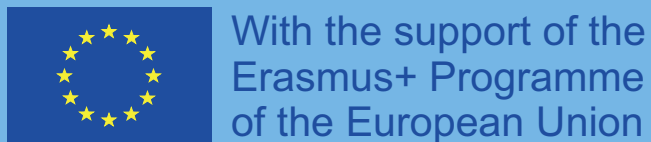


Jean Monnet Module

“Economic Policy in the European Union”

Session 4.3. The EU's ecological transition: a pending issue for the 27

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OBJECTIVES

It will know and value EU climate action:

- European Green Deal and European climate law
- Fit for 55: how the EU will turn climate goals into law
- Energy and geopolitical issues are linked to achieving this climate transition.



EUROPEAN GREEN DEAL

- 85% of Europeans think that tackling climate change can help improve their own health and well-being
- The protection of the environment has established as one of the main concerns of the majority of European who advocate the need to promote European legislation
- EU countries are committed to achieving climate neutrality by 2050, delivering on the commitments under the Paris Agreement. The European Green Deal is the EU's strategy for reaching the 2050 goal.

EUROPEAN GREEN DEAL

- The Green Deal is an integral part of this Commission's strategy to implement the United Nation's 2030 Agenda and the sustainable development goals.
- To deliver the European Green Deal, there is a need to rethink policies for clean energy supply across the economy, industry, production and consumption, large-scale infrastructure, transport, food and agriculture, construction, taxation and social benefits. To achieve these aims, it is essential to increase the value given to protecting and restoring natural ecosystems, to the sustainable use of resources and to improving human health.

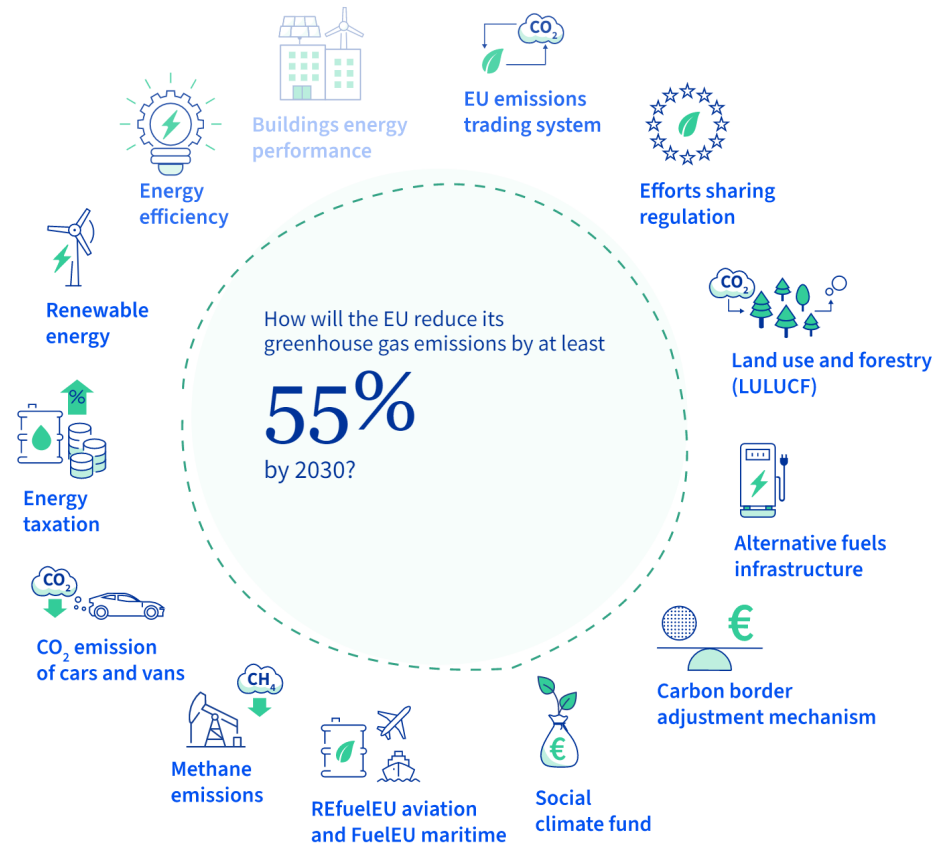
INCREASING THE EU'S CLIMATE AMBITION FOR 2030 AND 2050

- The European climate law makes reaching the EU's climate goal of reducing EU emissions by at least 55% by 2030 a legal obligation.
- EU countries are working on new legislation to achieve this goal and make the EU climate neutral by 2050.
- What is the Fit for 55 package?

