Creating Pathways Towards the Green Economy

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The European Green Deal

von der Leyen Commission

#EUGreenDeal

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Main goals with the Green Deal

The EU will:

- Become climate-neutral by 2050
- Protect human life, animals and plants, by cutting pollution
- Help companies become world leaders in clean products and technologies
- Help ensure a just and inclusive transition

How will EU become climate-neutral by 2050?

- **Energy:** Decarbonise the energy sector
- **Buildings:** Renovate buildings, to help people cut their energy bills and energy use
- **Industry:** Support industry to innovate and to become global leaders in the green economy
- **Mobility:** Roll out cleaner, cheaper and healthier forms of private and public transport

EU will take actions in these areas:

- Climate
- Environment and oceans
- Energy
- Transport
- Agriculture
- Finance and regional development
- Industry
- Research and innovation

One of the tools: Fit for 55 – legislation package

- **2030 greenhouse gas emissions net reduction target of 55% below 1990 levels** (as set out in the 2030 Climate Target Plan and written into the European Climate Law).

Exampels of proposals from Commission to achieve this:

- 1. Increasing the ambition of the EU Emissions Trading System
- 2. Revision of the EU Emission Trading System Directive concerning aviation
- 3. Updating Member State emissions reduction targets (Effort Sharing Regulation) in line with the 2030 climate target plan
- 4. Land Use, Forestry and Agriculture
- 5. Revision of the CO_2 emission performance standards for new passenger cars and vans
- 6. Social Climate Fund

(DG CLIMA lead on these 6)

