LIFE CROLIS Visibility Event

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Special Report N° 18/2023: EU climate and energy targets

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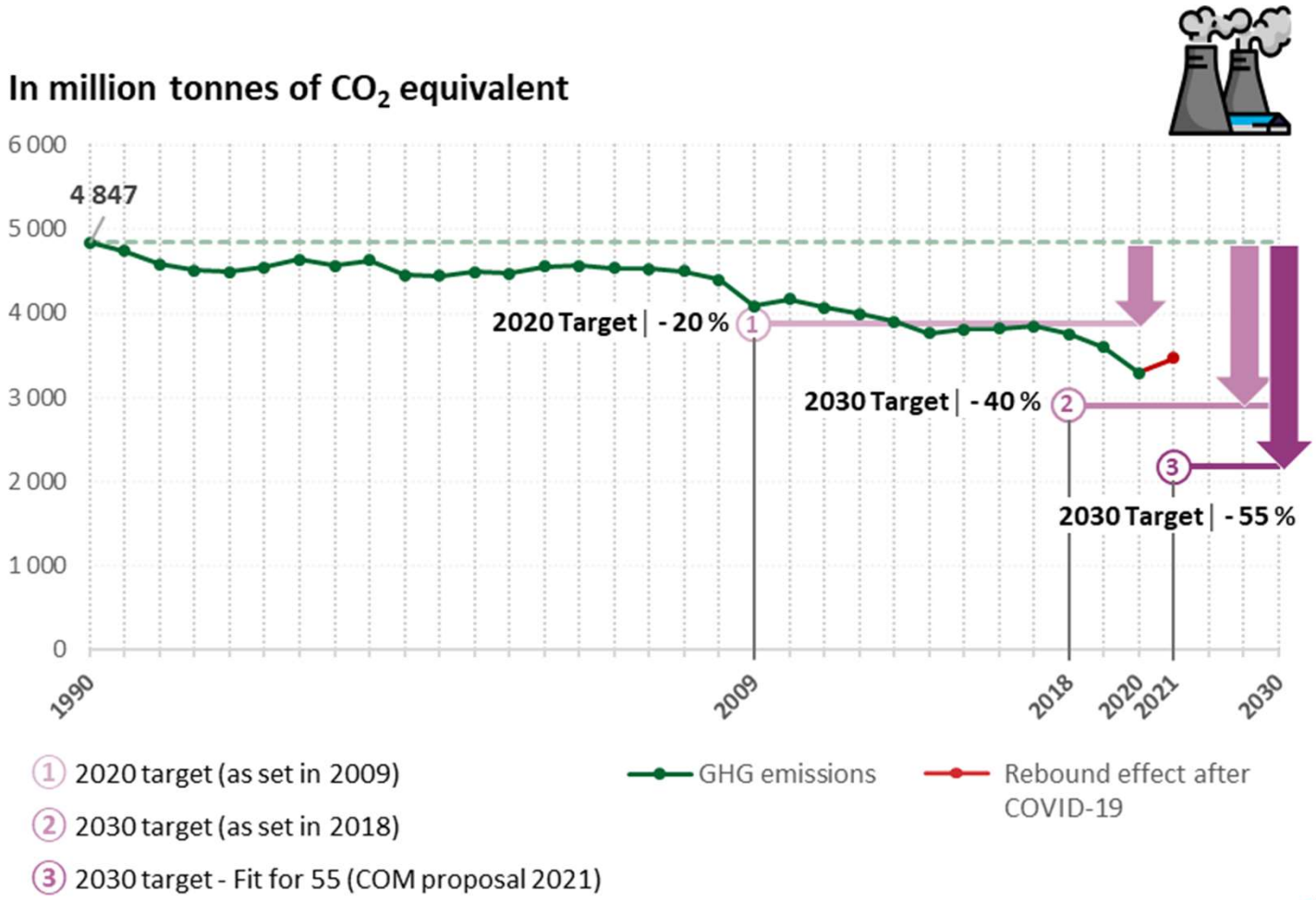
Introduction

To tackle climate change, the EU set itself **3 headline targets for 2020 and 2030**:

