Delivering the European Green Deal

Fit For 55 pakket
VLEVA, Minaraad, VEKA
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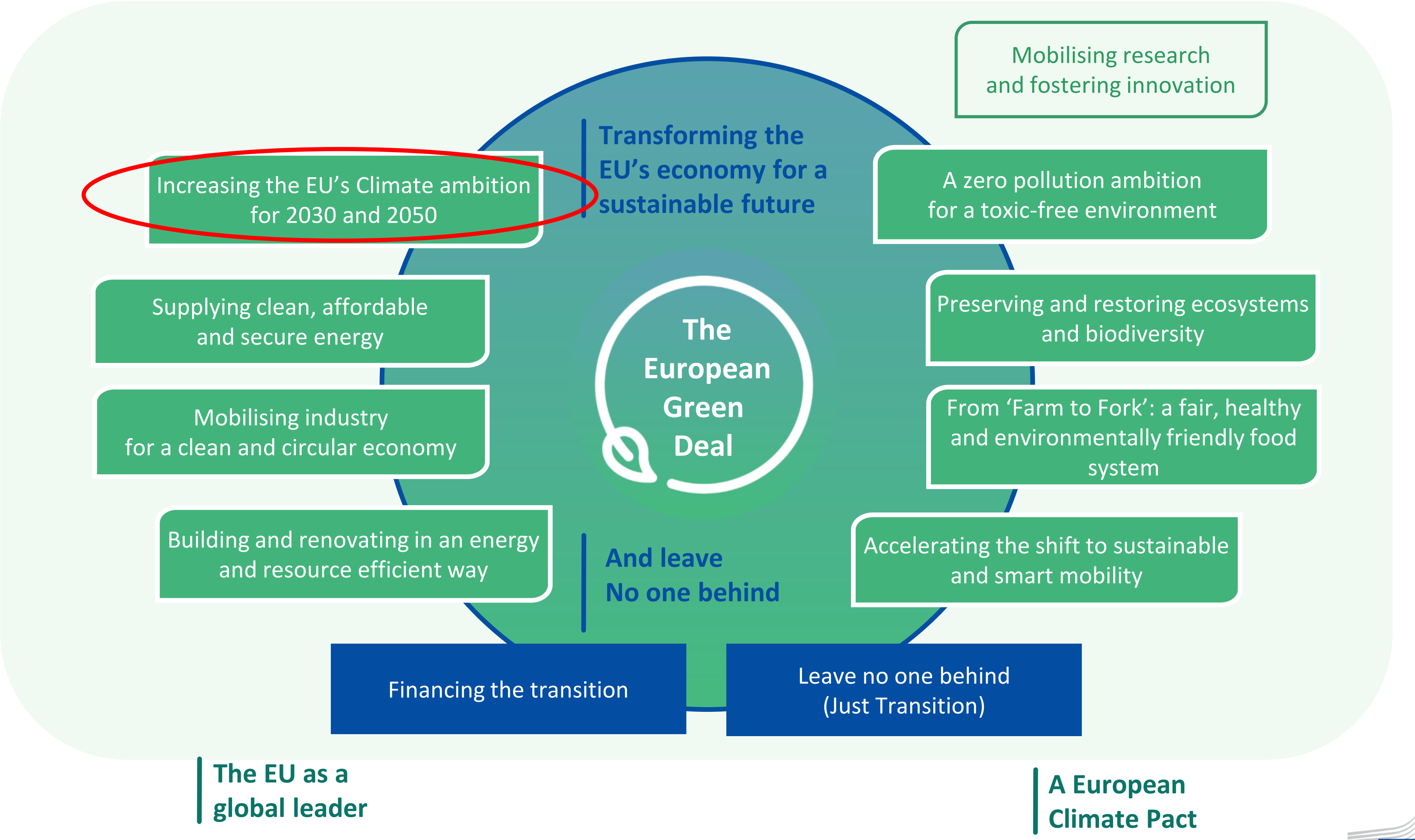
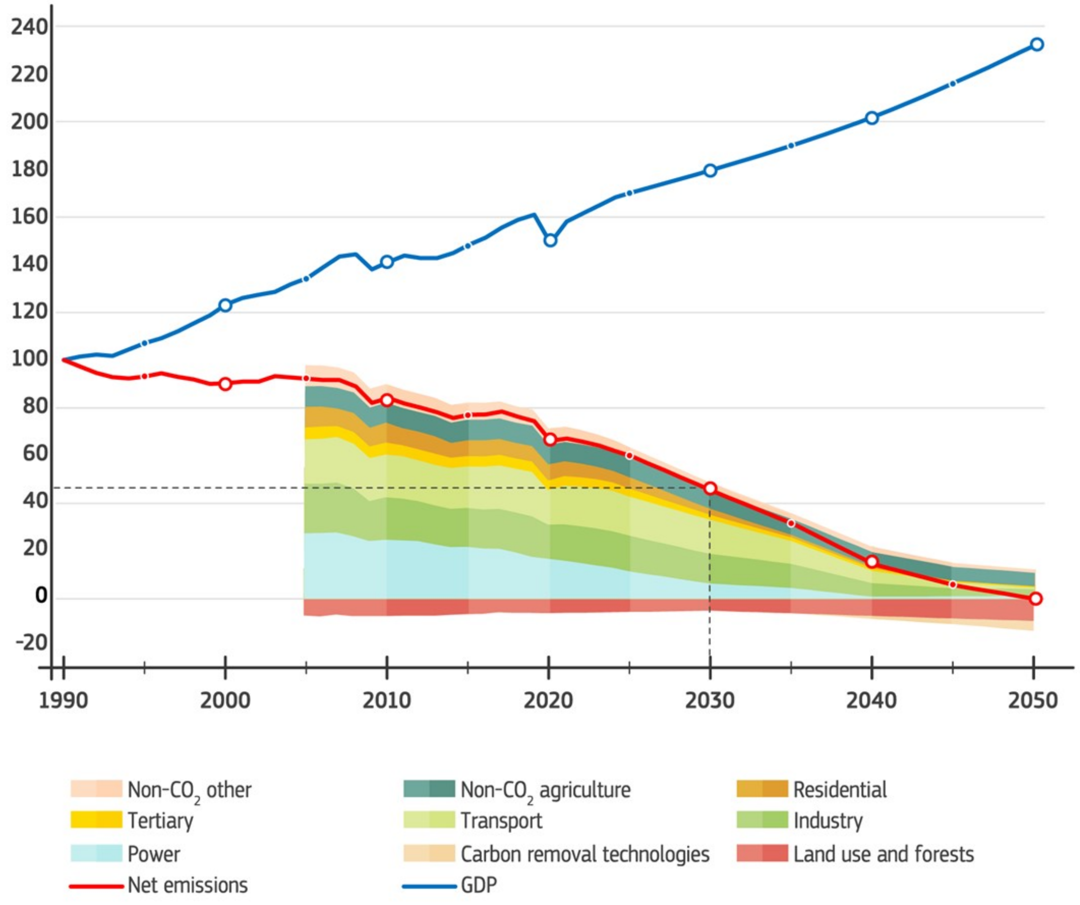
The European Green Deal



