

# The non-ETS (NETS) sectors

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# This presentation

- Context of non ETS targets
- Kyoto and ETS vs NETS efforts
- 2020 NETS targets and progress
- Improving NETS information

***PS: Almost all emissions figures in this presentation are undergoing small changes as I speak due to ongoing consultations with MS. Hence cannot be quoted.***

***Launch of reports and final numbers 9 October***

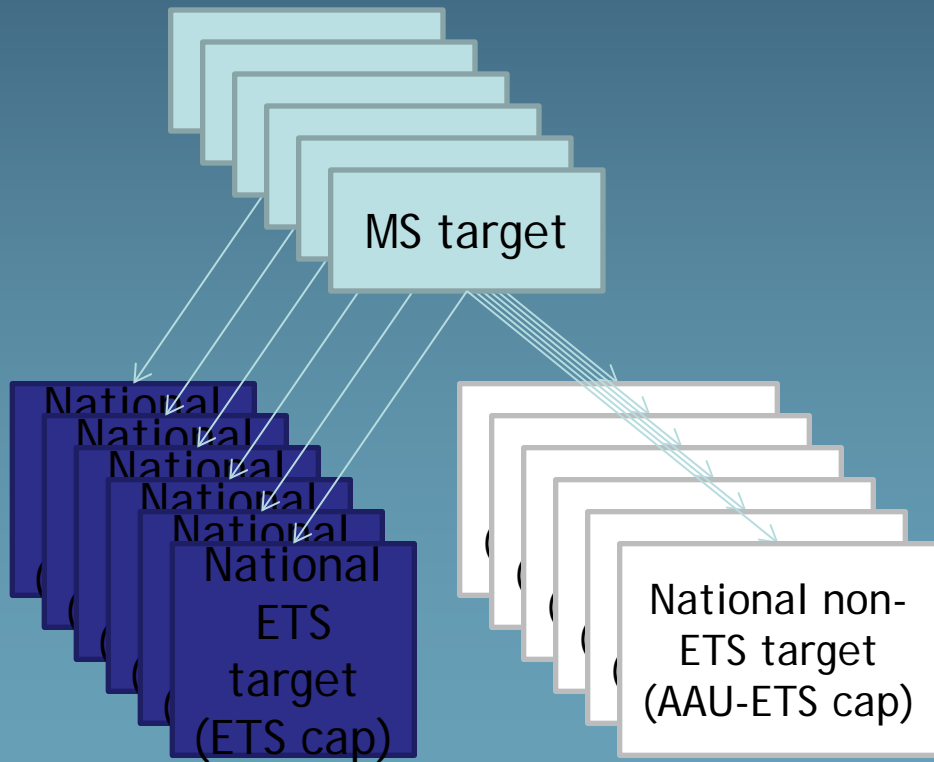


# Overall context of NETS targets



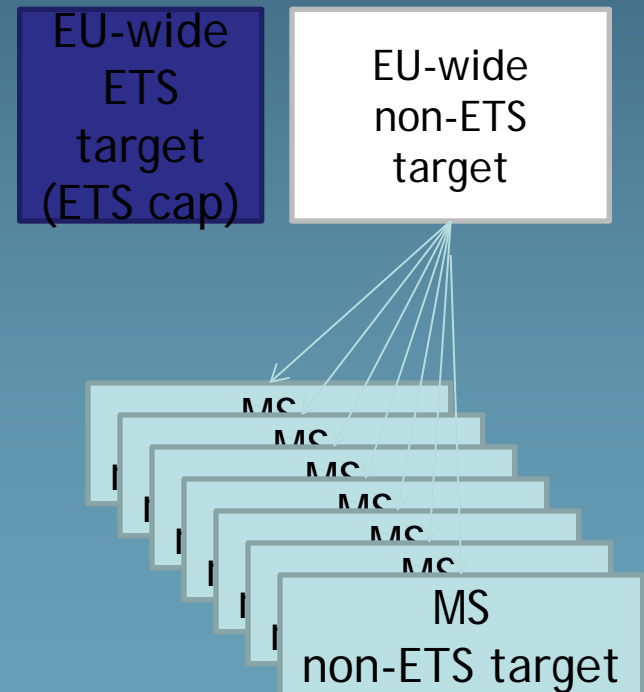
2008-2012  
Second ETS trading phase  
First Kyoto commitment period