1) **Reducing greenhouse gas emissions** compared to 1990 levels



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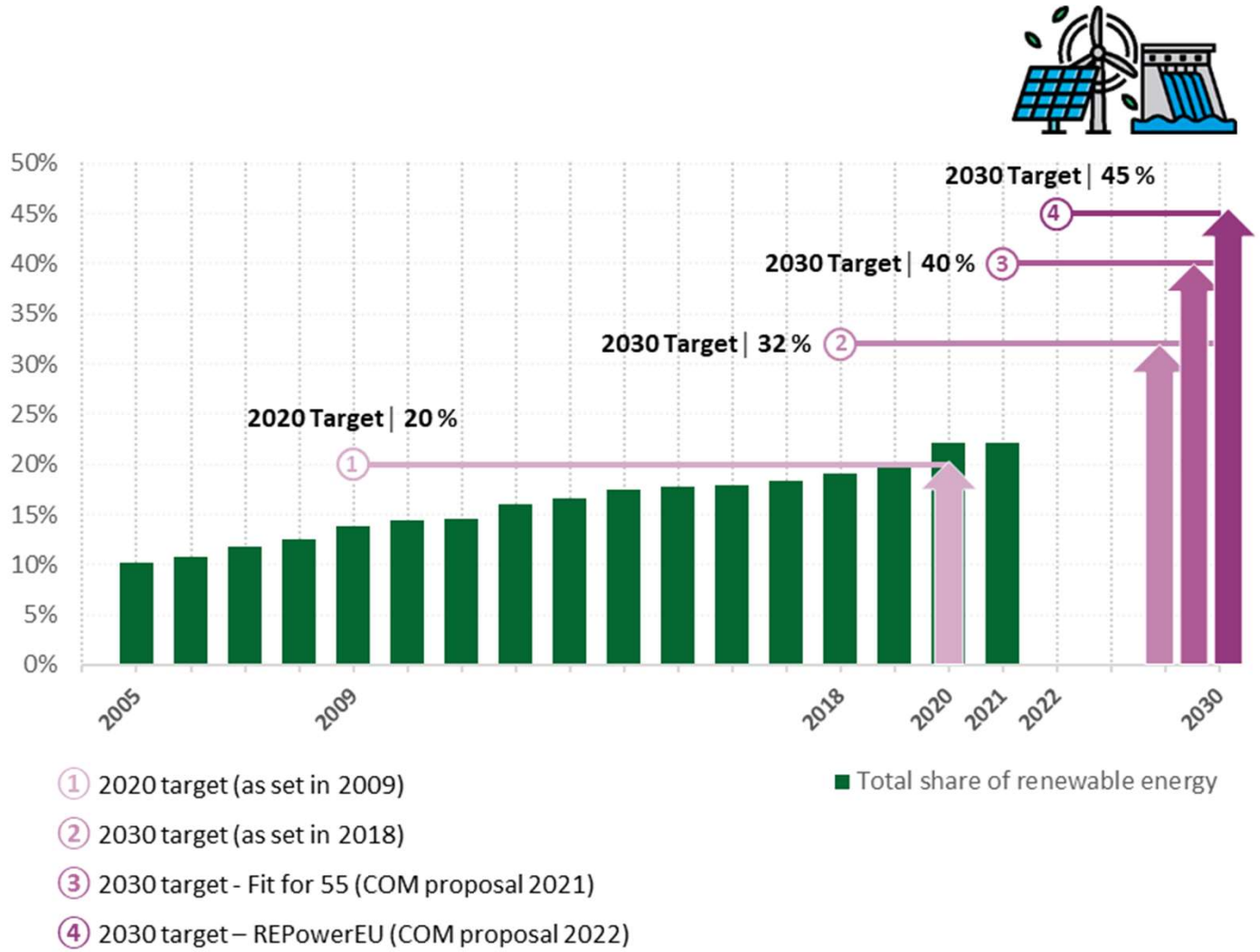
2) Increasing **share of renewable energy**



