



European Green Deal policy guide

Focus on 'Fit for 55 package'

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Foreword



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This document has been prepared to provide an overview released on publications released on 14 July 2021, the EU's 'Fit for 55' package, which is a series of EU regulations, legislations and directives to accelerate the path to reach the EU target of 55 percent emissions reduction by 2030. It highlights key policy developments and their potential impact. The European Green Deal strategy aims to be a game changer, leading a green transition in a post-Covid world that is in search of economic recovery, decarbonization and increased resilience for more sustainable economies.

All data used for preparation of this material are publicly available data from the European Commission's and European Parliament's websites.

By 2050, Europe aims to become the world's first climate-neutral continent. To pave the path to meet this aspiration in the fight against climate change, the European Commission (EC) released the 'Fit for 55' package, which contains ambitious climate targets. These targets set out a clear ambition for a green (and digital) transition in the EU as a whole and in individual EU member states by 2030:

- minimum 55 percent cuts in greenhouse gas (GHG) emissions by 2030, compared to 1990 levels
- above 32 percent share of renewable energy
- at least 32.5 percent improvement in energy efficiency.

The European Green Deal was always intended to be a green game changer, and on 14 July 2021, the 'Fit for 55' plan further articulated the strategy and gave traction to these transformative efforts. The 'Fit for 55' leads the way for a green transition via the use of regulations, new initiatives, amendments to key legislation and key non-legislative communications. The green transition is now sealed into EU policy; which calls for many measures designed to green the EU; these include banning production of new internal combustion engine cars by 2035, more types of fuel being covered by a carbon tax and an enlarged emissions trading scheme that plans to impose a carbon price on additional carbon intensive sectors such as road transport and maritime.

This unprecedented effort should not only enhance the existing momentum in areas such as finance, energy, transport, mobility, agriculture and corporate governance, but it can encourage more activity in areas such as forestry and biodiversity. Taking action now is more important than ever, as highlighted by the Intergovernmental Panel on Climate Change (IPCC) Report, Climate Change 2021: The Physical Science Basis, which has been released ahead of COP26. The EU has made it clear that it wishes to be a role model to other nations and economic areas to encourage them to take actions to curb climate change faster than ever.

Implementing these plans is not without its challenges and to help ease the financial burden on member states and individual actors, the European Green Deal includes extraordinary financial support via the Recovery and Resilience Facility and the Just Transition Mechanism. While these are important elements of the European Green Deal, this policy guide focuses on the 'Fit for 55' package, so it will not be discussed further.

Society as a global community, needs change now. This change should go further than individual green policy changes to a vast 'no way back' approach that combines policy, standards, funding, support measures and public action. The success or the failure of the EU's major move towards a new economic and societal balance in respect of the planet relies on all parties to engage in an urgent and wholly committed fashion.

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European Green Deal policy sectors

- European Green Deal consists of nine major policy areas presented below.
- Each policy area consists of dedicated regulations, strategies and funding sources for related projects that have different stages of maturity but all aim towards the same objective.

Supplying clean, affordable and secure energy

Increase interconnections between energy systems with modern infrastructure, high energy efficiency, starting to decarbonize gas sector, increase cross-border cooperation and develop full potential of offshore wind energy.

Increasing the EU's climate ambition for 2030 and 2050

Cut emissions by at least 55 percent by 2030 (compared to 1990 levels) and become the first climate-neutral continent by 2050.

A zero pollution ambition for a toxic-free environment

Preserve biodiversity, reduce pollution from excess nutrients, reduce microplastic pollution, review air quality standards, reduce pollution and improve prevention of industrial installations and sustainable alternatives for chemicals.

Preserving and restoring ecosystems and biodiversity

Mobilizing industry for a clean and circular economy

Support for modernization of industries with climate-neutral and circular products with special focus on energy intensive industries (steel and cement). The EC will propose a sustainable products policy with a circular economy action plan to modernize the EU economy.

From farm to fork: a fair, healthy and environmentally friendly food system

Leave no one behind — Just Transition Mechanism

Providing dedicated funds for regions with high carbon intensity, which will be disproportionately affected by the transition — Just Transition Fund.

Building and renovating in an energy- and resource-efficient

Increase energy performance of buildings (circular economy design, digitalization, climate-proof), develop innovative financing for renovations including social housing, schools and hospitals (leave no one behind strategy).

Accelerating the shift to sustainable and smart mobility (90 percent reduction of GHG by 2050 in comparison with 1990)

Go digital — *automated mobility, smart traffic management systems, smart applications.*

Use different modes of transports — e.g. *rail or water.*

End subsidies for fossil fuels; introduce EU ETS for maritime, road transport and buildings.



