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EU Emissions Trading System (EU-ETS): cost-effective emission reductions and low-carbon investments

Impact Assessment (SWD (2015) 135 final / SWD (2015) 136 final) accompanying a Commission proposal for a Directive of the European Parliament and of the Council amending Directive 2003/87/EC to enhance cost-effective emission reductions and low carbon investments (COM (2015) 337 final).

Background

This note provides an initial analysis of the strengths and weaknesses of the European Commission's Impact Assessment (IA) accompanying the above proposal which was adopted on 15 July 2015 and has been referred to the Committee on Environment, Public Health and Food Safety.

The EU Emissions Trading System ([EU ETS](#)) is the largest international trading system for greenhouse gas emission allowance. The ETS Directive was adopted in 2003 (and revised in 2009); it took effect in 2005 and now covers all EU Member States plus Iceland, Lichtenstein and Norway. The aim is to cut greenhouse gas emissions by 80 to 95 per cent compared to 1990 by 2050¹. The ETS works by putting a limit on the overall emissions from sectors included in the scheme and, ideally, these are reduced every year. Within the limits, companies can buy and sell emission allowances when needed (i.e. cap and trade approach). While until 2012 most allowances were given out for free by using the 'grandfathering' approach - based on historical Greenhouse Gas Emissions (GHG) -, since 2013, the system has operated through a benchmarking approach based on performance. A detailed overview of the mechanisms governing the ETS and its operation to date can be found in the EPRS Implementation Appraisal '[Climate action. Greenhouse Gas Emissions and the EU Emission Trading System](#)', published in September 2015.

The current proposal forms part of the Commission's 2015 Summer Energy Package² and is for a structural reform of the EU ETS. It complements a parallel proposal, on the [Market Stability Reserve](#) (MRS), adopted by the Commission in January 2014. The European Parliament adopted its first reading position on that proposal on 8 July 2015, on the basis of an agreement reached following negotiations with Council. The MRS is mainly intended to trigger adjustments to the annual auction volumes in situations where the total number of allowances in circulation is outside a certain pre-defined range. In its [Resolution of 14 March 2013 on the Energy Roadmap 2050](#) the European Parliament recognised that the ETS is the principal instrument for reducing industrial greenhouse gas emissions and promoting investment in safe and sustainable low-carbon technologies. In its [Resolution of 5 February 2014 on a 2030 framework for climate and energy policies, it supported](#) the establishment of a new binding CO₂ reduction target, based on a revised and well-functioning ETS.

Problem definition

One of the main drawbacks of the ETS, as emerged especially during phase 3 of its operation, is the surplus of allowances - around 2.1 billion - which is expected to grow further in the coming years to over 2.6 billion allowances by 2020. Ensuring the long term goal of a low-carbon economy and emission reduction of 80 to 95 per cent by 2050 requires - as clearly stated by the IA - the establishment of a binding EU target of at least 40 per cent domestic

¹ In total, around 45 per cent of emissions from the 28 EU countries are limited by the ETS.

² see EPRS At a Glance 'The Commission's Summer Energy Package'.

reduction by 2030 compared to 1990, and a corresponding emission reduction target for the sectors in the ETS of 43 per cent compared to 2005. This is to be complemented by a change in the annual linear reduction factor, reducing the EU ETS cap from 2021 onwards and the share of allowances to be auctioned. This general intention was supported by the [European Council strategic guidance](#) in its conclusions on the Climate and Energy Policy framework in October 2014.

According to the IA, the problem to be addressed is therefore how to adapt the relevant provisions of the current ETS Directive for the period post 2020, notably in the light of the European Council's October 2014 agreement on the 2030 climate and energy framework, while further improving the system based on lessons learnt. The impact assessment of the 2030 climate and energy framework already performed the general problem analysis concerning EU climate policy targets for 2030 and the ETS in general. The Impact Assessment which is the subject of this initial appraisal therefore concentrates on more specific issues arising. In particular, it considers the **free allowances** given to industry in order to address the potential risk of **carbon leakage**. Carbon leakage is defined as a '... situation that may occur if, for reasons of costs related to climate policies, businesses transferred production to other countries which have laxer constraints on greenhouse gas emissions. This could lead to an increase in their total emissions...' (IA Annex, p.96). The problem in this respect is how to establish future rules in order to ensure optimal allocation of the 6.3 billion free allowances available, based on the principles defined by the European Council. Finally, the European Council agreed to create three **low carbon funding mechanisms (Innovation Fund, Modernisation Fund and free allocation to promote investments for modernising the Energy sector)**. The issue here is seen as being to define how best to design those mechanisms.