European Commission

Climate Target Plan: 2030 target –on path to climate neutrality

Achieving at least 55% net greenhouse gas reductions by 2030 compared to 1990



European Commission

The European Climate Law

- The European Climate Law Regulation of 30 June 2021
- Union-wide climate-neutrality objective 2050
- New **2030** target of at **least 55% net** greenhouse gas emissions reduction
- Recognition of the need to enhance the EU's **carbon sink**

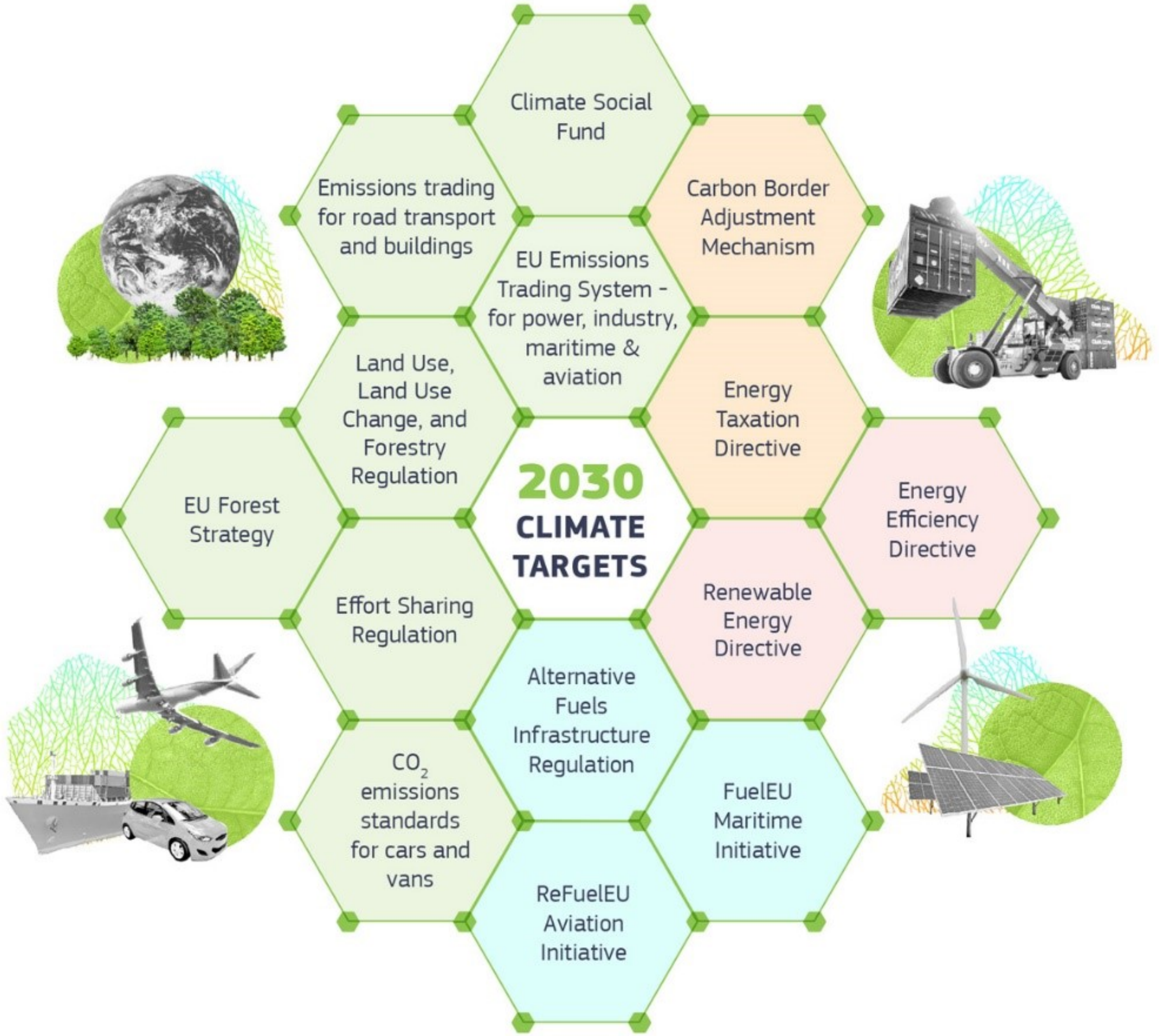
Delivering the European Green Deal

13 interconnected legislative proposals to deliver on the ambitious target.

The package aims to make the EU **'fit for 55'** in a

- fair,
- cost-efficient and
- competitive manner

It is a policy mix that respects a balance between **pricing, targets, taxes, standards and support measures**



Policy mix at a glance

Pricing	Targets	Rules
• Stronger ETS including in aviation • Extending the ETS to maritime, road transport, and buildings • Updated Energy Taxation Directive • Carbon Border Adjustment Mechanism	• Updated Effort Sharing Regulation • Updated LULUCF Regulation • Updated Renewable Energy Directive • Updated Energy Efficiency Directive	• Stricter CO_2 performance for cars & vans • New infrastructure for alternative fuels • ReFuelEU: More sustainable aviation fuels • FuelEU: Cleaner maritime fuels

