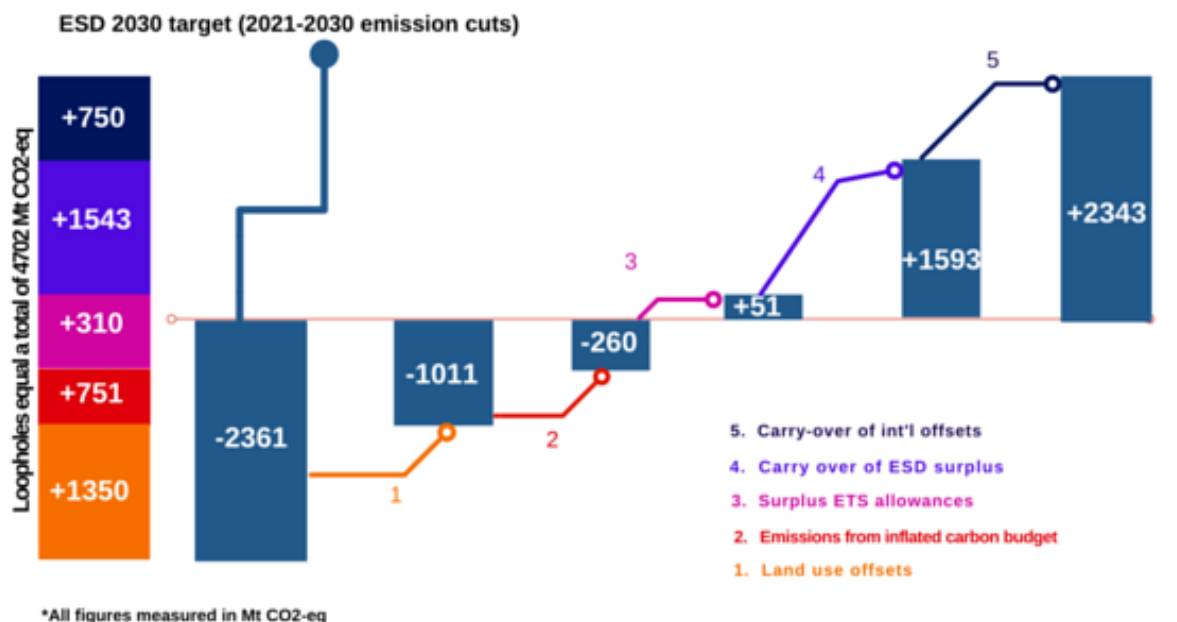


LOOPHOLES IN THE 2030 EFFORT SHARING DECISION:

How the EU is at risk of emitting 4.7 billion tonnes more CO₂ than its Paris climate pledge

This summer, the European Commission will present a new legislative proposal on the Effort Sharing Decision (ESD) for the post-2020 period. Around 60% of Europe's greenhouse gas emissions come from the non-ETS sectors, such as surface transport, agriculture, waste and buildings. As the EU's largest climate instrument, the ESD is key in reducing emissions from these sectors. European Heads of State suggested in 2014 to set the emission reduction target to 30% below 2005 levels by 2030. In light of the international Paris Agreement on climate change, and the transformation Europe needs to undergo, this proposed target is not ambitious enough.

Additionally, even this inadequate target is at risk of being undermined. Governments and stakeholders are trying to water down Europe's climate action even further, by introducing loopholes in order to minimise their contributions to cutting emissions, and undermine Europe's future climate ambition. In fact, if all loopholes were included in the 2030 ESD, the EU would not have to cut emissions but would instead be allowed to increase them. Under this worst case scenario, the loopholes would allow Member States to release more than 2.3 billion tonnes of CO₂ equivalent between 2021 and 2030, rather than cutting emissions by 2.4 billion tonnes, which means that the **EU is at risk of emitting 4.7 billion tonnes more CO₂-equivalentⁱ than its 2030 climate pledge.**



What are the loopholes?

Land use offsets

The land use, land use change, and forestry (LULUCF) sector removes more carbon from the atmosphere than it releases, and is therefore a 'net sink' for carbon. These removals are currently excluded from the EU's 2020 climate framework. EU Heads of State agreed in 2014 that carbon emissions and removals related to land use, land use change, and forestry (LULUCF) should be integrated into the EU's 2030 climate framework.

Some countries want carbon removals from forests and land use to count towards their emissions reduction efforts and thereby reduce the effort they have to make to cut emissions in ESD sectors, such as agriculture, surface transport and buildings. This could lead to **additional emissions equal to 1.35 billion tonnes of CO₂ equivalentⁱⁱ** in the 2030 Effort Sharing Decision.

However, carbon removals from forestry and land use cannot be relied upon because the permanence of forest carbon sinks and storages cannot be ensured. Moreover, there is a lot of data uncertainty surrounding LULUCF removals, due to difficulties in i) measuring the removal of carbon by forests, ii) correctly attributing carbon removals to human induced or natural fluxes, and iii) large inter-annual fluctuations. These uncertainties mean that there is a risk that the effects of forestry carbon sinks are overestimated.