The identification of the main problems in need of EU action is further supported by evidence from ex post evaluation as presented in the Annex section of the IA (pp.96-226).

Objectives of the legislative proposal

The *general* objective of the Commission proposal, as recalled in the overall definition of the policy problem underpinning the renewed EU action in this domain, is part of the larger aim of the renewed climate and energy package, i.e. limiting global average temperature increase to no more than 2 degrees Celsius above pre-industrial level. The declared *specific* objective of the proposal is to align the EU ETS architecture with the 2030 emission reduction targets and refine and improve the EU ETS post-2020 framework. *Operational* objectives are presented for each cluster of issues as presented above. Thus, elements of *free allocation and carbon leakage* are operationalised via a series of more specific objectives - in line with the [European Council conclusions of October 2014](#). In particular, the revisions introduced in the new proposal aim to:

- Better reflect technological progress in the industry sector;
- Preserve the incentives for industry to innovate;
- Increase the efficiency of installations;
- Guarantee a better alignment with production levels;
- Avoid windfall profits and,
- Avoid increasing administrative complexity.

The IA sets the following operational objectives to underpin the establishment of renewed low-carbon funding mechanisms:

- Achieve breakthrough innovation in the energy and industry sectors in Europe;
- Address financial barriers and provide incentives to commercial-scale low-carbon FOAK projects;
- Avoid distortion of competition ;
- Set up an efficient, simple management structure.

The IA uses the operational objectives to derive criteria for comparing policy options and assessing their impacts.

Range of options considered

The complex nature of the policy issues targeted by this legislative proposal leads to the presentation of policy options in the form of 'options packages', the constitutive elements of which reflect the operational objectives. Thus, for the free allocation issue, the IA considers only the most important elements in the different option packages (i.e. those

making up the so called 'allocation formula'). The tables below summarise the main option packages as presented in the IA for two of the main issues under consideration:

Table 1. Overview of the range of options considered for free allocation and for addressing the risk of carbon leakage, beyond the 'no policy change' option

Elements of the 'allocation formula' Option Packages	Benchmark update	Carbon Leakage groups and criteria / Cost pass-through rates	Production levels and reserve for new entrants	Indirect cost compensation
Baseline B bis: Current rules continued with adjustment of carbon leakage criteria	Once before 2021 based on real data	2 groups: - 100% - CL-exposed; - 30% - non CL-exposed Somewhat modified criteria and thresholds as in Phase 3	1 NIMs exercise for 10 years; Same rules for capacity changes and (partial) cessations New entrant reserve: 5% minus Innovation	National compensation (subject to state aid rules)
Simple	Reducing all benchmark values by a same uniform percentage to reflect technological development	No groups, '100% of costs not passed through' reflected by default value. No criteria needed	1 NIMs exercise for 10 years. Annual adjustments for significant production level changes (both directions: up and down)	National compensation (subject to state aid rules)
Limited changes	Once before 2021 based on real data	4 groups according to cost pass through capability with fixed allocation rates Emission intensity and trade criteria	2 separate NIMs exercises for 5 years each. Annual adjustments for significant production level changes (both directions)	National compensation (subject to state aid rules)
Targeted	Two updates (before 2021 and mid-term) based on real data	4 groups according to cost pass through capability with fixed allocation rates Emission intensity and trade criteria	2 separate NIMs exercises for 5 years each. Annual adjustments for significant production level changes (both directions)	Mandatory financial support by Member States from auction revenues

(source: IA, p. 40)

In addition to the option packages presented above, including the 'Baseline B bis' option, the IA report also refers to two other 'baseline' scenarios: 'Baseline A' reflects the unchanged ETS Directive, but does not correspond to the European Council conclusions and is therefore not assessed. 'Baseline B' assumes the current rules are prolonged to the next phase and all packages are assessed compared to it.

Given the number of elements constituting each of the options – and therefore the possibility of variation within each of them - the IA reflect in a rather detailed way the different policy alternatives at stake. In the IA, four option packages, beyond the 'no policy change' option, are presented and further considered in the Annex section so as to analyse the aspects applying to different sectors of the industry. The IA has a rather 'open-ended' character when it comes to the issue of suggesting the preferred option. No option package is presented as ruling out the others on the basis of the objectives considered, the IA suggesting rather that the decision-makers could opt to select elements from the different option packages in order to better accommodate the different operational objectives. The issue of low-carbon funding mechanisms - consisting of the establishment of an 'Innovation Fund', a 'Modernisation Fund', and a system for the optional free allocation to the power sector - is given similar treatment. The IA organises the different options in the form of packages, so as to make sense of the rather high level of complexity.

