

May 27, 2021

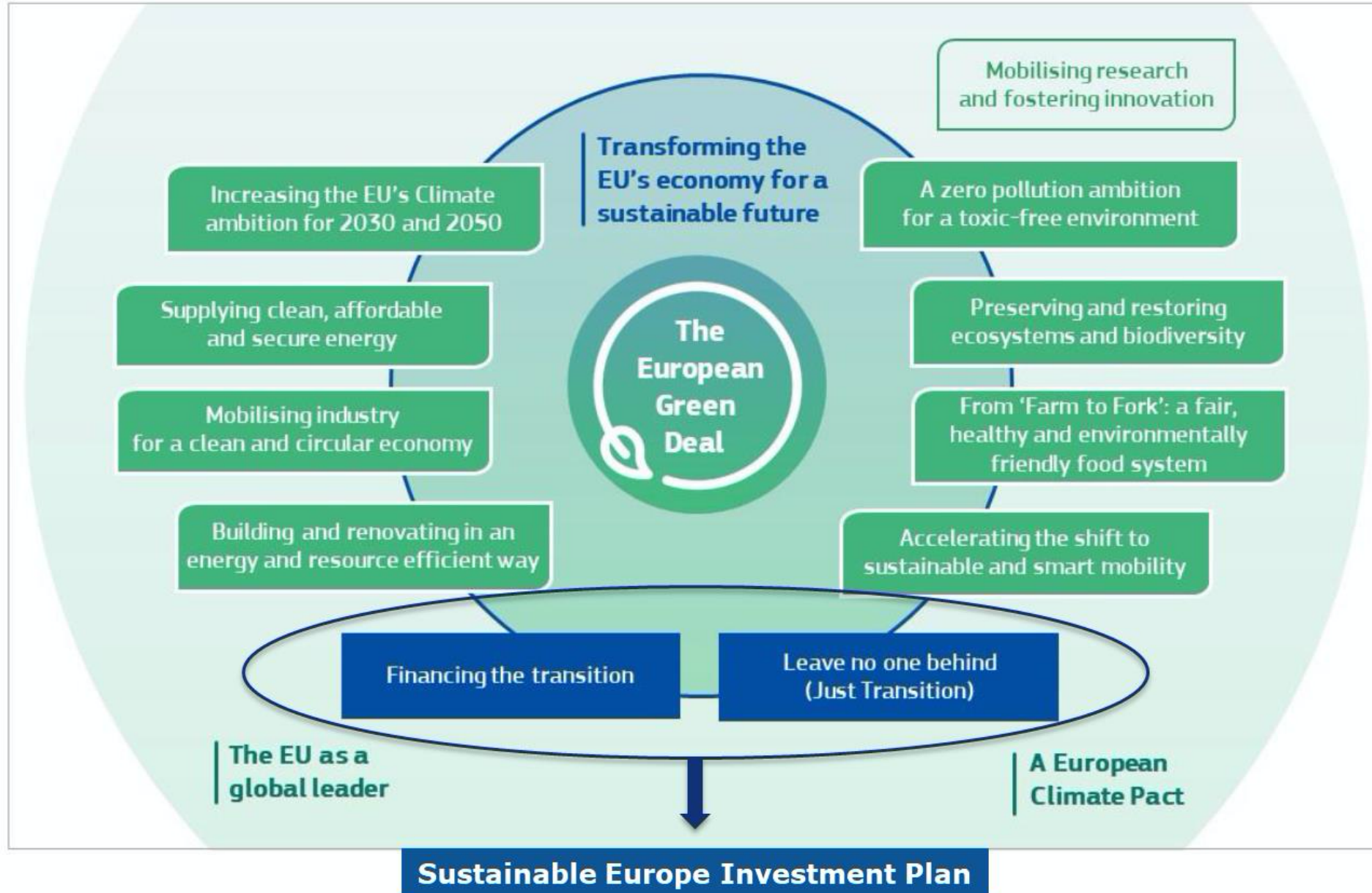
State of the European Green Deal

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ERCST

Roundtable on
Climate Change and
Sustainable Transition

The „European Green Deal“



Structure of the Presentation

- EGD – tracker update
- International developments: Biden Summit
- European Council Conclusions
- Climate Law: Outcome of the negotiations
- High level issues (Industrial Strategy, CBAM, Hydrogen, SF)
- Next steps