EU-15 Kyoto target



2013-2020  
Third ETS trading phase  
EU's 2020 target  
(+ Second Kyoto commitment period)

EU-27 2020 target



EU-wide carbon market  
ETS caps achieved by legal obligation

Targets to be achieved by governments  
at national level

European Environment Agency



# So....from target perspective

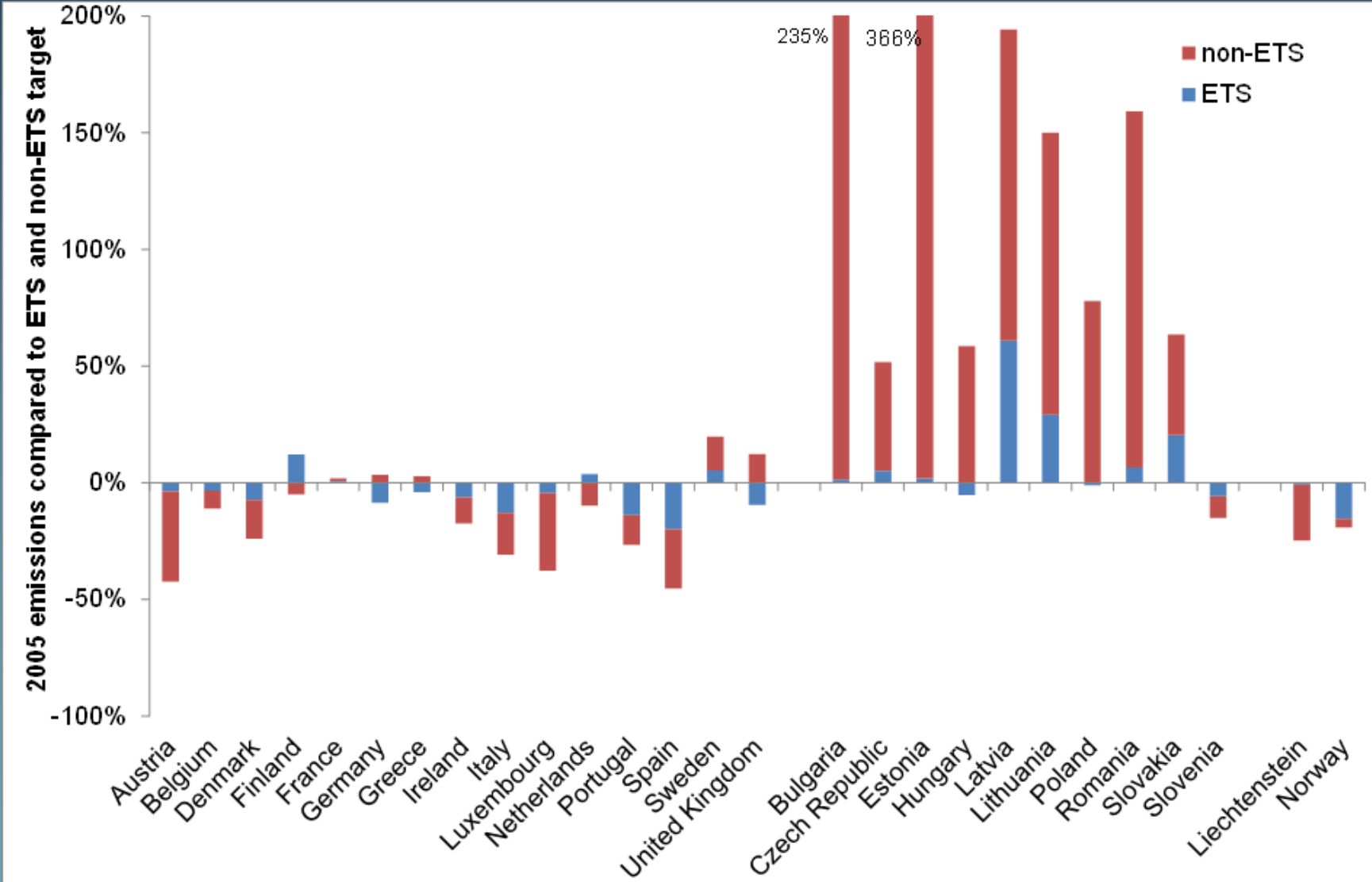
- Kyoto the CP1 burden sharing targets were transformed into NETS targets through the NAP2 process
- PAMs in the NETS sectors became the only thing MS can use to reduce domestic emission that can count towards targets
- The 2009 CC&energy package reconfirmed that the BAU CP1 focus on the non-ETS sectors/PAMs should continue for MS.