THE FIT FOR 55 PACKAGE

- The Fit for 55 package is a set of proposals to revise and update EU legislation and to put in place new initiatives with the aim of ensuring that EU policies are in line with the climate goals agreed by the Council and the European Parliament.
- The package of proposals aims at providing a coherent and balanced framework for reaching the EU's climate objectives, which:
 - ensures a just and socially fair transition
 - maintains and strengthens innovation and competitiveness of EU industry while ensuring a level playing field vis-à-vis third country economic operators
 - underpins the EU's position as leading the way in the global fight against climate change

WHAT IS INCLUDED IN THE FIT FOR 55 PACKAGE?



REFORM OF THE EU EMISSIONS TRADING SCHEME

- The EU Emissions Trading System (EU ETS) is a carbon market based on a system of cap-and-trade of emission allowances for energy-intensive industries and the power generation sector.
- Since its introduction in 2005, the EU's emissions have decreased by 41%.
- The Council and Parliament agreed to increase the overall ambition of emissions reductions by 2030 in the sectors covered by the EU ETS to 62%.
- The Council and Parliament agreed to create a new, separate emissions trading system for the buildings and road transport sector and fuels for additional sectors, in order to ensure cost-efficient emissions reductions in these sectors that have been difficult to decarbonise so far.

CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

- The main objective of this environmental measure is to avoid carbon leakage. It will also encourage partner countries to establish carbon pricing policies to fight climate change.
- For that purpose, CBAM targets imports of carbon-intensive products, in full compliance with international trade rules, to prevent offsetting the EU's greenhouse gas emissions reduction efforts through imports of products manufactured in non-EU countries, where climate change policies are less ambitious than in the European Union. It will also help prevent the relocation of the production or the import of carbon-intensive products.
- The products of the following sectors will be covered by CBAM: cement, aluminium, fertilisers, electric energy production, iron and steel.

EFFORT SHARING LEGISLATION

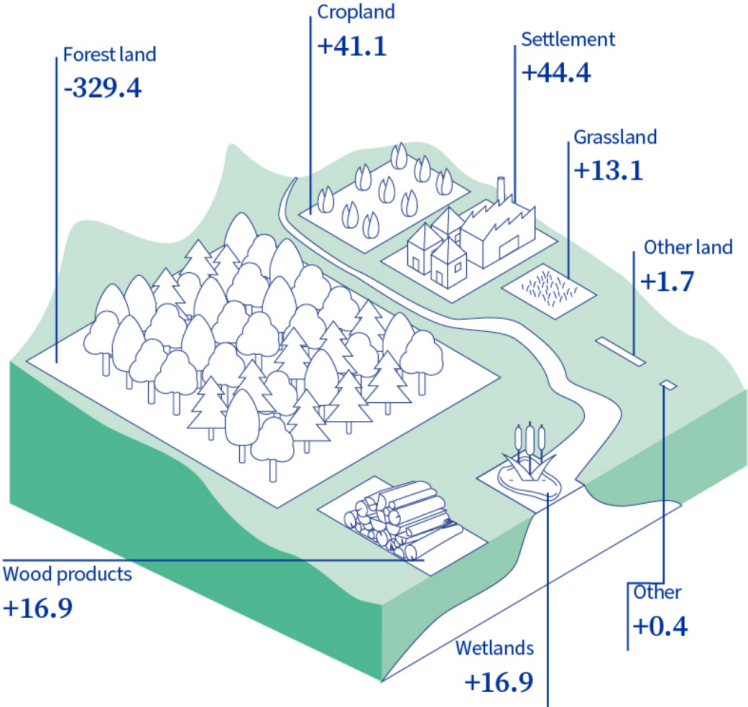
- The provisional deal endorses an EU-level greenhouse gas emission reduction target of 40% compared to 2005, by 2030, for the sectors not covered by the EU Emissions Trading System (EU-ETS), namely road and domestic maritime transport, buildings, agriculture, waste and small industries
- The agreement keeps the increased national targets assigned to each member state as proposed by the Commission and adjusts the way member states can use existing flexibilities to meet their targets.
- The provisional agreement also makes it possible to buy and sell emission allocations between member states, up to 10% of their annual emissions allocations as regards the years 2021 to 2025, and 15% as regards the years 2026 to 2030.