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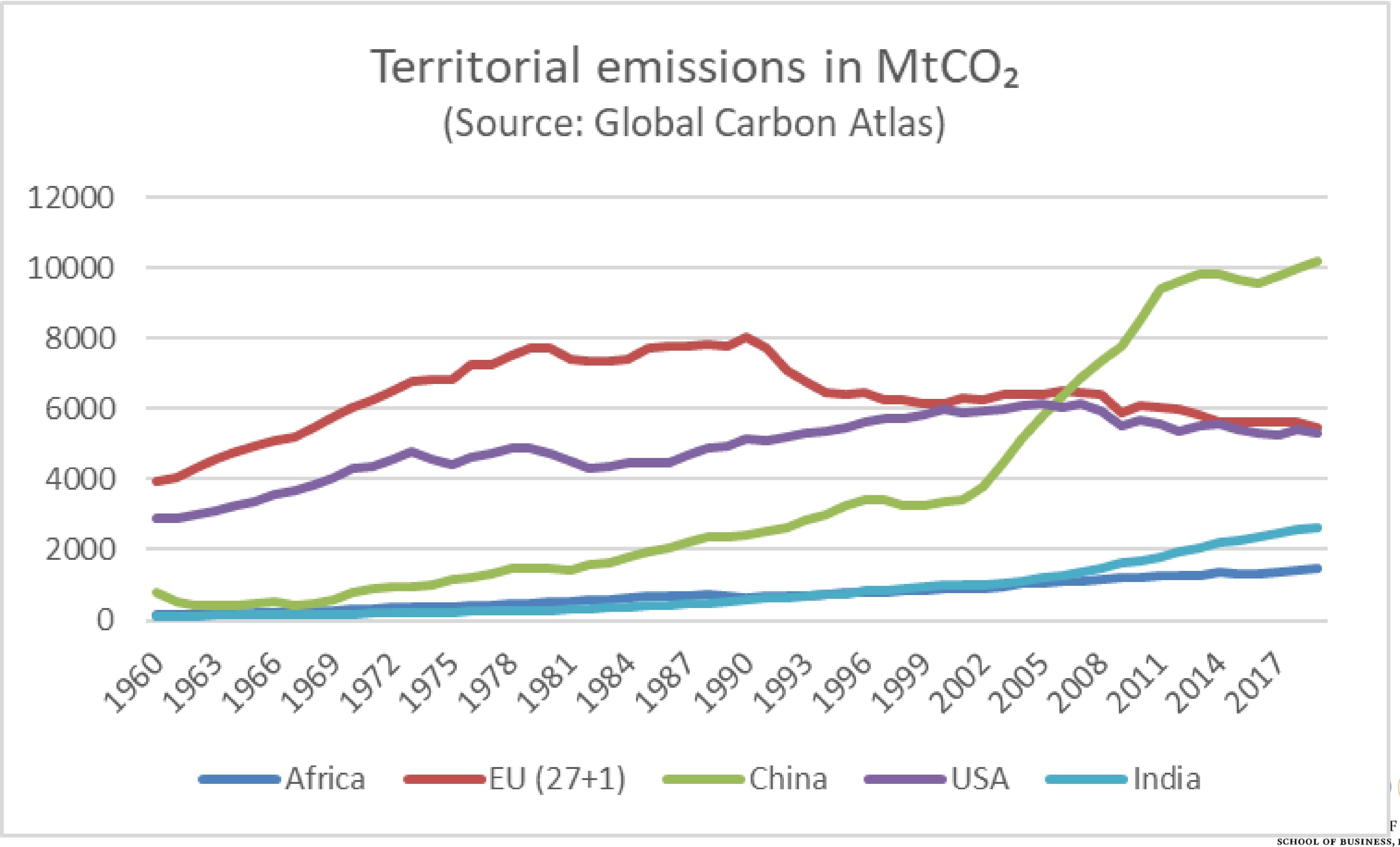
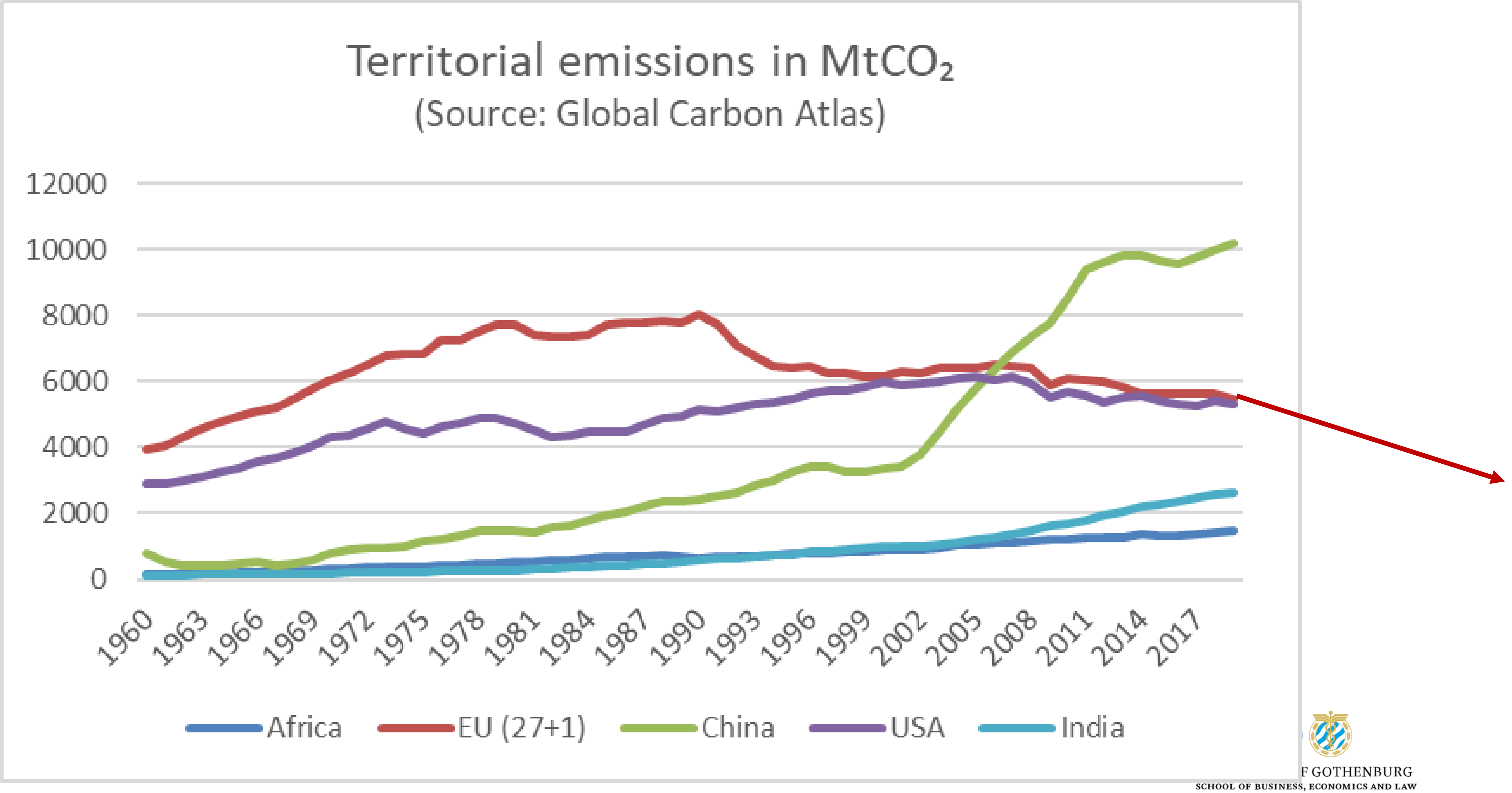