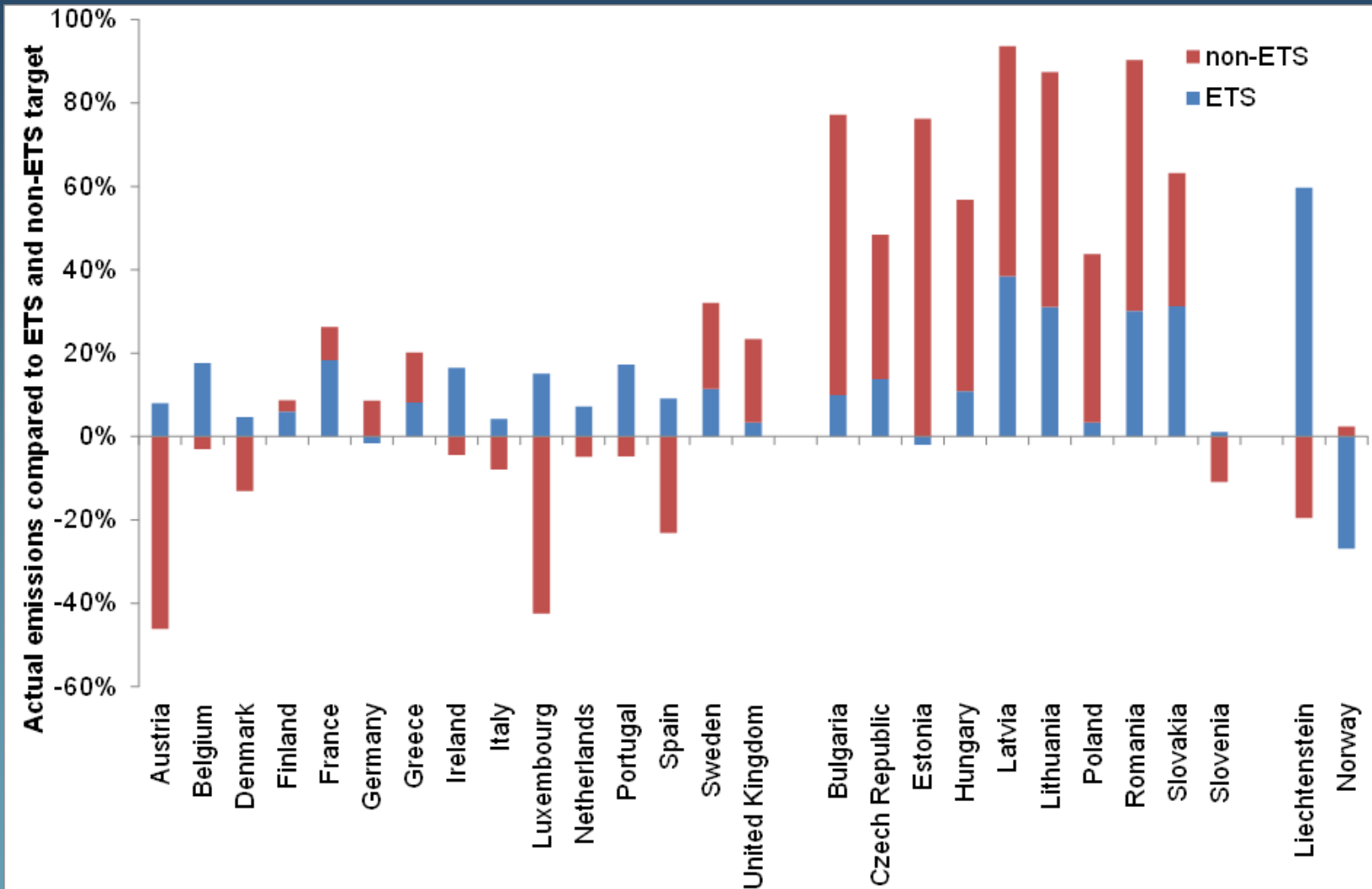
# Kyoto: ETS vs NETS efforts



# 2008-2012 reduction targets for the ETS and NETS sectors compared to 2005 emission levels



# Overachievement (+) and shortfall (-) of 2008-2012 reduction targets (Positive bars shows overachievement of targets through domestic emission reductions)





So....

