



# EU climate change policies after COP21

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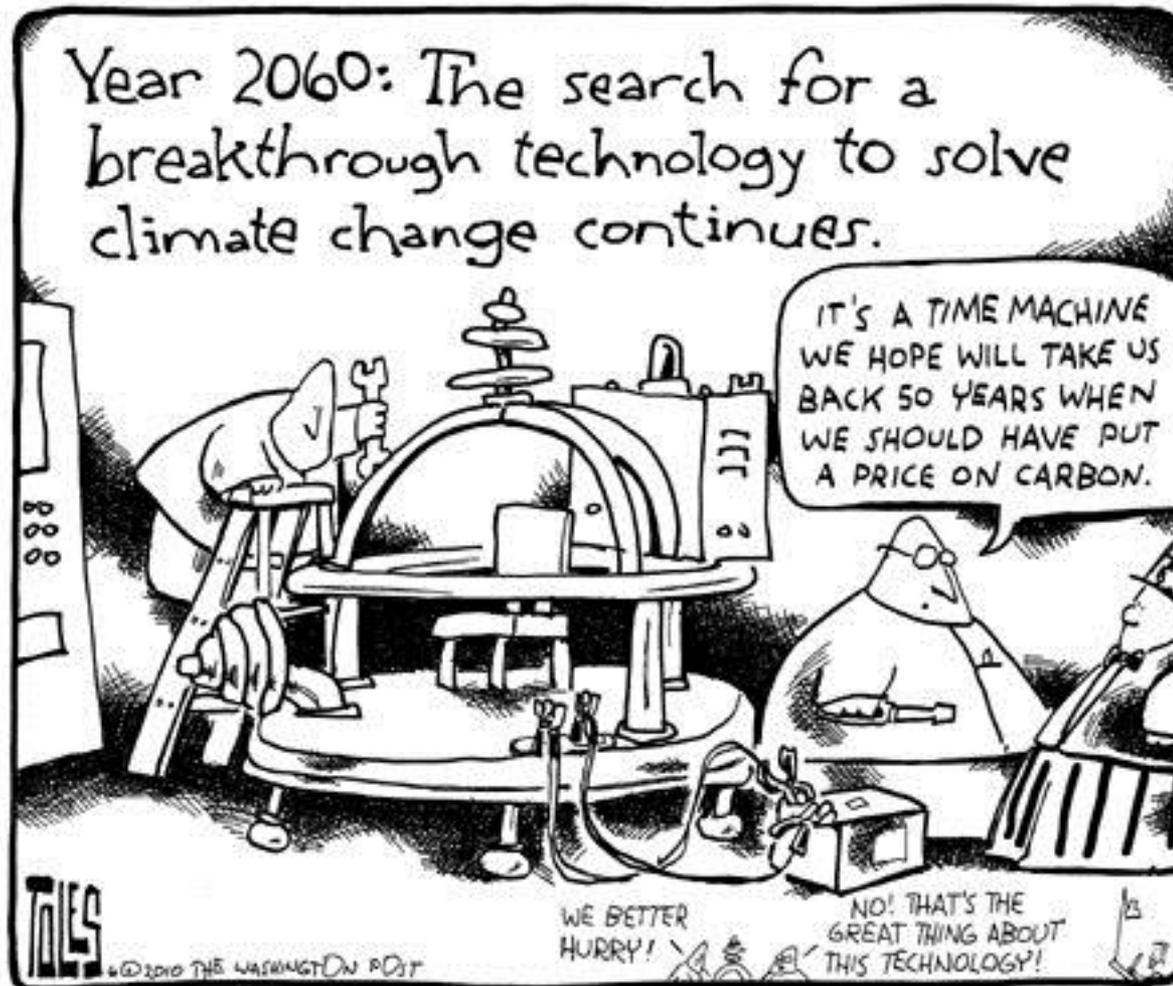
22 September 2017



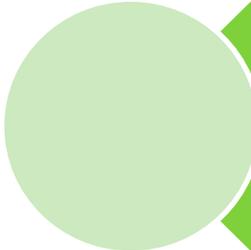
**"Today we celebrate, tomorrow we have to act"  
- Commissioner Arias-Cañete, December 2015**

## Paris Agreement entry into force

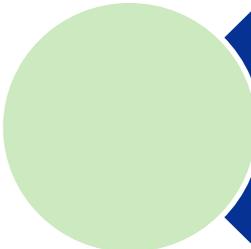
- Ratification by the EU and its Member States **triggered the Paris Agreement's entry into force**, by passing the 55%/55 Party thresholds so as to enter into force on 4 November 2016
- EU commitment for 2030 to reduce economy-wide greenhouse gas emissions by **at least -40% below 1990 levels**, to be achieved domestically
- In advance of COP21, European Council had adopted Conclusions on how this emissions reduction should be delivered
- Legislative processes now well underway