Territorial emissions in MtCO₂
(Source: Global Carbon Atlas)
12000
10000
8000
6000
4000
2000
0
1960
1963
1966
1969
1972
1975
1978
1981
1984
1987
1990
1993
1996
1999
2002
2005
2008
2011
2014
2017
Africa
EU (27+1)
China
USA
India



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1. Increasing the ambition of the EU Emissions Trading System (ETS)

- World's first major carbon market and remains its largest
- EU ETS was introduced in 2005
- Emissions have been cut by around 43% since start in the sectors covered by emissions trading

Sectors include: power and heat generation, energy-intensive industrial sectors and commercial aviation within Europe → together 41% of EU's total emissions today

Commission now proposing to adjust it to the Fit for 55 target:

- New target of -61% 2030 for the covered sectors (compared to 2005 levels)
- To extend emissions trading to new sectors (maritime activities; fuels used in road transport and buildings)
- Strengthening the Market Stability Reserve

2. Revision of the EU Emission Trading System Directive concerning aviation

- Aviation is one of the fastest-growing sources of greenhouse gas emissions
- CO_2 emissions from aviation have been included in the EU ETS since 2012
- They receive tradeable allowances, covering a certain level of emissions from their flights per year

Commission now proposing to adjust it to the Fit for 55 target:

- More flights and areas included
- Free allowances to aircraft operators will be reduced progressively
- Implement the Carbon Offset and Reduction Scheme for International Aviation (CORSIA)

3. Increasing the ambition of the EU's Effort Sharing Regulation

- The current Effort Sharing Regulation establishes binding annual greenhouse gas emission targets for Member States for the period 2021–2030
- Cover sectors not covered by the EU ETS – e.g. transport, buildings, agriculture and waste

Commission now proposing to adjust it to the Fit for 55 target:

- Increase reduction target for the Effort Sharing sectors from the current 29% to 40% by 2030 (compared to 2005)
- More ambitious national targets for Member States on a fair and cost-efficient basis
- Update flexibility mechanisms to achieve goals in cost-efficient manner
- Establish an additional reserve to help Member States comply with their more ambitious Effort Sharing targets

4. Land Use, Forestry and Agriculture

- Currently Member States need to ensure land use change or forestry are balanced by at least an equivalent accounted removal of CO_2 from the atmosphere in the period 2021 to 2030

Commission now proposing to adjust it to the Fit for 55 target:

- 1st step (2021-25): Stays close to the current LULUCF Regulation, which had been set to generate no less than -225 Mt CO_2 equivalent of net removals
- 2nd step (2026-30): increase the EU net removal target to -310 Mt of CO_2 equivalent
- 3rd step (After 2030): At EU level, set binding targets for Member States from 2031 onwards - to reach climate neutrality by 2035

5. Revision of the CO_2 emission performance standards for new passenger cars and vans

- Passenger cars and vans are collectively responsible for around 15% of total EU emissions of CO_2 – so crucial to achieve the goal

Commission now proposing to adjust it to the Fit for 55 target:

