



**2021/0200(COD)**

14.1.2022

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## **DRAFT REPORT**

on the proposal for a regulation of the European Parliament and of the Council Amending Regulation (EU) 2018/842 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement (COM(2021)0555 – C9-0321/2021 – 2021/0200(COD))

Committee on the Environment, Public Health and Food Safety

Rapporteur: Jessica Polfjärd

### ***Symbols for procedures***

- \* Consultation procedure
- \*\*\* Consent procedure
- \*\*\*I Ordinary legislative procedure (first reading)
- \*\*\*II Ordinary legislative procedure (second reading)
- \*\*\*III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

### ***Amendments to a draft act***

#### **Amendments by Parliament set out in two columns**

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

#### **Amendments by Parliament in the form of a consolidated text**

New text is highlighted in ***bold italics***. Deletions are indicated using either the **■** symbol or ~~strikeout~~. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a regulation of the European Parliament and of the Council Amending Regulation (EU) 2018/842 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement (COM(2021)0555 – C9-0321/2021 – 2021/0200(COD))**

**(Ordinary legislative procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to Parliament and the Council (COM(2021)0555),
  - having regard to Article 294(2) and Article 192(1) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C9-0321/2021),
  - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
  - having regard to the opinion of the European Economic and Social Committee of 8 December 2021<sup>1</sup>,
  - having regard to the opinion of the Committee of the Regions of xxx<sup>2</sup>,
  - having regard to Rules 59 of its Rules of Procedure,
  - having regard to the opinions of the Committee on Agriculture and Rural Development, the Committee on Regional Development and the Committee on Transport and Tourism,
  - having regard to the report of the Committee on the Environment, Public Health and Food Safety (A9-0000/2022),
1. Adopts its position at first reading hereinafter set out;
  2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
  3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

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<sup>1</sup> Not yet published in the Official Journal.

<sup>2</sup> Not yet published in the Official Journal.

## Amendment 1

### Proposal for a regulation Recital 9 a (new)

*Text proposed by the Commission*

*Amendment*

**(9a) In its amendments to the proposal for a regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (the European Climate Law) <sup>1a</sup> adopted on 8 October 2020, the European Parliament stated that both the Union and Member States must fully contribute to the achievement of the goals of the Paris Agreement and that each Member State has the responsibility to individually achieve climate neutrality by 2050 at the latest.**

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<sup>1a</sup> OJ C 395, 29.9.2021, p. 119

Or. en

## Amendment 2

### Proposal for a regulation Recital 10

*Text proposed by the Commission*

*Amendment*

(10) In order to achieve the target of reducing greenhouse gas emissions by 55%, **the** sectors covered by Regulation (EU) 2018/842 will need to reduce their emissions progressively until they reach 40% in 2030, compared to 2005 levels.

(10) In order to achieve the target of reducing greenhouse gas emissions by 55%, **all** sectors covered by Regulation (EU) 2018/842 will need to reduce their emissions progressively until they reach 40% in 2030, compared to 2005 levels.

Or. en

## Amendment 3

### Proposal for a regulation Recital 13

*Text proposed by the Commission*

(13) The COVID-19 pandemic has impacted the Union's economy and its level of emissions to a degree that cannot yet be fully quantified. On the other hand, the Union is deploying its largest stimulus package ever, also having a potential impact on the level of emissions. Due to those uncertainties, it is appropriate to review the emissions data in 2025 and, if necessary, readjust the annual emission allocations.

*Amendment*

(13) The COVID-19 pandemic has impacted the Union's economy and its level of emissions to a degree that cannot yet be fully quantified. On the other hand, the Union is deploying its largest stimulus package ever, also having a potential impact on the level of emissions. Due to those uncertainties, it is appropriate to review the emissions data in 2025 and, if necessary, readjust the annual emission allocations ***without compromising the Regulation's overall climate ambition or the integrity of the contributions by the Member States.***