European Green Deal — energy systems

A main element in decarbonization is the energy sector. Therefore, the two major existing energy directives have been amended, and together, they aim to increase the share of renewables in energy mix and meet enhanced energy efficiency targets via integrated energy systems.

Renewable Energy Directive



Under the new directive, RED II, innovative measures will be introduced in order to exploit all possible renewable energy development opportunities. These include:

- Specific targets proposed for renewable energy use in transport, heating and cooling, buildings and industry. Increasing focus away from classic renewable energy sources (e.g. solar and wind) to new types of energy (e.g. hydrogen, biofuels and other renewables fuels)
- Convert into EU law some of the concepts outlined in the energy system integration and hydrogen strategies (e.g. integrated energy system)
- Biomass, especially the use of wood, will no longer be supported by the EC. Instead, it will be included in specific prohibitions in national incentives
- To support renewables deployment, member states will remove barriers to permitting procedures and Power Purchase Agreements (PPAs) and further develop work on guarantees of origin.

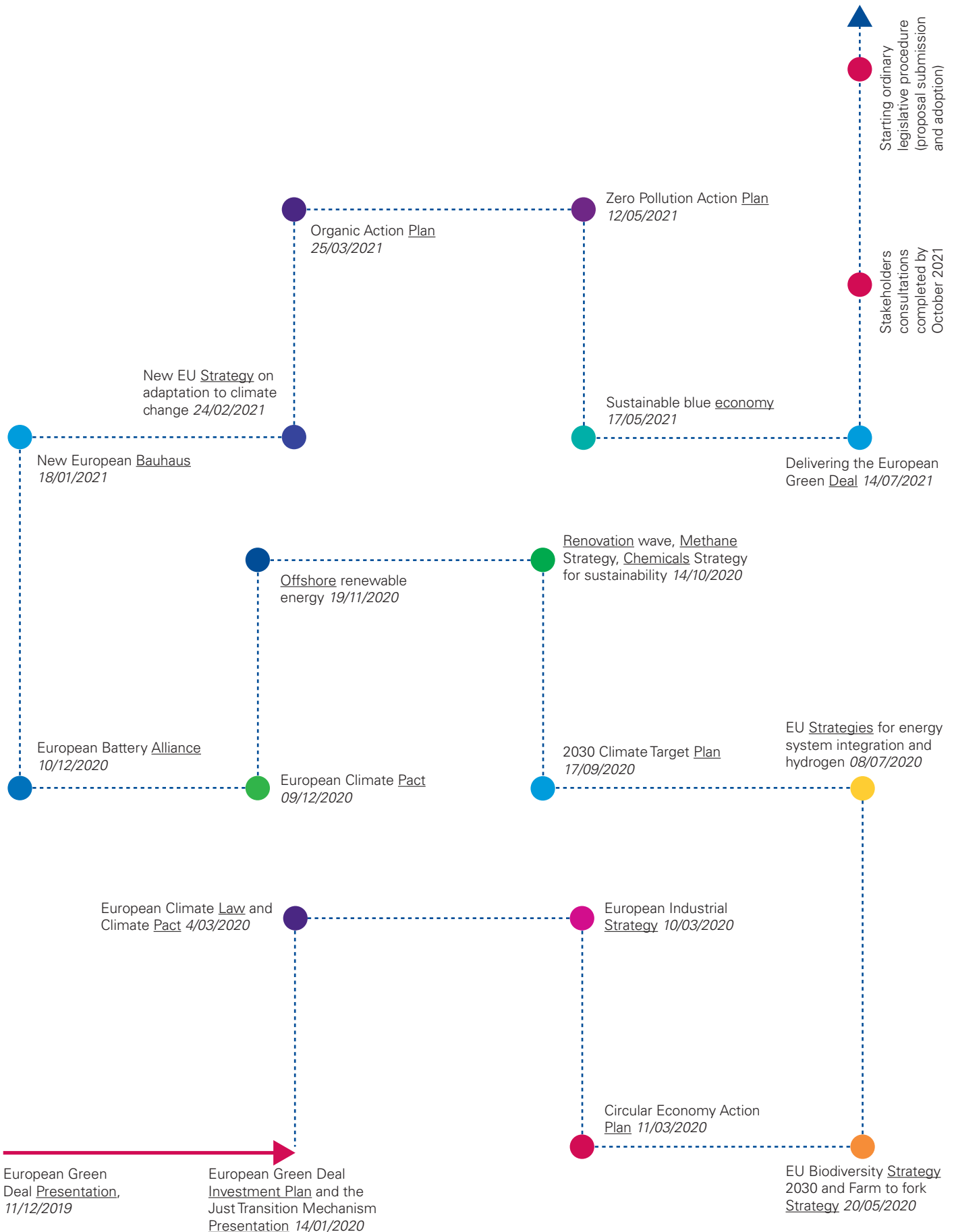
Energy Efficiency Directive



The EED revision includes the following:

- stepping up actions and addressing gaps for energy efficiency
- reviewing the adequacy of the directive and accounting for the higher climate target and recent Commission initiatives, such as the Energy System Integration Strategy
- implementing the energy savings obligation for the 2021–2030 period
- revising metering and billing provisions for thermal energy
- improving efficiency in heating and cooling.

