



Has the EU Commission weakened its climate proposal? Possibly

Climate Action Tracker policy brief

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Summary

- The European Commission has made a proposal that specifies its “intended nationally determined contribution” (INDC) to the new international agreement on climate change.
- The proposal is to reduce domestic greenhouse gas emissions by at least 40% below 1990 in 2030. However, it now also includes forestry accounting, which could effectively weaken the reductions necessary by all other sectors by a few percentage points.
- The original proposal of domestic reductions of 40% is already less ambitious than the range of what studies find to be the EU’s fair contribution to the global effort to limit warming to 2°C.
- The EU aims to submit its final proposal to the UN by end of March 2015. The formulation in the final agreement on its INDC will determine whether the inclusion of forestry will weaken the EU’s action on climate change. The EU now has a chance to set a good example of transparency and environmental integrity by improving its own INDC.

Introduction

Under the UNFCCC, all governments “in a position to do so” are asked to submit an “intended nationally determined contribution” (INDC) to a future international climate agreement by the end of the first quarter of this year. The intention is that all governments transparently present their proposed action, so that, during the course of 2015, proposals can be adjusted and strengthened if they are—in aggregate—insufficient to meet the globally agreed long-term goal of keeping warming to 2°C.

The EU was one of the first to reach an internal decision on an INDC target. On 24 October 2014 it announced it would reduce its domestic greenhouse gas emissions by “at least 40%” below 1990 levels by 2030.

On 25 February, the EU Commission issued a proposal that provides crucial details of the intended reductions. It is an input to the EU internal discussions. A final decision is expected before end of March. New elements include forestry accounting, a rejection of a conditional target and inclusion of a global long-term goal.

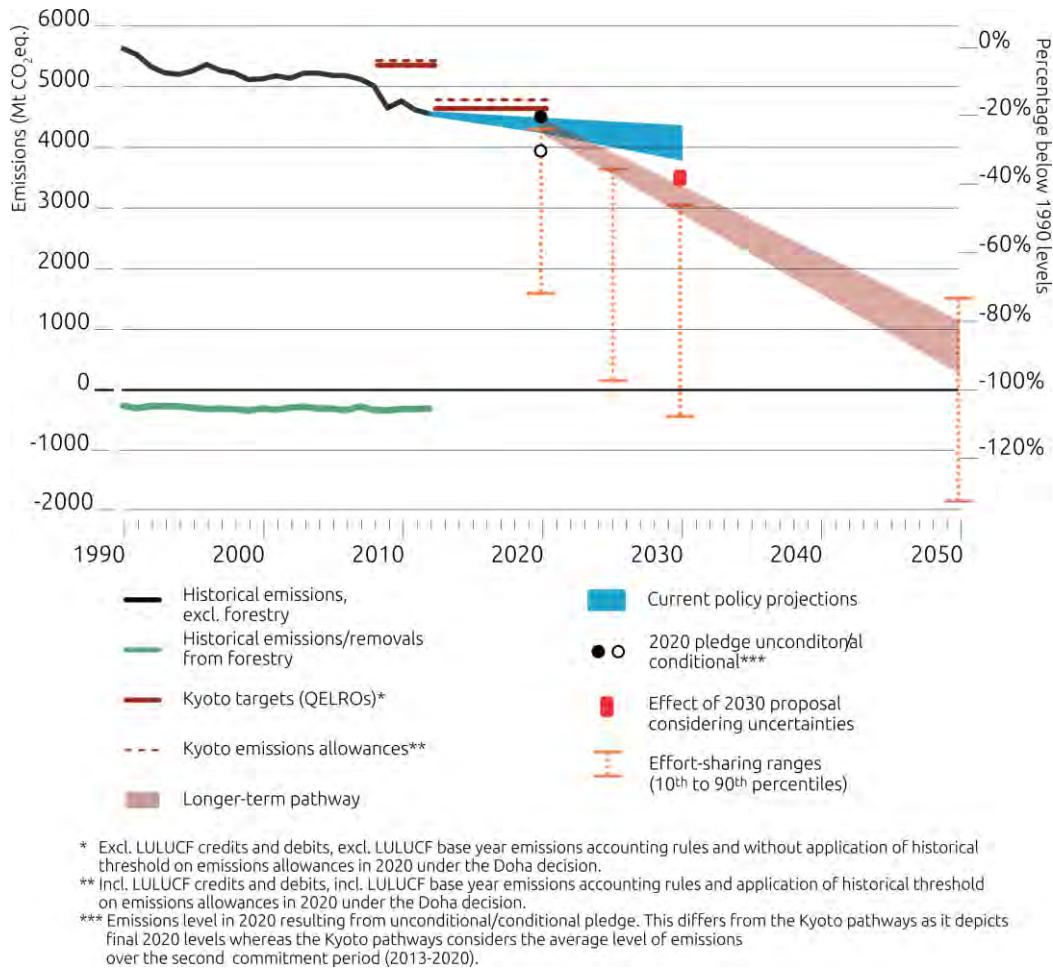


Figure 1. Emissions of the EU and target proposed by the European Commission

EU's accounting of land-use, land-use change and forestry

The new element of the Commission's new proposal compared with earlier agreements is that it specifies that the EU target now includes land-use, land-use change and forestry (LULUCF) accounting, possibly weakening the required reductions by all other sectors by a few percentage points.