Or. en

**Amendment 4**

**Proposal for a regulation  
Recital 14 a (new)**

*Text proposed by the Commission*

*Amendment*

***(14a) Regulation (EU) 2021/1119 of the European Parliament and of the Council<sup>1a</sup> states that carbon sinks include both natural and technological solutions and that solutions that are based on carbon capture and storage (CCS) and carbon capture and use (CCU) technologies can play a role in decarbonisation. It is therefore appropriate to allow Member States to deduct from their annual emission allowances carbon dioxide removed through carbon capture. To ensure a sufficient ambition in the reduction of emissions, such deduction should be limited to five percent of the annual emission allowances.***

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***<sup>1a</sup> Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the***

*framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law'), OJ L 243, 9.7.2021, p. 1.*

Or. en

## **Amendment 5**

### **Proposal for a regulation**

#### **Recital 18**

*Text proposed by the Commission*

*Amendment*

**(18) The setting of more ambitious targets under Regulation (EU) 2018/841 will decrease the capacity of Member States to generate net removals that can be used for compliance under Regulation (EU) 2018/842. In addition, the split of the use of the LULUCF flexibility into two separate time periods, will further limit the availability of net removals for the purpose of compliance with Regulation (EU) 2018/842. As a result, some Member States may face challenges in meeting their targets under Regulation (EU) 2018/842, while some Member States, the same or other, may generate net removals that cannot be used for compliance with Regulation (EU) 2018/842. As long as the Union objectives as set out in Article 3 of Regulation (EU) 2021/1119 are met, in particular with regard to the maximum limit of the contribution of net removals, it is appropriate to create a new voluntary mechanism, in the form of an additional reserve, that will help adhering Member States to comply with their obligations.**

**deleted**

Or. en

## **Amendment 6**

### **Proposal for a regulation**

#### **Article 1 – paragraph 1 – point 1**



*Text proposed by the Commission*

(1) **In** Article 1, “30%” is replaced by “40%”;

*Amendment*

(1) Article 1 is replaced by **the following:**

***Subject matter***

***This Regulation lays down obligations on Member States with respect to their minimum contributions for the period from 2021 to 2030 to fulfilling the Union’s target of reducing its greenhouse gas emissions by 40 % below 2005 levels in 2030 in the sectors covered by Article 2 of this Regulation and contributes to achieving the objectives of the Paris Agreement and Regulation (EU) 2021/1119<sup>1a</sup>. This Regulation also lays down rules on determining annual emission allocations and for the evaluation of Member States’ progress towards meeting their minimum contributions.***

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***<sup>1a</sup> Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (‘European Climate Law’), OJ L 243, 9.7.2021, p. 1.***

Or. en

*Justification*

*It is important to clarify the link between this Regulation and the European Climate Law.*

**Amendment 7**

**Proposal for a regulation**

**Article 1 – paragraph 1 – point 2 a (new)**

Regulation (EU) 2018/842

Article 3 – point 3 a (new)

*Text proposed by the Commission*

*Amendment*

**(2a)** *In Article 3 the following point is added:*

**(3a)** *“Carbon capture removal” means the removal of carbon dioxide from the atmosphere by means other than photosynthesis.*

Or. en

*Justification*

*It is appropriate to define Carbon capture removals as different from LULUCF sector removals as both are allowed by the European Climate Law while land based removals are governed by the LULUCF Regulation.*

## **Amendment 8**

### **Proposal for a regulation**

#### **Article 1 – paragraph 1 – point 3**

Regulation (EU) 2018/842

Article 4 – paragraph 3 – subparagraph 4

*Text proposed by the Commission*

*Amendment*

For the years 2026 to 2030, it shall determine the annual emission allocations based on the value for the 2005 greenhouse gas emissions of each Member State indicated pursuant to the second subparagraph and on a comprehensive review of the most recent national inventory data for the years 2021, 2022 and 2023 submitted by the Member States pursuant to Article 26 of Regulation (EU) 2018/1999.