Previous experience 2014 -2019

Transition from the Energy Union architecture (at least 40% in 2030) to the EGD:

- ETS phase IV
- Energy Efficiency Directive – 32.5% efficiency by 2030
- RED II – 32% RES by 2030
- Governance Regulation and National Energy and Climate Plans
- Electricity Market Design
- Effort Sharing Regulation adopted 2018
- Energy Performance of Buildings
- Gas Package
- **Clean Energy for All** Europeans published May 2019 (long term neutrality)

EGD is approaching a key point in time

- So far, stakeholders have been able to sense the course of the different policies **without entering into the details.**
- **The process is clearly changing from exploration and preparation to delivery.**
- The European Commission will present in July **almost as many initiatives as during the last one and a half years combined.**
- It is arguable if EU citizens and MSs, have the capacity to **digest all the changes the fit for 55 package will entail.**
- Where will the political discussion focus?
 - CBAM expectations and development of the debate;
 - Central to the package next to ETS, etc.

| EGD Tracker | |
|--|---|
| Until Today | Fit for 55 Package 2021 |
| <ul style="list-style-type: none"> ➤ Presentation of the EGD (11-12-2019) ➤ Presentation of the European Green Deal Investment Plan and the Just Transition Mechanism (15-01-2020) ➤ Proposal for a European Climate Law to ensure a climate neutral European Union by 2050 (04-03-2020) ➤ Adoption of the European Industrial Strategy (10-03-2020) ➤ Proposal of a Circular Economy Action Plan focusing on sustainable resource use (11-04-2020) ➤ Presentation of the “Farm to Fork Strategy” (20-05-2020) ➤ Presentation of the EU Biodiversity Strategy for 2030 (20-05-2020) ➤ Adoption of the EU strategies for energy system integration and hydrogen (08-07-2020) ➤ Presentation of the 2030 Climate Target Plan (17-09-2020) ➤ Chemical strategy for sustainability (14-10-2020) ➤ Methane Strategy (14-10-2020) ➤ Renovation Wave (14-10-2020) ➤ Offshore renewable energy (19-11-2020) ➤ European Climate Pact (09-12-2020) ➤ European Battery Alliance (10-12-2020) ➤ New European Bauhaus (18-01-2021) ➤ New EU Adaptation Strategy (24-02-2021) ➤ Organic Action Plan (25-03-2021) ➤ Zero pollution Action Plan (12-05-2021) ➤ Sustainable blue economy (17-05-2021) | <ul style="list-style-type: none"> ➤ Revision of the EU Emissions Trading System (ETS), and ETS as own resource ➤ Carbon Border Adjustment Mechanism (CBAM) and a proposal for CBAM as own resource ➤ Effort Sharing Regulation (ESR) ➤ Revision of the Energy Tax Directive ➤ Amendment to the Renewable Energy Directive to implement the ambition of the new 2030 climate target (RED) ➤ Amendment of the Energy Efficiency Directive to implement the ambition of the new 2030 climate target (EED) ➤ Reducing methane emissions in the energy sector ➤ Revision of the Regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry (LULUCF) ➤ Revision of the Directive on deployment of alternative fuels infrastructure ➤ Revision of the Regulation setting CO₂ emission performance standards for new passenger cars and for new light commercial vehicles ➤ Revision of the energy performance of Buildings Directive (EPBD) (Q4 2021) ➤ Revision of the Third Energy Package for gas |

Extraordinary European Council 24-25 May

- In December 2019, the European Council endorsed the objective of achieving a climate-neutral EU by 2050. One year later, the European Council agreed on a binding EU target of a net domestic reduction of at least 55% by 2030 compared to 1990.
- **May 2021 EU Council:** EU Leaders agreed broader and briefer than expected conclusions on climate. **References to the need to retain national emissions targets under the ESR were removed.**
- Calls to the EC to put forward an in-depth examination of the environmental, economic and social **impact at Member State level of the fit for 55 package.**
- The European Council reaffirms its conclusions of 10-11 December 2020 and welcomes the agreement reached by the co-legislators on the Climate Law.
- The EU welcomes the United States' renewed commitment to the Paris Agreement and calls on its international partners, to increase ambition ahead of the COP 26 in Glasgow.