- New CO_2 emission reduction targets for new passenger cars and vans as compared to the 2021 target:

  - From 1 January 2030: 55 % for cars, and 50 % for vans

  - From 1 January 2035: 100 % for cars, and 100 % for vans

- Remove the incentive for zero- and low-emission vehicles from 2030 onwards
- Proposed Alternative Fuels Infrastructure Regulation to ensure the timely availability of the recharging and refueling infrastructure for the zero-emission vehicles that the strengthened CO_2 standards will bring to the market

6. Social Climate Fund

- Mentioned that EU Commission (COM) proposed to extend emission trading to building and road transport sectors → new separate emissions trading system
- COM proposes to address any social impacts that arise from this new system by setting up a Social Climate Fund to:

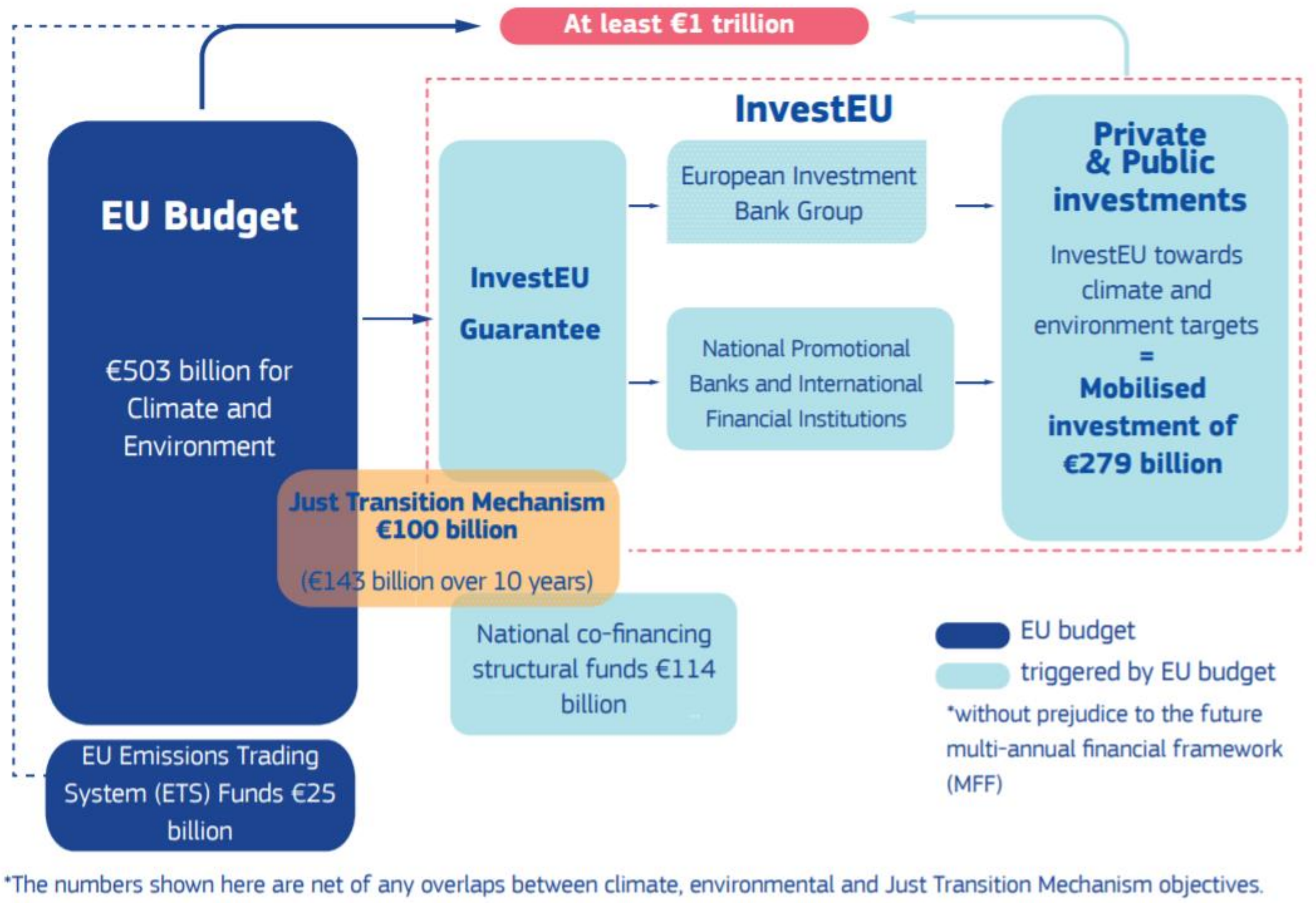
  - Support measures and investments that reduce emissions in road transport and buildings sectors and as a result reduce costs for vulnerable households, micro-enterprises and transport users