For the years 2026 to 2030, it shall determine the annual emission allocations based on the value for the 2005 greenhouse gas emissions of each Member State indicated pursuant to the second subparagraph and on a comprehensive review of the most recent national inventory data for the years 2021, 2022 and 2023 submitted by the Member States pursuant to Article 26 of Regulation (EU) 2018/1999. ***The review shall not compromise the Regulation's overall climate ambition or create the risk that any Member State may not reach its target as provided for in Annex I.***

Or. en

*Justification*

*The COVID-19 pandemic and the substantial economic stimulus packages it has triggered both warrant a review of the trajectories. However, it is appropriate to clarify already at this*

*point that a potential revision must not create the risk that any Member State does not meet its target under this Regulation.*

## **Amendment 9**

### **Proposal for a regulation**

#### **Article 1 – paragraph 1 – point 3 a (new)**

Regulation (EU) 2018/842

Article 5 – paragraphs 1 and 2

#### *Present text*

*1. In respect of the years 2021 to 2025, a Member State may borrow a quantity of up to 10 % from its annual emission allocation for the following year.*

*2. In respect of the years 2026 to 2029, a Member State may borrow a quantity of up to 5 % from its annual emission allocation for the following year.*

#### *Amendment*

***(3a) In Article 5, paragraphs 1 and 2 are replaced by the following:***

***“1. In respect of the years 2021 to 2029, a Member State may borrow a quantity of up to 5 % from its annual emission allocation for the following year.”***

Or. en

#### *Justification*

*Given the fact that some Member States are already at risk in meeting the targets established under the 2018 revision, the possibility to load too many emission reductions at the end of the period until 2030 would put the 2030 targets at risk of not meeting their targets. Hence, borrowing should be limited to five percent annually in the entire period to not backload emissions reductions in an unsustainable manner.*

## **Amendment 10**

### **Proposal for a regulation**

#### **Article 1 – paragraph 1 – point 3 b (new)**

Regulation (EU) 2018/842

Article 5 – paragraph 4

#### *Present text*

#### *Amendment*

***(3b) In Article 5, paragraph 4 is replaced by the following:***

4. A Member State may transfer up to 5 % of its annual emission allocation for a given year to other Member States in respect of the years 2021 *to 2025, and up to 10 % in respect of the years 2026* to 2030. The receiving Member State may use that quantity for compliance under Article 9 for the given year or for subsequent years until 2030.

4. A Member State may transfer up to 5 % of its annual emission allocation for a given year to other Member States in respect of the years 2021 to 2030. The receiving Member State may use that quantity for compliance under Article 9 for the given year or for subsequent years until 2030.

Or. en

#### *Justification*

*Too large room for transfers would put the necessary emissions reduction processes in danger. It is necessary to stipulate the individual responsibility of all Member States to make sufficient efforts in meeting their targets.*

#### **Amendment 11**

##### **Proposal for a regulation**

##### **Article 1 – paragraph 1 – point 3 c (new)**

Regulation (EU) 2018/842

Article 5 – paragraph 6

#### *Present text*

6. Member States *may* use revenues generated by transfers of annual emission allocations pursuant to paragraphs 4 and 5 to tackle climate change in the Union or in third countries. Member States shall inform the Commission of any actions taken pursuant to this paragraph.

#### *Amendment*

**(3c) In Article 5, paragraph 6 is replaced by the following:**

“6. Member States *shall* use revenues generated by transfers of annual emission allocations pursuant to paragraphs 4 and 5 to tackle climate change in the Union or in third countries. Member States shall inform the Commission of any actions taken pursuant to this paragraph.”

Or. en

#### **Amendment 12**

##### **Proposal for a regulation**

##### **Article 1 – paragraph 1 – point 3 d (new)**

Regulation (EU) 2018/842

Article 5 a (new)

**(3d) The following article is inserted:**

**‘Article 5a**

***Deduction for carbon capture removals***

**1. In respect of the years 2024 to 2029, Member States may have certified carbon capture removals on their territory taken into account for the purpose of their compliance with this Regulation. Such removals shall not account for more than 5 % of annual emission allowances for the Member State concerned.**

**2. By 30 June 2023, the Commission shall adopt a delegated act in accordance with Article 13 establishing the methodologies and criteria for certifying carbon capture removals in Member States as well as standards for the audit of such removals.’**

Or. en

*Justification*

*The European Climate Law allows for removals other than those through the LULUCF sector. To allow for cost-effective climate action and to incentivise innovation in this field, Member States should be allowed to deduct from their AEAs Carbon capture removals. However, such deductions should not account for more than five percent of annual AEAs for any year to ensure sufficient emissions reductions as the backbone of climate action.*