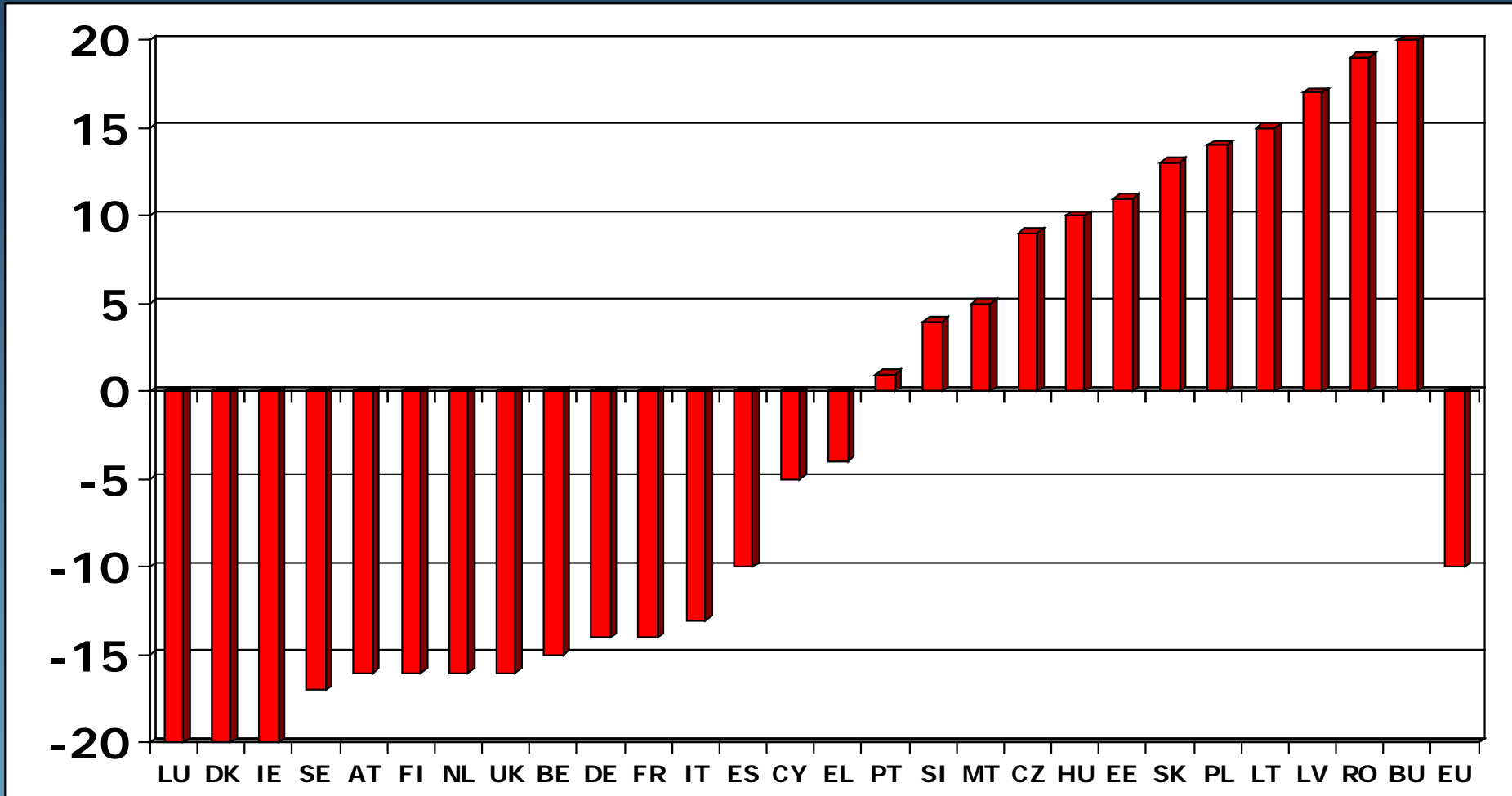
- During Kyoto CP1 the EU MS generally gave their NETS sectors more stringent targets in relative terms than their ETS sectors - in particular:
  - Spain, Italy, Austria, Denmark and Luxembourg
- Nine EU-15 Member States will not achieve their KP CP1 objective through domestic emissions reductions in the NETS sectors alone. These countries will therefore have to use the KP's flexible mechanisms to achieve their objective. Some MS do still not have 100% convincing plans/budgets how to do this.