Many human activities contribute to changes in emissions and removals of greenhouse gases by forests, grassland, cropland and other land-cover types. Forests grow and sequester more carbon without an additional intervention, partly due to global human-induced changes in climate and CO₂ concentrations. There are large uncertainties in the measuring and monitoring of LULUCF emissions and removals. Natural variations in these can be huge, and there is a risk of double-counting.

Previous Climate Action Tracker analyses have shown that adding presumably well-intentioned provisions—that aim to minimise the risk of not achieving reduction targets due to natural variations in LULUCF emissions—introduces asymmetric accounting. The more LULUCF credits a government can use, the less it has to reduce emissions in all other sectors. In some cases, LULUCF offsetting is so high that it allows governments to reach their target without any additional action.¹ For this reason, the Climate Action Tracker always displays the reduction targets for all sectors excluding forestry (also in Figure 1). If ambitious reductions in the non-LULUCF sectors are not achieved by 2030, post-2030 reductions in these sectors will need to occur at a faster rate than if a cost-effective or more ambitious 2030 target is set now. Delayed action in, for example the energy sector, is likely to be more costly and both politically and technically challenging due to the establishment of energy infrastructure.

The order of magnitude of this effect is not clear from the EU's proposal as it depends on the accounting rules it uses (see below). Including LULUCF credits in the Kyoto Protocol's second commitment period effectively weakens the EU's target by 3 percentage points (Figure 1, compare "Kyoto targets" with "Kyoto emission allowances"). The whole LULUCF sector is expected to be a net emissions sink of ~210 MtCO₂/yr in 2030², or as much as 4% of 1990 emissions of all sectors. The impact of including LULUCF accounting can be of that order of magnitude, depending on the exact accounting rules.

The EU Copenhagen pledge to reduce emissions by 20% by 2020 *excludes* land-use accounting, while the conditional 30% target for 2020 did include LULUCF accounting. While the new proposal specifies "... 40% ... in 2030 ... gradually increasing ... beyond ... 20% for 2020", this is comparing apples with oranges and it is unclear how a target of a 20% reduction *excluding* LULUCF accounting by 2020 will develop into a 40% reduction *including* LULUCF by 2030.

There is still time for the EU to become a leader in transparency and "real" reductions

The only way to avoid lack of transparency and accountability is to explicitly specify in an INDC the targeted economy-wide emissions reductions for all emissions *excluding* the LULUCF sector. It is very good news that the EU is taking decisive steps in developing its INDC and, in this area, the EU plays a leading role. The EU now has a few months to become a leader in the equally important area of transparency and clarity. As indicated on many occasions³ by the Climate Action Tracker, emissions accounting provisions often obscure the real effect of proposed emissions reductions.

For LULUCF accounting, the EU's proposal refers to Kyoto and UNFCCC COP decisions, as well as its own legislation in Decision 529/2013/EU. This decision contains some explicit points that are of serious concern. It notes, for example, that "*Member States should initially be allowed to exclude certain carbon pools from accounting.*" It doesn't make clear which carbon pools it means. While it also notes that "... *in the long run, ... more comprehensive sector accounting ... should be pursued,*" this introduces large uncertainty in terms of parts of sectors and geographic areas of the EU that might be exempt from rigorous accounting in the 2021–2030 period.

Likewise, accounting rules specified now introduce high uncertainty for the 2021–2030 period, as the EU decision further notes: "*In the event of developments regarding accounting rules for forest*

¹ <http://climateactiontracker.org/countries/australia.html>

² Table 10 in European Commission, COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT, A policy framework for climate and energy in the period from 2020 up to 2030, Brussels, 22.1.2014

³ <http://climateactiontracker.org/countries/eu.html>

<http://climateactiontracker.org/publications/briefing/47/No-move-to-close-the-gap-at-Bangkok-climate-talks.html>

<http://climateactiontracker.org/countries/australia.html>

activities in the context of the relevant international processes, updating the accounting rules for forest activities in this Decision should be considered in order to ensure consistency with those developments.” Rules are not clearly defined from the beginning but are allowed to change in the course of the coming years—implying that the ultimate implications for the “real” emissions reductions in 2030 for other sectors remain unclear.

One way to guarantee reductions in those other sectors would be for a government to specify those reductions explicitly and separately in the INDC. If a Party to the UNFCCC wishes, it can specify an independent, separate, emissions reduction target for the LULUCF sector that is not mixed up with the target for, for example, the energy, transport and industrial sectors.

Another option would be to specify that the inclusion of the LULUCF accounting does not weaken the ambition of reductions from other sectors. The EU has already stated that it aims to reduce “at least” 40%; the addition of LULUCF accounting could therefore only be used to increase the ambition.

A more ambitious conditional target—international offsets?