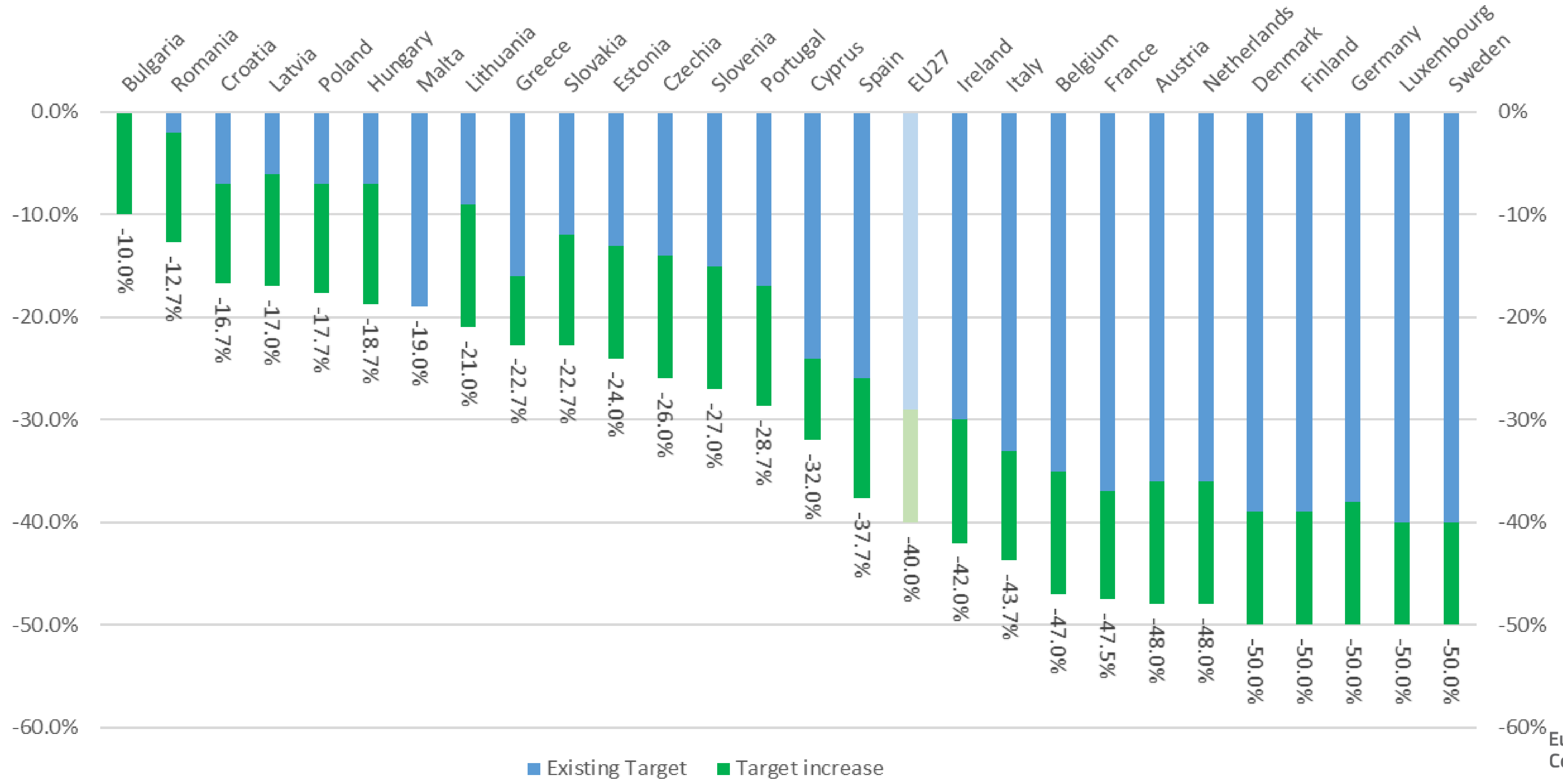
Support measures
Using revenues and regulations to promote innovation, build solidarity and mitigate impacts for the vulnerable, notably through the new Social Climate Fund and enhanced Modernisation and Innovation Funds

The Fit for 55 Package consists of a set of **inter-connected proposals that strike a careful balance** between pricing, targets, standards and support measures.

Effort Sharing Regulation

- Sets national GHG reduction targets for sectors outside the Existing ETS
- Increase on average of national targets by 11 pp (from -29% to -40% by 2030 vs 2005)
- Continues to cover road transport and buildings sectors, alongside their inclusion in the new ETS
- Set targets based on capacity to act (GDP per capita criteria)
- Cost efficiency corrections including limitation of target increase to 12 pp
- Flexibilities continued to improve cost efficiency
    - Banking and limited borrowing
    - Flexibility between MS
    - Existing ETS flexibility
    - Existing LULUCF flexibility but split in two periods (2021-2025, 2026-2030)

National GHG reduction targets in the sectors outside of the existing EU-ETS



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Extension of the EU ETS: new system for Building and Road Transport