Therefore, the option packages considered for the innovation fund take account of the elements of 'project screening', 'conditionality of awards', 'type of instrument' and 'maximum funding rate'. Four alternative options are offered beyond the baseline scenario (no policy change):

Table 2. Overview of option packages for the *Innovation Fund*

	Screening of projects		Conditionality of awards	Type of instrument / risk approach	Maximum rate of funding
Alternative baseline Current rules continued	Innovation	Performance (CPUP)	Achieving operational performance (funds awarded based on realising 75% of performance)	Grant (2-4 rounds / calls for proposals)	Up to 50% of additional costs
Option 1 Amended approach for all sectors with tailoring for industry	For industry: Innovation AND Replicability Current rules for RES and CCS	Performance (CPUP) potentially complemented with "innovation criterion" for industry	Achieving milestones in construction phase AND Operational performance	Grant (2-4 rounds / calls for proposals)	Up to 75% of additional costs
Option 2 Permanent financing facility	Innovation	Selection based on due diligence - projects are approved on 1st come 1st served basis if eligible	Not award but financial instrument	Financial instrument with continuous open window	Not applicable, depends on design of financial instrument

(source: IA, p. 61-62)

Similarly, the options packages suggested for the Modernisation Fund account for the factors of 'eligibility and selection criteria' and 'investment guidelines and monitoring', resulting in three alternatives beyond the baseline scenario:

Table 3. Overview of option packages for the *Modernisation Fund*

	Eligibility and Selection Criteria	Investment Guidelines & Monitoring done by	Day-to-Day Management done by
Option 1	Implementing legislation: general principles; Steering board of beneficiary MS decides further details	Steering board of Beneficiary MS	Financial instruments: beneficiary MS approval; EIB advisory role Grants: COM organizes call for proposals; EIB performs due diligence
Option 2	Steering board of COM and 28 MS	Steering board of COM and 28 MS with input from EIB	Financial instruments: EIB acts as fund manager Grants: COM organizes call for proposals; EIB performs due diligence
Option 3	Implementing legislation: detailed principles	COM	Grants: beneficiary MS approve project pipeline; COM organizes call for proposals; EIB performs due diligence

(source: IA, p. 74-75)

Four Option Packages are presented for the revision of the system for the allocation to promote investments in the power sector. These are based on alternative solutions as to the 'timing of investments', the criteria for the 'selection of investments', the 'auctioning of unused allowances' and the system of 'reporting'.

The presentation of the range of options appears rather balanced and well analysed, especially considering the number of elements at stake and the overall complexity of the topic. This is also reflected in the way the different option packages are compared (end of sect. 7 and 8); thus, in the absence of a clearly declared 'preferred option', the IA suggest that the decision-makers select elements from the different option packages presented, rather than building exclusively on one or other.

Scope of the Impact Assessment

The IA is based on a two-fold structure, presenting the analysis of impacts for the issues of free allocation and low-carbon funding mechanisms respectively. The IA addresses what are seen to be all relevant impacts of the proposed option packages, in particular environmental, economic and social, including the impact in terms of administrative burdens. Impacts of the different option packages are analysed against the 'baseline B' scenario option, meaning the continuation beyond 2020 of the current rules governing the ETS system. The IA further assesses the potential effects of the proposed actions in a more detailed manner (including quantification) in the Annex part, where the impacts on

different sectors of different option packages for free allocation are analysed, as well as the impacts for creating the Innovation and Modernisation Funds.

Environmental impacts

The IA affirms that the potential impacts on the environment depend on the overall ambition of the '2030 Energy and Climate package', and thus of the ETS itself. When it comes to the relative impact of the different option packages, the report also states that no significant differences have been identified between policy option packages for free allocation in terms of environmental impacts, because these mainly depend on the overall emission reduction of 43 per cent in 2030 determined by the cap.

The possible environmental impacts of the Innovation Fund (irrespective of the chosen option) are claimed to be positive in terms of increased use of renewable energy resources, improved energy efficiency, local air quality and also expected health benefit. Similarly, the creation of a Modernisation Fund would trigger both environmental and health benefits compared to the baseline scenario; this is especially due to favouring investments in energy efficiency and modernising the power sector.

