

# The decarbonization of the road transport sector in the EU multi-level governance

Fuels of the Future, Berlin  
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# Agenda

- ▶ The EU Climate Governance
- ▶ The new EU ETS 2
- ▶ Interactions between EU and national measures

# The EU Climate Governance

A multi-level system

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## A multi-level system

### EU Climate and Energy Targets

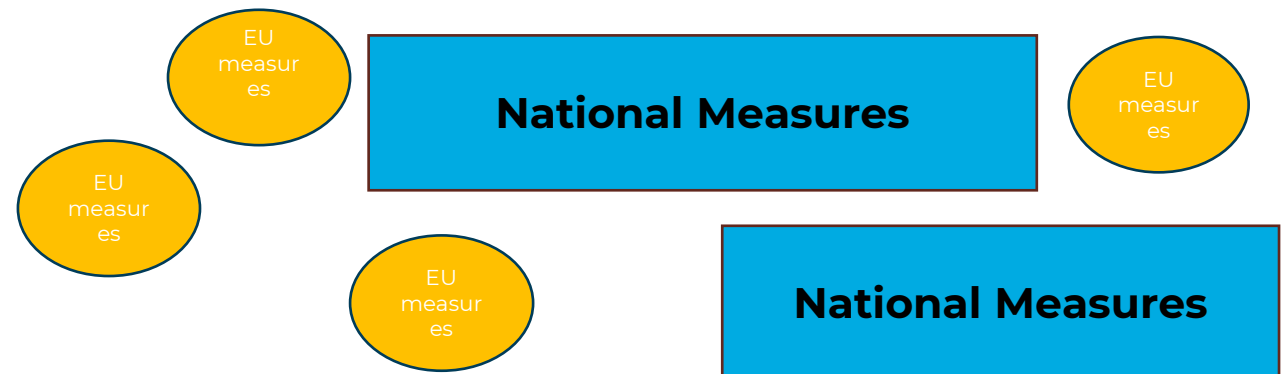
(incl. min (net) -55% GHG emission reduction until 2030)

#### EU Emissions Trading System for industry and energy (EU ETS)

EU-wide „Cap-and-Trade“ (quantitative control) with a fixed GHG emissions cap on EU-level

#### EU Effort Sharing Regulation (ESR)

Legally binding GHG emission reduction targets for each Member State



## **EU Emissions Trading System (EU ETS)**

### **Quantitative Control**

- ▶ Since 2005
- ▶ Combustion plants > 20MW in industry and energy sectors (+ aviation and maritime)
- ▶ EU-wide cap (maximum number of GHG emission allowances)
- ▶ EU-wide trade between the obligated entities (plant operators)
- ▶ Price determined by supply and demand

## **Effort Sharing Regulation (ESR)**

### **National GHG emission reduction targets**

- ▶ Since 2009
- ▶ GHG emissions not covered by EU ETS
  - Special regime for land use and forestry (LULUCF)
- ▶ Legally binding GHG emission reduction targets for the Member States
  - Budget system with Annual Emission Allowances (AEA)
- ▶ Flexibility options (banking and borrowing) and trade between Member States

## EU measures to decarbonize road transport

### EU measures to decarbonize road transport (selection)

#### Reduction of GHG emissions

- Carbon pricing through the new EU ETS 2
- CO2 emission standards for passenger cars (and heavy duty vehicles)
  - 55% CO2 emission reductions between 2031-2035; 100% from 2035 (compared to 2021)
- (Energy taxation)

#### Support for renewable/sustainable fuels

- Renewable Energy Directive (RED III)
  - At least 29% RE in final energy consumption to 2030 OR at least 14,5% reduction in GHG emissions