- **Separate upstream system, regulating the fuel suppliers and not the end-consumers:** regulating tax warehouses and fuel suppliers (fuels sold). Cost-effective contribution: -43% GHG reductions 2030 to 2005.
- Establishment of a **Social Climate Fund**: to address social impacts from the new trading system on vulnerable groups. In principle **25% of the expected revenues** from the new trading system, with Member States adding at least same amount.
- Eligible spending: temporary direct support to vulnerable households , efficiency, renovation, decarbonisation heating and cooling of buildings; uptake zero- and low-emission mobility, public transport and shared mobility.
- All Member States benefit, lower income Member States benefit more (criteria based allocation)

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Land Use, Land Use Change and Forestry (LULUCF) Regulation

- Reverse declining trend natural sink
- Binding national targets to increase net carbon removals with a target of -310 Mt $CO_{2\text{-}eq}$ by 2030
- Significant simplification of rules, from 2026 onwards target based on most recent inventory data and surface area of managed land
- EU-wide target of climate neutrality in land use, forestry and agriculture sector by 2035

Strengthening the existing ETS

- **New 2030 reduction objective of -61%** compared to 2005 including maritime (currently -43% without maritime). **Market Stability Reserve** to maintaining intake rate of **24%.**
- **Free allocation** continues to be based on benchmarks. Maximum annual reduction rate of the benchmarks increased to 2.5% (currently 1.6%). More targeted free allocation and inclusion of maritime sector **limit the risk / size of the** factor reducing free allocation for all sectors (**CSCF**)
- **Scope of benchmarks broadened**: Installations using low- or zero-carbon emissions technologies may in the future benefit from free allocation. Remove barriers for the deployment of new technologies such as green hydrogen or hydrogen based steel
- **Conditionality to decarbonisation efforts:** 25% reduction of FA for installations not implementing cost-efficient measures identified in energy efficiency audits or equivalent measures

Strengthening the existing ETS: Protection against the risk of carbon leakage

- **Free allocation under the ETS and the proposed Carbon Border Adjustment Mechanism (CBAM) are interlinked**: To ensure compatibility with the EU's international obligations, and maintain incentives to decarbonize, free allocation will be phased out as CBAM is phased in for selected sectors

    - **Free allocation** will be **reduced by 10 percentage points each year** for CBAM sectors between 2026 and 2035

    - **Industrial CBAM sectors** are iron & steel, cement, fertilisers and aluminium; they represent around 50% of the total free allocation in the period 2021–2025

    - Free allocation no longer provided to **these sectors**, **allowances** must be **auctioned** and the revenues accrue to the Innovation Fund