European Green Deal policy timeline



'Fit for 55' – policy package

To achieve a 55 percent net emissions reduction, a comprehensive and interconnected set of proposals amending existing and proposing new regulations have been prioritized and culminated in a package entitled 'Fit for 55', published on 14 July 2021. To the overall target and sectoral approach, the objectives of this policy plan include:

- application of emissions trading to new sectors such as road transport and a tightening of the existing EU ETS
- increased use of renewable energy
- a faster roll-out of low emission transport modes and the infrastructure and fuels to support them
- alignment of taxation policies with the European Green Deal
- measures to prevent carbon leakage
- decarbonization with a social dimension with the Social Climate Fund.

Initiatives in Q2 2021

- Revision of the EU ETS, including maritime, aviation and Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) as well as a proposal for ETS as its own resource
- Carbon Border Adjustment Mechanism (CBAM) and a proposal for CBAM as its own resource
- Revision of the Effort Sharing Regulation (ESR)
- Revision of the Energy Tax Directive (ETD)
- Amendment to the Renewable Energy Directive (RED) to implement the ambition of the new 2030 climate target
- Amendment of the Energy Efficiency Directive (EED) to implement the ambition of the new 2030 climate target
- Reducing methane emissions in the energy sector
- Revision of the regulation on the inclusion of GHG emissions and removals from land use, land use change and forestry (LULUCF)
- Revision of the directive on deployment of alternative fuels infrastructure
- Revision of the regulation setting CO₂ emission performance standards for new passenger cars and for new light commercial vehicles

Initiatives set for Q4 2021

- Revision of the **Energy Performance of Buildings Directive (EPBD)**
- Revision of the Third Energy Package for Gas (**Directive 2009/73/EU and Regulation 715/2009/EU**) to regulate competitive decarbonized gas markets



EU Emission Trading System (EU ETS)

EU ETS is the first and biggest carbon market in the world. It limits emissions from thousands of installations in the power sector and manufacturing industries, which have to purchase rights to emit CO₂. Currently, EU ETS covers around 40 percent of European GHG. A limit of available emission rights, called 'cap', is set in certain periods and is being reduced to decrease total emissions. Within the cap, participants buy or receive emissions allowances that they can trade further. New amendments and revisions will extend ETS to new sectors (maritime, road transport and buildings) and implement carbon offsetting for international aviation.

What

- Designed to trigger a shift from conventional fuels' energy generation, polluting transport and industry, to a climate-neutral future
- Companies receive (free allocation) or buy (auctioning) emission allowances that they can trade with each other
- Limited number of allowances
- Trading brings flexibility that can help ensure emissions are cut where it costs least to do so
- Robust carbon price promotes investment in clean and low-carbon technologies

Overview

Which industries and sectors have to pay?

- Power and heat generation, energy-intensive industry sectors including oil refineries, steel works and production of iron, aluminum, metals, cement, lime, glass, ceramics, pulp, paper, cardboard, acids and bulk organic chemicals, aluminium production, commercial aviation, commercial shipping, road transport and heating buildings

Next steps

Awaiting ordinary legislative procedure (status [here](#))

Feedback period before Commission adoption by 08/11/2021



What's the impact?

This will revive setting a price for carbon and includes sectors so far excluded such as aviation transport and maritime transport. As for 2026, it will introduce a specific ETS for road transport and building heating. A special climate social fund will be financed by 25 percent of the road transport to compensate low-income revenues to opt for less carbon-intensive activities and will call on member states to be a part of it.

Carbon Border Adjustment Mechanism (CBAM)

Imports, especially of energy-intensive commodities, pose a risk of carbon leakage where goods produced in the EU are substituted with imports from a country with a lower carbon price or where production of goods is moved from the EU to a lower carbon ambition country. The CBAM is designed as a WTO-compliant tool to address this risk.