**Amendment 13**

**Proposal for a regulation**

**Article 1 – paragraph 1 – point 5 a (new)**

Regulation (EU) 2018/842

Article 8 – paragraph 1

*Present text*

*Amendment*

1. If the Commission finds, in its annual assessment under **Article 21 of Regulation (EU) No 525/2013** and taking

**(5a) In Article 8, paragraph 1 is replaced by the following:**

If the Commission finds, in its annual assessment under **Article 29 of Regulation (EU) No 2018/1999<sup>1a</sup>** and taking into

into account the intended use of the flexibilities referred to in Articles 5, 6 and 7 of this Regulation, that a Member State is not making sufficient progress towards meeting its obligations under Article 4 of this Regulation, that Member State shall, within three months, submit to the Commission a corrective action plan that includes:

**(a)** additional actions that the Member State shall implement in order to meet its specific obligations under Article 4 of this Regulation, through domestic policies and measures and the implementation of Union action

**(b)** a strict timetable for implementing such actions, which enables the assessment of annual progress in implementation.

account the intended use of the flexibilities referred to in Articles 5, 6 and 7 of this Regulation, that a Member State is not making sufficient progress towards meeting its obligations under Article 4 of this Regulation, that Member State shall, within three months, submit to the Commission a corrective action plan that includes:

**(a)** *an explanation as to why the Member State has failed to meet its obligations under Article 4 of this Regulation;*

**(b)** additional actions that the Member State shall implement in order to meet its specific obligations under Article 4 of this Regulation, through domestic policies and measures and the implementation of Union action;

**(c)** a strict timetable for implementing such actions, which enables the assessment of annual progress in implementation.

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***1<sup>a</sup> Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).***

Or. en

#### *Justification*

*It should be necessary for Member States to explain why they have not met their targets in order to strengthen public trust in the climate efforts under this Regulation.*

## **Amendment 14**

### **Proposal for a regulation**

#### **Article 1 – paragraph 1 – point 5 b (new)**

Regulation (EU) 2018/842

Article 8 – paragraph 3 a (new)

*Text proposed by the Commission*

*Amendment*

**(5b) In Article 8, the following paragraph is added:**

**3a. The corrective action plans and Commission opinions referred to in the first and third paragraphs shall be accessible to the public.**

Or. en

*Justification*

*There should be strengthened public accountability for those Member State governments that do not meet the targets.*

## **Amendment 15**

### **Proposal for a regulation**

#### **Article 1 – paragraph 1 – point 5 c (new)**

Regulation (EU) 2018/842

Article 9 – paragraph 1 – point (a)

*Text proposed by the Commission*

*Amendment*

**(5c) In Article 9, paragraph 1, point (a) is deleted.**

Or. en

## **Amendment 16**

### **Proposal for a regulation**

#### **Article 1 – paragraph 1 – point 6 a (new)**

Regulation (EU) 2018/842

Article 9 – paragraph 2 a (new)

**(6a) In Article 9, the following paragraph is added:**

**2a. In 2027 and 2032, if the reviewed greenhouse gas emissions of a Member State exceed its annual emission allocation for any specific year of the period, taking into account paragraph 2 of this Article and the flexibilities used pursuant to Articles 5, 6 and 7, a financial penalty shall be imposed on the Member State concerned for every tonne of CO<sub>2</sub> equivalent in excess of its allocation. The penalty shall be calculated as the average of the closing prices of EU ETS allowances for a tonne of CO<sub>2</sub> equivalent on the common auction platform in accordance with the procedures laid down in Commission Regulation (EU) No 1031/2010<sup>1a</sup> for the past three years multiplied by a factor of 1,25.**

**Half the revenue from any penalties imposed shall be assigned to the fund established by Article 10a (8) of Directive 2003/87/EC of the European Parliament and of the Council<sup>1b</sup> and half to action on Union level towards Climate Change Mitigation and Adaptation as defined by Regulation (EU) 2021/783 of the European Parliament and of the Council<sup>1c</sup>, establishing a Programme for the Environment and Climate Action (the 'LIFE Programme') for the period of the multiannual financial framework 2021 to 2027, or any successor programme. Where appropriate, the Commission shall submit to the European Parliament and Council relevant legislative proposals to ensure that such revenue will be used for the said purpose.**