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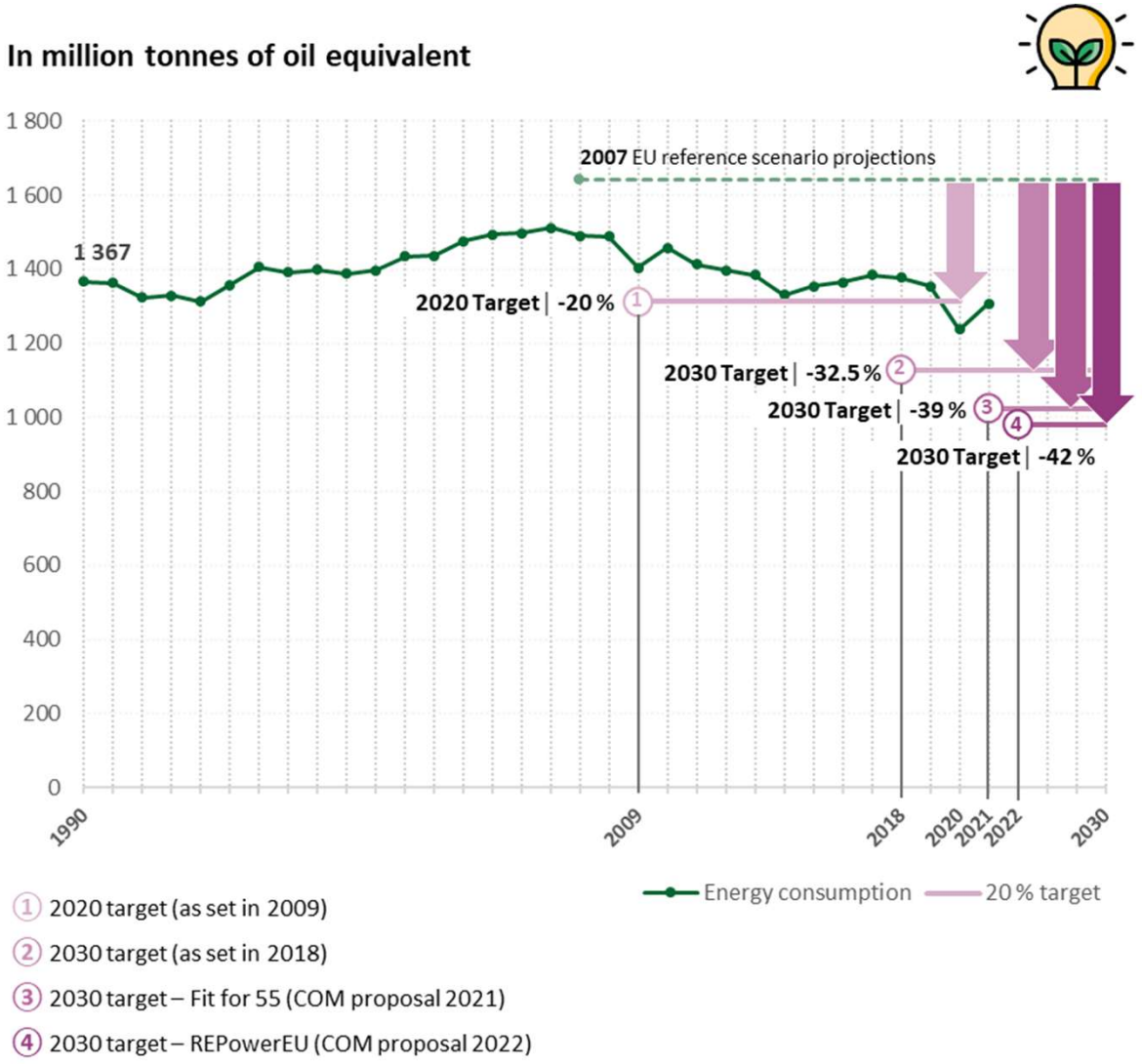
3) Promoting **energy efficiency**, i.e. reducing energy consumption