US Climate Leadership Summit 22 April 2021

- Motivated the agreement on the Climate Law.
- Joe Biden announced U.S. will reduce its own greenhouse gas emissions by 50%-52% from 2005 levels by the end of the decade. **A 50% cut from 2005 emissions would amount to just a 40% cut for the U.S. when recalibrated to the same 1990 baseline as EU.**
- The Leader's Summit on Climate on April 22-23, saw the participation of 40 global state leaders including China, Russia, EU, as well as leaders from the business environment and international institutions.
- This summit proved that climate change is a **common trans-border issue which allows for dialogue** and remains a central ground of communication beyond the differences that arise in the international diplomacy.

International Developments in BCAs

- EU process
- US overview
 - California BCA for Electricity Imports
 - New York
- Canada: federal level
 - Canada: provinces and territories
- Australia
- China
- BRIC
- Russian Federation
- Belarus
- UK – COP 26 and G7 presidencies
- Ukraine
- Turkey
- Japan
- WTO
- OECD
- IMF
- IPCC

[Status in the ERCST Publications](#)

The EU Climate Law agreement 21 April (CRP approval 5.05)

- Political position of the Council defended (as agreed from the EUCO December '19 and '20). -climate neutrality on the **EU level** (2050) and 55% for 2030.
- Net Greenhouse Gas Emissions Reduction Target of at least 55% compared to 1990.
- Limit of 225 Mt of CO₂_{eq} the contribution of removals to the net target.
- EC will propose to revise LULUCF Regulation to increase the EU Carbon sink to levels above 300 Mt of CO₂_{eq}.
- Establishment of a European Scientific Advisory Board on Climate Change.
- EC proposal for an intermediate climate target for 2040, at latest within six months after the first global stocktake carried out under the Paris Agreement.
- Publication of a projected indicative Union's greenhouse gas budget for the period 2030-2050.
- Indicative voluntary sectorial roadmaps towards achieving the Union's climate neutrality objective by 2050.

Scientific Advisory Board on Climate Change

- **The Advisory Board shall complement the work of the EEA while acting independently in discharging its tasks.**
- 15 senior scientific experts covering a broad range of relevant disciplines
- EEA's Management Board shall designate the members of the Advisory Board for a term of four years
- Members of the Advisory Board shall be appointed in a personal capacity and shall give their positions completely independently of the Member States and the European Institutions. (Max. two members of the same MS).
- The EEA has a [Management Board](#) consisting of one representative of each Member State and two representatives of the Commission. (Regulation (EC) No 401/2009)

Climate Change Laws around Europe: Germany & France & Spain

- **France:** On May 4th 2021, French Parliament approved France's climate change law. (Pending approval in Senate)
- **Germany:** Follow Germany's Constitutional Court decision from March 2021, which declared the German climate protection act partly unconstitutional, the German government decided to amend the act.
- **Spain:** On May 14th the Spanish Parliament approved Spain first law on Climate Change and Energy Transition.
- Different targets for 2030: France: -40%, Germany: -65%, Spain: -23%.
- All three have committed to climate neutrality at the latest in 2050, Germany even sooner, 2045.
- The draft German bill even establishes intermediate targets for 2035 and 2040.
- ***How do the climate change laws at a Member State level fit with the EU current Climate Law and the fit for 55 package?***

