

What is the impact of loopholes in the Effort Sharing Regulation?

Analysis of the text presented to the Council of Ministers

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Summary

This paper analyses what the impact of the Effort Sharing Regulation (ESR) text proposed by the Estonian presidency, to be discussed by Environment ministers on 13 October, is on greenhouse gas emissions. The conclusion is clear: the proposed text is very far from reaching the maximum potential that this most important European climate reform could reach. Ministers have a last opportunity to try to increase the ambition of the text, to at least match the ambition of the European Parliament. Without an ambitious ESR, the chances of the EU sticking to the Paris Agreement commitments decrease very considerably.

European Union countries are in the final stages of the negotiation of the Effort Sharing Regulation (ESR), the law that will regulate how much greenhouse gases (GHG) each country can emit from sectors like transport, buildings, agriculture or waste between 2021 and 2030. Environment ministers will meet on 13 October 2017 to agree on a final text. This paper analyses what the impact of the [proposed presidency text](#) would be for each member state, if that text would become legislation after negotiating with the European Parliament.

The ESR offers different flexibilities and trading options to make it less costly for countries to comply with their climate targets. Flexibilities amount to loopholes when they stall the low-carbon transition of the sectors involved. The Commission's proposal already included some loopholes that undermine the target. Transport & Environment and Carbon Market Watch put together an [online calculator](#) that allows interested stakeholders to get an idea of how different provisions in the legislation would impact the actual reductions delivered by the regulation. Since the publication of the calculator, some additional loopholes have been included in the text being negotiated by countries, including the so-called [ESR Safety Reserve](#), introduced by the Maltese Presidency some months ago.

This paper summarizes in a short format the impact of the different loopholes, including the ESR safety reserve. For details on the methodology, the description of the different loopholes or to have a combination of different possibilities, please visit <http://effortsharing.org/about-us/>. The only change in the methodology described there is regarding the safety reserve. In countries where all scenarios forecast a surplus, it was estimated that they will not use the reserve. In countries where different scenarios reach different conclusions or it is clear that there will be a deficit, a maximum amount was estimated based on the assumption that others in similar circumstances (either unclear balance or most likely deficit) will also need to use the reserve.

The main conclusion of this analysis is clear: the actual target of the EU as a whole, and of individual countries, is far from the maximum potential that the ESR could deliver. For details, see the table below.

Further information

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	Theoretical*			Maximum size of the loophole (in million tonnes of CO2eq)					Actual*			
	target in 2030 vs 2005 (%)	Commission's scenario	Country's scenario	Starting point bonus* †	ETS surplus	LULUCF offsets	Lower- income bonus	Safety Reserve	Commission's scenario		Country's scenario	
		emission cuts (in Mt CO2eq)	emission cuts (in Mt CO2eq)						target in 2030 vs 2005 (%)	emission cuts (in Mt CO2eq)	target in 2030 vs 2005 (%)	emission cuts (in Mt CO2eq)
Belgium	-35%	91	121	(22,23)	16	up to 4	-	-	-24%	48	-24%	80
Bulgaria	0%	-44	-32	(-5,-3)	-	up to 4	1.6	-	+2%	-46	+1%	-33
Czech Republic	-14%	-25	-38	(4,5)	-	up to 3	4.4	-	-11%	-36	-10%	-50
Denmark	-39%	41	45	(10,10)	7	up to 15	-	-	-22%	9	-22%	13
Germany	-38%	331	502	(130,148)	-	up to 22	-	-	-32%	179	-31%	331
Estonia	-13%	-1	7	(1,1)	-	up to 1	0.1	up to 1	-3%	-3	0%	3
Ireland	-30%	80	96	(21,24)	19	up to 27	-	-	-1%	10	-2%	29
Greece	-16%	-102	-45	(-6,-5)	-	up to 7	-	-	-16%	-103	-15%	-46
Spain	-26%	-20	357	(22,33)	-	up to 29	-	up to 22	-20%	-94	-19%	273
France	-37%	313	587	(103,120)	-	up to 58	-	-	-28%	153	-28%	409
Croatia	-7%	-17	14	(-1,0)	-	up to 1	1.1	up to 5	-1%	-23	+1.2	6
Italy	-33%	141	291	(54,60)	-	up to 12	-	up to 68	-25%	2	-25%	157
Cyprus	-24%	1	1	(0,1)	-	up to 1	-	up to 5	+4%	-5	+2.6%	-5
Latvia	-6%	-3	14	(0,1)	-	up to 3	0.5	up to 1	+6%	-8	+8%	9
Lithuania	-9%	-3	11	(1,1)	-	up to 7	2.2	up to 2	+9%	-15	+9%	-1
Luxembourg	-40%	27	17	(3,6)	4	up to 0	-	-	-20%	17	-26%	10
Hungary	-7%	-64	-35	(-5,-5)	-	up to 2	6.7	-	-5%	-68	-5%	-39
Malta	-19%	0	2	(0,0)	0.2	up to 0	-	up to 0.2	-10%	0	-12%	1
Netherlands	-36%	136	107	(31,37)	24	up to 13	-	-	-23%	61	-25%	39
Austria	-36%	39	71	(12,14)	12	up to 3	-	-	-27%	12	-26%	42
Poland	-7%	91	101	(21,30)	-	up to 22	7.5	up to 27	+2%	5	+2%	24
Portugal	-17%	-46	-48	(-2,-2)	-	up to 5	1.7	-	-15%	-50	-15%	-52
Romania	-2%	-41	117	(-4,-2)	-	up to 13	10.9	up to 11	+6%	-72	+7%	84
Slovenia	-15%	-4	7	(0,2)	-	up to 1	0.2	up to 2	-8%	-8	-6%	2
Slovakia	-12%	-2	8	(0,2)	-	up to 1	2.2	up to 4	-5%	-11	-6%	0
Finland	-39%	16	31	(8,9)	7	up to 5	-	-	-27%	-4	-27%	11
Sweden	-40%	19	18	(8,9)	9	up to 5	-	-	-29%	-4	-30%	-3
United Kingdom	-37%	72	151	(71,76)	-	up to 18	-	-	-33%	-16	-32%	57
European Union	-30%	1025	2476	532 -561	97-100	280	39.1	100	-23%	-23	-23%	1399

*: negative cuts mean that emissions are allowed to increase compared to the reference scenario. For example, if the example of Portugal is taken, projections estimate that Portugal's cumulative emissions throughout the period will be lower than their cumulative allowances throughout the period. As a result, they will have a surplus and will be able to sell allowances.

†: it represents a range, depending on the scenario used