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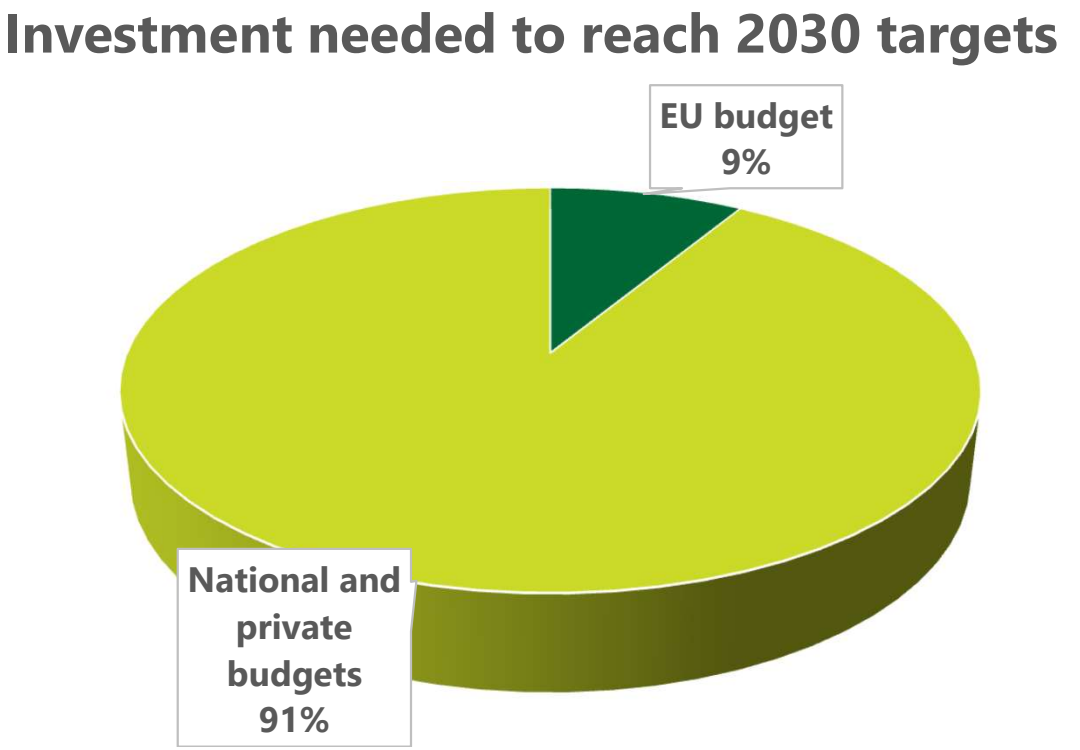
EU budget for climate estimated at **€87 billion per year** in 2021-2027 MFF
→ this is less than 10% of total investment needed to reach the 2030 targets, estimated at **€1 000 billion per year**



Audit scope

Main audit question:

Is the EU building on successful actions to reach its 2030 climate and energy targets?

Sub-items:

1) Was the **achievement of the 2020 targets** based on EU's own climate action?
2) Does the **EU compare well** to other industrialised countries in the world?
3) Did the Commission and member states **draw lessons** on achievement of 2020 targets that fed into the framework **for achieving the more ambitious 2030 targets**?

Auditees:

- **Commission** (DG Energy and DG Clima) + European Environment Agency
- **Member states**: focus on Germany, Ireland, Italy, Poland and Sweden, representing 48% of EU greenhouse gas emissions

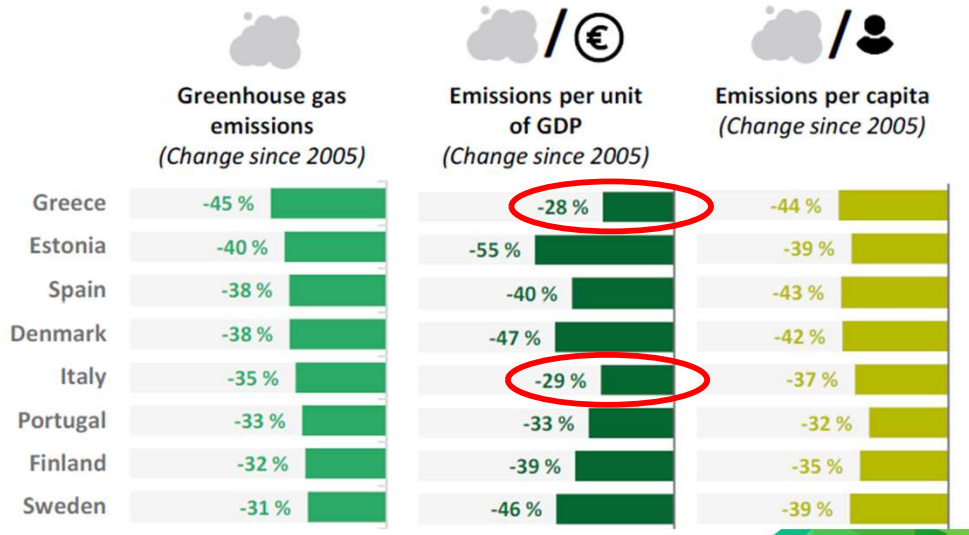
Observations 1 Achievement of 2020 targets

EU reached all 3 headline targets for 2020, but:

- Commission did not assess to what extent this progress was a result of the policies rather than external factors, such as:
  - the 2009 financial crisis
  - the 2020 COVID pandemic

Progress in reducing emissions was also driven by economic cycle (e.g. Greece or Italy would have performed less well when looking at emissions per unit of GDP) →

Figure 7 – Evolution of total greenhouse gas emissions, emissions per unit of GDP and emissions per capita in 2005-2020 period