What

Price of imports needs to reflect embedded emissions

- Requirement that certain covered goods imported into the EU will need to surrender CBAM emission certificates for the embedded emissions in the imported goods — mirroring the existing ETS for such goods produced in the EU
- Designed to complement the withdrawal of free permits for the covered goods being produced within the EU
- Intended to provide an ongoing even playing field between EU and non-EU high emission products, while striving to ensure emissions are priced consistently across the economy
- Designed to comply with WTO rules and other international obligations of the EU to help minimize trade disputes and legal uncertainty

Overview

- Establishes a 'shadow ETS' for cement, electricity, fertilizer, aluminum, iron and steel
- Importers of covered goods will need to have the embedded emissions of their products calculated according to the established EU methodologies and independently verified
- The price of CBAM certificates will be set each week as the average closing price of all auctions of EU ETS allowances from the week prior
- Where goods are imported from countries that have a mandatory carbon price, the number of CBAM certificates required to be surrendered may be reduced in line with carbon costs already paid

Next steps

Awaiting ordinary legislative procedure

Feedback period before Commission adoption by 18/11/2021 (status [here](#))



What's the impact?

Implementing CBAM is expected to incentivize faster decarbonization of exporters to Europe. This will provide additional revenue to the EU ETS revenue stream for supporting the transition to climate neutrality.

Energy Taxation Directive (ETD)

The energy price paid by the final consumer comprises various charges, including taxes. Tax rates vary between both different member states and sectors, such as domestic households, public institutions and industries. The EC is reviewing and revising the energy taxation rules that underpin its European Green Deal policy to help ensure that member states can reach the common goal of climate neutrality by 2050.

What

- The directive lays down the EU's common framework for the taxation of electricity and energy products used as motor fuel or heating fuel
- Revision is meant to align with the 2030–2050 climate targets

Overview

The July 2021 revision of the directive promises to:

- Address the harmful effects of tax competition by allowing member states to secure revenues by shifting from taxes that are detrimental to growth (such as those on labor) to green taxes that are aligned with the EU's climate and energy policies
- Remove national exemptions and reductions for fossil fuels
- Set minimum tax rates that are linked to the energy content and environmental impact of fuels
- Correct incentives by bringing the aviation and maritime sectors into the scope of energy taxation
- Deliver targeted exemptions and other support mechanisms for vulnerable households
- In summary, the tax base will be broadened and a new structure of tax rates that applies the highest rates of tax to the most polluting fuels will be put in place

Next steps

Ordinary legislative procedure

Feedback period before Commission adoption by 18/11/2021 (status [here](#))

- The Impact Assessment accompanying the regulation assumes the revised ETD will enter into force in 2023



What's the impact?

ETD aligns energy products with new European energy and climate policies, contributing to the EU 2030 energy targets and climate neutrality. One of the biggest impacts of this directive is decreasing the possibility of subsidizing fossil fuels, especially in such sectors as aviation and maritime transport.

Renewable Energy Directive (RED)

The energy sector emits more than 75 percent of the EU's GHG emissions. Development of renewable energy within European economy sectors is key to helping ensure integrated, efficient and developed energy systems, securing Europe's climate neutrality. The RED is the main policy for production and promotion of energy from renewables.

What

Interconnection of gas market and energy and climate goals

- Part of the Clean energy for all Europeans package (Source: https://ec.europa.eu/energy/topics/energy-strategy/clean-energy-all-europeans_en)
- Sets binding renewable energy target for the EU for 2030 of at least 32 percent
- Lays down measures for different sectors to achieve it
- Provisions for enabling self-consumption of renewable energy
- Increased 14 percent target for the share of renewable fuels in transport by 2030
- Strengthened criteria for helping to ensure bioenergy sustainability
- Member states are to draft national energy and climate plans that outline the measures that will be taken to meet the 2030 renewable energy targets

Overview

Revision may include the following:

- Possible upward review of the 32 percent target
- Renewables targets and sectoral targets in transport, heating and cooling
- Promotion of the use of renewable and low-carbon fuels including hydrogen in sectors where electrification is not yet a viable option

Next steps

In force, but awaiting revision (ordinary legislative procedure)

Feedback period before Commission adoption by 18/11/2021 (status [here](#))



What's the impact?

The 20 percent target for 2020 drove investments and led to innovations in the renewable sector; further increase should bolster the incentives for utilities/consumers to procure renewable energy and, hence, increase viability of renewable energy projects. With the extension of renewables to allied sectors, such as buildings, transport, etc, funds will be available for product and business model innovation.

Newly proposed approach to biomass will cease the possibility of using forest-based biomass as energy fuel, driving new constraints within the EU energy generation sector.

Energy Efficiency Directive (EED)

The main goal of this directive is establishing binding measures to support achieving the European energy efficiency target. In the context of the directive, the EC requests member states increase energy efficiency in the whole energy chain, from generation, transmission, distribution to end-use consumption.