REACHING CLIMATE GOALS IN THE LAND USE AND FORESTRY SECTORS

- Cutting emissions is not the only way to achieve climate neutrality. Removing CO₂ from the atmosphere by capturing it in soil and forests also contributes to reducing the EU's total greenhouse gas emissions.
- Specifically, the revision of the current legislation proposes to:
 - ✓ set an EU-level target for net removals of greenhouse gases of at least 310 million tonnes of CO₂ equivalent by 2030, which is distributed among the member states as binding targets
 - ✓ simplify the rules on accounting and compliance and enhance monitoringLos Estados miembros continuarán haciendo uso de determinados mecanismos de flexibilidad para cumplir sus objetivos

REACHING CLIMATE GOALS IN THE LAND USE AND FORESTRY SECTORS

Emissions and removals in the EU in 2019
in million tonnes of CO₂ equivalent



CO2 EMISSION STANDARDS FOR CARS AND VANS

- Within the Fit for 55 package, the Commission proposed to revise rules on CO2 emissions for cars and vans. The proposal introduces increased EU-wide reduction targets for 2030 and sets a new target of 100% for 2035. This means in practice that from 2035 it will no longer be possible to place cars or vans with an internal combustion engine on the market in the EU.
- The proposed tightened CO2 standards for cars and vans aim at supporting member states in reaching their increased national targets under the effort sharing regulation while stimulating technological innovation in the sector.

SUSTAINABLE AVIATION FUELS

GREENER FUELS IN SHIPPING

- Sustainable aviation fuels (advanced biofuels and electrofuels) have the potential to significantly reduce aircraft emissions. However, this potential is largely untapped as such fuels represent only 0.05% of total fuel consumption in the aviation sector.
- The ReFuelEU Aviation proposal aims to reduce the aviation sector's environmental footprint and enable it to help the EU achieve its climate targets.
- The goal of the proposal on the use of renewable and low-carbon fuels in maritime transport (FuelEU Maritime) is to reduce the greenhouse gas intensity of the energy used on-board by ships by up to 75% by 2050, by promoting the use of greener fuels by ships. Despite progress in recent years, the maritime sector still relies almost entirely on fossil fuels and constitutes a significant source of greenhouse gases and other harmful pollutant emissions.

ALTERNATIVE FUELS INFRASTRUCTURE

- The Commission has presented a proposal for the revision of existing legislation aiming to accelerate the deployment of infrastructure for recharging or refuelling vehicles with alternative fuels and to provide alternative power supply for ships in ports and stationary aircraft. The proposal concerns all modes of transport and includes targets for infrastructure deployment.

What will change?

Road transport

Recharging stations:
 → at least every 60 km on main roads

by the end of 2025
 by the end of 2030

→ every year, the total power output provided through recharging stations should grow with the number of registered cars
 → at least one recharging station in each safe and secure parking area (end of 2030)
 → recharging stations also in urban areas

Derogations for roads with low traffic

Hydrogen refuelling stations:
 → at least every 200 km on main roads (end of 2030)
 → more stations provided in urban areas

Liquefied methane refuelling points:
 → at least along main roads to allow vehicles using methane to circulate throughout the EU

New infrastructure will have to:
 → allow ad-hoc charging
 → accept electronic payments
 → clearly inform users about pricing options

passenger cars and trucks below 3.5 tonnes
 trucks above 3.5 tonnes

60 km
 200 km

Ports

In the busiest sea ports:

- at least 90% of container ships and passenger ships to have access to shore-side electricity supply

In most of the inland waterway ports:

- at least one installation providing shore-side electricity (by 2030)

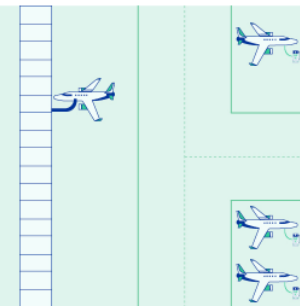


Airports

Electricity supply for:

- all aircraft stands next to the terminal by 2025
- all remote stands by 2030

Airports with fewer than 10 000 flights per year may be exempt.