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<sup>1a</sup> Commission Regulation (EU) No 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission



*allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community (OJ L 302, 18.11.2010, p. 1).*

*<sup>1b</sup> Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).*

*<sup>1c</sup> Regulation (EU) 2021/783 of the European Parliament and of the Council of 29 April 2021 establishing a Programme for the Environment and Climate Action (LIFE), and repealing Regulation (EU) No 1293/2013 (OJ L 172, 17.5.2021, p. 53).*

Or. en

#### *Justification*

*It is necessary to set down a foreseeable financial consequence for Member States that do not meet the targets at this point rather through an infringement procedure with unforeseeable consequences. The price should be equal to the average ETS price for the preceding three years and a surplus of 25 percent to ensure this is not just seen as an extra flexibility. In order to ensure the environmental rather than fiscal nature of such a penalty, it is appropriate to establish that revenues go to decarbonisation of the EU economy and Climate action on EU level as failures to reach the targets are an externality for all Member States.*

#### **Amendment 17**

##### **Proposal for a regulation**

##### **Article 1 – paragraph 1 – point 6 b (new)**

Regulation (EU) 2018/842

Article 11

*Text proposed by the Commission*

*Amendment*

**(6b) Article 11 is deleted.**

Or. en

## Amendment 18

### Proposal for a regulation

#### Article 1 – paragraph 1 – point 7

Regulation (EU) 2018/842

Article 11a

*Text proposed by the Commission*

*Amendment*

(7) *The following article is inserted:* **deleted**

*‘Article 11a*

*Additional reserve*

**1. If, by 2030, the Union has reduced net greenhouse gas emissions by at least 55% compared to 1990 levels in compliance with Article 3 of Regulation (EU) 2021/1119 of the European Parliament and of the Council\*\*, and taking into account the maximum limit of the contribution of net removals, an additional reserve shall be established in the Union Registry.**

**2. Member States which decide to neither contribute nor benefit from the additional reserve shall notify their decision to the Commission no later than six months after the entry into force of this Regulation.**

**3. The additional reserve shall consist of the net removals that participating Member States have generated in the period 2026 to 2030 in excess of their respective targets pursuant to Regulation (EU) 2018/841, after deduction of both of the following:**

**(a) any flexibilities used under Articles 11 to 13b of Regulation (EU) 2018/841;**

**(b) the quantities taken into account for compliance pursuant to Article 7 of this Regulation.**

**4. If an additional reserve is set up pursuant to paragraph 1, a participating Member State may benefit from it if the following conditions are fulfilled:**

*(a) the greenhouse gas emissions of the Member State exceed its annual emission allocations in the period from 2026 to 2030;*

*(b) the Member State has exhausted the flexibilities pursuant to Article 5(2) and (3);*

*(c) the Member State has made the maximum use possible of net removals in accordance with Article 7, even if that quantity does not reach the level set in Annex III; and*

*(d) the Member State has made no net transfers to other Member States under Article 5.*

*5. If a Member State fulfils the conditions set out in paragraph 4, it shall receive an additional quantity from the additional reserve up to its shortfall to be used for compliance under Article 9.*

*If the resulting collective quantity to be received by all of the Member States which fulfil the conditions set out in paragraph 4 of this Article exceeds the quantity allocated to the additional reserve under paragraph 3 of this Article, the quantity to be received by each of those Member States shall be reduced on a pro rata basis.'*

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*\*\* Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).'*

Or. en

*Justification*

*It is appropriate to lay down the individual responsibility of each and every Member State to reduce emissions. Hence, a separate reserve for some Member States should not be needed.*

## Amendment 19

### Proposal for a regulation

#### Article 1 – paragraph 1 – point 7 a (new)

Regulation (EU) 2018/842

Article 13

#### *Present text*

#### Article 13

##### Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Articles 7(2) and 12(1) shall be conferred on the Commission for a period of five years from 9 July 2018. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the five-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.
3. The delegation of powers referred to in Articles 7(2) and 12(1) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13

#### *Amendment*

**(7a) Article 13 is replaced by the following:**

#### Article 13

##### Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Articles **5a(2)**, 7(2) and 12(1) shall be conferred on the Commission for a period of five years from 9 July 2018. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the five-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.
3. The delegation of powers referred to in Articles **5a(2)**, 7(2) and 12(1) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13

April 2016 on Better Law-Making.

