

Fit for 55% package

LIFE Climate CAKE PL

LIFE VII EW 2050

The State of the European Green Deal, ERCST
February 23, 2021



INITIATIVES PLANNED FOR Q2 OF 2021

- ▶ **Revision of the EU ETS**
- ▶ **Revision of MSR**
- ▶ **Carbon Border Adjustment Mechanism (CBAM)**
- ▶ **Effort Sharing Regulation (ESR)**
- ▶ **Revision of LULUCF Regulation**
- ▶ Amendment to the Renewable Energy Directive
- ▶ Amendment of the Energy Efficiency Directive
- ▶ Reducing methane emissions in the energy sector
- ▶ Revision of the Energy Tax Directive
- ▶ Revision of standards for new cars

REVISION OF THE ESR

- ▶ The Effort Sharing Regulation (ESR)
 - ▶ emission targets for 2021-2030 for each MS
 - ▶ for sectors not included in the EU ETS (buildings, agriculture, waste, small industry and transport)
- ▶ COM proposal for a revised regulation is expected **by June 2021**

REVISION OF THE ESR

- ▶ Transfer of sectors from non-ETS to EU ETS – ideas:
 - ▶ extending the existing EU ETS to road transport and buildings sectors (with or without continued regulation by the ESR);
 - ▶ establishing a new emission trading for road transport and buildings;
 - ▶ national carbon pricing system for road transport and buildings on MS level,
- ▶ Transfer of responsibility for reduction achievements from MS to entities

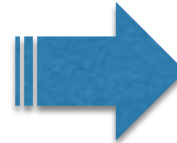
REVISION OF THE ESR

- ▶ Options for ESR proposed in the Inception Impact Assessment (IIA):
 - ▶ **Option 1:** Phase out the ESR as a consequence of extending ETS and creating new sector from merging non-energy related ESR emissions from agriculture and LULUCF
 - ▶ **Option 2:** Keep current ESR sectoral scope in parallel to extending emissions trading
 - ▶ **Option 3:** Maintain in the ESR only the sectors not covered by emissions trading
- ▶ The **inclusion of LULUCF to meet the target** has never been considered before and now is included into analyzed scenarios (COM provides a **potential for removal of 50-80 million tonnes of CO_{2eq} annually**)

POSSIBLE REDISTRIBUTION OF 55% EMISSION REDUCTION TARGET (EU ETS / NON-ETS)

55% target in 2030 vs. 1990
(EU ETS scope unchanged)

non-ETS	EU ETS
48%	57%
45%	60%
43%	63%
41%	65%
39%	67%



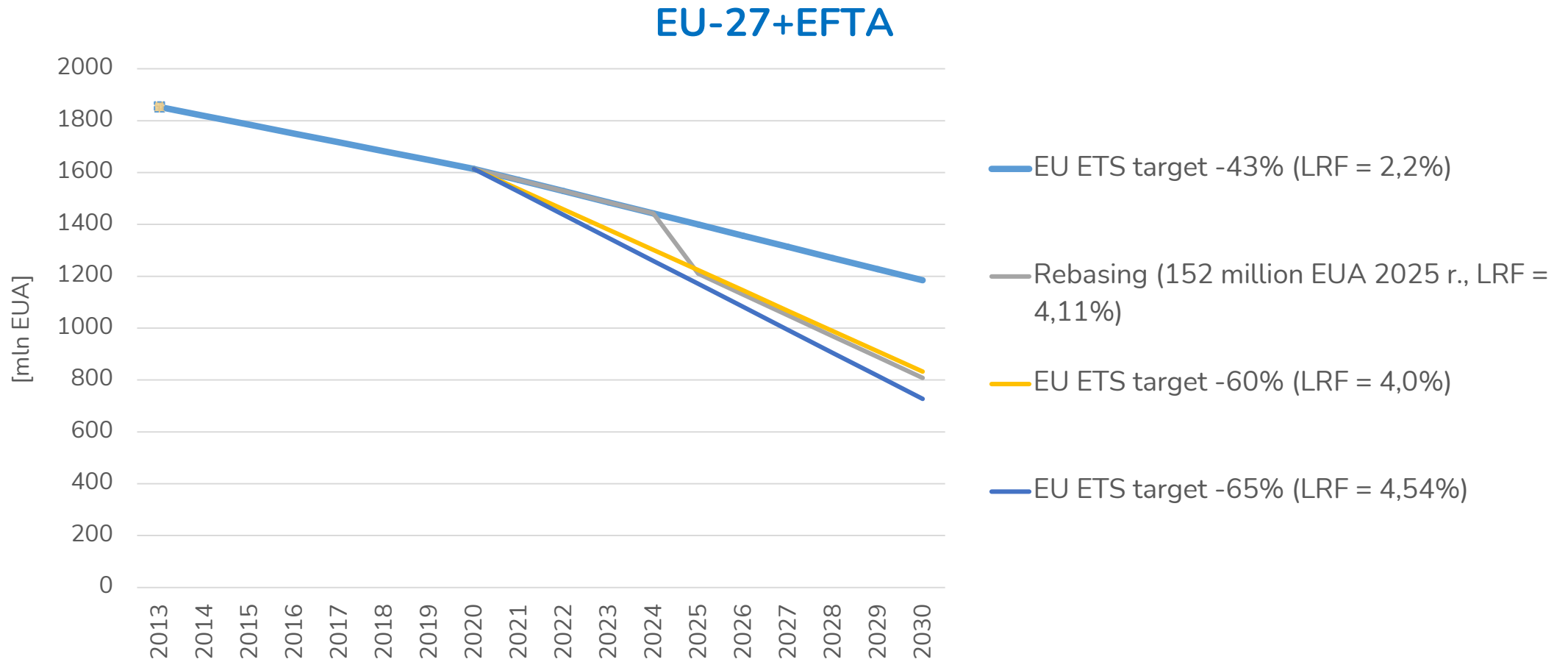
If we include additional sectors to the EU ETS (*international aviation, municipal and housing sector + transport*) the 55% target can be achieved by dividing:

non-ETS	EU ETS
31%	60%

Source: KOBiZE

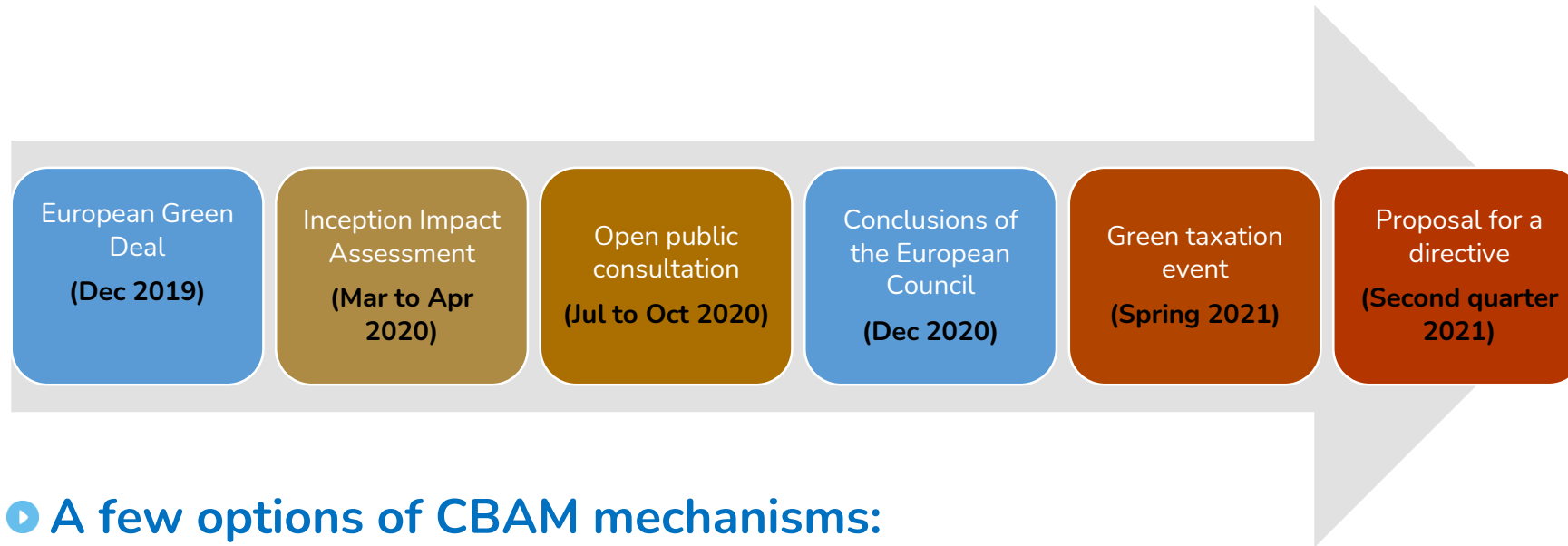
CAP IN THE EU ETS

CHANGE IN THE LRF (2021-2030)



