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REGULATORY SCRUTINY BOARD OPINION

Proposal for a Regulation of the European Parliament and of the Council
amending Regulation (EU) 2018/842 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

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{SWD(2021) 611}

{SWD(2021) 612}



Brussels,
RSB

Opinion

Title: Impact assessment / Updating Member State emissions reduction targets (Effort Sharing Regulation) in line with the 2030 climate target plan

Overall opinion: POSITIVE WITH RESERVATIONS

(A) Policy context

To achieve climate neutrality by 2050, the Commission has proposed to reduce greenhouse gas (GHG) emissions by at least 55% by 2030 compared to 1990. This impact assessment analyses how a revised Effort Sharing Regulation (ESR) on binding annual GHG reductions by Member States, can contribute to this objective.

The ESR defines targets, flexibilities and compliance rules to reduce GHG emissions in all sectors not covered by the EU Emissions Trading System (ETS) nor by the Regulation on Land-Use, Land-Use Change and Forestry (LULUCF). This revision forms part of the “Fit for 55” package of inter-related initiatives in the climate, energy and transport areas. Together they aim to deliver on the EU’s increased climate ambition.

(B) Summary of findings

The Board notes the useful additional information provided in advance of the meeting and commitments to make changes to the report. It also notes the significant efforts to coordinate and ensure coherence across the ‘Fit for 55’ initiatives.

However, the report still contains significant shortcomings. The Board gives a positive opinion with reservations because it expects the DG to rectify the following aspects:

- (1) The problem description does not identify sufficiently the shortcomings of the current ESR.**
- (2) The report does not convincingly discuss the coherence with other linked initiatives, especially with the ETS and LULUCF revisions. It does not sufficiently demonstrate that it is proportionate to keep the ESR for sectors that will be covered by the revised ETS.**
- (3) The report does not identify who will be affected and how. It does not present the main costs and benefits of the preferred options. Views of the different stakeholder groups are absent from the report.**

This opinion concerns a draft impact assessment which may differ from the final version.

(C) What to improve

- 1) The report should better explain the coherence with the linked 'Fit for 55' files. The report should be clear on what the Climate Target Plan has decided and which 'sectoral' choices are still left open. It should elaborate on the consequences of deviating from the 'optimal balance' between regulatory and pricing instruments.
- 2) The report should provide further evidence on the identified problems and their drivers in order to better substantiate the rationale for the proposed revisions. It should better explain how some of the options were arrived at. For instance, it should clarify the choices made with regard to the spread of national targets and the distribution of efforts across Member States.
- 3) The report should better explain the coherence between the ESR options and the possible extension of the ETS and LULUCF. It should explain the absence of an option to increase the ESR ambition in a 55% reduction scenario where the ETS and LULUCF would not be expanded to current ESR sectors. The report should better justify the departure from the current complementarity between the ESR and the ETS/LULUCF by introducing sectoral overlap. It should indicate in more concrete terms the incremental impact of the ESR, as well as the expected contributions from the other initiatives for the affected key sectors (in particular road transport and buildings).
- 4) The report should better explain the details of the interaction between the ETS extension and the ESR and the complexities that may arise from their diverging sectoral coverage. It should clarify how Member States will carry out their ESR accounting and planning with the extended ETS. It should discuss how administrative inefficiencies will be avoided. Any significant increases in administrative burdens should be quantified.
- 5) The report should present the pros and cons of each option in a clearer way. In doing so, it should go beyond the modelling results, using all available evidence. It should assess who will be affected and how, and be transparent on the distribution of efforts and impacts across Member States.
- 6) The report should systematically include the views of consulted stakeholder groups, when discussing the problems, options and their impacts.
- 7) Annex 3 should follow the standard format and present a summary of costs and benefits with all key information, including quantified estimates.
- 8) The methodological section (in the annex), including methods, key assumptions, and baseline, should be harmonised as much as possible across all 'Fit for 55' initiatives. Key methodological elements and assumptions should be included concisely in the main report under the baseline section and the introduction to the options. The report should refer explicitly to uncertainties linked to the modelling. Where relevant, the methodological presentation should be adapted to this specific initiative.

Some more technical comments have been sent directly to the author DG.

(D) Conclusion

The DG may proceed with the initiative.

The lead DG must revise the report in accordance with the Board's findings before launching the interservice consultation.

Full title	Updating Member State emissions reduction targets (Effort Sharing Regulation) in line with the 2030 climate target plan
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