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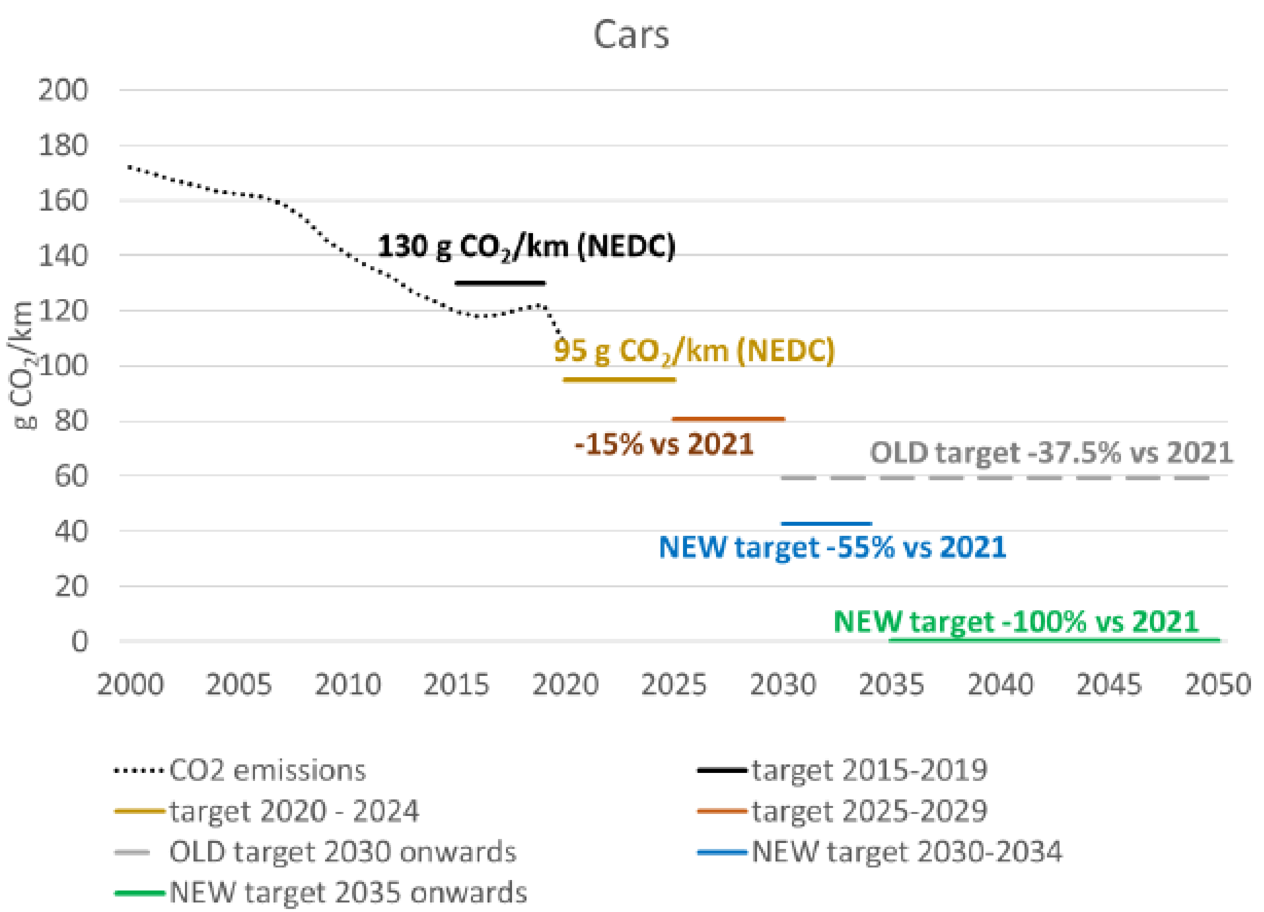
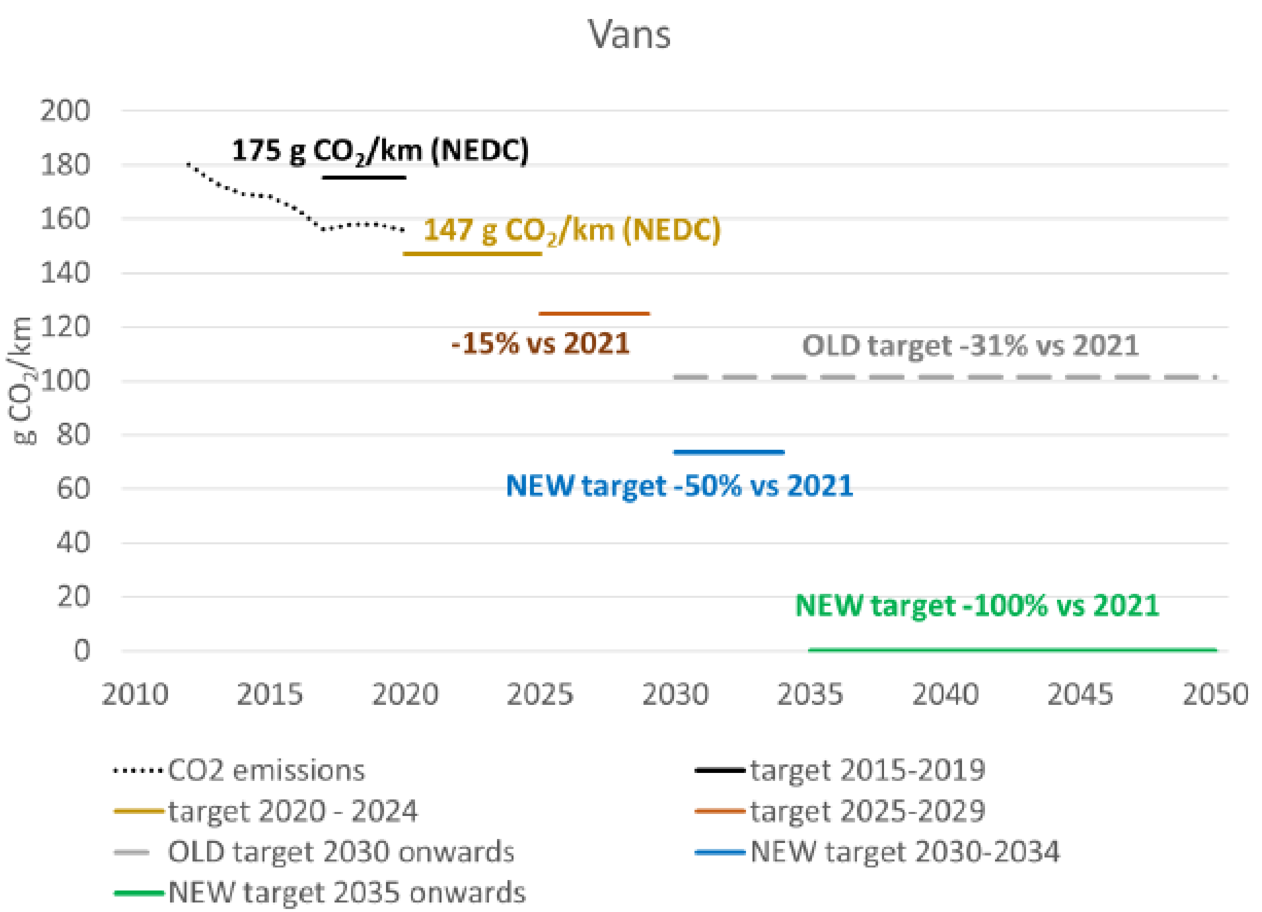
Strengthening the existing ETS: accelerating investment in low-carbon innovation & improved auction revenue use