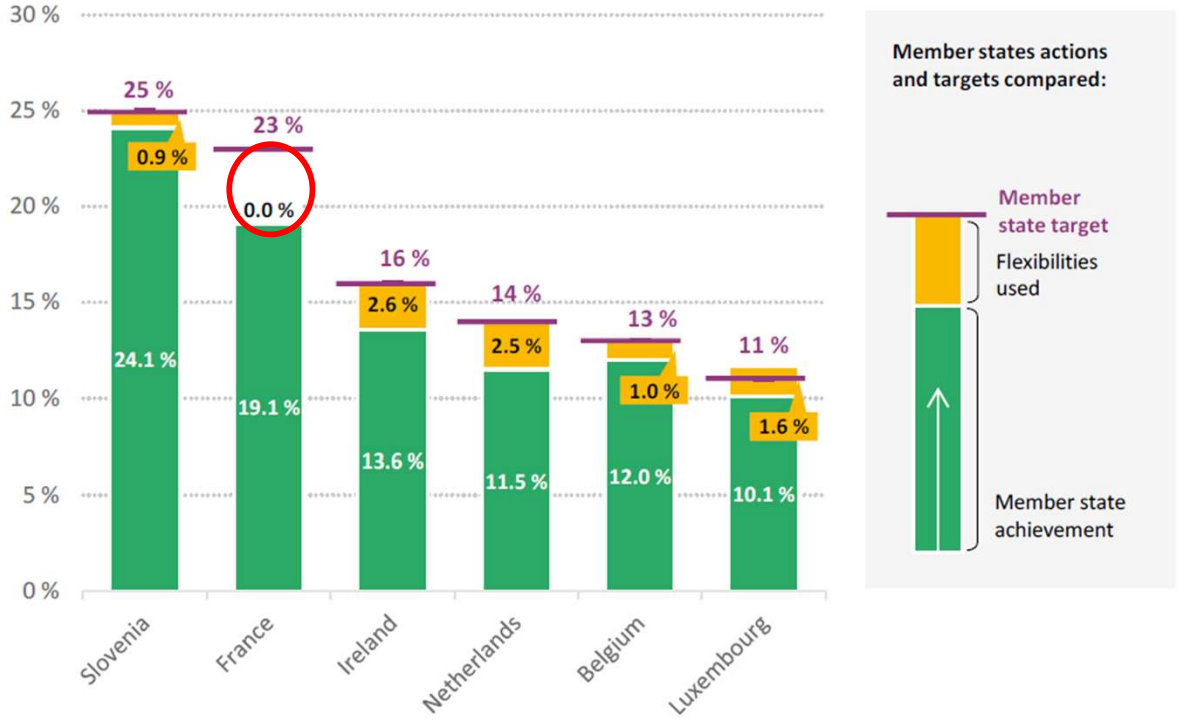


Observations 1 Achievement of 2020 targets

- There is a lack of transparency on how flexibilities allow member states to achieve their targets, as price at which member states bought shares to comply with their targets is not public

France had not bought the missing shares to reach its target→

Figure 8 – Progress towards the national renewable energy share target for the six member states before buying shares