# The NETS target paths towards 2020



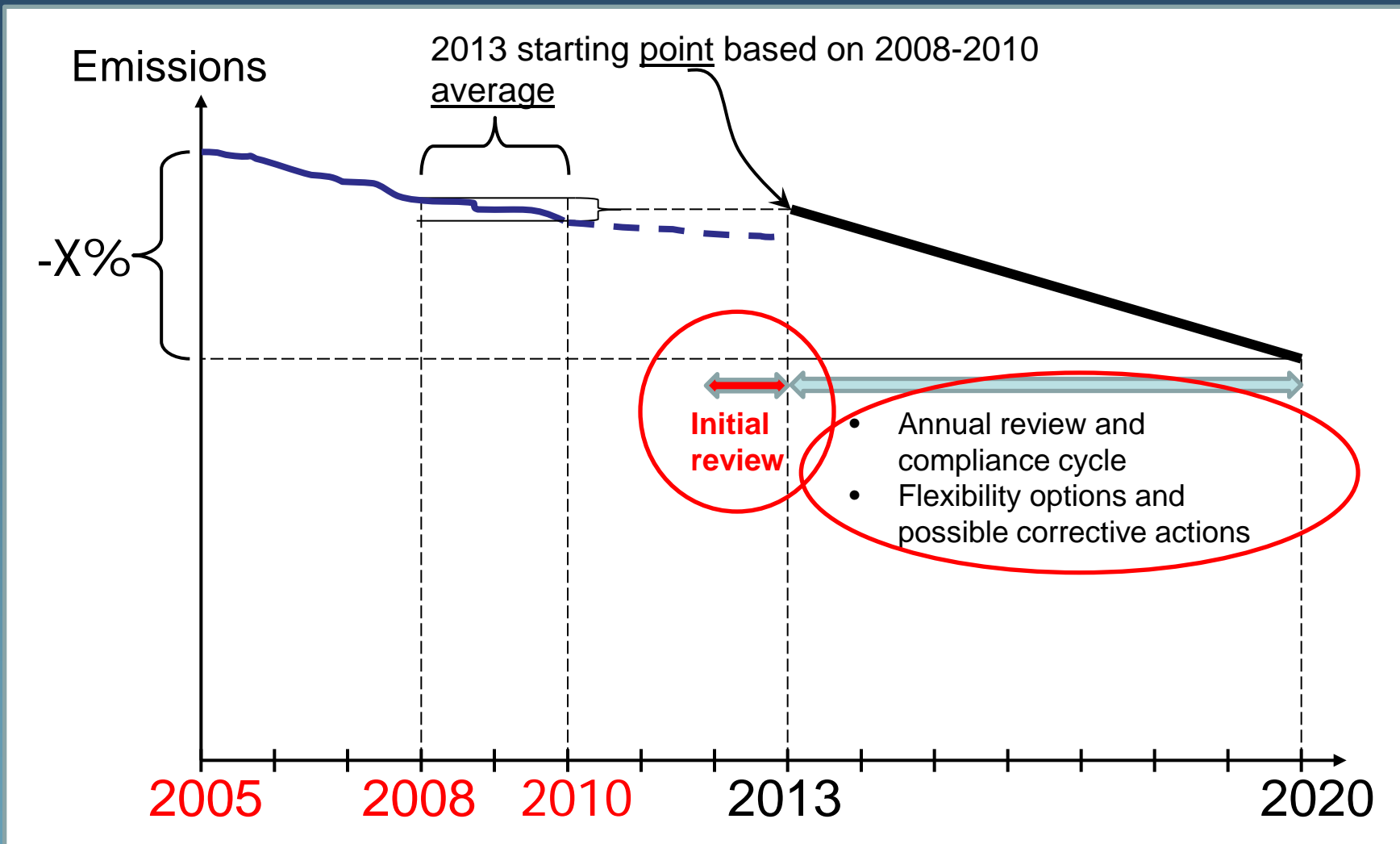
# 2020 Effort Sharing targets in % for each MS compared to 2005



■ 2020 emissions compared to 2005



# Member states have a linear target path 2013-2020



# Endless flexibilities to stay on the path which may affect the need for domestic PAMs?

## **Within the Member States**

- Overachievement of up to 5% of the allocation may be carried forward from the following year.

