



FROM INCREMENTAL TO TRANSFORMATIVE

How National Energy and Climate Plans (NECPs) can set Paris in motion in every country

CAN EUROPE BRIEFING PAPER

Benchmarks for transformative National Energy and Climate Plans

A new regime for climate and energy policy in Europe

The Paris Agreement brought together the world in an unprecedented effort to tackle climate change. The long term objective of pursuing efforts to limit global temperature rise to 1.5°C and reach zero emissions in the second half of the century requires rapidly scaled up action by all. The level of ambition in the EU's climate and energy legislation for 2030 as newly adopted (for the climate legislation) or as currently discussed (for the energy legislation) will not be enough to put Europe on a path to deliver on the Paris objectives. Working to raise the overall EU climate commitment must therefore be of absolute priority.

At the same time EU Member States are, through the new 'Governance of the Energy Union Regulation', required to develop ten year Integrated National Energy and Climate Plans (NECPs). With the word 'integrated', the NECPs present a new regime in EU Climate and Energy Policy making. The European Union's credibility in the international climate policy arena depends heavily on its capacity to make a coherent contribution. The current EU climate and energy policy regime, however, with more than 50 planning, monitoring and reporting obligations that Member States have to follow, is not driving transformative change.

A recent study from WWF shows that despite EU requirements adopted in 2013, to develop long term climate strategies, only 13 Member States currently have such in place, and those in place vary greatly in content and quality.¹ Brought together, these strategies are not able to give a coherent picture of where Europe is heading with the transition of its economy.

The NECPs bring together climate and energy policies, climate change mitigation and adaptation measures and aims at managing the low-carbon transition as a whole. This will allow for the first time ever an ability to track progress of comparable and cross-sectorial energy and climate plans between Member States. The development and continuous improvement of the NECPs are hence a key opportunity for countries to bridge current gaps in national policy making and pave the way for higher climate ambition – 'bringing Paris home' - nationally and in the EU.

Developing the NECPs could be seen as a mere 'ticking the box' exercise, but that would be disregarding the opportunities this new regime is offering. To be truly transformative, the NECPs must go beyond the minimum requirements of what the Governance framework spells out (see figure 1). This briefing aims to show that NECPs can drive transformational change, if the focus is on five pillars: 2030 Energy and Climate Ambition, Long term Paris Check, Consistency, Credibility and Transparency (see figure 2).

¹ <http://www.maximiser.eu/news/2017/12/4/uneven-2050-climate-plans-show-need-for-better-eu-rules>

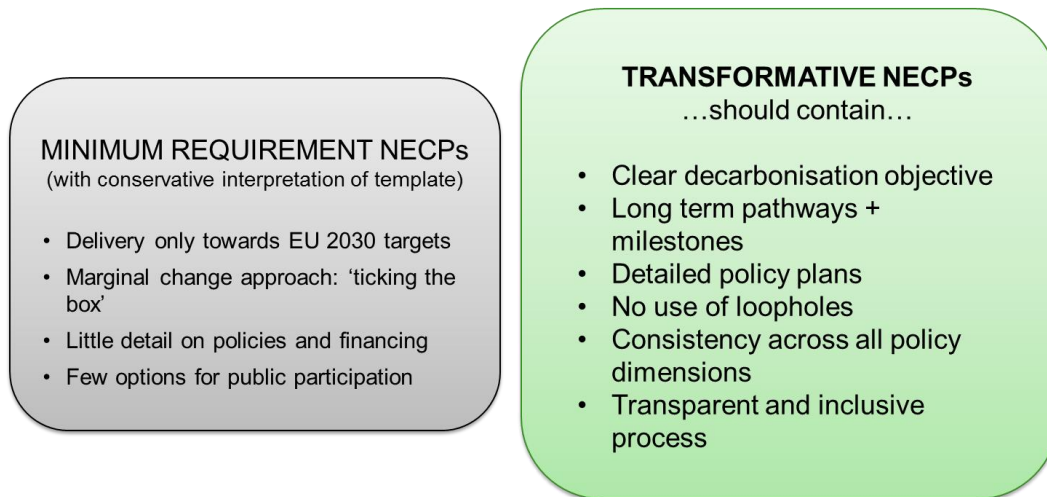


Figure 1. Transformative NECPs must go beyond minimum requirements

Five pillars for transformative NECPs

The figure below summarises the key indicators of the five pillars 2030 Climate and Energy ambition, Long term Paris check, Consistency, Credibility and Transparency, without any order of priority.

