



CAN EUROPE'S POSITION ON THE EU'S 2030 CLIMATE POLICY ARCHITECTURE

Climate Action Network (CAN) Europe is Europe's leading NGO coalition fighting dangerous climate change. With over 170 member organisations from 38 European countries, representing over 1.500 NGOs and more than 47 million citizens, CAN Europe promotes sustainable climate, energy and development policies throughout Europe.

INTRODUCTION

EU and Member State climate action remains off track with the international Paris Agreement commitments to prevent dangerous climate change and limit temperature increase to 1.5°C. Nonetheless, recent decisions on EU climate targets - climate neutrality by 2050 and reducing net emissions by at least -55% by 2030 - are inducing a substantial revision of the policy tools needed to achieve these new targets.

The upcoming general revision of the EU's climate and energy policy framework offers a unique possibility to ramp up climate action across all economic sectors and to fully align EU policy with its global commitments. While the amount of policies influencing EU climate action is vast, this paper specifically deals with the three pillars of the more 'traditional' climate policy architecture (ETS Directive, ESR Regulation and LULUCF Regulation) and in particular on how they relate to each other and to the overall climate targets and commitments. A more comprehensive set of recommendations, also looking at integrating climate concerns in horizontal policies beyond climate and energy can be found in CAN Europe's Climate Urgency Plan¹ for the EU. Furthermore, other more specific position papers will deal with specific elements of these and other relevant policies².

Urgent action is vital in the short term to reduce emissions and increase nature based removals, while preserving biodiversity. A clear and ambitious long term pathway towards and beyond net zero emissions will be needed to address the climate emergency and align policies with the 1.5°C target of the Paris Agreement. It will be crucial that this pathway supports a socially just transformation towards a climate safe society, in line with CAN Europe's Just Transition position paper³.

¹ CAN Europe Climate Urgency Plan for the EU: <https://caneurope.org/content/uploads/2019/09/A-Climate-Urgency-Plan-for-the-EU-1.pdf>

² An overview of CAN Europe's position papers can be found at: www.caneurope.org/news-publications

³ CAN Europe Position Paper on Just Transition: www.caneurope.org/docman/coal-phase-out/3590-position-paper-on-just-transition-for-those-depending-on-fossil-resource-extraction-and-combustion/file

In light of this increase of ambition, this position paper sets out targets and principles for the necessary updated EU climate policy architecture, and in particular the relationship between the three key climate files that will be revised in 2021, namely the EU Emissions Trading System (ETS), the Effort Sharing Regulation (ESR) and the Land Use, Land Use Change and Forestry (LULUCF) Regulation.

ENSURE THE EU CONTRIBUTES ITS FAIR SHARE BY INCREASING AMBITION

Based on the latest available science, and in line with the equity principles of the UN Framework Convention on Climate Change the EU must recognise its historical responsibility and greater capacity to act. Therefore the EU needs to both substantially reduce its greenhouse gas emissions, as well as provide climate finance and other forms of support to climate action in developing countries. Furthermore, the EU's emission reduction target needs to cover emissions from all sectors and needs to be combined with a specific target for net removals from nature based activities.

CAN Europe calls for the EU to:

- Reduce its domestic greenhouse gas emissions by at least 65% by 2030, compared to 1990 levels;
- Include all net emitting sectors, including international shipping and aviation, in this -65% target;
- Set a separate more ambitious target for the LULUCF sector, which should support ecosystem restoration;
- Scale-up new and additional climate finance and substantially increase the share for adaptation to achieve a balance between support for mitigation, adaptation and loss and damage.

KEEP ROAD TRANSPORT, BUILDINGS AND AGRICULTURE EMISSIONS IN THE EFFORT SHARING REGULATION

Some of the options analysed by the European Commission envisage a shift of sectoral emissions currently covered by the ESR to be covered by the EU Emissions Trading System (road transport and buildings) or by the Land Use Regulation (agriculture). While carbon pricing is essential to ensure the Polluter Pays Principle, it is insufficient to address key non-market barriers to deploying clean energy solutions at scale in the transport and building sectors. A dedicated policy framework will always be needed for these sectors. Furthermore, the road transport and buildings sectors have significantly higher levels of abatement costs and show overall lower price elasticities, therefore including them in a single EU ETS would risk shifting pressure away from these new sectors. Unless embedded in a broader policy framework, inclusion in the ETS could be socially regressive and undermine citizen support for more effective climate policy. Including road transport and buildings into the ETS could distract attention away from other EU regulatory instruments (energy labelling, CO2 standards, ...) with substantial decarbonisation potential. The removals in the LULUCF sector must not be used to offset lack of action in other sectors. Emissions from agriculture must be tackled locally and remain national responsibility. The required structural and behaviour changes should be governed and incentivised at national level, under the scope of the ESR, while

relevant EU policy, such as relevant EU funds and the Common Agricultural Policy (CAP) should be made fully consistent with the EU's international climate commitments.

