EURACOAL
European Association
for Coal and Lignite
AISBL

EURACOAL response to the European Commission proposal for an amended Effort Sharing Regulation (EU) 2018/842

- The proposed effort sharing appears unbalanced: while the sectors covered under the EU ETS are expected to increase their ambition by 30%, the ESR target is only 15%.
- The promised social and economic impact assessment at EU member state level has not been presented by the European Commission.

Background

As part of the "Fit-for-55" proposals of 14 July 2021, the European Commission proposes to revise the Effort Sharing Regulation 525/2013 (ESR) which was last amended in 2018.[1] This regulation sets the annual greenhouse gas (GHG) emission reduction targets for member states in those sectors not covered by the EU Emissions Trading System (ETS) Directive. These sectors, including transport, buildings, agriculture, non-ETS industry and waste, account for almost 60% of total EU GHG emissions (see Figure 1). While the European Commission also proposes a new ETS scheme covering road transport and buildings, the revised ESR would largely maintain its current scope, adding only some maritime transport. The main change to the current legislation is the proposed increase of emission reduction targets by 2030, from 30%, compared to 2005 levels, to 40%. In line with this increased ambition, the Commission proposes several changes to the legal text:

- setting out how national reduction targets are to be determined, including reviews in 2022 and 2025 to include the latest data;
- including maritime transport emissions from domestic navigation (but not international);
- splitting the use of land use, land-use change and forestry (LULUCF) credits into two, five-year periods and subjecting each period to a cap corresponding to half of the total amount;
- setting up a voluntary additional reserve formed by any unused LULUCF credits at the end of the second compliance period to be used by member states for compliance with their ESR 2030 target, subject to the condition that the −55% EU-level target is reached with a maximum contribution of 225 $MtCO_2e$ of net removals in accordance with the European Climate Law; and
- increasing the accounting flexibility between ETS and ESR targets for Malta.

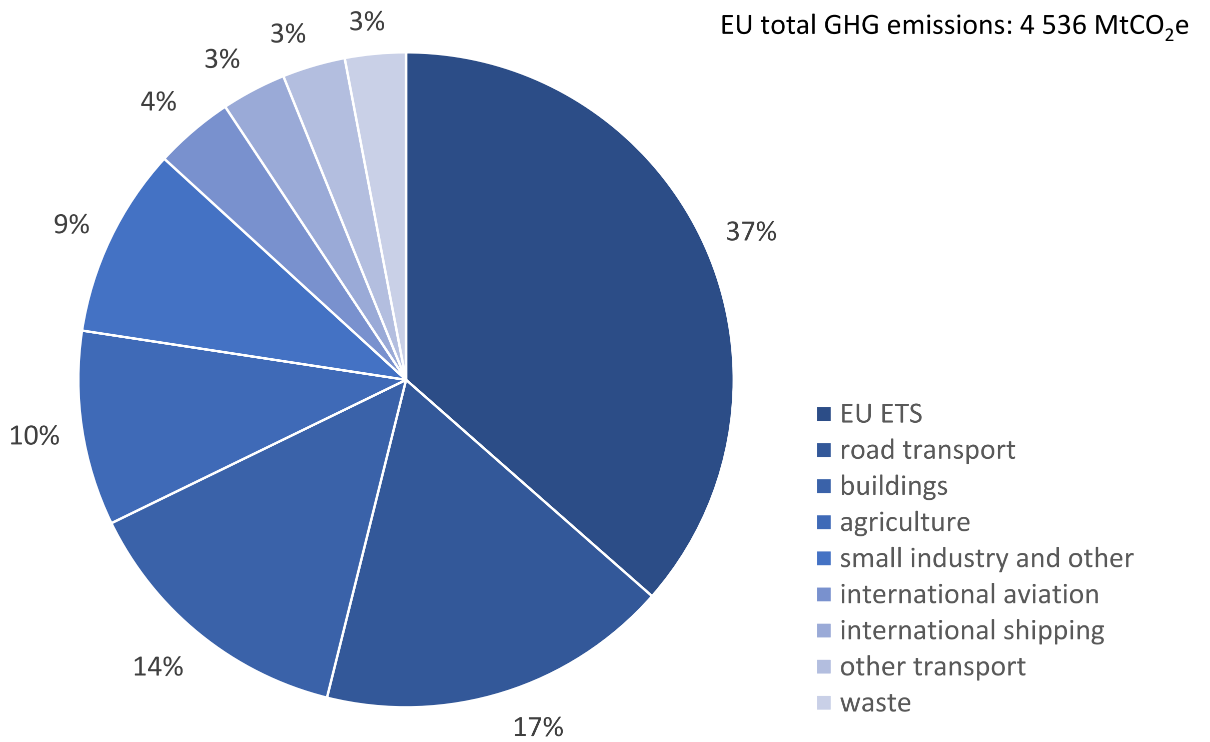
[1] COM(2021) 555

EURACOAL Response

EURACOAL welcomes the establishment of a separate emissions trading system for the road transport and buildings sectors. This was a key demand of the European coal sector to account for the differences in price sensitivity between EU ETS and non-ETS sectors. It is however surprising that effort sharing would remain unbalanced: while the EU ETS sectors are expected to increase their ambition by 30%, the ESR target should only increase by 15%, as shown in Figure 2. EURACOAL favours a fairer sharing of the heavy burden of emission reductions required to meet the EU's climate targets.