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6. A delegated act adopted pursuant to Articles 7(2) and 12(1) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and to the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

April 2016 on Better Law-Making.

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6. A delegated act adopted pursuant to Articles **5a(2)**, 7(2) and 12(1) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and to the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Or. en

## Amendment 20

### Proposal for a regulation

#### Article 1 – paragraph 1 – point 7 b (new)

Regulation (EU) 2018/842

Article 15 – paragraph 1

#### *Present Text*

1. This Regulation shall be kept under review taking into account, inter alia, evolving national circumstances, the manner in which all sectors of the economy contribute to the reduction of greenhouse gas emissions, international developments and efforts undertaken to achieve the long-term objectives of the Paris Agreement.

#### *Amendment*

***(7b) In Article 15, paragraph 1 is replaced by the following:***

1. This Regulation shall be kept under review taking into account, inter alia, evolving national circumstances, the manner in which all sectors of the economy contribute to the reduction of greenhouse gas emissions, international developments and efforts undertaken to achieve the long-term objectives of the Paris Agreement ***and Regulation (EU) 2021/1119.***

Or. en

## Amendment 21

### Proposal for a regulation

#### Article 1 – paragraph 1 – point 7 c (new)

Regulation (EU) 2018/842

Article 15 – paragraph 2

#### *Present Text*

2. The Commission shall submit a report to the European Parliament and to the Council, within six months of each global stocktake agreed under Article 14 of the Paris Agreement, on the operation of this Regulation, including the balance between supply and demand for annual emission allocations, as well as on the contribution of this Regulation to the Union's overall 2030 greenhouse gas emission reduction target and its contribution to the goals of the Paris Agreement, in particular with regard to the need for additional Union policies and measures in view of the necessary greenhouse gas emission reductions by the Union and its Member States, including a post-2030 framework, and may make proposals if appropriate.

Those reports shall take into account the strategies prepared pursuant to **Article 4 of Regulation (EU) No 525/2013** with a view to contributing to the formulation of a long-term Union strategy.

## Amendment 22

### Proposal for a regulation

#### Article 1 – paragraph 1 – point 7 d (new)

Regulation (EU) 2018/842

Article 15 a (new)

#### *Text proposed by the Commission*

#### *Amendment*

**(7c) In Article 15, paragraph 2 is replaced by the following:**

2. The Commission shall submit a report to the European Parliament and to the Council, within six months of each global stocktake agreed under Article 14 of the Paris Agreement, on the operation of this Regulation, including the balance between supply and demand for annual emission allocations, as well as on the contribution of this Regulation to the Union's overall 2030 greenhouse gas emission reduction target and its contribution to the goals of the Paris Agreement **and Regulation (EU) 2021/1119**, in particular with regard to the need for additional Union policies and measures in view of the necessary greenhouse gas emission reductions by the Union and its Member States, including a post-2030 framework, and may make proposals if appropriate.

Those reports shall take into account the strategies prepared pursuant to **Article 15 of Regulation (EU) No 2018/1999** with a view to contributing to the formulation of a long-term Union strategy.

