

Cutting greenhouse emissions in effort sharing sectors to bring us closer to Paris goals

On 13 October, the Environment Council agreed its position on the **effort sharing regulation** setting out binding annual emissions targets for each member state for the period 2021-2030.

These targets will further cut **greenhouse emissions** in sectors falling outside the scope of the EU emissions trading system (ETS). These include buildings, agriculture (non-CO₂ emissions), waste management, transport (excluding aviation and shipping) and industry (i.e. industry, energy supply and product use).

This legislation will allow the EU to move closer to achieving its overall goal of reducing emissions by **at least 40% by 2030** compared to 1990 levels, and thereby help meet its commitments under the **Paris Agreement** on climate change. **Non-ETS sectors** will specifically contribute to that target through a reduction in emissions of 30% by 2030 compared to 2005 levels.

Now that the Council has agreed on its general approach, it is ready to begin **negotiations** with the European Parliament as soon as possible, with the aim of reaching an agreement on the final text.

Our buildings, the transport you take every morning and the waste we produce have a real impact on the environment. 60% of EU emissions come from these sectors. It is essential to act. I welcome member states' efforts today and look forward to starting negotiations with the Parliament. We will deliver our promises under the Paris Agreement."

Siim Kuisler, Minister for the Environment of the Republic of Estonia

The Council's position has retained the main elements of the Commission proposal, as follows:

Annual emission reduction targets for the period 2021-2030 are set for each member state, ranging from 0% to 40% below 2005 levels, on the basis of gross domestic product (GDP) per capita and in line with the 30% EU reduction target for the non-ETS sectors.

Each member state must follow an emissions reduction path to ensure that its emissions continuously decrease throughout the period. The **starting point of the trajectory calculation** is set for 2020, as proposed by the Commission, and will be based on the average emissions from 2016 to 2018. This is considered to be the most recent reviewed emission data which will be available in 2020.

The **allocations for low-income member states**, which were allowed under the current effort sharing decision to increase emissions until 2020 compared to 2005 levels, are adjusted to reflect the allowed increase between 2017 and 2020 under this decision.

The **existing flexibilities** set out in the current effort sharing decision have been maintained to help member states achieve their annual limits. This includes the banking and borrowing of annual emission allocations from one year to another within the 2021-2030 period, as well as transfers between countries. The **"new" flexibilities** proposed - the one-off cancellation of ETS allowances and the LULUCF (land use, land-use change and forestry) flexibility - have also been integrated.

The Council's general approach also incorporates a **safety reserve** for less wealthy member states which, despite surpassing their targets in the current period (2013-2020), may struggle to reach their 2030 targets.

This reserve, containing a total of 115 million tonnes of CO₂ equivalent, will be made **available in 2032**. However, eligible member states will have to comply with **strict conditions**. For instance, they will first have to have made use of the other flexibilities available under this regulation.

The safety reserve can only be used in case the **EU fulfils its 2030 target**, thereby making sure the ambition of the EU climate policy is maintained.

The general approach also includes a small (2 million tonnes in total) **additional adjustment** of the allocation for member states in exceptional circumstances, namely Latvia and Malta.

The Council position strikes an **overall balance** between incentives for emissions reductions and flexibilities, and preserves the environmental integrity of the proposal.

Timeline and next steps

In July 2016, based on the guidance provided by the European Council in its October 2014 conclusions, the European Commission presented proposals for two regulations on the sectors not covered by the ETS: effort sharing and LULUCF.

Given the interconnections between the two proposals, ministerial discussions on non-ETS sectors were held together. A policy debate was held at the Environment Council on 17 October 2016 and EU Environment ministers were updated on the latest state of play on 19 December 2016. In June 2017, the Environment Council discussed the progress made so far on these files.

The European Parliament adopted its effort sharing position in a plenary session on 14 June, following ENVI's Committee vote on the draft report on 30 May 2017. Now that the Council has agreed on its general approach, negotiations can begin.

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