- **Increased Innovation Fund from the present 450 million allowances:**
  - 150 million additional allowances from the new emissions trading system for road transport and buildings
  - Allowances which would otherwise be allocated for free to sectors covered by the Carbon Border Adjustment Mechanism **added to the Innovation Fund** from 2026 to 2030
- **Supporting contracts for difference under the Innovation Fund**: a tool to provide support to the early deployment of innovative technologies and to complement the existing funding mechanisms in the Innovation Fund.
- **Increased role of modernisation fund:** support modernisation of energy system in set of low income Member States
- **Improving the use of auction revenues:** a commitment for Member States to use the entirety of their revenues on climate and energy (including social) purposes

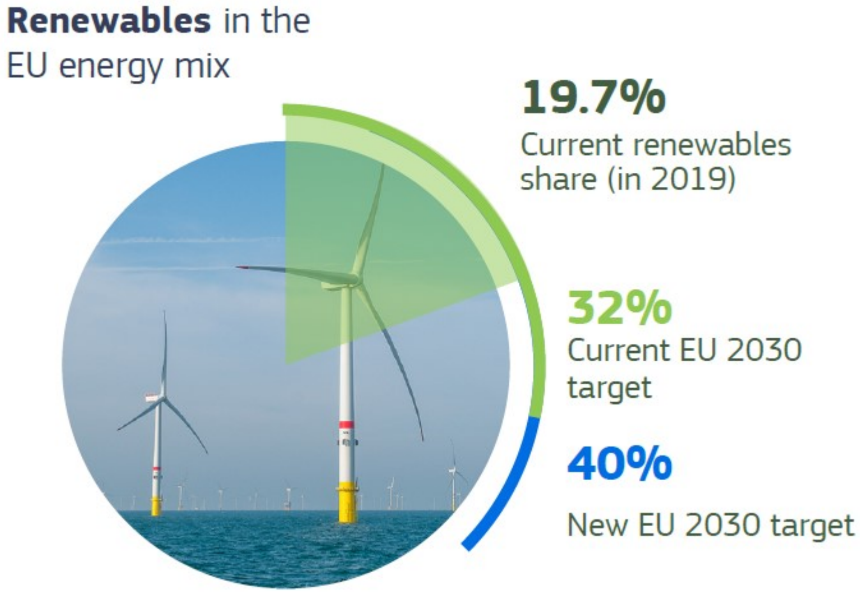
CO2 and cars legislation: increase in ambition





Revising the Renewable Energy Directive

- Increased overall renewables ambition to 40%
- Increased renewables ambition in key sectors (heating and cooling, transport, industry, buildings)
- Facilitating Energy System Integration (e.g. electrification and renewable hydrogen)
- Flanking measures (e.g. permitting, guarantees of origin, cross border cooperation)
- Bioenergy sustainability: targeted strengthening EU criteria