Source: KOBiZE

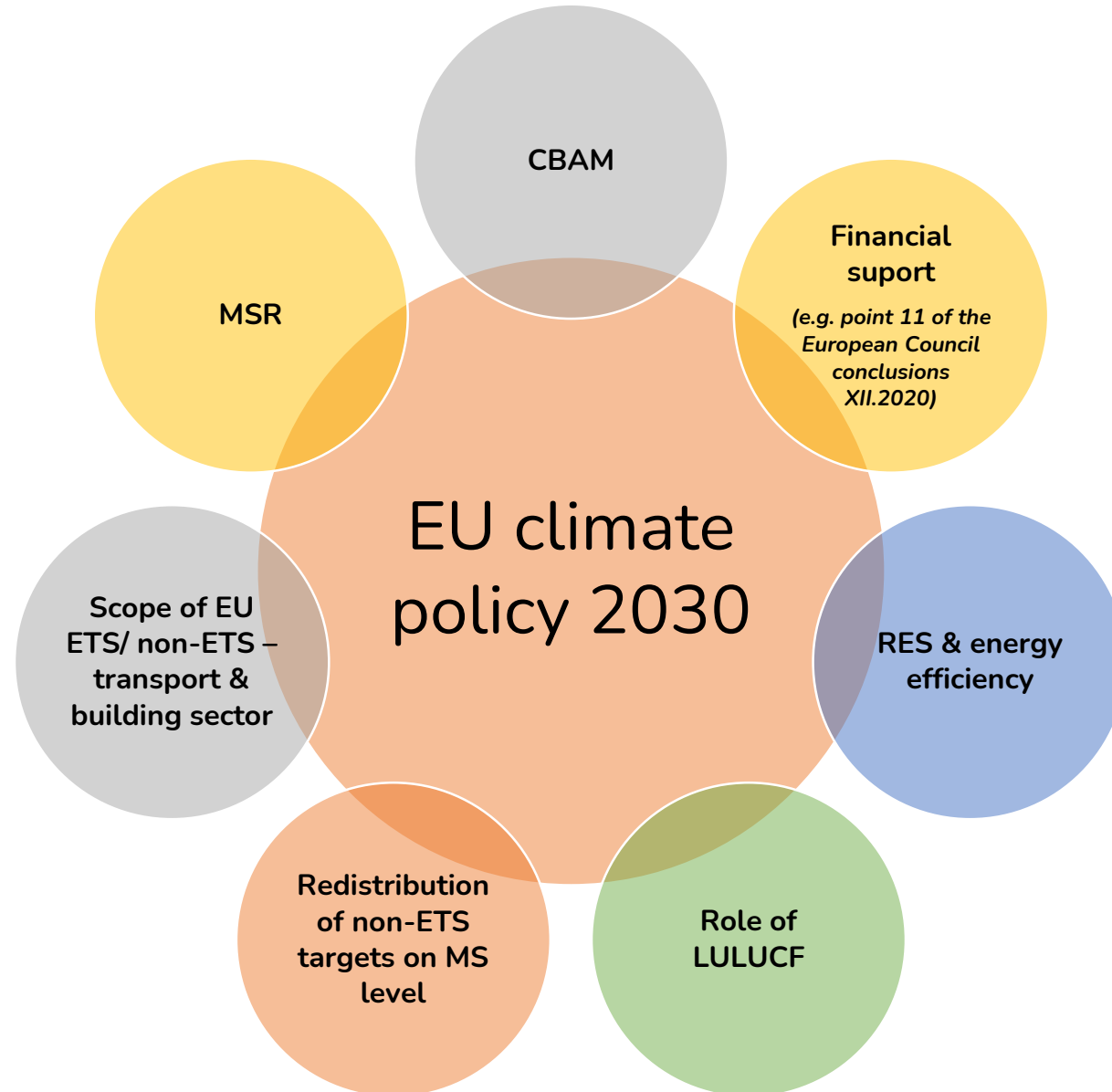
CARBON BORDER ADJUSTMENT MECHANISM



▶ A few options of CBAM mechanisms:

- ▶ Import Tax
- ▶ Consumption charge
- ▶ Carbon Added Tax
- ▶ System parallel to the EU ETS, which involves the surrendering allowances by the importer at the border

CHALLENGES/ NEXT STEPS



Thank you

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