provided for in the ESD (banking, borrowing, buying and selling), the proposal introduces two new flexibilities (see also Table 1).

- > A new one-off flexibility related to the EU ETS allows some Member States to achieve their targets with ETS allowances that would otherwise be auctioned, within strict limits and not exceeding 100 million tonnes CO₂ at EU level over the 2021-2030 period. In order to ensure predictability, Member States must notify the Commission before 2020 how much of this flexibility they will use.
- > In order to encourage afforestation and to account for the fact that the agricultural sector has limited potential for emissions reductions, Member States would be allowed to use GHG removals² from the LULUCF sector towards their obligations under the proposed Effort Sharing Regulation. However, this amount is limited to 280 million tonnes of CO₂ at EU level over the 2021-2030 period, in order not to discourage emissions reductions in the sectors falling under the proposed Effort Sharing Regulation. Member States with a larger agricultural sector would have greater flexibility.

However, Member States would not be allowed to use surplus AEAs from the 2013-2020 period after 2020.

As with the current ESD, reporting and compliance would be annual. Member States which are not on track to achieving their targets must submit an action plan. If a Member State does not meet its obligation in a given year after taking account of flexibilities, the shortfall would be multiplied by 1.08 and added to the following year's obligation. If a Member State's emissions in the land-use (LULUCF) sector exceed the removals, a corresponding number of AEAs would be deducted.

However, formal compliance checks would take place only every five years (instead of every year as under the current ESD), so that the administrative burden is reduced. A review of the regulation should take place in 2024 and every five years thereafter, in order to be synchronised with the five-year review cycle of the Paris Agreement.

The proposal also includes an amendment of the Monitoring Mechanism Regulation to make sure that the reporting requirements related to the ESD are continued after 2020.

Norway and Iceland, which also participate in the EU ETS and want to implement their commitments under the Paris agreement jointly with the EU, have expressed an interest in participating in the Effort Sharing Regulation. On the other hand, it is not yet clear how the outcome of the United Kingdom referendum on EU membership will affect the UK's participation in the ESR and other EU climate policies.³ As the UK is still a full Member of the EU, it has been given a reduction target (37%) in the Commission proposal.

² The land-use sector (managed cropland, forestry etc.) can be responsible for GHG emissions (for example from deforestation or draining of wetlands) as well as removals of GHG from the atmosphere (notably CO₂ which is absorbed by plant growth and agricultural soil management).

³ Carbon Brief has produced an [analysis](#) of the possible consequences of Brexit for EU climate policies.

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Views

Advisory committees

The European Economic and Social Committee (EESC) adopted its [opinion](#) (rapporteur: Tellervo Kylä-Harukka-Ruonala, Employers – Group I, Finland) on the ESR and LULUCF proposals on 14 December 2016. The EESC welcomes the Commission's proposals and agrees that differences between Member States must be taken into account to ensure fairness and cost-effectiveness. To achieve genuine cost-effectiveness in a fair way, targets should be set in such a way that the relative costs for each country are the same. The EESC considers it important to introduce and further develop flexibility mechanisms.

The [Committee of the Regions](#) (rapporteur Juri Gotmans, PES, Estonia) adopted its opinion on the ESR and LULUCF proposals on 22 March 2017. It highlights the decisive role of local and regional authorities in the sectors covered by the proposed regulations; stresses that all Member States and economic sectors contribute to achieving the emission targets, considering fairness and solidarity; calls on the Commission to address the problems of regions with high dependence on fossil fuel use or energy-intensive industries; warns that flexibility should not lead to an increase in some Member States' emissions; and proposes that funding opportunities be extended to the local and regional level.

National parliaments

None of the 21 parliaments from 17 Member States that [scrutinised](#) the proposal raised subsidiarity concerns by the deadline on 27 October 2016.

Stakeholders' views⁴

Environmental NGOs⁵ are generally critical of the proposal, which they consider as lacking ambition. They are also critical of the proposed flexibilities, which they consider as loopholes to avoid substantial emissions reductions. Ahead of the Commission proposal, [a group of NGOs](#) published an analysis of the potential effects of different flexibilities.