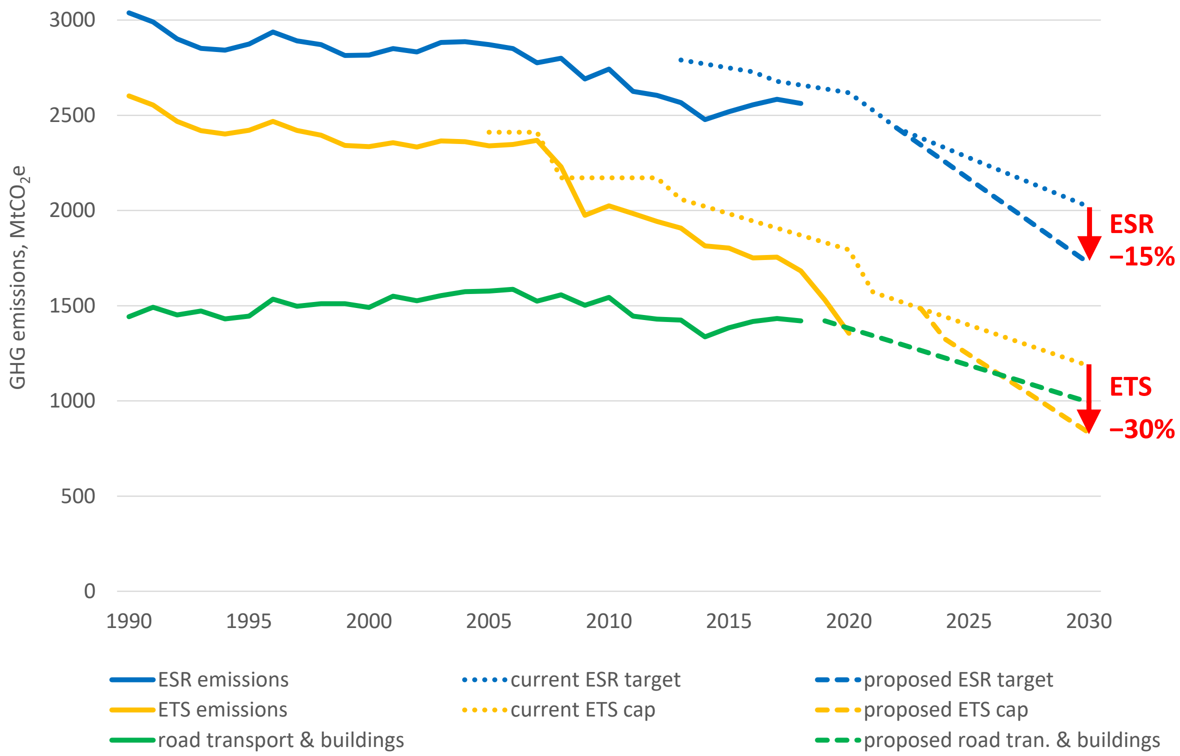
The European Council conclusions of December 2020 called on the Commission "to assess how all economic sectors can best contribute to the 2030 target and to make the necessary proposals, accompanied by an in-depth examination of the environmental, economic and social impact at Member State level, taking into account national energy and climate plans and reviewing existing flexibilities". To date, no such impact assessment has been made public. The impact assessment accompanying the proposed ESR revision focuses on the national distribution of reduction targets, not on the social and economic impact at EU member state level. To justify the proposed effort sharing, such an assessment is crucial.

Figure 1 – Total GHG emissions by sector in the European Union, 2018



Sources: European Environment Agency (EEA), Greenhouse gas emissions by aggregated sector, published 2019; EEA, Greenhouse gas emissions from transport in the EU, TERM 002 published 18 December 2020; own calculations.

Figure 2 – GHG emissions and proposed caps in the EU for sectors under the EU Emissions Trading System (ETS) and under the Effort Sharing Regulation (ESR)



Sources: European Environment Agency (EEA), ETS, ESD, LULUCF and aviation emission trends and projections, 1990-2035, published 2019; EEA, EU Emissions Trading System (ETS) data viewer, retrieved 18 August 2021; EEA, EU GHG emissions in the transport sector, 1990–2017, 2019; EEA, Share of transport greenhouse gas emissions, published 2019; EEA, Greenhouse gas emissions from transport in the EU, TERM 002 published 18 December 2020; own calculations based on EU ETS Directive 2003/87/EC and EC proposals COM(2021) 551 and COM(2021) 555.

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