

Effort Sharing Regulation

The proposal

One year after the European Commission's landmark climate package, 'Fit for 55', it is now in the hands of the European Parliament (EP). We look at what is at stake for the European Green Deal and Europe's climate ambitions, as the lead committees of the EP vote to adopt key Fit for 55 proposals.

Context

The Effort Sharing Regulation (ESR) sets binding emission reduction targets for each EU country in the sectors of road transport, buildings, waste, small industry and agriculture (~60% of the EU's GHG emissions). In July 2021, the Commission proposed a new EU-wide target for the ESR sectors, bringing it up to -40% from -30% (compared to 2005). National ESR targets were also increased. They range from -10% for Bulgaria to -50% of Germany and are set on the basis of GDP per capita and cost-effectiveness of reducing emissions.

But national targets remain empty shells if not properly implemented and enforced. The largest issue in the current proposal is that the emissions reduction trajectory still allows countries to pollute too much in the next 8 years. The trajectory will be reviewed again in 2025. If emissions bounce back after the Covid-19 crisis, the review would create a carbon bubble as of 2026. In addition, the ESR is full of flexibilities and loopholes that allow countries to avoid their climate responsibilities and delay action. The Commission's proposal also introduced a new offsetting mechanism that allows under-achieving countries to use their LULUCF surplus. [This risks hollowing out the target](#): if the loopholes

and flexibilities are used in their entirety, emissions in the ESR sectors would be down by a mere -33% instead of the agreed -40% by 2030. This greatly endangers the success of the Green Deal and the Fit for 55 package. Tangible and credible [penalties](#) in case of non-compliance are still missing from the text. Finally, the end of binding national climate targets after 2030 remains an option on the table.

What is at stake as EU Parliamentary Committees vote on the Fit for 55 climate package?

What's good? What's bad?

What is good in the report of the parliamentary committee leading on the ESR (ENVI) is the improvement of the trajectory to keep the emissions budget low by adopting 'option c' of the ESR's impact assessment. But this is the minimum, lower budgets could have been ensured by the trajectory options tabled by Renew, the Greens or the Left. Compared to the trajectory of the proposal, it meant cutting at least additional emissions equivalent to those of France and Czechia.

Fit for 55 Committee Votes

The report puts some limits on flexibilities which, if left unrestricted, would further delay action. It also requires more transparency on transfers of annual emission allocations (AEA) between countries. The whole corrective process is now more transparent and stringent. However, sanctions for non-compliance remain weak and will not be a real deterrent. T&E supports amendments to include sanctions such as a ban on the use of *all* flexibilities and a higher multiplier.

The creation of an additional offsetting mechanism with the LULUCF has been rejected. However, none of the loopholes that enable cheating on the emissions limits has been tackled (see further). T&E fears that technological removals of CO₂ could be used under the ESR. Such removals cannot replace structural climate measures.

T&E welcomes any amendment tabled by the Greens, S&D, and the Left that would stop falsely assuming the emissions from burning unsustainable biomass are equal to zero under the ESR. What is also good, is that the S&D, Greens, Left and Renew groups are seeking to include the right for

the public to bring governments to court when they slack off in the regulation.

Unfortunately, what is still missing are clear provisions to guarantee that national climate targets, which keep governments in the front seat of the climate transition, survive after 2030.

How should the proposal be improved?

- The loopholes with the ETS and LULUCF sectors should be removed. We need to clean up all sectors, not just pick one.
- The 'safety reserve' allows for more hot air and is redundant. National circumstances are already taken into account when setting the targets.
- The regulation should set a process to adopt national ESR targets for 2035 and 2040 and [national climate neutrality targets](#) for the whole economy.

Next steps to deliver on Europe's climate goals

The report will be voted on by the ENVI Committee on May 17th and by the European Parliament in plenary on June 7th. The Council will adopt its position on the proposal on June 28th. In the autumn of 2022, the Commission, the Council and the EP are going to negotiate on the text.

T&E Comment

"If co-legislators fix the flaws of the Commission's ESR proposal, governments will finally have an appropriate framework to bring about the massive changes we need. Citizens will reap the

benefits of climate policies in the next decades with cleaner air, a healthier environment and modern cities and communities. If they don't, we will be losing time that we just don't have in the fight against the climate emergency", Chiara Corradi, Climate Policy Officer at T&E