The updated industrial strategy and the EGD

- The updated Industrial Strategy reflects the need to take account of the new circumstances following the COVID-19 crisis. It offers new measures to accelerate the green and digital transitions.
- **ETS:** Consideration of an European approach for Carbon Contracts for Difference in the proposal for the revised ETS Directive.
- **Hydrogen:** Identifies hydrogen as a strategic investment area and include an in-depth review on Hydrogen strategic dependence. It also identifies hydrogen as a key technology to decarbonize the steel production and acknowledges the increase in costs in Hydrogen Steel reduction.
- **CBAM:** Reiterates that Steel is one of the sectors included in the possible initial shortlists of CBAM sectors. EC, DE, PT, NL, UK have put forward support schemes for CCfD (also through Innovation Fund)
- **Green Transition:** Co-creation of green and digital transition pathways for relevant ecosystems. Actions to promote renewable Purchase Agreements, European Approach for CCfD, Energy and Industry Geography Lab As of Q4 2021.

Hydrogen an update

- **Hydrogen Production and the role of low carbon hydrogen:** Last week the EU Parliament approved a non legislative resolution on Hydrogen, which represents the EU Parliament reaction to the EU Hydrogen strategy put forward by the European Commission on July 2020.

Production:

- Classification of the different production processes;
- Technology neutrality principle;
- EU hydrogen imports vs. EU own production
- Hydrogen Scarcity

Demand:

- Hydrogen Demand forecasts
- Demand, the Market economy vs. Regulation
- Different sorts of demand incentives

Transportation:

- Pace for a hydrogen infrastructure development
- Technical & regulatory aspects: Blending and Repurposing

Links between hydrogen and other legislative acts

- Review of the RED II, EE, ETS Directives.
- Delegated act on the additionality principle.
- Revision of the Gas Directive and Gas Regulation
- EU Taxonomy
- State Aid

Latest developments on the Sustainable Finance agenda

- The **EU Taxonomy Climate Delegated Act** will classify which activities are contributing to climate mitigation and adaptation. STATUS: Under scrutiny by the EP & Council
- **Delegated Act on Article 8** of the Taxonomy Regulation, requiring undertakings to disclose their alignment with Taxonomy. STATUS: draft under public consultation until June 2
- The new **Corporate Sustainability Reporting Directive (CSRD)**, requiring companies to provide consistent and comparable sustainability information (impact and dependencies on nature i.e. double materiality, according to EU standards that will be adopted via a DA). STATUS: Commission proposal, thus under ordinary legislative procedure
- Six amending Delegated Acts will ensure that financial firms include sustainability in their procedures and their investment advice to clients. STATUS: Under scrutiny
- The new Sustainable Finance strategy: STATUS: publication foreseen for 6 July 2021

State of play of National Recovery Plans

- Funds are needed to deliver a successful fit for 55 but some obstacles need still to be overcome:
 - So far, not all countries have submitted their Recovery and Resilience Plans.
 - List of countries that have submitted National Recovery and Resilience Plans: BE, DK, EL, GR, ES, FR, IT, LV, LU, LT, AT, PT, PL, SK, SI, CY, HU, HR.
 - Own resources decision needs to be approved by national Parliaments.
 - Constitutional constraints (Germany)



Presentation of the Fit for 55 Package – 14 July?

FIT FOR 55 PACKAGE JULY 14th ?

Fit for 55 Package

Fit for 55 package

- Revision of the EU Emissions Trading System (ETS), and ETS as own resource
- Carbon Border Adjustment Mechanism (CBAM) and a proposal for CBAM as own resource
- Effort Sharing Regulation (ESR)
- Revision of the Energy Tax Directive
- Amendment to the Renewable Energy Directive to implement the ambition of the new 2030 climate target (RED)
- Amendment of the Energy Efficiency Directive to implement the ambition of the new 2030 climate target (EED)
- Reducing methane emissions in the energy sector
- Revision of the Regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry (LULUCF)
- Revision of the Directive on deployment of alternative fuels infrastructure
- Revision of the Regulation setting CO₂ emission performance standards for new passenger cars and for new light commercial vehicles

Fit for 55 package Q4 2021

- Revision of the energy performance of Buildings Directive (EPBD)
- Revision of the Third Energy Package for gas

• April 20, 2021

Thank you!

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