Social Impacts

The analysis of social impacts has been undertaken and is presented in detail in Annex 8.2. It concluded that the estimated impacts across different option packages are limited in nature. Nonetheless, the IA states that the establishment of the Innovation and Modernisation Funds is expected to have positive impacts on employment. Figures are provided in tables for the different options (pp. 188-192). The impacts on the energy prices for households that are supplied by district heating covered by the ETS were also assessed (Annex 8.2). Overall, the estimated impacts of the 'Simple' option package compared to 'Baseline B' are reductions in heating prices of EUR 0.77/GJ (almost three per cent of the baseline price).

Economic impacts

The analysis carried out in the context of the 2030 climate and energy framework included detailed modelling of economic impacts, including sectoral impacts; this concluded that free allocation of allowances would be an effective means of reducing the risk of carbon leakage and preserving the output of the industries concerned. In monetary terms, the economic impact of free allocation modalities is estimated to be a potential amount of EUR 160 billion. The impact of the ETS rules on the competitiveness of installations is assessed in the IA through the analysis of the *compliance costs* (of the different options) and the 'possibility for cost pass through' elements. Since the compliance costs depend on the carbon price, the level of free allocation, and the amount of emissions released during production, the difference between the option packages depends on how this finite amount is distributed among industrial sectors. The higher the amount of free allocation, the lower the compliance costs for a sector. Avoiding an increase in administrative complexity is an operational objective relevant for all elements of the option packages. For the purposes of this impact assessment, the level of administrative complexity was quantified using the EU Standard Cost Model. Although differences are detected for different option packages, the overall cost incurred by operators and regulators to maintain the system is estimated at around 80 million euro. This includes data collection and reporting, verification, and data assessment.

The relative economic impact of the different option packages presented is assessed against the different operational objectives of the proposal as presented above. Although each of the option packages presents some advantages and some potential drawbacks, the IA identifies the 'targeted option package' as the one better able to target the available allowances towards the sectors that are more exposed to carbon leakage risks. Nonetheless, it should be noted that this option would imply minor innovation incentives and increased administrative complexity.

Subsidiarity / proportionality

The IA - as well as the explanatory memorandum of the legislative proposal - justifies the EU competence in this domain based on the fact that the EU ETS Directive is an existing EU policy instrument and as such, according to Art. 5 TFEU, the objectives of the proposal amending the instruments can only be achieved through a proposal from the Commission at EU level. In addition, the principles of subsidiarity and proportionality are deemed to be respected in the light of the trans-boundary character of climate change - and emissions in particular. Coordination of climate action at EU level is therefore considered necessary, since an excessive delegation of action to the level of Member States would lead to partitioning and decreased efficiency of the overall system at place.

At the time of writing, five [national parliaments](#) completed the scrutiny of the proposal and had not raised concerns. The deadline for submissions is 28 October 2015.

Budgetary or public finance implications

The Explanatory Memorandum of the proposal states that the EU ETS generates significant revenues for Member States' budgets. There is also a small and limited impact on the EU budget which is, however, fully covered by the current MFF 2014-2020. The Executive Summary of the IA report also points out that costs must be seen in the overall context of the EU climate objectives of limiting global average temperature increase to not more than 2°C above pre-industrial level. Measures to address the risk of carbon leakage directly affect the costs for industrial installations covered by the ETS or EU Member States' budgets. Additionally, national budgets and administrations will be primarily affected due to the link to auctioning revenues. If Member States were to be required to share the EU-level costs of the Union registry, this would also have an impact on their national budgets, albeit not a significant one. The IA does not provide any quantification of the estimated costs in this respect.

SME test / Competitiveness

The IA does not present a specific SME test-analysis. However, as mentioned above, continuous reference is made to the possible (administrative) burdens that different sectors of the industry (Annex, pp. 170-183) may incur due to the newly proposed set of rules, therefore including SMEs in different sectors. However, there is no explicit breakdown of the extent to which SMEs may be concerned within different sectors. There is some reference to SMEs in the context of stakeholder consultation, as well as in the section consecrated to the assessment of the administrative burdens of different option packages (IA, Annex pp. 186-192).

Relations with third countries

When it comes to the international context, according to the IA, EU policies may impact on third country policies on climate and other related areas. The general set-up of the EU-ETS, and the benchmarking system in particular, has served as an input for the design of other emissions trading systems worldwide; nonetheless the IA states that the positive impact cannot be quantified or considered in comparing option packages. The alternatives considered by the IA may entail an increase in global emissions, therefore a risk of carbon leakage. Nevertheless, all policy packages proposed include safeguard measures against this; thus, the potential impact of the packages at global level is considered to be minimal and 'beyond the scope of the impact assessment' (p. 42).