Or. en

#### *Text proposed by the Commission*

#### *Amendment*

**(7d) The following article is inserted:**

*Article 15a*

*Alignment with Union and Member States  
climate neutrality objective*

*1. By 31 December 2026, the Commission shall submit a report to the European Parliament and the Council which sets out:*

*(a) the suitability of the current national targets under Annex I as regards their contribution to the objective of climate neutrality by 2050 under Regulation (EU) 2021/1119 in a cost-effective manner;*

*(b) a pathway for each Member State that provides a reduction path of greenhouse gas emissions covered by this Regulation that is compatible with the objective of climate neutrality for every Member State with minimum divergence between all Member States reaching that objective*

*2. Based on the report referred to in paragraph 1, the Commission shall, if appropriate, submit one or more legislative proposals to achieve the objectives referred to in paragraph 1.*

Or. en

**Amendment 23**

**Proposal for a regulation**

**Article 1 – paragraph 1 – point 8 a (new)**

Regulation (EU) 2018/842

Annex II

*Text proposed by the Commission*

*Amendment*

*(8a) Annex II to Regulation (EU) 2018/842 is replaced by the text in the Annex to this Regulation;*

Or. en

## **Amendment 24**

### **Proposal for a regulation**

#### **Article 1 – paragraph 1 – point 9**

Regulation (EU) 2018/842

Annex II – row 5

*Text proposed by the Commission*

*Amendment*

**(9) In Annex II the entry for Malta is deleted  
replaced by the following:**

**[...]**

Or. en

*Justification*

*Moved to amendment on Annex II.*

## **Amendment 25**

### **Proposal for a regulation**

#### **Annex I a (new)**

Regulation (EU) 2018/842

Annex II



*Present text*

*ANNEX II*

MEMBER STATES THAT MAY HAVE A LIMITED CANCELLATION OF EU ETS ALLOWANCES  
TAKEN INTO ACCOUNT FOR COMPLIANCE PURSUANT TO ARTICLE 6

	Maximum percentage of 2005 greenhouse gas emissions determined in accordance with Article 4(3)
Belgium	2 %
Denmark	2 %
Ireland	4 %
Luxembourg	4 %
Malta	2 %
Netherlands	2 %
Austria	2 %
Finland	2 %
Sweden	2 %

*Amendment*

*ANNEX II*

MEMBER STATES THAT MAY HAVE A LIMITED CANCELLATION OF EU ETS ALLOWANCES  
TAKEN INTO ACCOUNT FOR COMPLIANCE PURSUANT TO ARTICLE 6

	Maximum percentage of 2005 greenhouse gas emissions determined in accordance with Article 4(3)
Belgium	<b>3 %</b>
Denmark	<b>3 %</b>
Ireland	<b>6 %</b>
Luxembourg	<b>6 %</b>
Malta	<b>7 %</b>
Netherlands	<b>3 %</b>
Austria	<b>3 %</b>
Finland	<b>3 %</b>
Sweden	<b>3 %</b>

Or. en

## **EXPLANATORY STATEMENT**

### **Fighting climate change with more ambition**

In 2020, the European Parliament and the Council adopted Regulation (EU) 2021/1119, the European Climate Law. This landmark initiative commits the EU to reduce emissions by 55 percent by 2030 and reach climate neutrality by 2050. As a result of this agreement, it is necessary to update the EU's climate policy architecture.

The Effort Sharing Regulation (ESR) is a cornerstone of that architecture and currently regulates roughly 60 percent of emissions within the Union. As part of the 'Fit for 55' package, the European Commission has proposed to amend the ESR in order to align its contribution with the objectives of the Climate Law.

The ESR currently covers all greenhouse gas emissions which are covered neither by the EU Emissions Trading System (ETS) nor by the Regulation on Land-Use, Land-Use Change and Forestry (LULUCF). This means that it currently covers direct greenhouse gas emissions from a number of key sectors: transport (except aviation and non-domestic shipping), buildings, agriculture, industrial installations and gases not covered by the EU ETS and waste as well as non-combustion related emissions from energy and product use. It covers CO<sub>2</sub> emissions as well as a significant share of non-CO<sub>2</sub> emissions.

The general objective of the Commission proposal is to revise the ESR so that it contributes to the ambition to reach at least 55 percent net greenhouse gas emission reductions by 2030 compared to 1990 levels in a cost-effective and coherent way while taking into account the need for a just transition and the need for all sectors to contribute to the EU's climate efforts. The aim is to achieve a gradual and balanced trajectory towards climate neutrality by 2050.

This requires more progressive action in the sectors covered by the ESR. The proposal upgrades national targets in line with an EU-wide reduction of 40% in the ESR sectors compared to 2005 by 2030. Member States contribute to this overall reduction with targets ranging from -10 percent to -50 percent. These national targets are based mainly on GDP per capita.