  - Finance temporary direct income support for vulnerable households

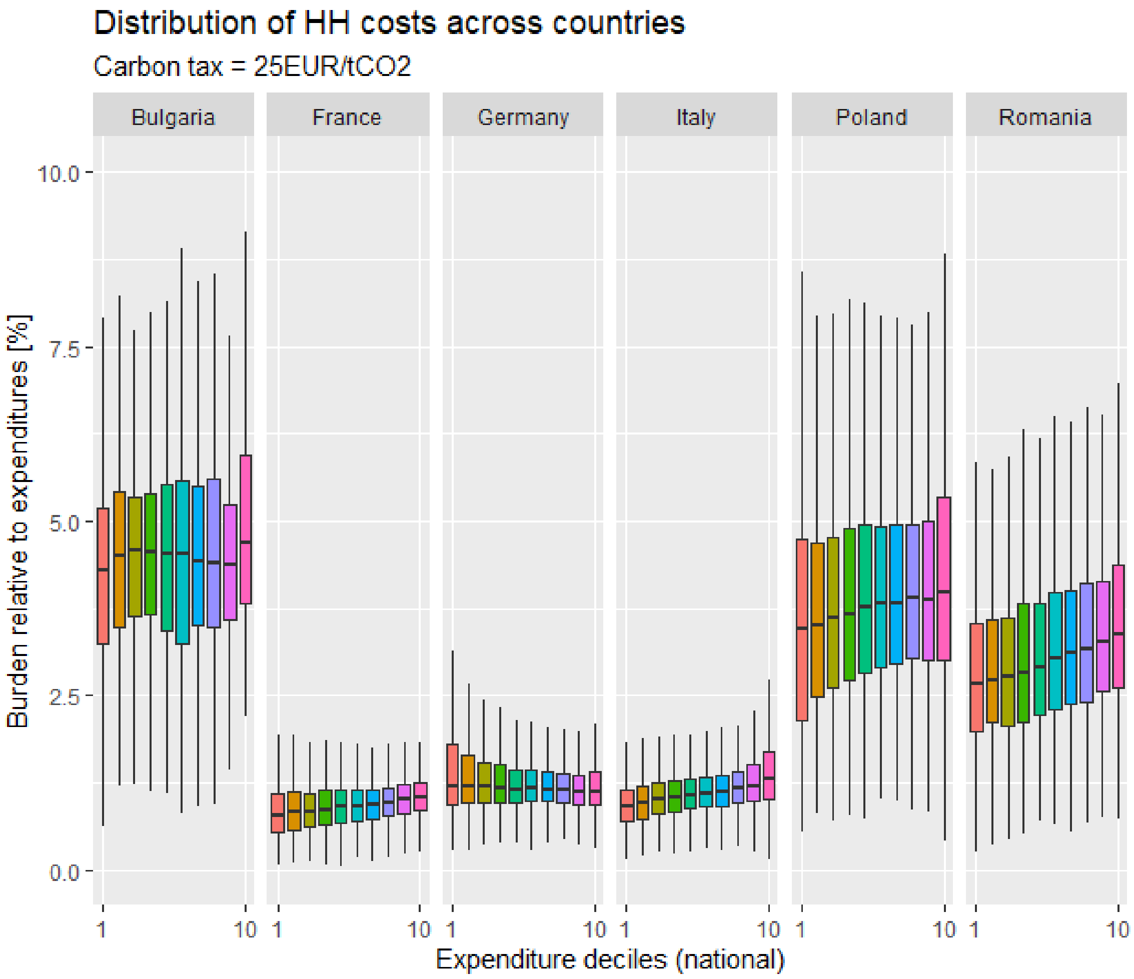
- The size of the fund will correspond to a dedicated share of the revenues from the auctioning of emission allowances under the new system

Funding of European Green Deal

Plan to mobilize at least €1 trillion of investments over the course of 10 years.