As presented in the stakeholders' consultation summary section of the IA, strong concern was raised about the absence of an international agreement on the subject and the EU ETS not being linked to any similar emission trading system.

Simplification and other regulatory implications

The coherence between the proposed new set of rules governing the ETS system and the existing regulations (and policies) in the same area is assessed vis-a-vis the climate and energy targets up to 2030 and the Energy Union Strategy in particular. By putting a price on carbon at EU level the EU ETS is said to reinforce the functioning of the internal energy market and stimulates the uptake of renewables and other low-carbon and energy-efficient technologies (p. 21 of IA). Regarding the consistency of the proposal with other existing EU policies, the proposal bears strong linkages with the action of the European Funds for Structural Investments in this area, as well as with the Horizon 2020 programme. The proposal - and the EU ETS in general - is claimed to be coherent with international climate policies, for which - the IA states - it has also represented a model for emission trading systems in general.

Quality of data, research and analysis

Overall, the evidence presented in the various sections of the IA is extensive and appears to be based on a sound methodology. Nevertheless, despite the wealth of the figures and qualitative evidence presented in support of the various option packages assessed, little original analysis is proposed in the IA or the Annexes. This is largely due to the fact that the analysis in fact builds consistently on the [impact assessment for the 2030 framework](#) and only analyses those specific ETS-relevant aspects not covered therein. The IA report presents highly technical issues in a rather generic way, but remains a piece of analysis that is rather inaccessible for non-experts. Moreover, it is not always easy

to identify the preferred options (amongst the multiple ones presented), their respective baselines as well as the supporting materials backing the different assumptions.

In terms of external expertise, in 2013, a study was commissioned to assess the evidence for carbon leakage in the period 2005-2012 for ten major energy intensive industry sectors³. In addition, the Commission drew upon a study on evaluation of the ETS, commissioned in 2014 and carried out by a consortium led by ICF International. Furthermore, again in 2014, a study was commissioned to assess the issue of costs being passed through from industrial sectors to their downstream customers. The study also sought to determine the factors influencing the ability to pass through such costs, quantifying it for major energy intensive industry sectors. Another study was commissioned to evaluate the experience gained with the harmonised benchmark-based allocation process, and in particular to evaluate whether the benchmarks have achieved the intended objectives. These three studies are still on-going at the time of writing. Presumably, their findings could have been of relevance to the overall process of revision of the EU-ETS Directive, As it is, it remains to be seen how they will eventually be fed into the process.

Stakeholder consultation

The IA reports extensively on the stakeholders' consultation process as well as on the positioning of different stakeholders on the main issues involved in the overall process of EU ETS revision. The online consultation, on the issues of free allocation for the power sector, Innovation and Modernisation Funds, small and medium sized enterprises (SMEs), regulatory fees and general evaluation of the EU ETS, ran during the period December 2014-March 2014. A series of meeting with relevant stakeholders was also organised to discuss in detail the more technical aspects. The consultation received 529 contributors, including representatives from the industry (39 per cent), Member States (4 per cent), trade associations (35 per cent), SMEs (12 per cent) and NGOs (5 per cent)⁵.

The public consultation showed that the EU ETS is still considered as an appropriate instrument to attain the general climate policy objective; the majority of stakeholders therefore expressed their favour for the continuation of the existing principles, although opinions differ on the elements to change for making these principles operational. Thus, on the issue of free allocation and carbon leakage, industry generally favours the 'full compensation' option for best performers (with no correction factor implied), whereas some (mainly NGOs) expressed their preference for the setting of benchmark values based on worldwide performance in the sectors. On the issue of pass-through costs, general concerns emerged on the possibility to quantify, since products are traded on global markets and the multiple factors influencing prices make their estimation rather difficult. Stakeholders are reported to generally support continuing with the application of the set of rules governing the Innovation Fund, although with some improvement to be made to the current system of allowances. Nonetheless, as mentioned above, the consultation findings highlight a general concern about the absence of an international agreement in the field and the EU ETS not being linked to any other similar emission trading system.

The IA does not report on any particular opposition to specific aspects of the initiative by any individual group of stakeholders. A more nuanced presentation of the different positions within industry, the public sectors and civil society could perhaps have enhanced the coherence of the overall document, as well as helping the readership to better grasp the overall positioning of the different parties concerned by the system under revision.