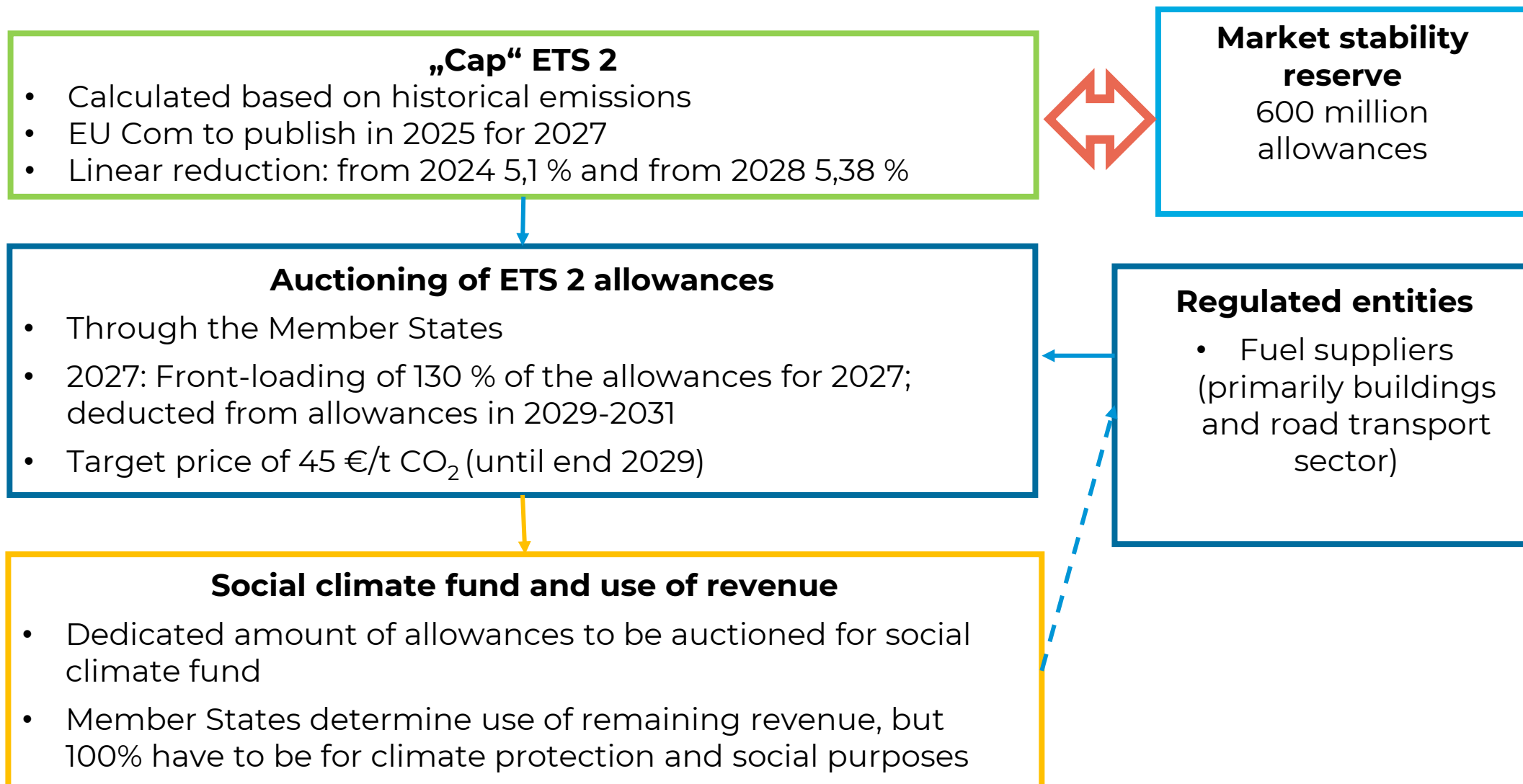
#### Framework for energy infrastructure

- Regulation on alternative fuels (AFIR) TEN-T-Regulation
  - Creation of public infrastructure for alternative fuels, / E-mobility
- Energy Performance in Buildings Directive (EPBD)
  - Charging stations in private buildings

