

Brussels, 5. December 2023

Shaping EU climate and energy policy: Insights from and questions for the Ariadne project

ENHANCING THE EU GOVERNANCE MECHANISM FOR THE 2030 AND 2040 TARGETS – HOW THE GOVERNANCE-REGULATION SHOULD BE REVISED



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AGENDA

- › **Welcome and Introduction** 11:00 – 11:05
- › **Presentation 1: Status quo after Fit for 55 and remaining challenges; what can the upcoming reform of the governance-regulation achieve up until 2030 and beyond?** 11:05 – 11:20
- › **Presentation 2: Governing the European Green Deal: Stakeholder Views on the Update of the Governance Regulation** 11:20 – 11:35
- › **Short inputs and reflections by Stakeholders** 11:35 – 11:55
- › **Open Discussion** 11:55 – 12:25
- › **Closing Remarks** 12:25 – 12:30

WELCOME AND INTRODUCTION

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PRESENTATION 1: STATUS QUO AFTER FIT FOR 55 AND REMAINING CHALLENGES; WHAT CAN THE UPCOMING REFORM OF THE GOVERNANCE-REGULATION ACHIEVE UP UNTIL 2030 AND BEYOND

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AGENDA

- › Status Quo – The Governance Regulation as central steering instrument
- › Green Deal & Fit for 55: Implications for the application of the Governance Regulation and its enhancement
- › Wrap up and open questions

STATUS QUO – THE GOVERNANCE REGULATION AS CENTRAL STEERING INSTRUMENT



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STATUS QUO – ENERGY AND CLIMATE GOVERNANCE IN THE EU

Art. 194 TFEU

- › **Energy** as a shared responsibility between EU Member States and the EU.
- › Each Member State has the right to decide the conditions for exploiting its own energy resources, choose between different energy sources and decide the general structure of its energy supply.

Art. 191, 192 TFEU

- › EU is competent to act in all areas of **environmental** policy, including **climate change**

Energy Union (2014)

5 Dimensions:

- Energy security;
- Internal energy market;
- Energy efficiency;
- **Decarbonisation;**
- Research, innovation and competitiveness

Governance Regulation (2018)

Establishment of a **governance mechanism** to implement strategies & measures to

- meet objectives and targets of the **Energy Union**
- and **long-term EU GHG emissions commitments** consistent with the PA

Framework for Decarbonisation:

- Emission Trading System (ETS)
- Effort Sharing Regulation (ESR)
- Land Use, Land-Use Change and Forestry (LULUCF)

EU Climate Law (2021)

STATUS QUO – ENERGY AND CLIMATE GOVERNANCE IN THE EU

EU Climate Law (2021)

= EU GHG emission reduction targets:
-55 % by 2030; 2040 target; Climate neutrality by 2050

System of measuring progress towards achievement of the climate-neutrality target; “European Stocktake”

Emission Trading System (ETS)

- › EU-wide target for specific sectors: -62 % in 2030, compared to 2005 levels

Effort Sharing Regulation (ESR)

- › EU-wide target for non-ETS sectors: -40 % in 2030, compared to 2005 levels
- › Binding minimum contributions for MS

LULUCF

- › EU removal target of 310 Mio t CO₂ eq by 2030
- › No debit rule (GHG emissions may not exceed GHG removals)

Sectoral legislation with EU targets and national contributions for 2030

- › RED
- › EED
- › EPBD
- › Etc.

EU Governance Regulation (2018)

= Central procedural steering instrument for

- objectives of the Energy Union
- GHG emission reduction governance

MS determine national policies and measures, (and national contributions) alongside EU measures
→ **Coordination needed!**

STATUS QUO – WHAT IS THE GOVERNANCE REGULATION AND WHAT IS IT NOT?

➤ **“Umbrella Regulation”** that covers all dimensions of the Energy Union and GHG emission reductions and enables integrated governance

- › The **Governance Regulation does not set any targets**. Instead, the targets derive from other legal acts such as the ESR, LULUCF, RED, EED, EPBD.
- › **Policy planning by the Member States** and **policy coordination by the Commission**

Definition of a policy mix on how the targets are to be met

Ensuring that the Member States make good use of their discretion and meet their targets and the EU targets

Core Elements:

- 1) National Energy and Climate Plans (NECP)** for the medium-term (10 years) perspective of energy and climate policy
- 2) Long-term Strategies (LTS)** for the long-term (30 years) perspective of energy and climate policy

Reporting Obligations

- › NECP related reporting (progress reporting, integrated reporting on dimensions of Energy Union)
- › Other Reporting obligations (national policies and measures, national projections, UNFCCC-Reporting, use of ETS revenues among others)

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GREEN DEAL & FIT FOR 55: IMPLICATIONS FOR THE APPLICATION OF THE GOVERNANCE REGULATION AND ITS ENHANCEMENT