Monitoring and evaluation

The section on *Monitoring and Evaluation*, as presented in the IA report, specifies that the arrangements in place for the monitoring of the EU ETS in the Annual Carbon Market Report will continue in line with Art. 10(5) of the ETS Directive, which foresees that the Commission shall submit a report to the European Parliament and to the Council on the functioning of the carbon market, including the implementation of the auctions, liquidity and the volumes traded. The same applies to the requirements on evaluation, currently regulated by Art. 21, which requires Member States to submit to the Commission an annual report paying particular attention to issues including the allocation of allowances, operation of the Registry, application of monitoring and reporting, verification and accreditation and

³ Carbon Leakage and Competitiveness Assessment, Ecorys, 2014 (http://ec.europa.eu/clima/policies/ets/cap/leakage/docs/cl_evidence_factsheets_en.pdf).

⁴ Published on DG Climate Action website http://ec.europa.eu/clima/consultations/articles/0024_en.htm

⁵ A detailed overview of the position expressed by various sectors of the industry can be found in the Annex section of the IA, starting at p. 102.

issues relating to compliance. Additionally, the Commission's intention is to continue carrying out studies on various aspects of the Directive and of climate policy more generally, including carbon leakage, effectiveness of benchmarks and the functioning of the carbon market.

Commission Impact Assessment Board

The Commission Impact Assessment Board (IAB) issued a first, negative opinion on a draft version of the IA on 22 May 2015. The IA was subsequently revised and resubmitted to the Board just two weeks later on 8 June 2015. The Board issued a positive opinion on 17 June 2015, but nonetheless still made a number of recommendations for improvement. In the light of the latter, the final impact assessment report claims to contain a clearer presentation and assessment of options and their impacts (p. 14). The coherence between various funding mechanisms was also addressed, as well as their options and impacts. Various methodological questions were clarified (use of carbon leakage criteria and relation to cost pass-through, modelling of employment effects and energy prices for households). Annex 15 was added to address the issue of using the unallocated allowances *inter alia* for carbon leakage and innovation as reflected in the context of the market stability reserve proposal. Despite the short time-span between the issuing of the negative opinion of the IAB and the presentation of the revised version of the IA report, a genuine effort seems to have been made to respond to the comments made and to refine the overall report.

Coherence between the Commission's legislative proposal and the IA

The legislative proposal, as described in pages 9 to 11 of its Explanatory Memorandum, seems broadly coherent with the main thrust of the IA. It is worth noting that amongst the option packages presented in the IA - especially for the issue of free allocation and carbon leakage - a 'preferred option' does not clearly emerge; instead it is suggested that the decision-makers should better draw from elements presented within different options. According to the Explanatory Memorandum, the revisions proposed draw mainly from the 'targeted' option package for the issue of free allocation and carbon leakage. However, it is more problematic to detect a clear alignment between the provisions for the funding mechanisms and one of the options presented in the IA on these issues.

Conclusions

Considering the technical nature of the Commission proposal, and the fact that it concerns only a small number of albeit important elements of the current Directive (i.e. free allocation and carbon leakage, low-carbon funding mechanisms), the IA report appears rather exhaustive in the presentation and analysis of different option packages and overall rather balanced in the presentation of the possible options. The formal requirements for the analysis are respected as well as the distribution of the different parts of the IA. A partial limitation can be found in the repeated references to the IA on the 2030 Climate and Energy Framework, and to more general pieces of legislation of which the Directive under scrutiny forms a part. While this is perhaps inevitable, it does tend to hinder the development of any original analysis within this specific IA. In this respect, the IA seems to straddle between a document presenting and analysing highly technical issues in a rather generic way, on the one hand, and a report which remains difficult to be entirely accessible for non-experts, on the other. This also means that it is not always easy to clearly identify the preferred options (amongst the multiple ones presented), their respective baselines as well as the supporting materials backing the different assumptions.

This note, prepared by the Ex-Ante Impact Assessment Unit for the European Parliament's Committee on Environment, Public Health and Food Safety (ENVI) of the European Parliament, analyses whether the principal criteria laid down in the Commission's own Impact Assessment Guidelines, as well as additional factors identified by the Parliament in its Impact Assessment Handbook, appear to be met by the IA. It does not attempt to deal with the substance of the proposal. It is drafted for informational and background purposes to assist the relevant parliamentary committee(s) and Members more widely in their work.

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