### **Increased climate action for Europe.**

The Rapporteur supports the Commission proposal to upgrade the ESR targets in line with the EU's economy-wide 2030 emissions reduction target. However, it is the firm conviction of the Rapporteur that the EU's climate objectives can only be achieved with a more robust legislative framework which requires all Member States to take action.

The Rapporteur has therefore taken several steps to strengthen the Commission proposal in order to make it fit not only for the EU's 2030 target, but also for the overarching objective of climate neutrality by 2050.

### **All Member States must contribute towards the EU's new climate ambitions.**

The current national targets under the ESR do not require all Member States to lower their emissions. The new Commission proposal changes this: all Member States must now join in

on the action. This is something that the European Parliament has long called for, and it is long overdue.

The Rapporteur supports these revisions while noting that there is still a significant discrepancy between Member States' national targets. It is therefore necessary to strengthen the convergence between Member States' efforts within the established targets. To this end, the Rapporteur has made the national targets as strict as possible in order to ensure that all Member States pursue sufficient decarbonisation efforts.

### **Ensuring that the 2030 targets are actually met.**

It is of vital importance to maintain the integrity of the new emission reduction targets under the ESR and ensure that they are actually met by Member States.

Several potential loopholes in the Regulation have therefore been deleted or restricted by the Rapporteur. This includes restrictions on the ability of Member States to “borrow” emission allowances from their future emissions budget as well as on the ability for Member States to trade allowances. The Rapporteur has also added a requirement that any proceeds by a Member State from emissions trading within the ESR must be allocated to climate action – a key step to ensure a streamlined focus on climate action throughout the Regulation.

In addition, the Rapporteur has deleted the so-called Safety Reserve. This reserve consists of 105Mt CO<sub>2</sub> equivalents and can be accessed by Member States with a low GDP per capita that are failing to meet their emission reduction targets. Given that GDP per capita has already been taken into account when establishing the national reduction targets, and that Member States have a variety of flexibilities at their disposal to meet their targets in a cost-effective manner, the Rapporteur is of the opinion that the safety reserve is redundant and should therefore be repealed. This will ensure that Member States prioritise ambitious decarbonisation policies.

For the same reasons, the Rapporteur has repealed the proposal to introduce an additional safety reserve composed of surplus removals generated by Member States in excess of their targets in the LULUCF Regulation. This will also ensure decarbonisation measures across all sectors covered by the Regulation.

### **Making the national targets fit for climate neutrality by 2050.**

The Regulation sets emission reduction targets for Member States until 2030. It is nonetheless desirable to establish a clear linkage between the ESR and the objective of climate neutrality enshrined in the Climate Law. The European Parliament has already taken a clear position that the objectives of the Climate Law should be met by each individual Member State. The Rapporteur has therefore created a clear linkage between the ESR and the Climate Law in order to codify some steps to be taken by Member States post-2030 and set the EU on track towards climate neutrality by 2050.

### **Let Member States reach their targets in a way that works best for them.**

The EU is diverse, and Member States have distinctive characteristics and differing economic compositions. Member States should therefore have some flexibility to meet their climate

targets in a way that works best for them. With the new legislative proposal, Member States have some flexibility to cut emissions in the sectors where it is most cost-effective. The Rapporteur also introduces the option for Member States to use new technologies such as carbon capture and utilisation (CCU) and carbon capture and storage (CCS) to meet part of their targets — an innovative proposal to harness the power of clean technologies in the EU’s climate action.

### **Strengthen the rules for compliance.**

Failure to comply with the climate targets must lead to consequences. However, the current rules for non-compliance with the Regulation include few concrete tools to address such shortcomings. The Rapporteur changes this by introducing a “Pressure and Pay”- system which focuses on increased transparency and the introduction of financial penalties. All proceeds from these penalties should be used towards climate action programmes.

The Rapporteur believes that these combined proposals will strengthen the ESR, promote decarbonisation measures across the whole Union and put the EU’s policies on track to meet the climate challenge with united ambition.