What

- Part of the Clean energy for all Europeans package
- Sets binding measures to reach energy efficiency at all stages of the energy chain, including energy generation, transmission, distribution, and end-use consumption
- Sets binding energy efficiency target for 2030 of at least 32.5 percent, relative to 2007 modeling projects for 2030
- EU countries would have to achieve new energy savings of 0.8 percent each year for the 2021–2030 period, except Cyprus and Malta, which will have to achieve 0.24 percent per year.

Overview

Revision may include the following:

- Stepping up actions and addressing gaps for energy efficiency
- Reviewing the adequacy of the directive and accounts for the higher climate target and recent Commission initiatives; such as the Energy System Integration Strategy
- Implementing of the energy savings obligation for the 2021–2030 period
- Revising metering and billing provisions for thermal energy
- Improving efficiency in heating and cooling

Next steps

In force, awaiting revision (ordinary legislative procedure)

Feedback period before Commission adoption by 19/11/2021 (status [here](#))



What's the impact?

The overall EU energy consumption should be no more than 1,128 million tonnes of oil equivalent Mtoe of primary energy and 846 Mtoe of final energy by 2030. This will require greater participation with focus on innovation across the larger sectors such as buildings. While the EU missed the energy efficiency target for 2020 (final energy consumption was 3.5 percent above the target), some lessons were learned to help reach the next targets, specifically that better monitoring of plans is required, as are financial incentives for implementation and addressing behavioral aspects, supported by better information dissemination to achieve targets.

Third Energy Package for Gas

Aims at developing the European energy market. The regulation covers unbundling, independent regulators, ACER, cross-border cooperation, and open and fair retail markets.

What

Interconnection of gas market and energy and climate goals

- In light of the increased reduction targets of 55 percent by 2030, it is essential to align the gas market regulatory framework with the 2030–2050 energy and climate goals
- Revision of the legislations is expected to include new rules on the market entry of renewable and low-carbon gases and integrate actions across the Energy System Integration Strategy and Hydrogen Strategy
 - Changes to Directive 2009/73/EC concern common rules in the market for natural gas
 - Regulation 715/2009/EC concern conditions for access to the natural gas transmission networks

Overview

- Unbundling — secure separation of energy supply and generation from operation of transmission networks
- Independent regulators — secure competition
- ACER — Agency for the Cooperation of Energy Regulators
- Cross-border cooperation — increase cooperation
- Open and fair retail markets — protect consumer rights

Next steps

In force, awaiting amendments to be adopted in Q4



What's the impact?

The focus of this regulation is on regional cooperation, fostering competition and better consumer engagement. It will continue to support the growth of clean gas supply throughout the EU at competitive rates and enable funding to viable and sustainable gas and transportation projects.

Tightening environmental targets will speed up the process of gas demand reduction in the EU energy generation sector, providing room for other, more clean and renewable approaches including hydrogen.

European Climate Law

The aim of European Climate Law is to create a framework for achieving European neutrality and propose a legally binding target of net-zero GHG emissions by 2050. This will include the creation of a monitoring system to track progress for further action if needed, assure investors about the common direction and guarantee dedication for the transition to climate neutrality.

What

Binding emissions targets

- The European Climate Law enshrines the 2050 climate neutrality into legally binding targets of net zero GHG emissions by 2050/2030 targets: 55 percent cut compared to 1990s
- 2050 targets: climate neutral

Overview

Monitoring and obligations for member states

- Commission will be empowered to issue recommendations to member states whose actions are inconsistent with the climate-neutrality objectives
- Member states will develop and implement adaptation strategies

Next steps

In force, procedure completed (status [here](#))



What's the impact?

Monitoring the emissions through a budget would enable the Commission to determine the member states that are leading/lagging as per their national action plan and set up steps to meet the overall emission reduction target. This will also enable better performing/stronger member states to share learnings and/or adapt earlier in the technology/learning curve of various solutions.

Regulation on reducing CO₂ emissions from vehicles

In line with the Green Deal, the automotive sector plans to undergo specific changes. As road transport accounts for over 21 percent of the EU's total emissions of CO₂ (in 2017), cars and light commercial vehicles will face new emission performance requirements.

What

Automotive industry facing new emissions requirements

- At least 30 million zero-emission cars plan to be in operation on European roads by 2030
- Only zero-emission cars to be registered from 2035
- Road transport to be covered by EU ETS from 2026
- It sets an EU fleet-wide target of 95 g CO₂/km for average emission of new passenger cars and target of 147 g CO₂/km for new light commercial vehicles registered in the EU
- Regulation is binding in its entirety and directly applicable in all member states

Monitoring

Member states are responsible for constant monitoring

- Member states shall record information for each new passenger car and new light commercial vehicle registered in their respective territory each year
- By 28 February of each year, member states shall transmit to the Commission the information. The Commission is to keep a central register of the data provided by the member states.