## **•Between Member States**

- Member States may transfer up to 5 % of their annual emission allocation to other Member States, which may use this emission allocation until 2020 (ex-ante).
- Any overachievement in a year of the period 2013-2019 may also be transferred to other Member States, which may use this emission allocation until 2020 (ex-post).

## **Member States may use JI/CDM credits according to the following provisions:**

- The use of project-based emission credits is capped on a yearly basis up to 3 % of 2005 non-ETS emissions in Member State.
- Member States that do not use their 3 % limit for the use of project based credits in any specific year can transfer their unused part for that year to other Member States or bank it for own use until 2020.



## And some limitations and penalties..

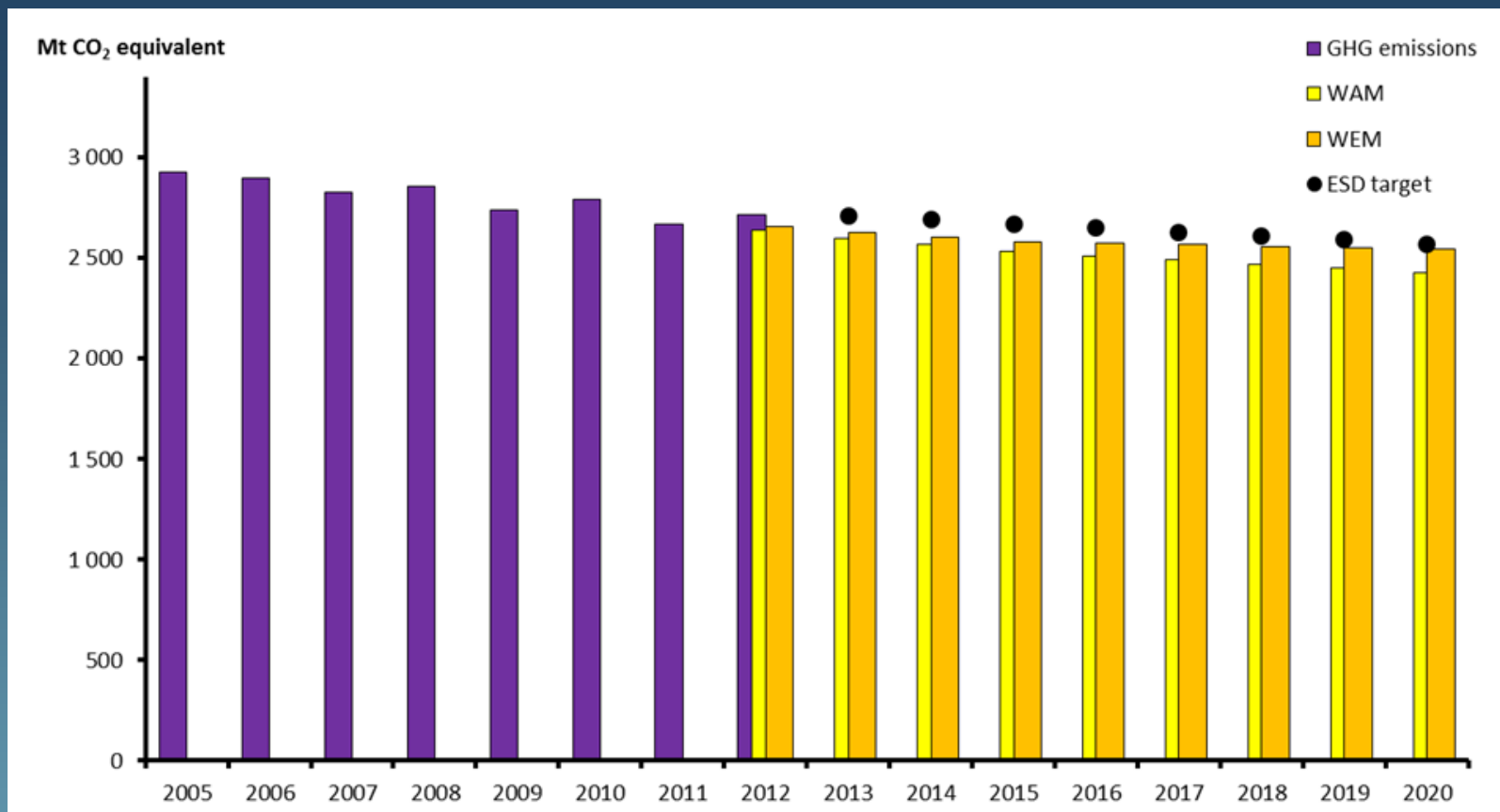
- Overall, up to 750 Mt JI/CDM credits could be used during the period from 2013 to 2020.
- Any Member State exceeding its annual AEA will face a normal infringement procedure from the Commission, and:
  - Deduction from the annual emission allocation AEA for the next year of the excess non-ETS emissions multiplied by 1.08 (8 % interest rate).
  - Development of a corrective action plan; the Commission may issue an opinion based on comments from Climate Change Committee.
  - Transfer of emission allocations and project-based credits will be temporarily suspended.