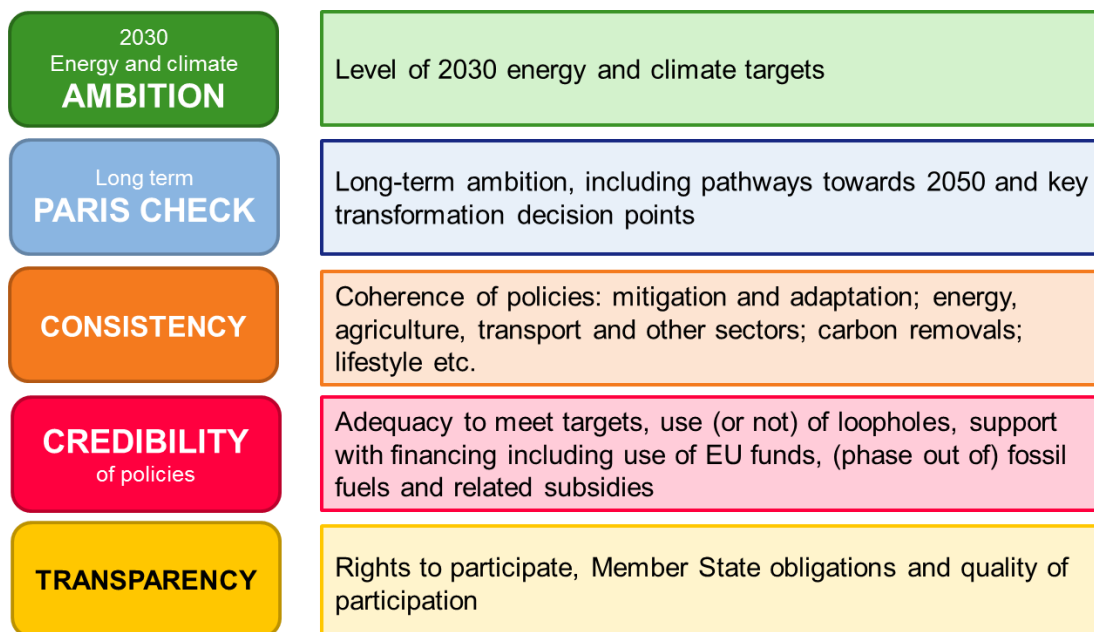


Figure 2. Five pillars for transformative NECPs.

The following chapter explains the five pillars in more detail, explaining why these pillars should be the foundation of the NECPs, and lists key demands.

1. 2030 Energy and Climate Ambition

NECPs should deliver – and go beyond – EU Climate and Energy targets for 2030

The NECPs will cover ten-year periods and the NECPs covering the first period from 2021 to 2030 will have to clearly show that the Union's 2030 targets for greenhouse gas emission reductions, renewable energy, energy efficiency and electricity interconnection will be met and how.

The EU's sectorial climate and energy legislation sets the minimum ambition level the NECPs are required to deliver towards². Member States are however fully entitled to design more ambitious plans. This is crucial, as none of the 2030 targets - agreed or currently under negotiation - are ambitious enough for the EU to deliver on its commitments under the Paris Agreement.³ Hence, Member States should in their NECPs **go beyond what is required to meet the overall EU climate and energy targets for 2030**.⁴

2. Long term 'Paris Check'

NECPs should be consistent with long term decarbonisation objectives

A clear specification of how the direction and the actions included in the NECPs, in addition to delivering towards the dimensions of the Energy Union, are **contributing to the country's fulfilment of the Paris Agreements long term objective** is needed.⁵ All countries should also give clear indications that **the NECPs are consistent with this ambitious long term strategy**. This includes defining sectorial pathways (including international transportation) towards full decarbonisation, listing milestones to reach that objective and identifying key transformation decision points.