Next steps

In force, awaiting revision (ordinary legislative procedure)

Feedback period before Commission adoption by 08/11/2021 (status [here](#))



What's the impact?

On 1 January 2020, Regulation (EU) 2019/631 entered into force, setting CO₂ emission performance standards for new passenger cars and vans. The average CO₂ emissions from new passenger cars registered in Europe in 2020 have decreased by 12 percent compared to the previous year. In addition to reducing emissions, increase in efficiency of vehicles will also lead to reduced fuel bills for consumers. It should also strengthen the automobile sector to compete more effectively globally with cost-competitive and clean automobiles.

Directive on the deployment of alternative fuels infrastructure

In accordance to Parliament, development of alternative fuel infrastructure has to be accelerated. This has brought the need to revise the 2014 Directive to renew and develop an approach for the build-up of infrastructure and the replacement of previous national plans with more efficient instruments (e.g. binding and enforceable targets).

What

National Policy Frameworks (NPFs)

- Countries to develop NPFs for developing publicly available refueling and recharging points for alternative fuel vehicles and vessels
- Improve coordination of alternative fuel infrastructure development
- Set out minimum requirements for building-up of alternative fuel infrastructure, including recharging points for electric vehicles

Overview

- On 8 March 2021, the Commission published a report on the application of the 2014 Directive and an Assessment of Member States Implementation Reports. See more [here](#)
- The Commission will consider such findings when carrying out the Impact Assessment for the revision of the directive

Next steps

In force, awaiting revision (ordinary legislative procedure)

Feedback period before Commission adoption by 18/11/2021 (status [here](#))



What's the impact?

The deployment of alternative fuels infrastructure will support in growth in the clean automobile ecosystem and sales of clean energy vehicles across Europe. It should also have complementary learning effects for sustainability initiatives across related fields such as buildings, industries, aviation and maritime transportation, batteries, etc.

Regulation on batteries and waste batteries

The new regulation will repeal the [Batteries Directive](#), and align the regulations with the objectives of the European Green Deal, Circular Economy Action Plan, and the New Industrial Strategy. The regulation aims to help ensure a competitive, circular, sustainable and safe value chain for all batteries placed on the EU market.

What

By replacing the Batteries Directive (last amended in 2018), the new regulation will:

- Strengthen the functioning of the internal market for batteries (including products, processes, waste batteries)
- Help ensure a level playing field through a common set of rules
- Promote the circular economy by closing the materials loop
- Help reduce the environmental and social impacts of batteries throughout their life cycle

Overview

Revision may include the following:

- Mandatory requirements on sustainability (carbon footprint rules, minimum recycled content, performance and durability criteria)
- Safety and labeling requirements for the marketing and putting into service of batteries
- Requirements of end-of-life management (collection rate targets, material recovery targets, recycling efficiencies)
- Introduction of a new category of electric vehicle batteries
- Obligation of battery replaceability for portable batteries
- Supply chain due diligence obligations for economic operators
- Set up of an electronic exchange system for battery information — creation of a battery passport
- Provisions on mandatory green public procurement, conformity assessment, notification of conformity assessment bodies, market surveillance, economic instruments

Next steps

Awaiting committee decision (status [here](#))



What's the impact?

These initiatives will support the cost efficiencies in battery technology and also fund research to define protocols for end-of-life treatment to help ensure minimum wastage. This will also help in developing sustainability standards for the entire battery and charging ecosystem, which can be adopted globally.

Regulation on guidelines for trans-european energy infrastructure

In December 2020, the Commission adopted a communication to revise the EU rules on the TEN-E regulation. It is expected that the revised TEN-E regulation will be finalized in time to provide a framework for selecting the sixth list of projects of common interest (PCIs) in autumn 2023.

What

- The regulation establishes a cross-border energy infrastructure planning
- Brings stakeholders together to implement PCIs
- Helps integrate renewable energy
- Contributes to sustainability
- Aims to give member states access to at least three gas supply sources or the global liquefied natural gas market

Overview

The new regulation will:

- Continue to connect regions currently isolated from European energy markets
- Strengthen existing cross-border interconnections
- Help with the delivery of cross-border infrastructure
- Develop nine priority corridors for power, gas and oil
- Include new provisions on smart grid investments
- Revised governance framework
- Scale up offshore renewables grids across European seas
- Bring a new focus on hydrogen infrastructure, including transport and some types of electrolyzers
- Under the new regulation, natural gas infrastructure and oil pipelines will no longer be eligible for PCI status

Next steps

Awaiting Committee decision 2021 (status [here](#))

- Revision awaiting committee decision



What's the impact?