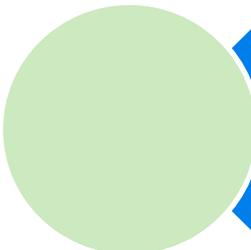
# Setting EU commitments up to 2030 in law



**Commission proposal to revise the EU Emission Trading System (ETS) adopted in July 2015, and proposal on aviation/ETS adopted in February 2017**



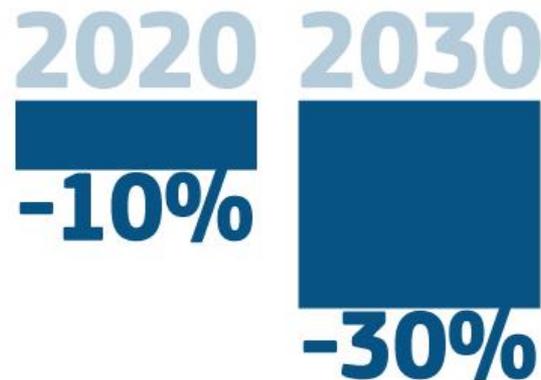
**Commission proposal for Effort Sharing Regulation (ESR) for the period 2021-2030 to deliver the -30% emission reduction by 2030 (housing, agriculture, road transport)**



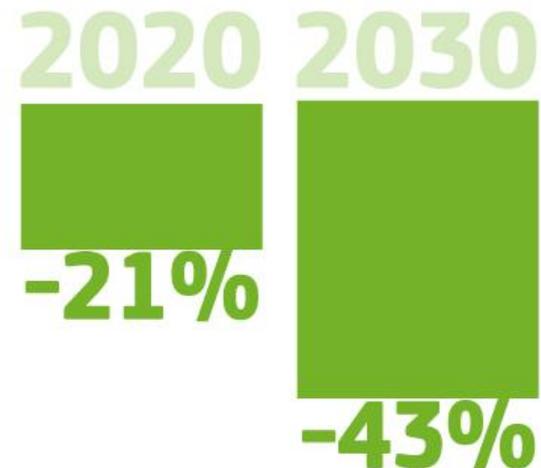
**Proposal for land use and forestry ('LULUCF') Regulation integrating emissions and removals into EU legal framework**

# Domestic reductions in emissions from ETS and non-ETS sectors

EMISSION  
REDUCTIONS  
IN ETS AND  
NON-ETS  
COMPARED TO 2005



INCLUDING ROAD TRANSPORT, HOUSING, AGRICULTURE etc.



INCLUDING POWER/ENERGY SECTOR & INDUSTRY

# >10 years of emission pricing experience

- EU ETS carbon price applies across 31 countries, and half of EU's CO<sub>2</sub> emissions:
  - Power, steel, cement, chemicals, pulp and paper, etc. A guaranteed environmental outcome and incentives for all types of clean technology
  - Harnesses market forces via an EU-wide price signal (currently around €7/tonne)+ affects daily operational + strategic investment decisions
  - Informed emerging systems and policy elsewhere, and biggest source of demand for credits from projects in third countries (>1.5 billion tonnes)
  - Since 2012, auction revenue of ~€18bn, >75% used for climate purposes
- Important court rulings enabled system to function
  - Arcelor v Council, C-127/07: Recognition of getting started, learning from experience (good and bad) and improving over time
  - Air Transport Association of US v UK SoS, C-366/10: Ability to regulate companies of all nationalities
  - Enforcement of financial penalties that make price signal work e.g. as regards Saudia, Air India, Jet Airways for intra-European flights