All NECPs should also **include a robust and specific process for how ambition in the plan will be scaled up over time** and ensure that each update of the plan is more ambitious than the previous one.

3. Consistency

The NECP framework brings together in one document targets, objectives, policies and measures. This offers the opportunity to overcome silos in policy making, ensure policy coherence and directly compare policies within different sections of the NECPs to ensure

² The Renewable Energy Directive, Energy Efficiency Directive - still under negotiation - as well as the Climate Action Regulation (former Effort Sharing Regulation) and LULUCF regulation – newly adopted.

³ The United Nations Environment Programmes latest emissions gap report calls upon countries like the EU to reduce its projected 2030 emissions by another 25% to comply with a 2 *degrees* scenario.
<https://www.unenvironment.org/resources/emissions-gap-report>

⁴ Member States should set targets which deliver towards at least 55% overall GHG reduction in the EU, 45% renewables and 40% energy efficiency.

⁵ To align EU climate goals with the objectives of the Paris Agreement, to pursue efforts to limit temperature global rise to 1,5°C, in a way that is fair and equitable, the EU will likely have to reach net zero emissions, all GHG included, well before 2050.

consistency and target delivery. It is of highest importance that **consistency among targets across sectors and policy areas is achieved as well as direct barriers to reaching the targets are eliminated.**

Development, energy infrastructure and other national plans and strategies (e.g. industrial, transport, building and food and farming strategies) should **all work towards achieving the communicated decarbonisation pathway and targets.** NECPs are also an opportunity to **better link land use policies with decarbonisation objectives.** This is necessary to achieve the long term goals of the Paris Agreement which require *both* steep emission cuts and removals of carbon from the atmosphere through carbon sinks.

Only with the inclusion of **detailed policy plans for all sectors** (all GHG included) **which specify criteria for implementation for all targets and objectives** can transparency and accountability of the plan be guaranteed. It will also help in avoiding potential lock-in effects of policies, and identifying barriers to achieving the climate goals or hinder reaching the renewable energy and energy efficiency targets.

4. Credibility of policies

The success of the NECPs in driving transformational change depends on the credibility of the policies designed to deliver on the targets and objectives set out. Four points are key in this regard.

NECPs should clarify the pathway to phase out fossil fuels & related subsidies

The Paris Agreement's long term objective to bring global emissions down to zero in the second half of the century puts a specific requirement on the NECPs to **clarify pathways for the phase out fossil fuels, starting with the use of coal.**

As a step in this direction, both the European Parliament and the Member States have in their positions on the Governance Regulation recognised the need for the NECPs to lay out plans to phase out subsidies for fossil fuels. This is key, as billions of euros of tax payers money are still being handed out to fossil fuels in the EU each year. The EU, in its Resource Efficiency Roadmap committed to phase out fossil fuel subsidies by 2020. While EU Member States should first and foremost make every effort to fulfil this commitment, the **NECPs could further help to ensure a phase out date by the deadline that has been agreed by all major economies in the G7, which is 2025.** To facilitate this, **Member States should in the NECP lay out their policies, plans and measures to phase out all direct and indirect fossil fuel subsidies⁶, as well subsidies to nuclear energy and other unsustainable activities in the field of climate and energy.**

⁶ The World Trade Organization (WTO) defines a subsidy as 'any financial contribution by a government, or agent of a government, that is recipient-specific and confers a benefit on its recipients in comparison to other market participants' (WTO, 1994).

NECPs are the place to lay out the details for renewable energy deployment

To create confidence for investors about the deployment of renewable energy in the home market, it is essential that NECPs outline **national deployment trajectories as well as the planned deployment volumes per technology**. It is crucial for industrial planning that the plans clearly outline how countries will develop the necessary transmission and distribution infrastructure, address overcapacity in power assets, and increase the flexibility of their energy systems to accommodate variable generation.

In addition, **promoting distributed generation of power**, by putting prosumers into the centre of the Energy Union, allowing citizen participation in energy production for self-consumption and injection into the grid, as well as improved policies for storage and sector coupling, is key if the NECPs are to help deliver transformative change.