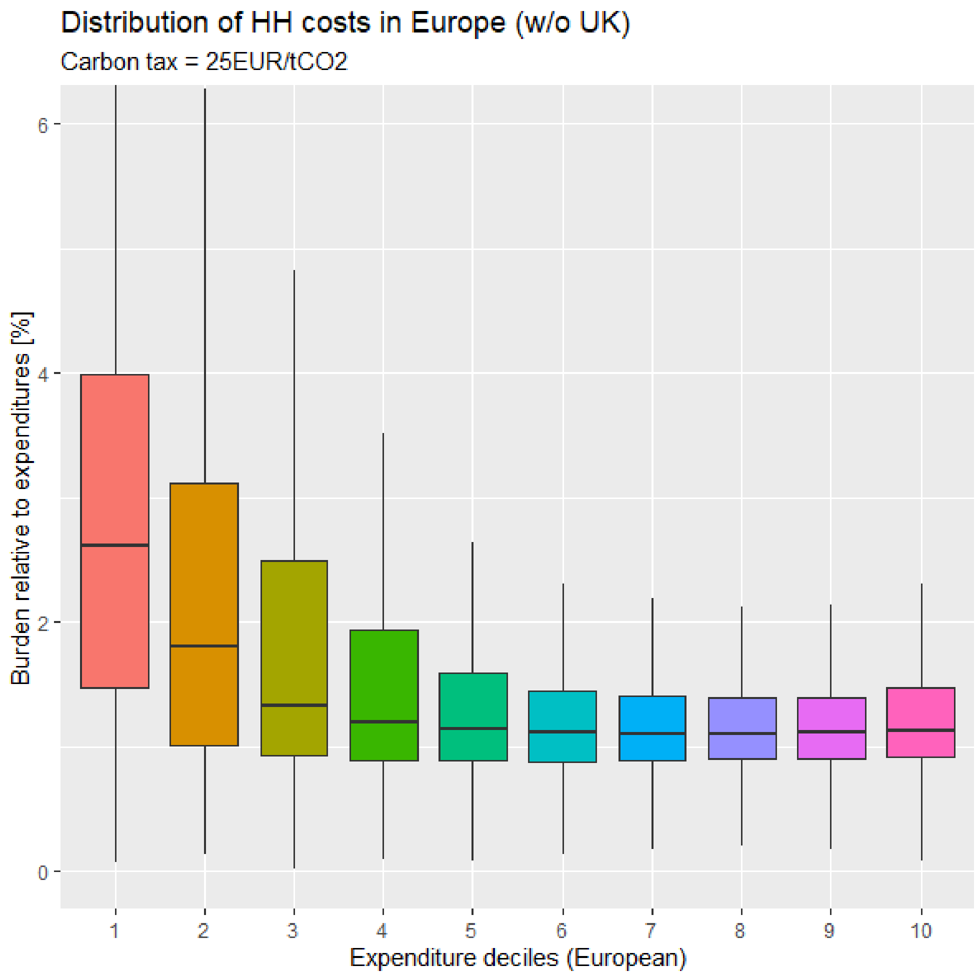
Understanding regressivity: National results



- Now: national expenditure deciles
- Countries dominating the lower European expenditure deciles (Bulgaria, Hungary, Poland and Romania) have a higher burden
  - Higher carbon intensity of consumption
- National incidences are mostly proportional or progressive

