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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

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

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Executive Summary Sheet

Impact assessment on Proposal for a Regulation 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

A. Need for action

Why? What is the problem being addressed?

The EU has committed itself in the Paris Agreement to a target of an at least 40% domestic reduction in greenhouse gas (GHG) emissions by 2030 compared to 1990. For the sectors outside of the EU Emissions Trading System (non-ETS) the Commission proposed a target of -30% by 2030 compared to 2005. With current policies alone it cannot be expected that this will be reached. The European Council in its October 2014 conclusions has mandated the Commission to translate the EU target into national targets.

What is this initiative expected to achieve?

The objective is to achieve 30% GHG reductions in the non-ETS compared to 2005, in a manner that is fair for Member States given their different capacities, while ensuring cost efficiency and environmental integrity at EU level.

What is the value added of action at the EU level?

The EU and its Member States participate jointly in the implementation of the Paris Agreement. Joint action allows the EU to address issues of both equity and efficiency, while reaching an ambitious environmental goal. Articles 191 to 193 of the TFEU confirm EU competencies in the area of climate change.

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

Since 2013, national targets for sectors outside the ETS are set in the so called Effort Sharing Decision (ESD). The European Council confirmed to continue with this instrument to regulate GHG reductions in the EU also for the period 2021-2030. Following the guidance this impact assessment looks at how (i) to set targets at Member State level in a fair manner corresponding to the GDP per capita and taking into account cost efficiency, and (ii) to improve existing and new flexibilities that ensure targets can be met cost efficiently while reducing administrative burden. New flexibilities include a limited link with the land use sector as well as a limited one off flexibility from the ETS into the non-ETS.

Who supports which option?

The European Council has provided detailed guidance on the policy options to be analysed. Many stakeholders emphasised environmental integrity to ensure the EU effectively meets its 2030 GHG target.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise main ones)?

Setting non-ETS targets based on GDP per capita addresses Member States' primary concern of fairness. The foreseen further target adjustments for high income Member States, as well as the improvement of existing and new flexibilities allows for a cost efficient achievement of the target. In order to ensure overall environmental integrity, flexibilities need to be limited avoiding

underachievement of the EU's international commitment to at least 40% domestic GHG emissions reductions compared to 1990 by 2030.

What are the costs of the preferred option (if any, otherwise main ones)?

The costs related to the achievement of the EU GHG wide reduction target, including the target to reduce GHG by 30% in the non-ETS, was assessed in depth in the previous impact assessment accompanying the proposal for 'A policy framework for climate and energy in the period from 2020 up to 2030'¹. It was estimated that a domestic 40% reduction of GHG emissions would lead to additional energy system costs of 0.15–0.54% compared to GDP in 2030. This impact assessment looks at the distributional impacts, especially to what extent Member State non-ETS targets determined on the basis of GDP per capita deviate from the cost efficient potential to reduce emissions in sectors covered by the ESD and to what extent flexibilities or target adjustments can help in minimising these deviations.

How will businesses, SMEs and micro-enterprises be affected?

There are no direct reporting obligations or other administrative consequences for businesses, SMEs or micro-enterprises. Depending on the nature and scope of any national and EU measures to reduce emissions, businesses will be indirectly affected. Any such effects will need to be assessed within those specific policy proposals.

Will there be significant impacts on national budgets and administrations?

The proposal for national target setting will reduce cost impacts for low income Member States compared to a proposal that would base targets solely on cost efficiency. The proposal foresees enhanced flexibility to ensure that costs for high income Member States will also remain limited. Much less frequent compliance checks are recommended, i.e. every five years instead of annually, that will significantly reduce the administrative burden for both Member States and the European Commission

Will there be other significant impacts?

Further impacts will depend on the national policies and measures chosen in each specific country.

D. Follow up

When will the policy be reviewed?

In line with the Paris Agreement, five-yearly reviews are recommended starting in 2024.

¹ SWD 2014 (15) final