

T&E response to the climate law consultation

February 2020

1. Introduction

Transport & Environment (T&E) welcomed¹ the European Commission's European Green Deal, including the reference to propose an European Climate Law. The key now is to ensure that the climate law is solid enough to guarantee that Europe will decarbonise its major GHG emitter, transport. It would also create the right policy framework to allow member states to take additional measures to reduce emissions from Europe's biggest climate problem.

This document outlines T&E's main recommendations for the upcoming European Climate Law.

2. Recommendations

2.1 Whole economy targets

In order to meet the goals of the Paris Agreement, and to meet that agreement's requirement for targets to be economy-wide, the climate law should include emissions from both domestic and international aviation and shipping. This would provide a framework for ensuring that all sectors contribute to Europe's climate objectives, without necessarily deciding the combination of national, EU and international measures which will be adopted in order to decarbonise these sectors.

Inclusion can be facilitated, in the case of shipping, through the use of Regulation 2015/757, known as Monitoring, Reporting and Verification Regulation. This regulation provides the most accurate emissions data from shipping related to the EU, which is an independent third-party

¹ Transport & Environment. (2019, December 11). European Green Deal can be a defining moment in the fight against pollution and climate change, says green transport NGO. Retrieved from: <https://www.transportenvironment.org/press/european-green-deal-can-be-defining-moment-fight-against-pollution-and-climate-change-says>

verified and certified. Data is all-inclusive, covering both EU and non-EU carriers regardless of the ship flag or ownership. Data is transparent and annually published on the EU THETIS MRV website.

For aviation, this can be facilitated through the inclusion of all kerosene sales within the EU, which are currently reported to the UNFCCC. While the EU has recently expanded its monitoring, reporting and verification (MRV) provisions for aviation, to date this only covers EU carriers and so, for now, the more effective method is fuel sales, which act as a proxy for emissions from all flights departing from the EU

2.2 Net-zero vs. decarbonisation

So far the European Commission has mentioned that transport would have a goal of -90% reductions by 2050 compared to 1990 levels. However, transport is one of the sectors that has the potential² to fully decarbonise by 2050. The -90% targets gives the misleading impression that some parts of the transport sector can continue to emit, negating one of the major benefits of 2050 target: clarity and investment certainty. The climate law should include an obligation to decarbonise all sectors possible, which includes transport. Ensuring that transport has a clear full decarbonisation goal would set the right framework for all future policies, including national policies (i.e National Energy and Climate Plans).

2.3 Intermediate targets and carbon budgets

Even if the focus of the climate law will be 2050, it is key to establish ambitious intermediate targets, to ensure all policies are aligned with such targets, without delaying action to the decade of the 2040s.

The climate law should not only include intermediate targets towards decarbonisation, but also include an overall cumulative carbon budget. The key to stick to specific temperature targets is not only to have a clear decarbonisation pathway, but more importantly to define what the cumulative emissions can be. This total budget could also be allocated in 5 year periods, between 2030 and 2050.

² Transport & Environment. (2018). How to decarbonise European transport by 2050. Retrieved from: <https://www.transportenvironment.org/publications/how-decarbonise-european-transport-2050>

2.5 Protecting national targets in the Climate Action Regulation

The European Green Deal didn't commit to expand the ETS into new sectors such as road transport and buildings. However, it included a commitment to explore that possibility. Including road transport in the ETS would be a high-risk, low-reward option³.

One of the risks is that member states would not be responsible anymore for some of the largest GHG emitters, leaving them off the hook to implement measures complementary to European ones to reduce emissions in non-ETS sectors.

Currently, the Climate Action Regulation covers all emissions not included in the Emissions Trading System (ETS). To avoid the risk stated above, the climate law should amend the scope of article 2 of the CAR (Regulation 2018/842), and ensure that even if road transport and buildings would be included in the ETS, the current scope of the CAR would not change. This could be done by specifying the UNFCCC categories currently covered by the CAR.

2.6 European Project Mechanism

Within its current shape, the CAR will not drive investment and cross-border investments in member states with higher emission reductions potential. Even if the CAR allows the possibility to trade allowances between member states, it didn't create a specific governance mechanism.

Many member states perceive achieving national CAR targets as challenging. In the absence of a clear mechanism to improve performance and drive investments, the chances of increasing the ambition of the CAR are low. Additionally, many Central and Eastern European member states have low targets by 2030, down to e.g. zero (compared to 2005 levels) in the case of Bulgaria. Those member states would need to dramatically reduce their emissions to zero in a short time frame, i.e. 20 years.

The climate law could create an European Project Mechanism that, even if it would not increase ambition as such, it would deliver reductions in the most-cost effective way. If this would be complemented with a clear financial stream in, for example, the European Investment Bank (EIB), it could unlock lots of potential and create the right political framework to increase CAR targets in the medium term. For example, countries with difficulties to achieve their targets could fund

³ Todts, W. (2020). Transport & Environment. Road transport in the EU ETS: a high-risk, low-reward strategy. Retrieved from:

<https://www.transportenvironment.org/newsroom/blog/road-transport-eu-ets-high-risk-low-reward-strategy>

projects in Central and Eastern European member states, with the investment being matched by the EIB, considerably increasing emission reductions. This mechanism would also make the CAR market a liquid and transparent one. This idea is elaborated in more detail in a separate T&E paper accompanying this consultation.

Further information

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