→Inter-country differences dominate intra-country differences

Understanding regressivity: European results

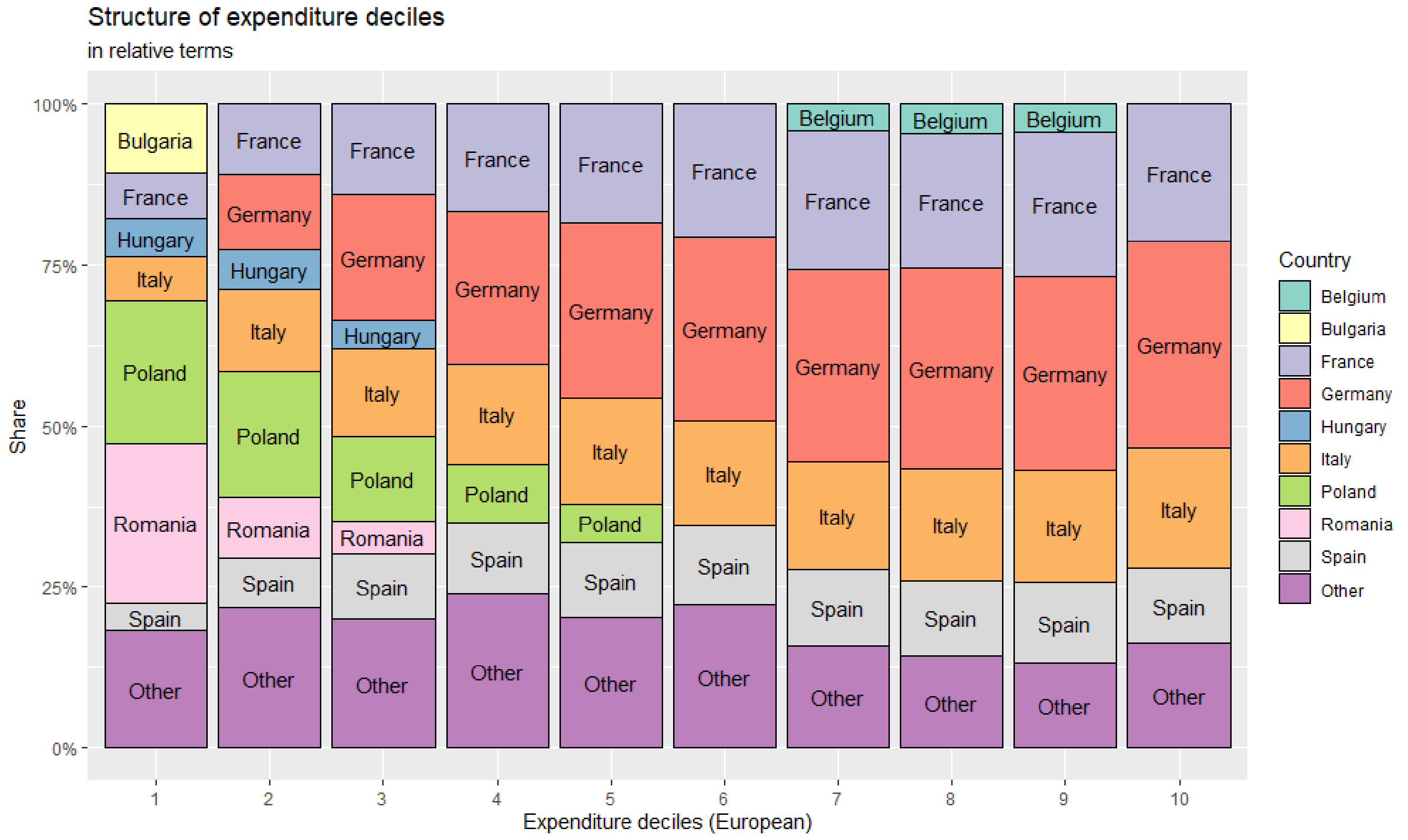


- Carbon tax = 25EUR/tCO2 on all emissions in Europe + on imported emissions
- Lowest 4 EU deciles: regressive
- Decile 5-10: proportional/slightly progressive
- Higher variation in lower income deciles

Progressive nationally/ Regressive for EU

EU larger
EU more heterogeneous,
Inequality is greater …→ connection to Julius Andersson?
Some reflection on the US and World…

Understanding regressivity: European results



- How are the European deciles made up?
  - Bulgaria, Hungary, Poland and Romania dominate the poorest deciles
  - Richest deciles: France, Germany, Italy, Spain