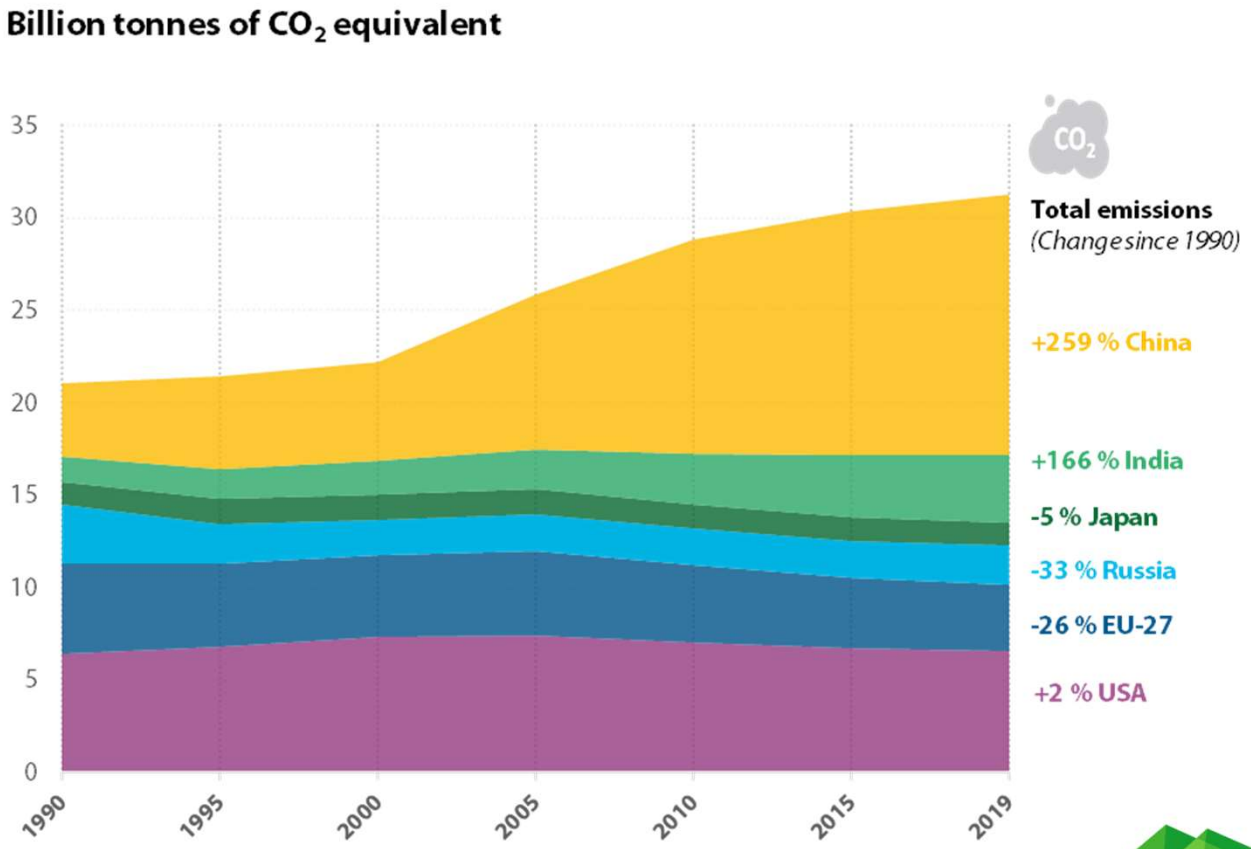


Source: ECA based on data from European Commission.

Observations 2 EU compared to rest of the world

EU compares well to rest of the world:

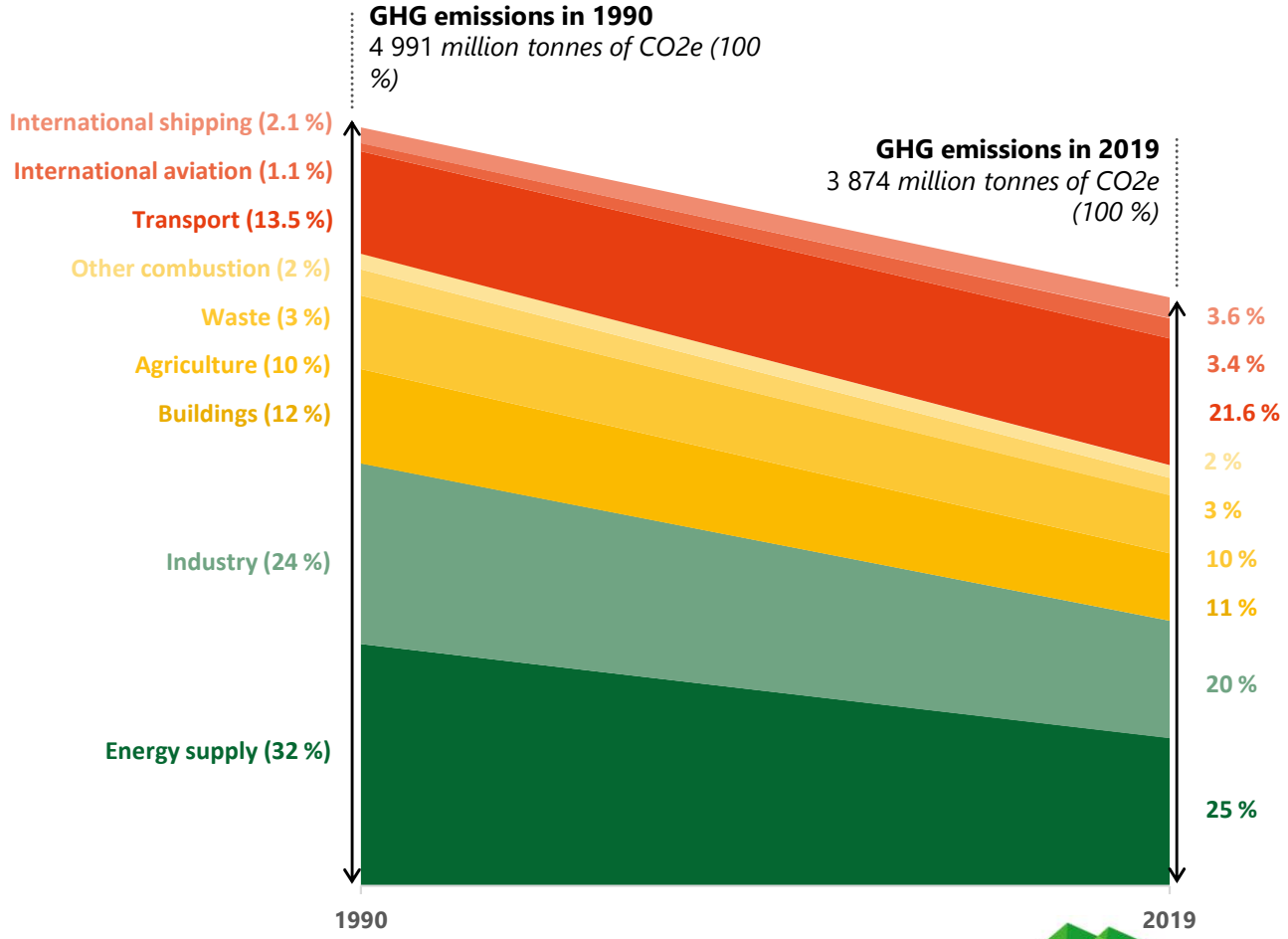
- In 1990-2019 global emissions increased by 57%, while EU's emissions decreased by 26%
- As a result, the EU's share of global emissions dropped from 15.3% to 7.9% in the same period



