

— EU Fit-for-55: Under2 Coalition policy positions

June 2022

We welcome the overall level of ambition demonstrated in the proposed Fit-for-55 package. In general, we urge the Council of the EU and European Parliament to work towards ensuring an ambitious legislative package based on the European Commission's existing proposals.

However, in some cases, further action and greater ambition is needed if the EU is to meet its climate targets and achieve its ultimate ambition of reaching net zero by 2050. The Under2 Coalition policy position on key elements of the Fit-for-55 package is set out in more detail below.

Effort Sharing Regulation (ESR):

We welcome the proposed amendments to the Effort Sharing Regulation (ESR). Sustained effort to reduce emissions, backed up by credible implementation plans, is needed by all Member States if the EU is to meet its overall target of reducing net emissions by 55% by 2030. Any expansion of flexibility options for Member States must ensure that emissions reductions and environmental protection remain at the core of the proposals. Likewise, national implementation plans must recognise the crucial role that European states and regions will play in delivering the transition to climate neutrality, including through the setting of regional carbon budgets.

EU Emissions Trading Scheme:

The EU Emissions Trading Scheme is the cornerstone of European climate policy and a pivotal tool in supporting the transition to a clean economy. We welcome the proposals to expand the existing ETS to cover maritime transport, to create a separate system covering buildings and road transport, and to phase-out free allocations in aviation and the CBAM sectors. There is scope to raise the ambition in the existing stationary ETS even further, for example by increasing the linear reduction factor and introducing a one-off reduction of the cap. We support the Commission's proposals to link the remaining free allocation of emission allowances to decarbonisation efforts while ensuring that free allocation is ultimately phased out

entirely. Co-legislators should also look seriously at introducing a minimum carbon price to ensure to provide a predictable trajectory for decarbonisation across sectors.

Carbon Border Adjustment Mechanism (CBAM):

In setting out concrete proposals for delivering its 2030 climate targets, the EU can and should continue to drive ambition at the global level to reduce emissions. At the same time, energy-intensive industries in Europe must be supported in their decarbonisation efforts to ensure that they remain internationally competitive. We support proposals for a Carbon Border Adjustment Mechanism to mitigate the risk of carbon leakage, including the phased approach for ETS sectors. However, further proposals and clarity on how the CBAM will support exports is needed. We welcome the European Commission's plan to facilitate dialogue with third countries to drive ambitious industrial decarbonisation internationally and create a global level playing field in the future.

Social Climate Fund:

The transition to a clean economy must deliver greater prosperity and security for all and cannot place a disproportionate burden on vulnerable or disadvantaged members of society. We welcome establishment of the Social Climate Fund as an instrument to help reduce this burden. Subnational governments will be a crucial partner for implementing the fund. Under2 Coalition members are acutely aware of the challenges facing their citizens and the unique support needed by vulnerable households in their jurisdictions, including in terms of direct income support. We must be part of the conversation early to ensure that support measures and investments are directed effectively. Only then will the fund successfully reduce the cost of the climate transition for vulnerable households.

Renewable Energy Directive (RED II):

To reduce European dependence on volatile, imported fossil fuels we urgently need to increase the share of renewables in the energy mix. We welcome the proposal of new binding targets to ensure at least a 45% share of renewable energy in gross final energy consumption by 2030, as well as new sectoral targets agreed in transport, heating, and cooling. The introduction of sectoral targets for buildings and industry will also help facilitate the climate transition across all sectors. The recently published REPowerEU plan provides a useful initial roadmap for delivering these targets, including through the commitments to deploy 600GW of new solar photovoltaic and 510GW of wind by 2030, to speed up processes for permit-granting and power purchase agreements (PPAs) and to drastically scale up production of biomethane and renewable hydrogen in the EU. Implementing both the revised Renewable Energy Directive and the REPowerEU plan will require effective coordination between different levels of governance. We are calling on the Council of the EU and European Parliament to support the Commission's proposals and work closely with

European states and regions to deliver the profound transformation of our energy system required.

Energy Efficiency Directive (EED):

We cannot hit net zero without adopting ambitious energy efficiency measures. The IEA has noted that energy efficiency can achieve more than 40% of the global emissions reductions needed by 2040. The recast of the Energy Efficiency Directive heads in the right direction and we welcome the proposal to increase the binding 2030 Energy Efficiency Target from 9% to 13%. However, while we support providing a legal basis for the Energy Efficiency First principle in the new directive, cost effectiveness must continue to be a key driver of policy and financial decision-making.

Energy Performance of Buildings Directive (EPBD):

Representing 25% of Europe's total emissions, ambitious policy in the building and heating sectors will be critical to meeting the EU's 2030 target. We support the recast Energy Performance of Buildings Directive, including the new definition of zero-emission buildings, the revised requirements for new buildings, the introduction of renovation passports and minimum energy performance standards (MEPS). We also welcome commitments made in the recent REPowerEU plan, including the commitment to double the current roll-out rate of heat pumps and the launch of the European Solar Rooftops Initiative. Mandating the installation of photovoltaic solar on all new public and commercial buildings by the end of 2026 and all new residential buildings by the end of 2029 will drive the development of on-site renewable energy production in buildings. We urge legislators to support the Commission's current proposals and consider even more ambitious commitments regarding the level of minimum energy performance standards (MEPS).

Transport:

As the fastest-growing contributor to climate change, accounting for 23% of global emissions, the EU must pursue deep decarbonisation in the transport sector to meet its 2030 targets. We support the headline commitment to reduce new passenger fleet average emissions by 100% by 2035. The EU could provide even more clarity for business by setting intermediate targets on a trajectory to 2035. These targets can only be achieved with a comprehensive expansion of infrastructure for charging and refuelling. We welcome the setting of mandatory targets for charging points and hydrogen fuelling stations through the Alternative Fuels Infrastructure Regulation (AFIR). While the regulation introduces binding 2025 and 2030 targets for deploying zero-emission truck infrastructure, we urge legislators to continue bringing forward more concrete plans to drive the decarbonisation of the heavy-duty transport sector. The EU should also look closely at how to encourage sustainable travel through behaviour change, ensuring that this approach is underpinned by the principles of a just transition.

Land use, land use change and forestry (LULUCF):

Natural carbon sinks will be critical to meeting our climate targets in both mitigation and adaptation, with land playing a fundamental role. We welcome the introduction of a new policy framework to bring together and address the integrated nature of agricultural and LULUCF emissions under the new agriculture, forestry and other land use (AFOLU) pillar. Whilst we need to put a stronger emphasis on the long-term development and conservation of natural carbon sinks, keeping in mind different circumstances at the national and regional level, increasing these sinks should not come at the expense of other efforts to reduce greenhouse gas emissions across the sectors of the wider economy.