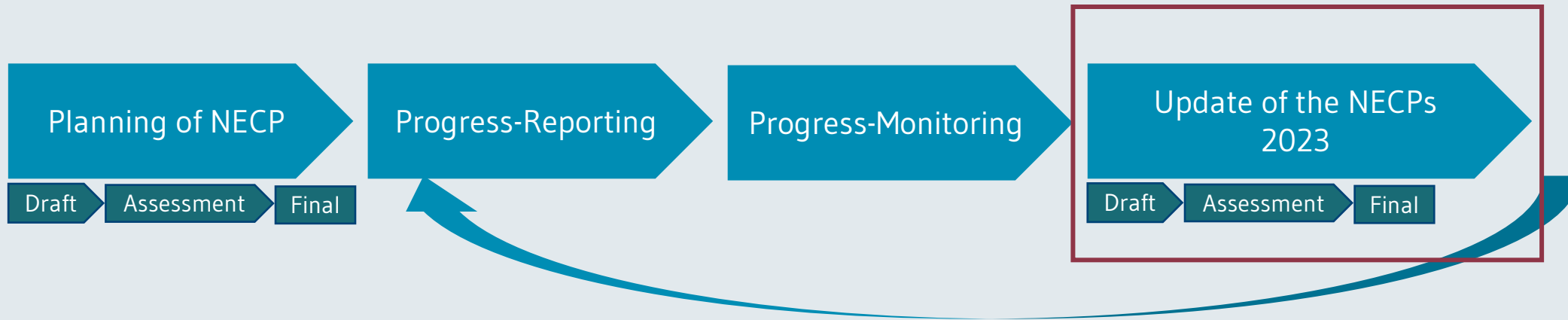
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APPLICATION OF THE GOVERNANCE REGULATION AND ITS ENHANCEMENT: TWO PARALLEL PROCESSES

➤ Framework to ensure the achievement of the 2030 targets

➤ Governance Regulation → Management system with elements of an enforcement system:



➤ Alignment of the Governance Regulation of 2018 to ensure the achievement of the 2030 targets and to **pave the way to achieve the 2040 target**

GREEN DEAL & FIT FOR 55: IMPLICATIONS FOR THE GOVERNANCE REGULATION

➤ **New mix of instruments to achieve the 2030 EU energy and climate targets but without providing for a corresponding amendment to the Governance Regulation.**

“Only” **revision of sectoral legislation**: more ambitious targets, stricter requirements for the sectoral measures and new reporting obligations

Need to update the existing governance framework in light of recent developments:

RED

- **New EU-wide target of 42.5%/45%** share of RE in the Union's gross final energy consumption
 - Existing framework in Governance Regulation aligned: trajectory for national contributions with reference points to be reached in 2022, 2025 and 2027
- Introduction or reinforcement of **sector-specific sub-targets**, each with different legal obligations
- **Mapping of areas and designating renewables acceleration areas** necessary for national contributions towards the EU renewable energy target for 2030

EED

- New **binding EU-wide energy consumption reduction target of at least 11.7 % in 2030** compared 2020
- **Article 4** now contains a **whole range of new governance provisions** that overlap with those in the Governance Regulation

EPBD

- Building renovation plans

The sole amendment of sectoral legislation bears the **risk of a fragmentation** of governance provisions and thus undermines the central **"umbrella function"** of the Governance Regulation!

➤ **New mix of instruments** requires a **corresponding amendment to the Governance Regulation.**

"Only" **revision of sectoral legislation:** more ambitious targets, stricter requirements, reporting obligations

Definition of the **different types of sub-targets.** Establishing the **process for determining the national contributions and other parameters** for achieving these sub-targets in a standardised manner.

Need to update the existing governance framework in light of recent developments:

RED

- **New EU-wide target of 42.5%/45%** share of RE in the Union's energy consumption
- Existing framework in Governance Regulation aligned: targets to be reached in 2022, 2025 and 2027
- Introduction or reinforcement of **sector-specific sub-targets**, e.g. for transport
- **Mapping of areas and designating renewables acceleration zones** to reach the EU renewable energy target for 2030

Unclear whether only the MS are required to periodically review the coherence between the **mapped areas** and the NECPs, or whether the Commission should also be involved in this review.

EED

- New **binding EU-wide energy efficiency target** of 11.7 % in 2030 compared 2020
- **Article 4** now contains a **requirement for a minimum 10% overlap** with those in the Governance Regulation

New EED provisions need to be transferred to the Governance Regulation; no alignment between RE and EE with regard to the mechanisms to ensure sufficient ambition and progress

EPBD

- Building renovation plans

Coherence with NECP process

GREEN DEAL & FIT FOR 55: IMPLICATIONS FOR THE ENHANCEMENT OF THE GOVERNANCE REGULATION

- **Expand the Governance Regulation to include the aspect of social cushioning of climate and energy policy measures**
 - › Transfer Governance provisions from the Social Climate Fund Regulation to the Governance Regulation
 - › Link to **energy poverty** (Art. 3(3), Art. 24 TFEU) as Social Climate Fund intends to significantly reduce energy poverty
 - › And to the Dimension of **Decarbonisation** as it intends to cushion social impacts of the ETS

WRAP UP AND OPEN QUESTIONS

- › Clarification of the **role of the Governance Regulation until 2030 and beyond: Steering instrument** for Energy Union or enlargement to other aspects of Energy and Climate?
- › **Update Governance Regulation** in the light of recent developments / amendments in sectoral legislation
- › **Strengthen ambition and progress gap mechanisms** while respecting Member States' right to self-determine their energy mix
- › Expand the Governance Regulation to **include the aspect of social cushioning** of climate and energy policy measures
- › **Strengthen interlinkage with the Effort Sharing Regulation (ESR)**: Integrate Art. 8 ESR (corrective actions) into the Governance Regulation and strengthen this mechanism in case of non-sufficient progress
- › And finally: What is needed for **new NECPs 2028/2029** to achieve the future 2040 target(s)?