NECPs must lay out the details for realising the full potential of energy efficiency

There are many factors that play into the setting of a national energy efficiency target and policies. Therefore, the NECPs should clearly spell out **the underlying methodology for setting the national target, the foreseen trajectories to reach the target, the progress made on saving energy so far and how this is adequate to contribute to the EU 2030 target**. The NECP should also include a clear description of the additional measures planned to achieve the 2030 target as well as their impact in terms of energy savings.

Furthermore, the NECP should include a very clear notification on how the energy savings obligation (Article 7 of the Energy Efficiency Directive) is expected to be implemented at the national level based on the requirements of the legislation to be decided.

Finally, the NECPs should clearly show how the country will implement the energy efficiency first principle⁷ which will help avoid over-investment in supply-side and network infrastructure and, ultimately, to stranded assets.

Countries must not make use of loopholes to deliver targets in the NECP

Around 60% of the EU's emissions (from the sectors transport, agriculture, buildings, small industry and waste) is regulated under the newly adopted 'Climate Action Regulation' (CAR, former 'Effort Sharing Regulation'). Under this regulation, all Member States have been given a national binding emission reduction target for the aforementioned sectors. This target must be listed in the NECP. Unfortunately, the CAR allow Member States to make use of a range of loopholes to meet their national binding target, such as offsetting from land use, land use change and forestry (LULUCF), use of ETS permits for compliance, and carry over of surplus allowances from the current commitment period to meet the 2030 target.

These loopholes clearly slow down the transition of the sectors affected, making it more expensive to achieve emission reductions in the future.⁸ Next to adopting a more ambitious

7 <http://www.raponline.org/wp-content/uploads/2018/04/rap-bayer-key-principle-for-energy-union-governance-2018-april-17.pdf>

8 <https://sandbag.org.uk/wp-content/uploads/2018/03/Climate-of-Cooperation-ESR-report-Sandbag-March-2018-2.pdf>

target, as outlined under pillar 1 'Ambition', **the success of the NECP to deliver transformative change depends on not exploiting these loopholes.** Rather, the NECP must prove **that targets will be met with real policies and measures, laying out decarbonisation pathways for all the sectors covered by the regulation.**

5. Transparency

The public should be involved early and effectively in the drafting of NECPs

Public participation provisions for the development of NECPs must comply with the requirements under international law, including the Aarhus Convention on Access to Information. A new report by the Ecologic Institute finds that this means, in short⁹:

- Draft NECPs have to be available to the public.
- Member States have to provide for participation when all options are open and effective participation can take place. Hence, stakeholder and citizen consultation must take place in the drafting phase of the NECPs, when there is real ability to influence the decision-making.
- Member States have to take due account of the outcome of the public participation. A description of how the views have been taken into account in the drafting of the NECPs should therefore be made available.

Additional opportunities brought by the NECPs

NECPs could act as levers for higher EU funding and capital raising plans

In the NECPs, Member States - where appropriate - will have to report how (much) they use EU funding to achieve the various objectives throughout the five dimensions of the Energy Union. At the same time, the finalization of NECPs will overlap with the negotiations on the next EU budget and go in parallel with the development of Member States EU funds investment plans and spending programmes for after 2020. Hence, there is a big opportunity to link more closely together the use of EU funds and the level of ambition in the NECPs, where **pledging high(er) targets should be linked to an appropriate level of EU funding**¹⁰. NECPs could also, as they have to be consistent with long term climate strategies, serve as national capital raising plans, giving **clear indication to capital markets about overall long term investment needs.**

Contact

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Climate Action Network (CAN) Europe is Europe's largest coalition working on climate and energy issues. With over 140 member organisations in more than 30 European countries - representing over 44 million citizens - CAN Europe works to prevent dangerous climate change and promote sustainable climate and energy policy in Europe.

⁹ <https://www.ecologic.eu/15615>

¹⁰ European Commission should try to lift national pledges with a financial incentives mechanism.
<http://www.caneurope.org/publications/can-europe-positions/1474-position-on-the-eu-budget-post-2020>