## EU ETS legal revision up to 2030

### "A well-functioning reformed EU ETS as main European instrument"

**Cap** to decline with **2.2 %** from 2021 onwards; additional GHG reduction of 556m tonnes

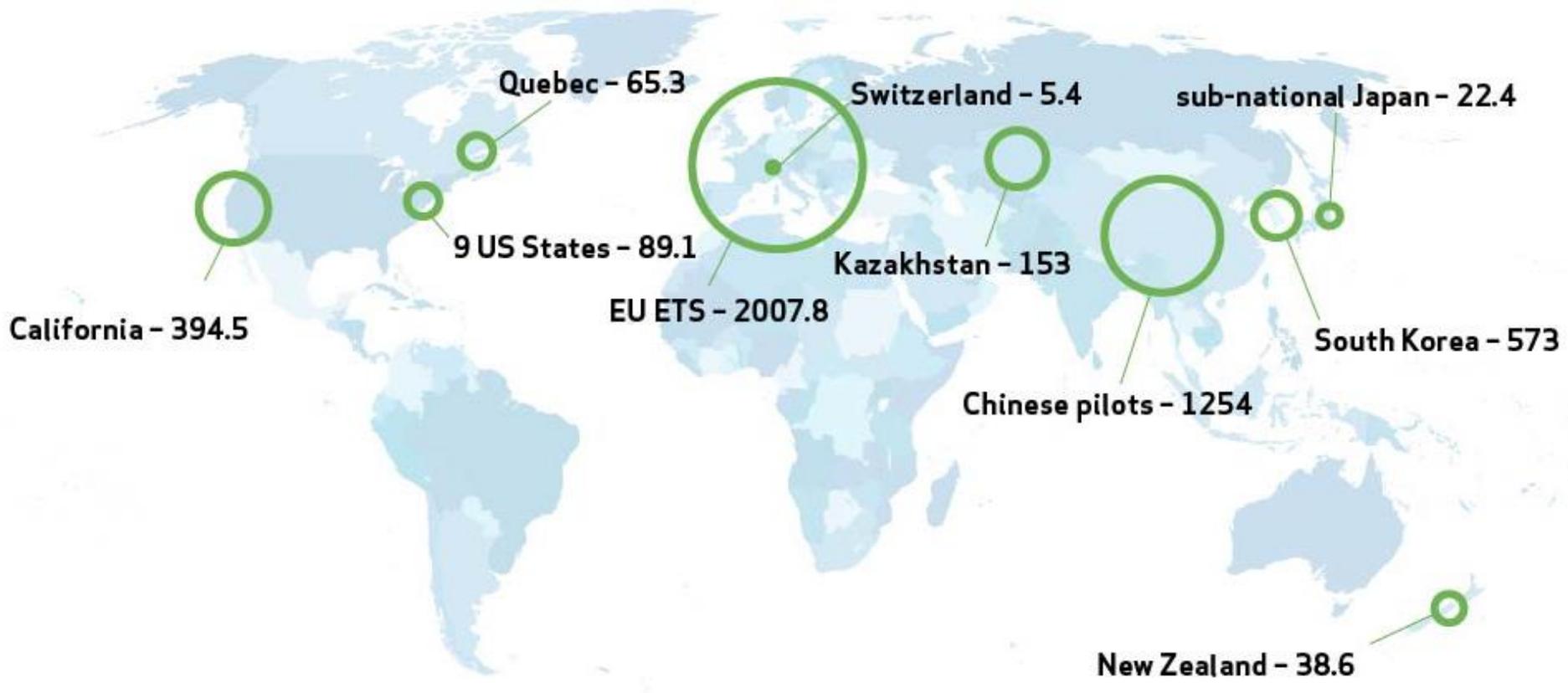
**Auction share of** remain at 57%, redistribution of some auction revenue between Member States

**Free allocation to industry to continue**, addressing competitiveness and risk of carbon leakage

**Innovation fund** created – 450 million allowances

Setting up of a **Modernisation fund** (2% of the cap)

# International uptake of emissions trading



❖ *More and more calls for actual carbon pricing*



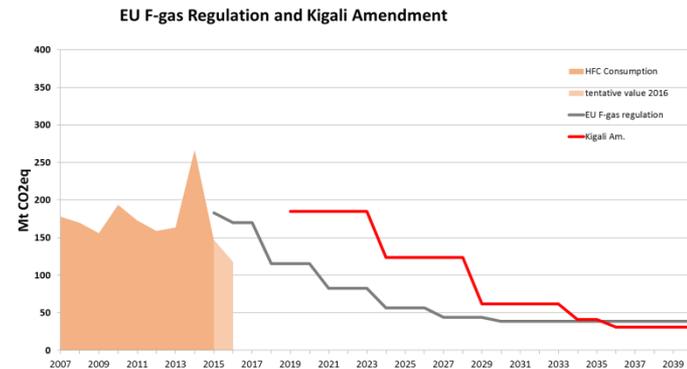
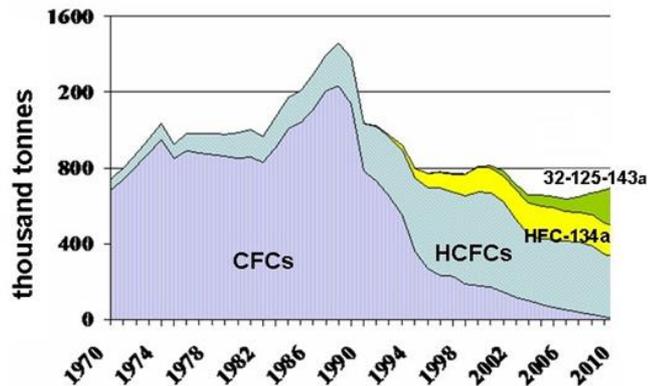
# State of play in European Parliament and Council