Observations 2 EU compared to rest of the world

However, EU's 2020 greenhouse gas emissions accounting did not include:

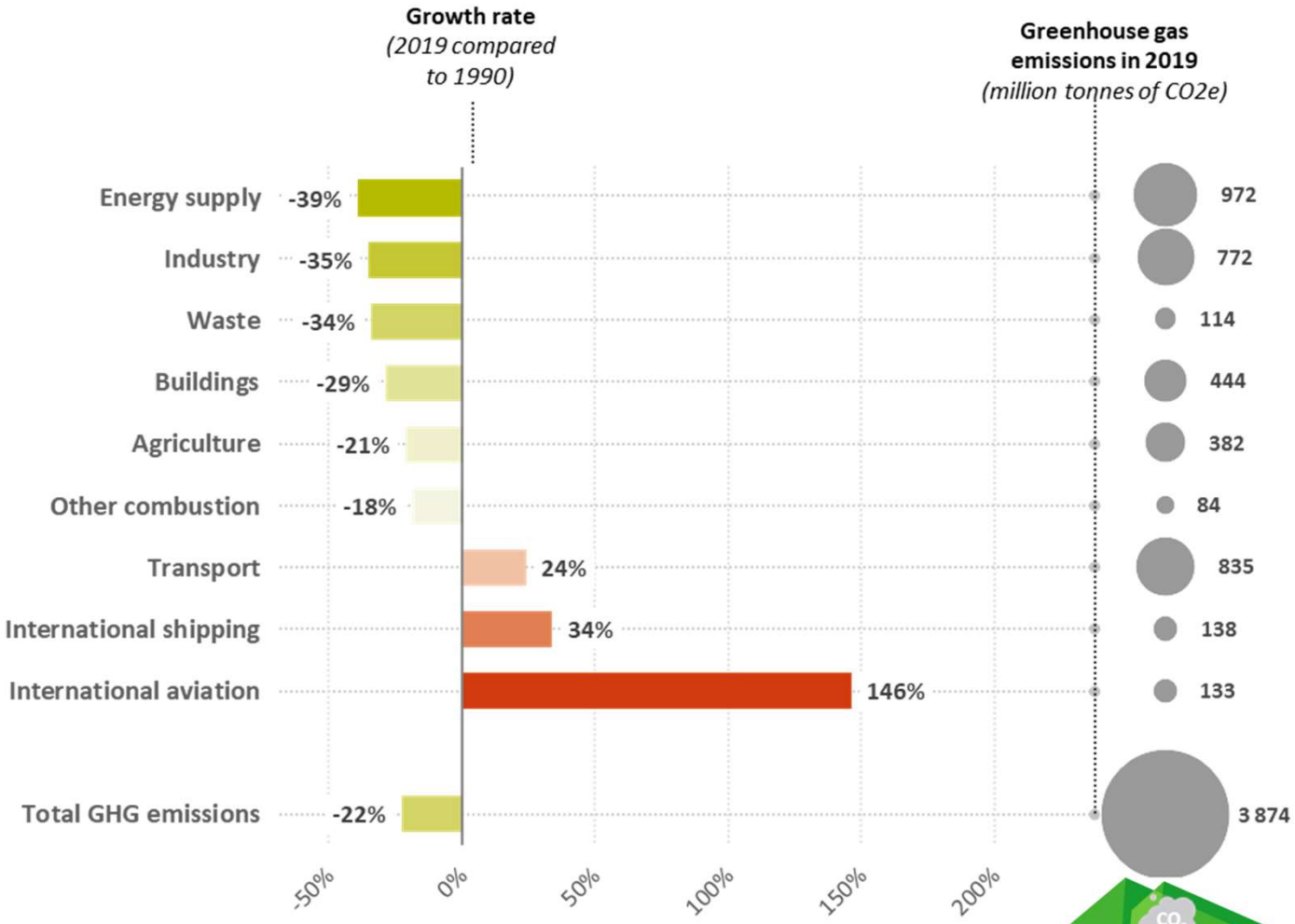
- Emissions occuring as a result of trade, caused by carbon leakage, which would increase EU's emissions by 8%
- Emissions from international aviation (3.4%) and shipping (3.6%)



