Binding annual greenhouse gas emission reductions by Member States (Effort Sharing Regulation)

2021/0200(COD) - 14/07/2021 - Legislative proposal

PURPOSE: to amend Regulation (EU) 2018/842 (Effort Sharing Regulation – ESR) on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the EU put in place a regulatory framework to achieve the 2030 greenhouse gas emission reduction target of at least 40% as endorsed by the European Council in 2014, before the entry into force of the Paris Agreement.

The European Green Deal launched a new growth strategy for the EU that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy. The 'European Climate Law' has made the EU's climate neutrality target by 2050 legally binding.

The Commission has presented a **complementary and interconnected set of proposals as part of the 2030 Climate and Energy 'Fit for 55' package** to achieve the greenhouse gas emission reduction target of **at least 55% compared to 1990**. This 'Fit for 55' legislative package is the most comprehensive building block in the efforts to implement the ambitious new 2030 climate target, and all economic sectors and policies will need to make their contribution.

The 'Fit for 55' package, the Next Generation EU and the Multiannual Financial Framework for 2021-2027 will help to achieve the twin green and digital transitions that Europe is aiming for.

CONTENT: with this proposal, the Commission aims to amend the Effort Sharing Regulation (ESR) in order to align its contribution to achieving the increased ambition for 2030.

Accelerating emission reductions in those sectors covered by the ESR

To achieve the EU's overall emission reduction target of at least 55% by 2030, the Commission proposes to **reduce emissions under the ESR by at least 40% compared to 2005 levels**. All Member States should contribute to achieving the EU's rising target. New updated Member State targets would be **between -10% and -50%** below 2005 levels.

The ESR would continue to cover the road transport and construction sectors, in parallel with their inclusion in a new emissions trading scheme.

National targets and flexibilities

The proposal updates the framework under which the Commission will set the new Member States' annual emission levels in the years 2023–2030 A review will be carried out in 2025 with a view to

adjusting the annual emission allocations for the years of 2026 to 2030 in order to ensure that they are neither too lenient nor too stringent.

The proposal sets national ESR targets based mainly on GDP per capita, in order to ensure fairness and cost effectiveness in effort distribution, while enabling though its flexibilities a cost-efficient achievement of such targets.

Member States can decide to opt-out. This reserve could be triggered only once the requirements of the Climate Law are fulfilled, for the purpose of national compliance with ESR targets by transferring any unused LULUCF credits. They may use a limited a limited amount of credit generated under the LULUCF legislation for compliance in the ESR.

The Commission also proposes a new voluntary reserve, the **additional reserve**, to help Member States reaching their individual targets, allowing them to use non used net removals generated in the period 2026-2030, subject to the condition that the Union 55% emission reduction target is reached in 2030 with a maximum contribution of net removals set at 225 MtCO2Eq, as required by the European Climate Law.

Monitoring and reporting

The proposal continues the Effort Sharing Regulation with the same monitoring and reporting obligations for Member States and management tasks for the Commission. The Commission will continue to be supported by the European Environment Agency in monitoring Member States' progress in meeting their obligations under the proposal.

Budgetary implications

The increase in the ESR targets will require additional measures at national level and Member States will need to revise and implement more stringent climate action strategies. Therefore, there is a need for capacity building support measures to be implemented throughout five years (2023-2027) allowing Member States to adjust to a more demanding framework. The total estimated cost of the support measures is EUR 1 750 000.