The proposed changes to the regulations would provide support in aligning the infrastructure interconnection initiative within the contours of the Green Deal. This will help in deploying clean energy across Europe in the most efficient way and in integrating renewables generation with the larger energy market and synchronize the efforts to achieve the European Green Deal.

Regulation on the trans-european transport network

The aim of this regulation is to support implementation and development of a Europe-wide network of railway lines, roads, inland waterways, maritime shipping routes, ports, airports and railroad terminals. Development of the infrastructure aims to remove technical barriers and strengthen territorial cohesion within Europe.

What

- Regulation addresses the implementation and development of open-wide network or railway lines, roads, inland waterways, maritime shipping, routes, ports, airports and railroad terminals
- Supports application of innovation and new technologies to modes of transport
- Identifies PCIs
- Specifies requirements to be complied with for the management of the infrastructure of the TEN-T network
- Provides measures for implementation

Overview

- Integrate more measures to be in line with the 2050 climate-neutrality objective
- Address the shortcomings of the regulation to adapt to the digital transition and other new technological developments
- Make the whole transport system more sustainable to help reduce GHG emissions
- Adjust quality levels of TEN-T infrastructure to overcome inefficiencies
- Address changing transport flows to avoid bottlenecks
- Introduce binding requirements for recharging and refueling infrastructure
- Set additional infrastructure quality requirements
- Boost digitalization, automation and innovation in TEN-T policy

Next steps

In force, revision to be put forward around November 2021



What's the impact?

With the adoption of this regulation, financing for sustainable transportation projects would become more viable with greater adoption of sustainability measures. Integration with other tenets (such as charging infrastructure, etc.) will also help in faster adoption of technologies to reduce emissions. Digital innovation in transportation infrastructure could also be more widely adopted through this initiative.

Directive on the energy performance of buildings

The building sector is crucial to achieving European climate neutrality. In particular, the development of energy efficiency will help improve the economy and the society. The directive on the energy performance of buildings aims at boosting the energy performance of buildings and the promotion of policies with energy efficiency and decarbonization goals.

What

Regulatory and financing measures for building renovation

- Revision is part of the [Clean energy for all Europeans package](#)
- General framework for a methodology for calculating the integrated energy performance of buildings
- Application of minimum requirements to energy performance of new buildings and units
- Plans for increasing the number of nearly zero-energy buildings
- Energy certification
- Inspection of heating and air-conditioning systems
- Independent control systems

Overview

Revision may include the following:

- To be aligned with the 2020 [Renovation Wave Strategy](#)
- Require member states to renovate at least 3 percent of the total floor area of all public buildings annually
- Set a benchmark of 49 percent of renewables in buildings by 2030
- Require member states to increase the use of renewable energy in heating and cooling by +1.1 percentage points each year, until 2030
- Strengthening of legal framework on energy performance of buildings
- Social Climate Fund will provide EUR-72.2 billion over 7 years in funding for renovation of buildings, access to zero- and low-emission mobility, or even income support

Next steps

In force, awaiting amendments to be adopted in Q4 (status [here](#))

- Legislative revisions are foreseen with adoption in Q4 2021



What's the impact?

These initiatives will provide support in tackling energy poverty of residents and will also help them in leading better lives. Several initiatives for energy management and sustainability in buildings could become global standards that can be emulated in other economies.

Effort Sharing Regulation (ESR)

In line with the Green Deal, all member states have binding annual GHG emission reduction targets for 2021–2030 from sectors outside the EU ETS. ESR defines binding targets for each member state.

What

Emissions from various sources

- Regulates emissions from non-ETS, non-LULUCF sectors — industry, transport, buildings, agriculture and waste, which account for 60 percent of total domestic EU emissions
- Excludes: aviation, international maritime shipping, LULUCF
- ESR establishes binding annual GHG emission reduction targets for member states for the 2013–2020 and 2021–2030 periods
 - The EC will be empowered to adopt implementing acts setting out emission allocations for the 2021–2030 period in terms of tonnes of CO₂

Overview

Member states are responsible for constant monitoring

- Targets are established based on national target plans for 2030 varying between 0 percent and 40 percent compared to 2005 levels
- Emissions reductions are based on a country's wealth as measured by GDP per capita
- Actions: member states have to change city planning, agricultural subsidies, public transport infrastructure, building renovations (energy efficiency) and waste collection, support the transition to carbon-free societies
- If countries do not meet annual targets, they need to use ETS allowances for offsetting emissions
- Countries can also bank and/or trade their emissions to meet the target

Next steps

In force, awaiting revision (ordinary legislative procedure)

- Feedback period before Commission adoption by 08/11/2021 (status [here](#))



What's the impact?