MODERNISATION FUND AND INNOVATION FUND

- Achieving climate neutrality by 2050 will be more challenging for some member states and regions than for others. For instance, some are more reliant on fossil fuels, or have carbon-intensive industries, that employ significant numbers of people.
- The EU has introduced a just transition mechanism to provide financial and technical support to the regions most affected by the move towards a low-carbon economy. It will help mobilise at least €65-75 billion over the period 2021-2027 for:
 - people and communities – facilitating employment opportunities and reskilling, improving energy-efficient housing and fighting energy poverty
 - companies – making the transition to low-carbon technology attractive for investment, providing financial support for and investment in research and innovation
 - member states or regions – investing in new green jobs, sustainable public transport, digital connectivity and clean energy infrastructure
- With an overall budget of €17.5 billion, the just transition fund is the first pillar of the mechanism. It provides tailored support to alleviate the social and economic costs resulting from the green transition for regions dependent on fossil fuels and high-emission industries. It supports investment in: SMEs and new firms; research and innovation; clean energy technologies and emissions reduction; reskilling of workers and job-search assistance

RENEWABLE ENERGY

- The Fit for 55 package includes a proposal for a revision of the renewable energy directive. The proposal is to increase the current EU-level target of at least 32% of renewable energy sources in the overall energy mix to at least 40% by 2030.
- It also proposes the introduction or enhancement of sectorial sub-targets and measures across sectors, with a special focus on sectors where progress with integrating renewables has been slower to date, in particular in the fields of transport, buildings and industry.
- EU energy ministers agreed their joint position on the proposal for a revised EU renewable energy directive on 27 June 2022

ENERGY EFFICIENCY

- The Commission has proposed to revise the current energy efficiency directive by increasing the current EU-level target for energy efficiency from 32.5% to 36% for final, and 39% for primary energy consumption.
- In addition, it put forward several provisions to accelerate energy efficiency efforts by member states, such as increased annual energy savings obligations and new rules aimed at decreasing the energy consumption of public sector buildings, as well as targeted measures to protect vulnerable consumers.

ENERGY PERFORMANCE OF BUILDINGS

- Buildings account for 40% of energy consumed and 36% of energy-related direct and indirect greenhouse gas emissions in the EU. EU countries are working on the revision of the energy performance of buildings directive to make buildings in the EU more energy efficient by 2030 and beyond.
- The main objectives of the new rules are:
 - all new buildings should be zero-emission buildings by 2030
 - existing buildings should be transformed into zero-emission buildings by 2050

ENERGY TAXATION

- The proposal for a revision of the Council directive on the taxation of energy products and electricity aims to:
 - ✓ align the taxation of energy products and electricity with the EU's energy, environment and climate policies
 - ✓ preserve and improve the EU internal market by updating the scope of energy products and the structure of rates and by rationalising the use of tax exemptions and reductions by member states
 - ✓ preserve the capacity to generate revenues for the budgets of the member states

CONCLUSIONS

- To promote this climate transition, it is necessary to apply regulatory, fiscal, social and structural policies that encourage changes in the production model. To this end, it must be considered that the energy and industrial sectors occupy a prominent place in the climate debate
- The industrial component must be included in political calculations in the energy sphere, given that the exorbitant increase in the prices of raw materials and of energy itself has caused a setback to the European industrial muscle
- Finding a rate of achievement of climate objectives that makes their cost affordable in social and economic terms in the short and medium term, introducing compensation elements when necessary

CONCLUSIONS

- The transboundary nature of climate change requires multilateral action. If there is no coordinated international cooperation to comply with the Paris Agreement, there is a high risk of "carbon leakage" arising from production relocation processes -environmental dumping-
- The European Union has proven to be a leading player in global climate action and is taking important regulatory steps to achieve climate neutrality by 2050. However, it should not be overlooked that the environmental imperative often crashes against geopolitical interests

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