Energy and Environmental (State) Aid Guidelines

# The new EU ETS 2

## The new EU ETS 2





# The EU Climate Governance With the New EU ETS 2

**EU Climate and Energy Targets**  
(incl. min (net) -55% GHG emission reduction until 2030)

## EU Emissions Trading System for industry and energy (EU ETS)

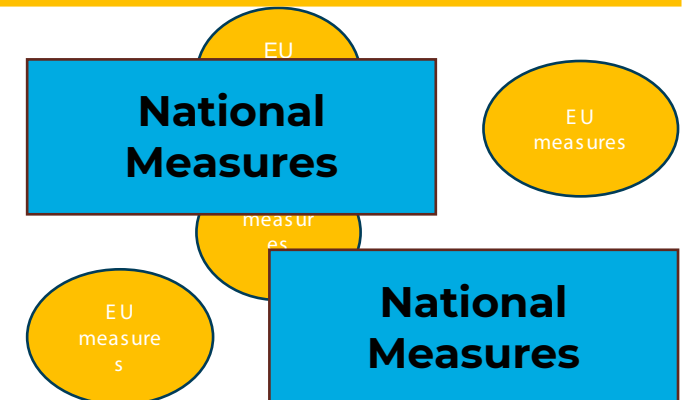
EU-wide „Cap-and-Trade“ (quantitative control) with a fixed GHG emissions cap on EU-level

## EU Effort Sharing Regulation (ESR)

Legally binding GHG emission reduction targets for each state

## EU Emissions Trading System for buildings and road transport (EU ETS 2)

EU-wide „Cap-and-Trade“ (quantitative control) with a fixed GHG emissions cap on EU-level



## The (expected) effects of the EU ETS 2 – on EU level

- ▶ **Goal of EU ETS 2:** Decarbonisation of buildings and road sectors **where most „cost-effective“ and „economically efficient“** (i.e. cheapest)
- ▶ MS where decarbonisation more expensive **can „buy“ AEA (annual emission allowances)** from MS where decarbonisation less expensive under ESR flexibility
- ▶ MS can pursue **additional national measures** to ensure achievement of ESR targets and/or to have „local“ decarbonisation benefits

“If the ESR continues to cover these sectors, European carbon pricing via the ETS could possibly be seen as a double regulation. However, while EU-wide carbon pricing has shown to provide important incentives for cost-effective emissions reductions, it has been deemed that a continued accountability and action by MS for national emission reductions in these sectors incentivised by national targets under the ESR would not lead to inefficiencies, but rather lead to important synergies.”

EU Commission, ETS Impact Assessment, p. 133

# Interactions between EU and national measures

Example: Germany

# The EU Climate Governance With EU ETS and national measures (example Germany)

**EU Climate and Energy Targets**  
(incl. min (net) -55% GHG emission reduction until 2030)

**EU Emissions Trading System for**

**EU Effort Sharing Regulation (ESR)**  
Legally binding GHG emission reduction targets for each state

**Bundes-Klimaschutzgesetz (Federal Climate Change Act)**

(GHG emission reduction of -65% to 2030, -88% to 2040; net zero to 2045)

EU-level

**EU Emissions Trading System  
for buildings and road  
transport  
(EU ETS 2)**

EU-wide „Cap-and-Trade“  
(quantitative control) with a fixed  
GHG emissions cap on EU-level

**Brennstoffemissions-  
handelsgesetz (BEHG)**

National emissions trading  
system with regulated prices  
(price control)

measure  
s

**National Measures**

## EU ETS 2 + national carbon pricing instruments?

- ▶ EU law does **not prohibit** additional national carbon pricing instruments
- ▶ National GHG emission reduction targets under ESR **may even warrant** additional national carbon pricing instruments
- ▶ And the **UK has done it in the past...**

*“The environmental impact in MS also depends on the **additionality to national measures under the ESR and to national carbon pricing measures, i.e. whether those MS that have carbon taxation will re-duce/abolish them with the introduction of an EU wide carbon pricing system.**”*

EU Commission, ETS Impact  
Assessment, p. 112

## (Potential) Options for the development of the BEHG

- ▶ **Merger with EU ETS 2** (from 2027 only EU ETS 2)
- ▶ **Continuance alongside EU ETS 2** (two separate emissions trading systems, with two sets of certificates)
- ▶ **National minimum price** (example of UK Carbon Price Floor)
- ▶ ...

**In the end...**

**... MS have to achieve their national GHG emission reduction targets under the ESR**

**“This Regulation lays down obligations on Member States with respect to their minimum contributions for the period from 2021 to 2030 to fulfilling the Union’s target of reducing its greenhouse gas emissions by 40 % below 2005 levels in 2030 in the sectors covered by Article 2 of this Regulation. It contributes to the long-term target of climate neutrality in the Union at the latest by 2050, with the aim of achieving negative emissions thereafter.”**

**Art. 1(1) ESR**

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