This regulation allows nine member states (and 2 other countries) the choice to use a limited amount of ETS allowances for offsetting emissions in the effort sharing sectors in 2021 to 2030. The total maximum amount for all eleven eligible countries is limited to 107 million tonnes (2 percent annually for most countries). The sharing/trading of these emission reductions also enables efficient countries with technologies to exceed their target for the benefit of other countries, which can also be monetized.

Revision of the regulation on the Inclusion of GHG Emissions and Removals from LULUCF

Reducing emissions from other than industrial or transport sources is essential to reach climate neutrality. This regulation sets binding targets for member states to compensate for emissions from land use by removing them from the atmosphere.

What

Binding targets for member states to remove GHG from the atmosphere

- Carbon removals by natural sinks equal to 310 million tonnes of CO₂ emissions by 2030
- Member states have to care and expand carbon sinks to meet national targets
- By 2035 the EU shall reach climate neutrality in the land use, forestry and agriculture sectors, including non-CO₂ agricultural emissions (e.g. livestock)

Overview

Revision may include the following:

- 15 percent increase in national targets for emission reductions
- Implementation of circular use of natural resources
- While current regulation includes only forests, the revision takes into account all land uses (including wetlands by 2026)
- Biomass emissions from energy sector will be counted towards each member state's 2030 climate commitments

Next steps

In force, in Commission adoption procedure (status [here](#))

- Feedback period before Commission adoption by 08/11/202



What's the impact?

These initiatives shall increase the speed of transition to nature-based solutions with developed resilience and sustainability in forest management and agriculture. Increasing importance of not only forests but as well all other land uses (including wetlands) can provide a development boost to bio-economy products. On the other hand, the regulation introduced additional efforts to decrease use of forestry biomass in energy sector.

Sector Impact Assessment

The European Green Deal presents an ambitious action plan for environmental transition, especially when considering the forthcoming decade. As presented before, specific and dedicated policies from the 'Fit for 55' package, embedded into the Green Deal's targets, can help ensure implementation of necessary steps for reaching climate neutrality within the EU market and beyond for the 2030 perspective. As with all other policies and regulations, 'Fit for 55' has its own impact on the EU economy. This is why the EC proposes an inception Impact Assessment together with each policy change. Its goal is to inform citizens and stakeholders about who and how they may be impacted by the change. This allows for them to provide necessary feedback and participate effectively in public consultations.

You can find below a short summary on which of these policies may affect your business, depending on which sector you participate in. This table is based upon the inception Impact Assessments provided by the EC with each policy change.

	Revision of the EU Emissions Trading System (EU ETS), including maritime, aviation and CORSIA as well as a proposal for ETS as own resource	Carbon Border Adjustment Mechanism (CBAM) and a proposal for CBAM as own resource	Effort Sharing Regulation (ESR)	Revision of the Energy Tax Directive (ETD)	Amendment to the Renewable Energy Directive (RED) to implement the ambition of the new 2030 climate target	Amendment of the Energy Efficiency Directive (EED) to implement the ambition of the new 2030 climate target	Revision of the Regulation on the inclusion of GHG emissions and removals from land use, land use change and forestry (LULUCF)	Revision of the Directive on the deployment of alternative fuels infrastructure	Revision of the Regulation setting CO ₂ emission performance standards for new passenger cars and for new light commercial vehicles	Revision of the Energy Performance of Buildings Directive (EPBD)	Revision of the Third Energy Package for Gas (Directive 2009/73/EU and Regulation 715/2009/EU) to regulate competitive decarbonized gas markets	Regulation on Batteries and Waste Batteries	Regulation on Guidelines for Trans-European Energy Infrastructure	Regulation on the Trans-European Transport Network
Automotive	✓	✓	✓		✓	✓		✓	✓		✓	✓	✓	✓
Chemicals	✓				✓	✓		✓	✓	✓	✓	✓		
Energy	✓		✓	✓	✓	✓	✓	✓	✓		✓	✓		
Government and Public Sector					✓	✓	✓	✓	✓	✓			✓	✓
Agriculture							✓	✓	✓					
Life Sciences	✓			✓	✓	✓	✓	✓	✓		✓			
Industrial Manufacturing	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓		
Infrastructure	✓	✓		✓	✓	✓		✓	✓	✓			✓	✓
Mining	✓			✓	✓	✓								
Real Estate	✓	✓			✓	✓				✓				
Transport and Logistics	✓				✓			✓	✓		✓	✓	✓	✓
Global Industries (Healthcare, Infrastructure, Government, Life Sciences)	✓	✓		✓	✓	✓				✓		✓	✓	✓

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