Observations 3 Drawing lessons for 2030 targets

The Commission knows well which sectors successfully contributed to the targets

- EU emissions reduction was mostly driven by sectors covered by the Emissions Trading Systems (i.e. energy supply and industry)
- Emissions from transport, international aviation and shipping kept rising



Observations 3 Drawing lessons for 2030 targets

However, the Commission and member states **know little about the cost and effects of actions put in place** to reach the 2020 targets

- For **EU funding** there is generally no information on the contribution of EU spending programmes to the EU's climate and energy targets
- For **national funding**, there is a database with 2053 policies and measures across member states but almost no data on costs and effects on emissions reduction
- For **private funding**, there is no data, although most funding to reach the targets should come from private sources

National Energy and Climate Plans for 2021-2030 should inform about investment gaps, sources of funding and main policies to fill the gaps

- However, information so far was incomplete and inconsistent
- The Commission provided guidance to tackle such weaknesses for updated NECPs, that member states should have submitted by 30 June 2023

Main conclusions

1) The EU reached its 2020 targets, but not only due to its own climate action

2) The EU compares well internationally in terms of greenhouse gas emissions reduction, but not all emissions are accounted for

3) Commission has a good overview of sectoral contribution to targets, but
lacks key information on cost-effectiveness of reaching the targets

→ 2030 targets are more ambitious than 2020 ones, and we found little indication so far that this ambition will translate into sufficient action

Recommendation 1:
More transparency on the performance of the EU and its member states on climate

(a) use available reporting on greenhouse gas emissions per unit of GDP and per capita **to assess the drivers of member states' progress** and to engage with member states with the aim at improving the performance of their climate and energy action, when needed;

(b) assess and report on the EU and member states' progress towards the targets, by **distinguishing the impact of policies in place from the impact of external factors**; and

(c) implement measures to allow for **greater transparency regarding the price** of greenhouse gas emissions and individual renewable energy share transfers.

Recommendation 2:
Account for all greenhouse gas emissions caused by the EU

(a) assess the possibility of using the data it will collect through the Carbon Border Adjustment Mechanism to complement its reporting on EU progress towards the EU's 2030 greenhouse gas emission reduction target with **reporting on emissions associated with imported goods to the EU**; and

(b) assess the feasibility of **including in its 2050 target for climate neutrality the EU's share of emissions from international aviation and shipping**.

Recommendation 3:
Support Member States' commitment to achieving the 2030 targets

(a) work together with member states to include in the updated National Energy and Climate Plans **consistent information on the expected cost and effects of policies** for achieving the targets, as well as on **investment needs and funding sources** to fill those needs; and

(b) assess the feasibility of enhancing the current system of transfers of greenhouse gas emissions and renewable energy shares between member states, including the option of **closer aligning the price of transfers with market prices**.