



## BRIEFING ASSESSMENT - First compromise text on the proposed “Governance of the Energy Union”

*On 22 June the Maltese presidency presented a first compromise text on the proposal for the Governance of the Energy Union. This briefing highlights the untapped potential of strengthening the Commission's' text - which should be the focus of the discussions to come - and provides our assessment of the compromise text.*

### **The Governance Regulation is an opportunity to support increasing climate ambition and a faster energy transition in Europe**

The governance regulation brings together climate energy policies and aims at managing the low-carbon transition as a whole. This policy centralization is the opportunity to support increasing climate ambition, green growth and a faster energy transition in Europe. If the legislation is done right, the framework can significantly contribute to implementing the EU's fair share to achieve the long term objectives of the Paris Agreement. It can also help unlocking investor confidence and reduce transition costs while reducing the risks of stranded assets across the European economy. Reaping these benefits would however require a significant strengthening of the Commission's' proposal in three key areas:

- a robust mechanism for ratcheting up ambition over time
- a better alignment of the National Energy and Climate Plans with the long term low emission strategies, as required by the Paris Agreement, to ensure a fully integrated approach to infrastructure planning
- stricter provisions to ensure targets are achieved

As the Council moves forward with its discussions on this file, it should give priority to a discussion on how to strengthen the regulation so that it becomes the transition framework it has the potential to be.

### **The draft compromise text:**

- suggests to rename the regulation into “Governance of the Energy Union and Climate Action”. **This sends a good signal** to Member States and all stakeholders that this regulation aims at governing the transition to a zero carbon economy as a whole.
- postpones the deadline for when Member States should submit their draft and final national energy and climate plans (NECPs), from 1 January 2018 and 1 January 2019 respectively, to 1 April 2018 and 1 April 2019 respectively. While it might be tempting for Governments to call for more time for the drafting and finalization of their plans, pushing deadlines backward would only be acceptable if Member States then **also secure higher ambition of the legislative proposal as well as the national plans.**
- keeps the provision of linear trajectories for renewable energy, but the Presidency invites delegations to discuss a possible 'corridor approach'. Using linear trajectories up to 2030 for both renewable and energy efficiency and keeping the language clear (trajectories rather than “estimated trajectories”) will ease Member States' and the Commission's ability to

check whether Member States and the EU as a whole are on track and will **provide better certainty for investors as of where countries are heading in terms of deployment.**

- adds in Article 9 that the Commission will issue recommendations to the draft national plans. This is positive, but the following weakening of the language from “shall in particular set out” to “may address” is worrying as it does not guarantee that the Commission will issue recommendations with regards to the level of ambition of objectives and targets, something which is **key to ensure Member States’s plans contribute to the Union level objectives and the Union’s international commitments.**
- weakens the language with regards to how Member States should take Commission recommendations into account from “utmost” to “due”. The term ‘utmost account’ signals that the recommendations will have significant influence, but even this wording does not remedy the underlying reality that recommendations are by definition non-binding and brings uncertainty to all involved with regards to how Member States will have to act on recommendations. **A weakening of this language would bring more uncertainty and intransparency, and create an insecure investor climate.**
- introduces new language into Article 13, which indicates that only targets and objectives: “[...] in relation to the quantified EU targets” shall be modified upwards. **This inclusion is worrying, as it seems to indicate that countries would be prevented from having higher targets than what expected at EU level.**
- changes the perspective of the long term low emission strategies from 50 years to 30 years. A 30 year perspective would ensure the first long term strategy is drafted towards 2050, which **aligns this requirement with what all signatories to the Paris Agreement are required to do.** The proposed text by the Commission in this article however refers to outdated long-term targets set before the Paris Agreement was struck, and further changes to this article should take into account the EU's commitment to pursue efforts to limit temperature rise to 1.5°C.

#### **The draft compromise text does not yet propose any changes to:**

- the alignment of NECPs and long term strategies: in order to provide transparency to investors and the public about direction of travel and pace of the transition, the long-term strategies should be developed alongside (not after!) the NECPs, and the two must be consistent with each other. It is also important to provide a planning and reporting template for the long-term strategies and to allow for public participation in development of the like.
- article 38 “Review”: in order to ensure the EU is able to comply to the Paris Agreement's five-year review mechanism it needs to ensure all its legislation is coherent with the concept that it could be reviewed and increased every five years, starting from year 2018 when the first stocktake to the Paris Agreement takes place.
- the level of the targets: to reap the full potential in the EU, targets of at least 45% and 40% for 2030 for renewables and energy efficiency respectively should be set.
- how Member States will collectively meet the EU wide targets for renewables and energy efficiency: CAN Europe argues that only strong and binding national targets, underpinned by binding policies and measures ensure commitment and accountability to the EU level targets.
- the Governance gap in Article 1, where it should be made clear that the purpose of this regulation is, alongside fulfilling the objective of the Energy Union, to ensure the EU fulfills its commitments to the Paris Agreement.

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