The EU proposal states that *“there is no merit in proposing a higher ‘conditional target’ at the present time.”* The proposal states that if the target were to be increased, it would be fulfilled with high quality international emission credits.

It is a good sign that the EU may increase its climate action at some stage. However, this more ambitious target using international credits does not have to be conditional. Figure 1 shows that under a “fair share” calculation, the EU needs to make deeper domestic reductions than it currently proposes in its INDC. We show the ranges⁴ of what is considered the EU’s “fair” contribution to the globally-agreed 2°C warming limit. The effort-sharing studies in the CAT’s database include over 40 studies used by the IPCC (chapter 6 of WG III and Höhne et al. 2014⁵) plus additional analyses CAT has performed to complete the dataset.

The EU could meet more ambitious emissions reductions through using international credits, but this does not have to be conditional and it has to be ensured that the additional efforts really do lead to additional global reductions (a “net mitigation effect”) and do not only support reductions by developing countries that are already counted for.

Dealing with surplus allowances

Under the EU ETS, one of the most important instruments of the EU in reaching its emission reduction target in 2020 and 2030, a surplus of emission allowances of approximately 1.8 GtCO₂ had been accumulated by the end of 2012.⁶

This surplus is expected to grow to 2.6 GtCO₂ by 2020, according to the EU’s own calculations. This is larger than the EU’s ETS cap for the year 2013. **If these allowances are increasingly used up to 2030, this surplus could dilute the 40% GHG target by 7% in 2030.**⁷

⁴ 10th to the 90th percentile

⁵ Niklas Höhne, Michel den Elzen, Donovan Escalante, 2014: Regional GHG reduction targets based on effort sharing: a comparison of studies, *Climate Policy*, Vol. 14, Iss. 1, 2014

⁶ European Environment Agency (2014). *Trends and projections in Europe 2014 - Tracking progress towards Europe's climate and energy targets for 2020*. Copenhagen.

⁷ Höhne, N.; Gilbert, A.; Hagemann, M.; Fekete, H.; Lam, L.; de Vos, R. (2013). *The next steps in Europe’s climate action: setting targets for 2030*.

The EU agreed to introduce a so-called market stability reserve that aims to address this surplus issue. It is thus important that in order to achieve its 40% target, the EU must create a robust market reserve.

The new proposal of the EU Commission is silent on the issue of surplus. The proposal states that “domestic emissions” have to be reduced by at least 40%, which could be interpreted to mean that surplus cannot be used. If so, it would increase the transparency if the EU were to state this explicitly.

A global goal for 2050

The EU commission proposal states that the *global* goal of emissions reduction in a Paris agreement should be at least 60% below 2010 levels in 2050.

The EU’s goal for global reductions by 2050 is in the more ambitious half of the range provided by the IPCC for being on a path towards a likely chance of meeting the 2°C limit. (IPCC range: -72% to -42% below 2010 in 2050, see table of the Synthesis Report table SPM.1⁸). The goal is also within the more ambitious half of the range in the UNEP gap report which states that a reduction of -49% to -63% below 2010 in 2050 is required (Table ES.1⁹).

As it calls for all nations to strive for strong climate action by 2050, the EU now has the opportunity to set a good example of transparency and accountability by improving its own INDC.

⁸ http://ipcc.ch/pdf/assessment-report/ar5/syr/SYR_AR5_SPMcorr2.pdf

⁹ http://www.unep.org/publications/ebooks/emissionsgapreport2014/portals/50268/pdf/EGR2014_LOWRES.pdf

The Climate Action Tracker is an independent science-based assessment that tracks the emission commitments and actions of countries. It is a joint project of the following organisations:

Climate Analytics

Climate Analytics is a non-profit organization based in Potsdam, Germany. It has been established to synthesize climate science and policy research that is relevant for international climate policy negotiations. It aims to provide scientific, policy and analytical support for Small Island States (SIDS) and the least developed country group (LDCs) negotiators, as well as non-governmental organisations and other stakeholders in the 'post-2012' negotiations. Furthermore, it assists in building in-house capacity within SIDS and LDCs. Contact: Dr. h.c. Bill Hare, +49 160 908 62463

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Ecofys – Experts in Energy

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Potsdam Institute for Climate Impact Research (PIK)

The PIK conducts research into global climate change and issues of sustainable development. Set up in 1992, the Institute is regarded as a pioneer in interdisciplinary research and as one of the world's leading establishments in this field. Scientists, economists and social scientists work together, investigating how the earth is changing as a system, studying the ecological, economic and social consequences of climate change, and assessing which strategies are appropriate for sustainable development. Contact: Dr. Louise Jeffery, louise.jeffery@pik-potsdam.de

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NewClimate Institute

NewClimate Institute is a non-profit institute established in 2014. NewClimate Institute supports research and implementation of action against climate change around the globe, covering the topics international climate negotiations, tracking climate action, climate and development, climate finance and carbon market mechanisms. NewClimate Institute aims at connecting up-to-date research with the real world decision making processes. Contact: Dr. Niklas Höhne, +49 173 715 2279

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