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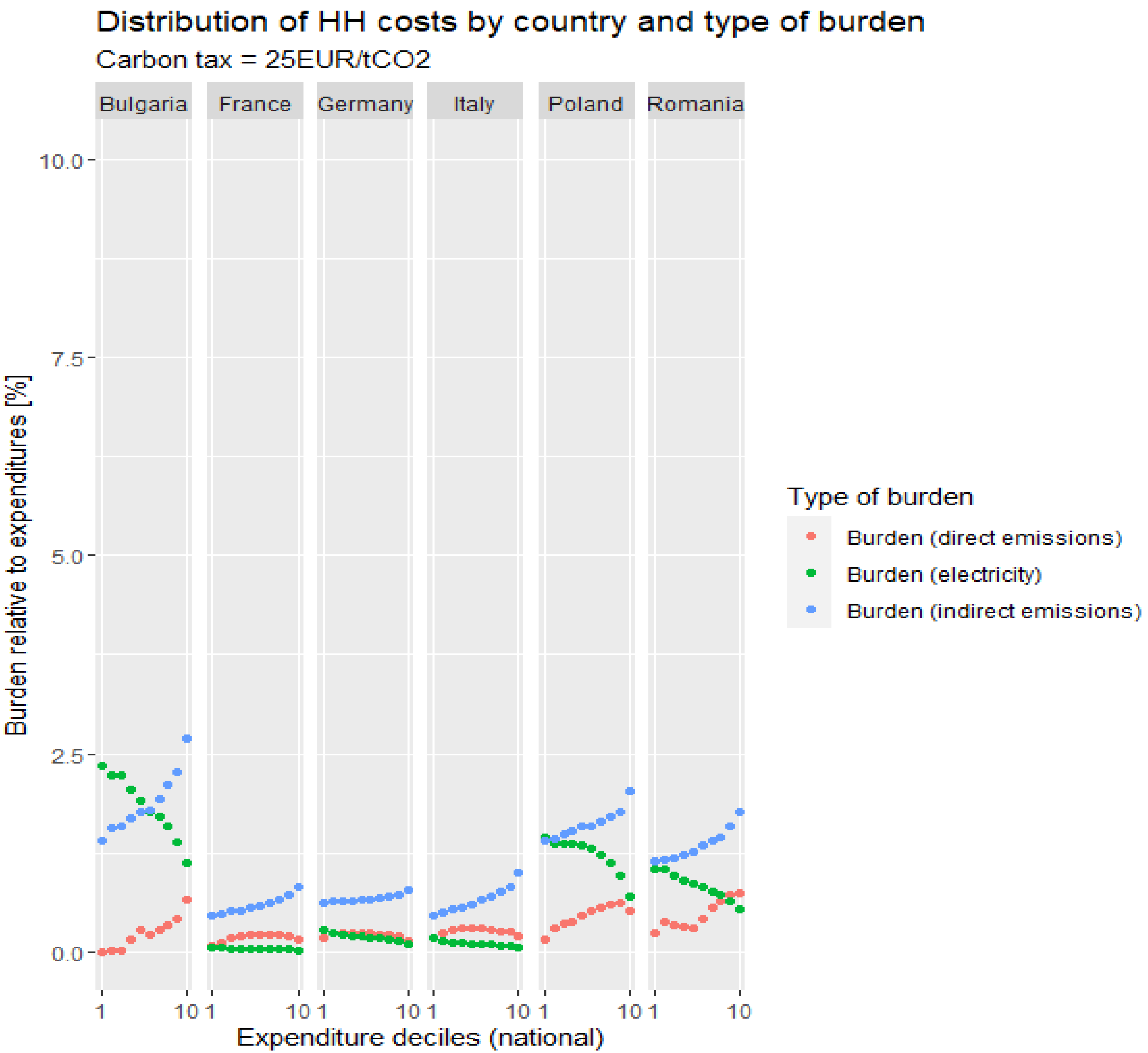
Understanding regressivity – National results



Sectoral drivers:

- Electricty is regressive
- Transport and heating (direct):
  - U-shaped in rich countries
  - Progressive in poor countries
- Indirect emission progressive

→Comprehensive carbon pricing important for progressivity

- EASILY OFSET BY POLICY

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Thank You

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