Revising the Energy Efficiency Directive

- Indicative Member State contributions to the EU-level energy efficiency target
- Strengthened energy savings obligation in end-use
- Increased focus on alleviating energy poverty and consumer empowerment
- ‘Energy Efficiency First’ Principle – making it an integral part of policy and investment decisions

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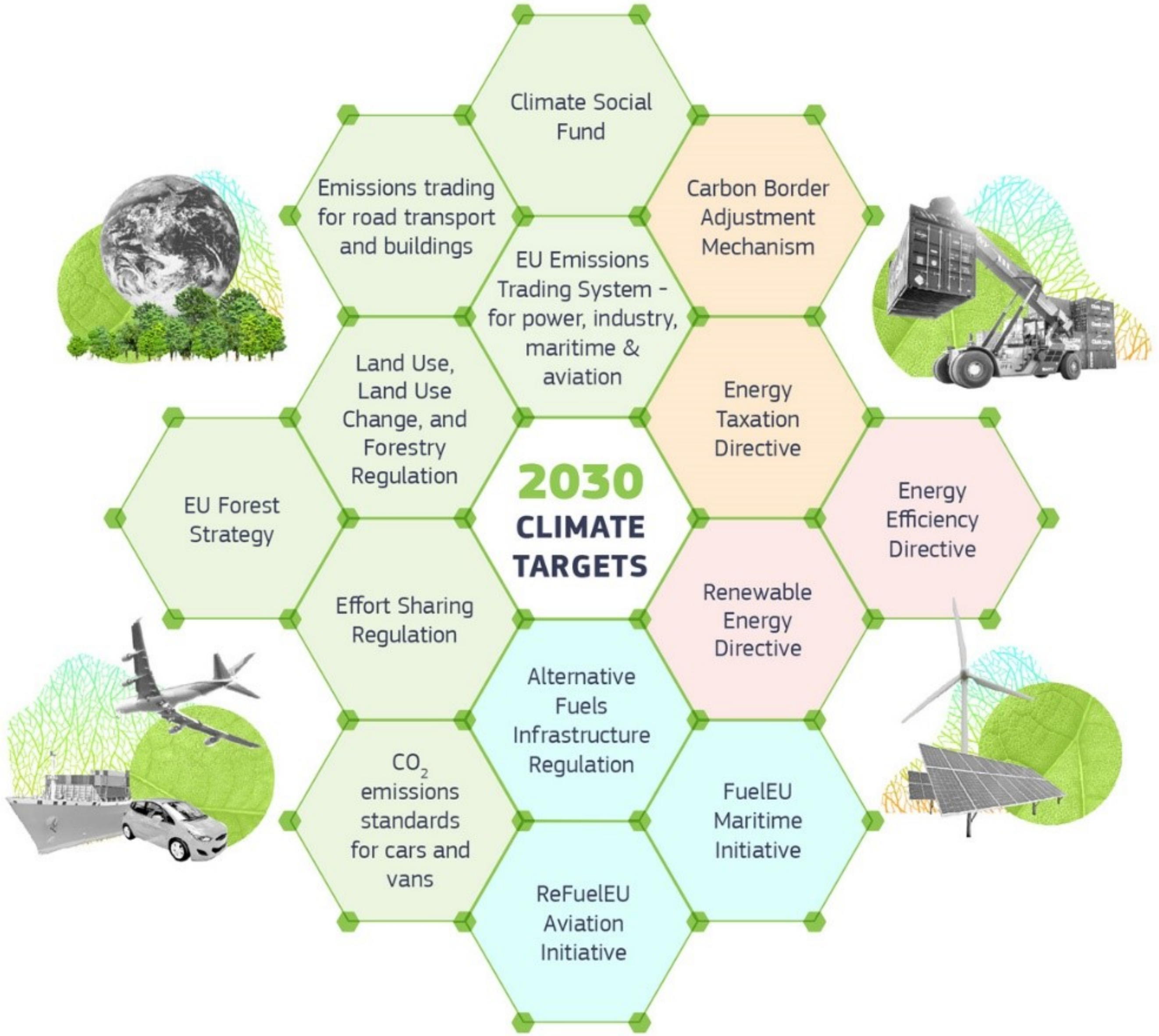
Tackling emissions from aviation and maritime sectors

- Aviation and maritime emissions covered by the EU ETS
- Implementation of CORSIA for extra EU flights
- ReFuel EU aviation Initiative
- FuelEU maritime initiative

Alternative Fuels Infrastructure Regulation

Energy Taxation Directive



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