Stakeholders⁶ have pointed out the potential of different sectors in contributing to the EU's climate objectives and called for corresponding policy interventions. [Eurelectric](#) said the EU electricity industry welcomes the proposal and praises the clarity about flexibilities related to the ETS sector, which in their view enhances predictability.

4 This section aims to give a sense of the debate on the issues surrounding the legislative file and cannot provide an exhaustive account of all the different views expressed. Additional information can be found in related briefings listed under References below.

5 See the press releases from [European Environmental Bureau](#), [WWF](#), [Sandbag](#), [Friends of the Earth](#) and [Climate Action Network Europe](#).

6 See press releases from [No Harm Europe](#) and [European Public Health Alliance](#) (health), [IFOAM](#) (organic farming), [European Insulation Manufacturers Association](#) (buildings) and [Zero Waste Europe](#) (waste).



Legislative process

The Commission forwarded the legislative proposal to Parliament and Council on 20 July 2016. The European Parliament's Committee on Environment, Public Health and Food Safety (ENVI) appointed Gerben-Jan Gerbrandy (ALDE, The Netherlands) as rapporteur and adopted its [report](#) on 30 May 2017. The committees on Industry, Research and Energy (ITRE), Transport and Tourism (TRAN) and Agriculture and Rural Development (AGRI) adopted opinions on the proposal.

The European Parliament voted on its [first reading position](#) in plenary on 14 June 2017. The amendments adopted introduce a more stringent linear trajectory for the 2021-2030 period, with 2018 as the starting point, and adds a long-term linear trajectory for the post-2030 period, reaching 80 % emission reductions for each Member State by 2050. For the years 2021-2025, the level of 'borrowing' would be increased from 5 % to 10 % (compared to 5% for the entire 2021–2030 period in the Commission proposal). Banking of unused emissions allocations would be limited to 10 % of the annual allocation between 2021 and 2025, and to 5 % between 2026 and 2029. Between 2026 and 2030, Member States would be allowed to transfer a larger part (10 %, compared to 5 % in the Commission proposal) of their annual allocation to other Member States. Member States' compliance would be checked every two years (compared to only two compliance checks, in 2027 and 2032, in the Commission proposal). Parliament proposed an 'early action reserve' – limited to a total 90 million AEAs – that would take into account pre-2020 action from Member States with below-average GDP per capita. They would be able to use a limited number of emission cuts made before 2020 for compliance in the 2026–2030 period. The Commission would have to report on the appropriateness of the EU climate legislation after the 2018 UNFCCC facilitative dialogue provided for in the Paris Agreement. The Commission would also have to report on the climate impact of EU funding by January 2019. The title of the regulation would be changed to 'Climate Action Regulation implementing the Paris Agreement'. Parliament approved the negotiating mandate for trilogue negotiations on the basis of the amended text.

The Environment Council discussed the ESR and LULUCF proposals on [17 October](#) and on [19 December](#) 2016. The issues discussed included the methodology used to set national targets, the appropriateness of the starting point for the linear trajectory, and flexibilities. The Agriculture Council [discussed](#) the agricultural aspects of the proposals on 12 December 2016. Ministers agreed that agriculture can contribute to the fight against climate change, but stressed that the achievement of climate targets must be compatible with sustainable food production and food security. Work in Council has continued at technical level.

The Environment Council held a further [policy debate](#) on the ESR and LULUCF proposals on 19 June 2017. Among the issues discussed was a new 'safety reserve', similar to the 'early action reserve' proposed by Parliament. Council expects to adopt a position before the end of the year, enabling the start of interinstitutional trilogue negotiations.



References

EP supporting analysis

[Effort sharing: greenhouse gas emission reductions by Member States \(2021-2030\): Initial Appraisal of a European Commission Impact Assessment](#), EPRS, December 2016

Other sources

[Binding annual greenhouse gas emission reductions by Member States from 2021 to 2030](#), European Parliament, Legislative Observatory (OEL).

[Enhanced flexibility in the EU's 2030 Effort Sharing Agreement: issues and options](#), Oliver Sartor et al., Climate Strategies, March 2015.

[Enhanced flexibilities for the EU's 2030 Effort Sharing Decision](#), Jakob Graichen et al., Öko-Institut, June 2015.

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