CAN Europe calls for the EU to:

- Keep emissions from road transport, buildings and agriculture under the Effort Sharing regulation;
- Ensure strong policies and measures are developed at European and at national level that ensure emissions in these sectors are substantially reduced in a socially just manner.

MAINTAIN AND SUBSTANTIALLY INCREASE NATIONALLY BINDING TARGETS

Although current nationally binding targets under the Effort Sharing Regulation are not ambitious enough to drive down emissions in non-ETS sectors at a rate and speed needed to be compatible with the Paris Agreement, they are still an indispensable regulatory tool to ensure Member State accountability for their domestic efforts to tackle climate change. Any option to remove or weaken nationally binding targets or reduce their scope would severely damage the overall integrity of the EU's 2030 climate policy architecture as there is a risk that Member States will no longer take responsibility for achieving emission reductions in these sectors.

CAN Europe calls for the EU to:

- Maintain national binding targets for greenhouse gas emission reductions in the road transport, buildings and agriculture sectors;
- Adopt economy-wide indicative greenhouse gas emission reduction targets for all countries so as to ensure all EU Member States are on track to achieve climate neutrality in the coming decades.

SUBSTANTIALLY INCREASE EMISSION REDUCTION TARGETS FOR BOTH ETS AND ESR SECTORS

In order to honour the Paris Agreement and achieve the EU's fair share, it will be important to set the highest possible targets for both the ETS and ESR legislation, thereby also giving meaning to the "at least" prefix before the economy-wide EU climate target. The targets for both the ETS and non-ETS sectors need to reflect the highest ambition possible and need to drive much more substantial emission reductions in the non-ETS sectors, while ensuring strong emission reductions can continue in the ETS sectors where also substantial increased efforts are needed in the industry sector. Furthermore, it is not only the end date target that matters, but strong action is also needed to ensure the total allowed emissions under both the ETS and ESR legislation are limited.

CAN Europe calls for the EU to:

- Reduce emissions in the ETS sectors (power, industry, aviation and shipping) by at least 70% by 2030, as compared to 2005 levels;
- Reduce emissions in the ESR sectors (road transport, buildings, agriculture and waste) by at least 50% by 2030, as compared to 2005 levels;
- Adjust starting levels for emissions allowances for both the ETS and the ESR to reality;
- Cancel (close to) all surplus allowances in both the ETS and ESR.

ENHANCEMENT OF NATURAL SINKS SEPARATELY AND ADDITIONALLY TO EMISSION REDUCTIONS TARGET

The Commission has proposed to turn the overall EU 2030 climate target into a net target, which would include carbon removals by sinks. This severely risks watering down the target for actual emission reductions to 52.8%, depending on the development of EU sink capacity until 2030, and it suggests a trade-off between mitigation and sink enhancement which are both indispensable and require dedicated action. At the same time, sinks may not be permanent (problem of non-permanence) and can therefore not function as a substitute for actual emission reductions. The Commission is preparing the introduction of a Nature Restoration target. This target should become a main driver for the protection, restoration and enhancement of natural sinks throughout Europe.

CAN Europe calls for the EU to:

- Develop legally binding targets, at EU and national level, for the enhancement of natural sinks and the protection, conservation and restoration of EU forests, peatlands, wetlands and other ecosystems.

MORE ROBUST GOVERNANCE SYSTEMS

In order to underpin the achievement of these increased efforts, governance mechanisms at EU and national level should be enhanced and further streamlined in order to ensure effective verification and accounting of emissions and robust and transparent monitoring and reporting of progress. In particular, there should be no flexibility to use credits from LULUCF to undermine the targets set for either ESR or ETS. Furthermore, the Governance regulation should be strengthened in order to effectively drive the EU's full and irreversible economic decarbonisation.

CAN Europe calls on the EU to:

- Prohibit the use of LULUCF flexibilities for the achievement of emission reduction targets under the ESR or the ETS;
- Revise the Governance regulation, with the view to strengthen monitoring and reporting processes in National Energy and Climate Plans (NECPs), national long-term strategies (LTS), and revised EU long-term strategy; increasing consistency between these planning documents and the EU's climate targets and climate-neutrality objective; and reinforcing compliance with EU climate governance requirements, including through guaranteeing access to justice at national level. Member States should also be required to adopt comprehensive national climate laws to further streamline climate governance at national and regional levels;
- Increase public participation in climate and energy governance at EU and national processes, for example through tighter rules on 'multilevel national climate and energy dialogues', proper enforcement of the Partnership Principle as outlined in the Common Provision Regulation and the regular organisation of citizens' assemblies at Member State and EU level.