# Progress towards 2020 targets



# EU projected emissions (MS based)

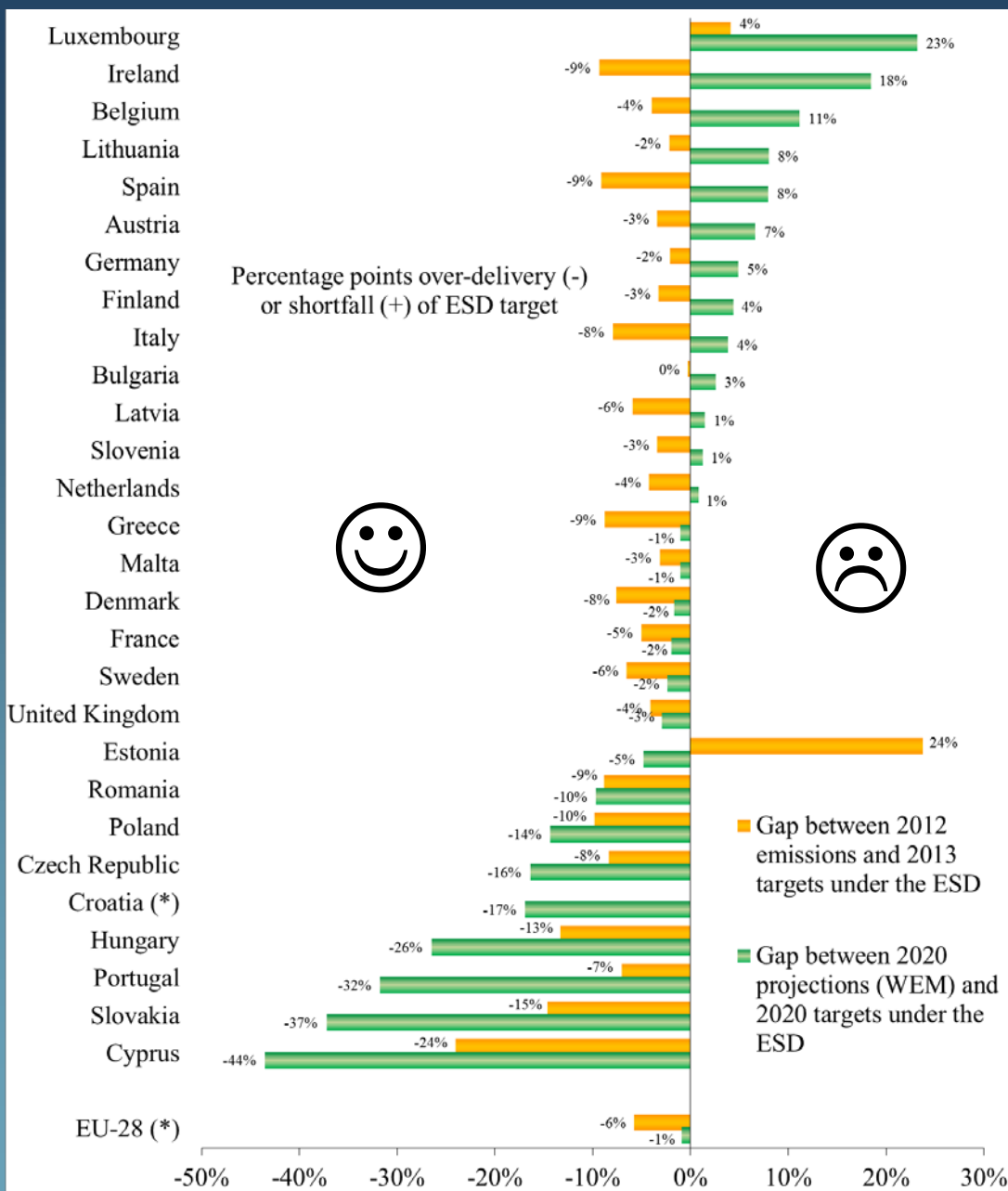


Around three-quarters of the projected reductions are expected to come from energy efficiency measures in the residential and service sectors, with much smaller contributions from the waste sector and transport, and those parts of industrial emissions and energy supply which do not fall under the ETS. Emissions are projected to rise in those parts of the manufacturing and construction industries not included in the ETS. Planned additional measures will mainly deliver reductions in the residential and services sector and transport.





# Current and projected progress towards 2020 (pct points)



## Short term

- Things looks fine for almost all MS – not much need for flexibilities foreseen (NB only known in 2015)

## Longer term -2020

- Indications that many MS needs to step up PAMs and/or use flexibilities in particular:
  - Luxembourg
  - Ireland
  - Belgium

Country specific recommendations under the European Semester



# Plans to get better information on the NETS sectors



# To deal with the importance of NETS sectors and PAMs the EU is:

- Internalizing systematic reviews of GHG inventories that forms the basis for any compliance, technical corrections, penalties and sets the basis from which flexibilities can be used. These are separate from the UNFCCC reviews. (EEA role)
- Strengthening the reporting and architecture around PAMs (ex-ante and ex-post) and projection including new quality procedures (EEA role)
- Introducing more transparency on ETS and NETS PAMs and projections + mandate national systems

The new Monitoring Mechanism Regulation will be a 'machine room' for this

The European Semester will be a key political process to support the focus on the NETS sectors and generate PAMs info



Policy or measure	Expected savings (kt CO <sub>2</sub> eq. per year 2020)
Existing measures expected to deliver the largest GHG reductions by 2020	
IE-ENS-005 24% renewables by 2020 (RES-E)	1 487