Some countries have indicated their wish to use forestry offsets to be able to emit more greenhouse gases in the agricultural sector, in particular. To ensure these 1.35 billion tonnes of emissions credits from LULUCF do not undermine the ESD, net carbon removals by forests and land use should be only be counted **in addition to action taken to cut ESD emissions in line with EU targets and not instead of them.** In the effort to move to a truly sustainable agriculture in Europe, social and environmental safeguards will need to be respected. LULUCF policies will need to explicitly distinguish between natural processes and emissions and removals resulting directly from human activity.

Emissions from inflated carbon budgets

The overall ESD 2030 target is broken down into national targets, or 'carbon budgets'. However, these national carbon budgets for the post-2020 period can be calculated using different starting points. Most Member States are expected to significantly over-achieve their 2020 emissions reduction targets, as these were set too lowⁱⁱⁱ. Setting national emissions budgets on the basis of Member States' 2020 targets would therefore allow EU countries to emit more carbon between 2021 and 2030 than if counting began from real emissions levels. Allowing Member States to start counting their future emission reductions from their inflated 2020 target levels could mean that they emit **an extra 751 million tonnes of CO₂ equivalent**^{iv}.

At the same time, four Member States are not on track to meet their 2020 targets. These Member States must not be 'bailed-out' for their underachievement and must be held accountable for their contribution by starting their emissions reductions from their 2020 target.

Some countries want to start counting their future emission cuts from their 2020 targets, which would inflate the EU's carbon budget for the 2021-2030 period. To avoid an inflated carbon budget of 750 million tonnes of CO₂ equivalent, **the 2021 starting point should be at real emissions levels, or at the 2020 target level if the latter is lower.**

Surplus ETS allowances

EU leaders agreed in 2014 that some countries could use a limited number of emission allowances from the EU's Emissions Trading System (EU ETS) to meet their national ESD targets. Estimates suggest that this loophole could lead to the **additional release of 300 million tonnes of CO₂** in the 2021-2030 period^{v,vi}. This proposal would allow countries to say they are reducing emissions from the transport, agriculture, waste or buildings sectors, without actually making any effort to do so. Since the EU ETS is likely to remain oversupplied until at least 2030, the transfer of surplus ETS allowances would not lead to less pollution in the ETS sector. Even worse, this transfer would take advantage of the vast oversupply of ETS pollution permits and their low price, delaying action to cut emissions from the non-ETS sectors, and leading to more pollution in the EU up to 2030.

Some countries want to use surplus ETS allowances to be able to emit more greenhouse gases in the transport, agriculture, waste and buildings sectors. To ensure that these 300 million tonnes of emissions credits do not undermine the ESD, **the oversupply of EU ETS allowances needs to be addressed in the context of the ongoing reform of the EU carbon market and not transferred to the ESD.**

Carry-over of 'hot air'

By 2020, European countries are expected to have accumulated around **1.5 billion tonnes of unused carbon permits** under the current period of the Effort Sharing Decision^{vii}. This 'hot air' represents a build-up of surplus permits and is a consequence of existing loopholes and weak targets up to 2020. EU countries can also purchase a total of **750 million tonnes of carbon credits**^{viii} from offsetting projects in third countries.

While it is currently prohibited to carry-over this hot air into the post-2020 period, some countries want to do so. Were such a carry-over allowed, **an additional 2.25 billion tonnes of CO₂ equivalent** could be released under the 2030 ESD. This hot air alone would mean that, collectively, EU Member States would not have to take any additional action to meet their 2030 ESD targets.

Some countries have expressed a wish to carry-over their unused carbon permits or 'hot air' into the 2030 ESD, even though this is currently not allowed. To ensure that these 2.25 billion credits do not undermine the EU's largest climate instrument, **it is essential that carrying-over hot air continues to be prohibited.**

Contact:

Femke de Jong, EU Policy Director

Femke.dejong@carbonmarketwath.org

Sam Van den Plas, Climate Policy Officer

svandenplas@wwf.eu

ⁱ Data from Öko Institute, May 2016.

ⁱⁱ Öko-Institute, 2015.

[Impacts on the EU 2030 climate target of including LULUCF in the climate and energy policy framework.](#)

ⁱⁱⁱ EEA, 2015.

[Trends and projections in Europe 2015. Tracking progress towards Europe's climate and energy targets.](#)

^{iv} Data from Öko-Institute, May 2016.

^v EEA, 2015.

[Trends and projections in the EU ETS in 2015.](#)

^{vi} Öko-Institute, 2015

[Enhanced flexibilities for the EU's 2030 Effort Sharing Decision.](#)

^{vii} EEA, 2015.

[Trends and projections in Europe 2015. Tracking progress towards Europe's climate and energy targets.](#)

^{viii} Öko-Institute, 2015. [Enhanced flexibilities for the EU's 2030 Effort Sharing Decision.](#)

2030 Effort Sharing Decision

ALIGNING THE EU'S LARGEST CLIMATE INSTRUMENT, COVERING 60% OF THE EU'S GREENHOUSE GAS EMISSIONS, WITH THE PARIS AGREEMENT

