



# EU climate policy framework: contributions on economic dimensions

Empowering Climate Action: MoF's Role in NDCs and LTS Implementation Workshop

**Asa Johannesson Linden**

Deputy Head of Unit,

DG ECFIN, European Commission

# European energy and climate policy framework: 'Fit for 55'

- **Fit for 55** laid out a renewed ambition for climate policy and thus updated our previous 2030 goals:
  - The **Green Deal** commits to a **55% reduction in GHG** emissions as compared to 1990 levels; the previous ambition was a 40% reduction
  - **Energy Efficiency** and **Renewable Energy** targets were **strengthened**. Moreover, these were further strengthened in response to the energy crisis and energy market disruptions (i.e. REPowerEU)

# Emissions Trading System (EU ETS)

- **EU cap and trade of CO2 emissions**, started in 2005 for **power sector and energy-intensive industry**, with some aviation added
- **The alignment with 55% objective** increase the ambition(cap, free allocation/CBAM), and **extend coverage**
- The agreed revision sets the **overall ambition to a 62% reduction of the covered emissions** by 2030, as compared to 2005. **Maritime transport included in the ETS.**
- **New ETS established for road transport and buildings** - related to this, the **European Social Climate Fund (SCF) is established** to address distributional aspects.

# Establishment of a Carbon Border Adjustment Mechanism (CBAM)

- **Prevent the risk of carbon-leakage:** a climate tool, **not a trade/competitiveness** tool
- Will run on a reporting basis from 2023, **fully in place from 2026**
- **Will at the start apply to selected sectors: iron/steel, aluminium cement, fertilisers, hydrogen, and electricity imports**

# Energy Taxation Directive (ETD) revision

- Revision to align the **taxation of energy products** with EU energy and climate policies to promote clean technologies
- To remove exemptions and reduced rates that de facto encourage the use of fossil fuels
- Negotiation on-going in the EP and Council

# NECP update: Process and timelines



- The 10-year national energy and climate plans (NECPs) outline how EU Member States intend to meet their national targets as part of EU energy and climate policy for 2030
- 5 policy areas: decarbonisation, energy efficiency, energy security, internal market, and research/innovation
- Additional dimensions that are considered:
  - **Investment needs for the policies**
  - **Macroeconomic impacts**

# Recovery and Resilience Facility (RRF)

€723 billion

- For reforms and investment projects
- At 2022 prices

Of which

€385 billion of funds  
In loans

€338 billion of funds  
In grants

**Purpose:** Reforms & Investments

**Functioning:** Based on Member States plans (RRPs)

**Delivery mode:** Performance-based

**Timeline:** implementation before end 2026

Each RRP has to direct **at least 37%** of the plan's total allocation to climate action measures

- Around **40%** (EUR 203bn) of the total allocation<sup>1</sup> goes to climate tracked measures
- In broader terms, EUR 252bn goes to green transition measures<sup>2</sup>

<sup>1</sup> Based on climate tracking methodology

<sup>2</sup> Based on the Pillar tagging methodology

\* Data as of the 1<sup>st</sup> of September 2023: 27 adopted RRFs.

Thank you !