IE-ENS-006 Electricity generation efficiency improvements	966
IE-TRA-005 Improved fuel economy of private cars (non-ETS)	790
IE-ENU-001 SEAI Large Industry Programme (Both EU ETS and non-ETS)	413
IE-RES-003 2008 Building Regulations (Both EU ETS and non-ETS)	322
IE-RES-004 2002 Building Regulations (Both EU ETS and non-ETS)	304
Additional measures expected to reduce further GHG emissions by 2020, once adopted and fully implemented	
IE-RES-002 Retrofit Scheme (Better Energy Homes) (Both EU ETS and non-ETS)	1 385
IE-TRA-004 RES-T (non-ETS)	798
IE-ENS-007 40% renewable by 2020 (RES-E)	785
IE-ENS-008 Reduced electricity demand from energy efficiency measures	451
IE-ENU-002 RES-H (Industry) (Both EU ETS and non-ETS)	311
IE-TRA-006 More efficient traffic movements (non-ETS)	187
Measures with large expected savings specifically in the non-ETS sectors	
IE-RES-002 Retrofit Scheme (Better Energy Homes) (Both EU ETS and non-ETS)	1 385
IE-TRA-004 RES-T	798
IE-TRA-005 Improved fuel economy of private cars	790
EU policies or measures related to measures expected to deliver the largest savings	



# So.....in short

- NETS sectors are the key sectors for MS to focus on to meet targets (once ETS caps are set)
- NETS targets will thanks to linear target paths, annual compliance and flexibilities be met by default
- Meeting NETS targets is a HOW question NOT an IF question. Optimal policy mix?
- The overall EU 2020 picture looks like to be a walk in the park but some MS have more work to do than others
- Reporting and transparency on PAMs for the NETS sectors are patchy and does not always match MS own WEM/WAM projections
- The HOW and particularly PAMs on MS level will be given increasing attention through the MMR and the European Semester
- Needless to say the any post 2020 regime will affect everything pre 2020



PS: The new EEA report on progress towards Kyoto and EU 20/20/20 targets, including country profiles, PAMs data base etc will be launched in Brussels on the 9th October



Thank you