- European Parliament:
  - Voted to double ETS Market Stability Reserve rate
  - Additional free allocation possibilities
  - Larger Innovation Fund
  - Cancellation of part of surplus allowances
- EU Member States reached general approach at the Environment Council on 28 February:
  - Double Market Stability Reserve rate
  - Additional free allocation possibility
  - Limiting validity of allowances in MSR
- Aim for trilogues between EP and Council to reach agreement in the coming months
- Parliament positions adopted on aviation/ETS, on Effort Sharing regulation and LULUCF, trilogues to begin soon



# Fluorinated gases and the Kigali amendment

- HFCs are potent greenhouse gases, which replace CFCs
- EU legislation in place since 2006, updated in 2014



- Adoption of Kigali amendment to Montreal Protocol in December 2016, expands its scope to HFC reductions
- A legally-binding Treaty amendment, which will enter into force once 20 ratifications. Inclusion of eventual trade provisions to incentivise participation.

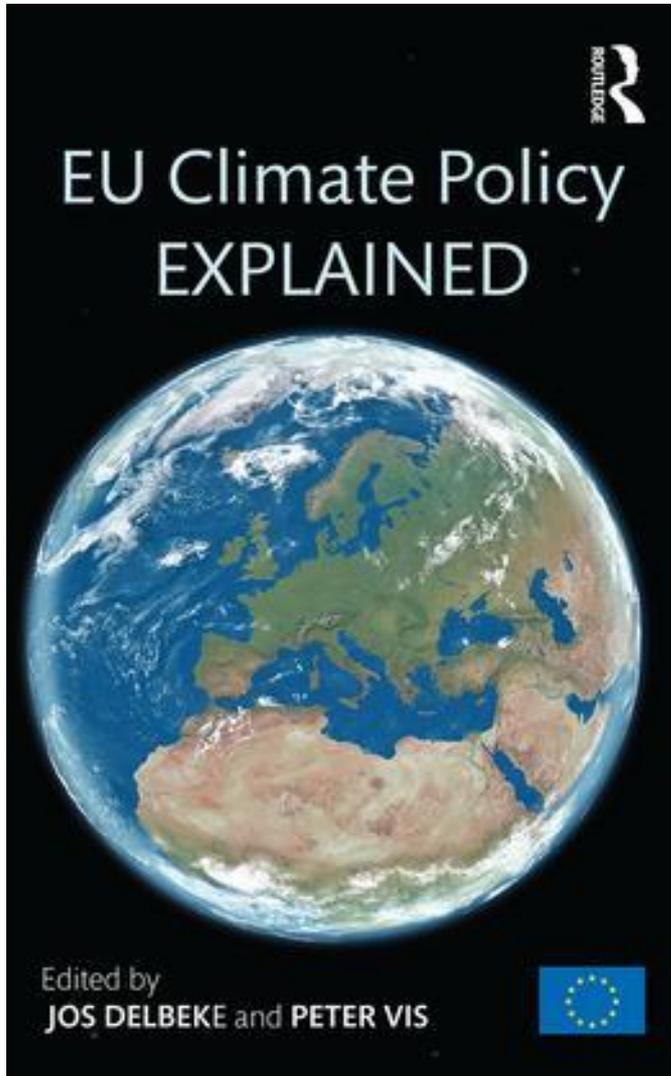
# Future challenges



- Aviation emissions are growing rapidly (+8% intra-EU in 2016)
- EU legislation has been strongly contested by airlines/3<sup>rd</sup> countries, while being backed by courts

- UN civil aviation body ICAO has adopted a resolution for a global market-based scheme, based States on regulating 'own' airlines
- Success will therefore require all countries to participate, many practical issues where progress is needed





Solutions exist, the key challenge is commercial deployment of technologies in the timescale necessary

Paris Agreement is important step and motivator for action

Book on EU's experience available free at <https://ec.europa.eu/clima/publications> (in English, French, Spanish, Chinese and Korean)

