EU climate policy framework: contributions on economic dimensions

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

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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)
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
European Energy and Climate Policy Framework:
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

2019:
- MS submit NECPs

June 2023:
- MSs submit draft updated NECPs

December 2023:
- EC assessment

June 2024:
- MS submit final NECPs

December 2024:
- EC final assessment

- Newly-agreed FF55 goals
- REPowerEU measures
- Consistency with RRPs
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\(^1\) goes to climate tracked measures
• In broader terms, EUR 252bn goes to green transition measures\(^2\)

\(^1\) Based on climate tracking methodology
\(^2\) Based on the Pillar tagging methodology

* Data as of the 1st of September 2023: 27 adopted RRPs.*
Thank you!