

Feedback on the
Inception Impact Assessment
2030 Climate Target Plan

ERCST would like to provide its initial comments of the 2030 Climate Target Inception Impact Assessment (IIA). We would like to emphasize that this submission does not focus on the substance and the plusses or minuses of different approaches, but rather comments on how the impact assessment should be undertaken, and what should be considered in undertaking this assessment.

In this context ERCST would like to highlight the following issues:

- This is a very broad document with a lot of elements included for assessment. In some ways it is too “all encompassing” which makes it difficult to detect its focus. It remains unclear **which scenarios** will actually be assessed and how each of them will be “built”? Some more precision would be recommended on what the boundary conditions of the new target are.
- What is being assessed is the search for a more balanced **reduction pathway** to the overall carbon neutrality objective, and how to increase ambition under a number of **constraints**. However, there is no reference to how to assess the “right” level of ambition. If we take into account the current realistic or actual EU target achieved under the current policies of about 45% emissions reductions – one needs to ask why a minimum of **50%** is put forwards as more adequate? One of the tasks of the IA would be to find the 2030 milestone which is on the most cost-effective point on the pathway, while taking into consideration the principle of just transition.
- Another consideration should be to distinguish, in determining the optimal pathway, between the existence of **new technologies**, already in the pipeline and those that may represent a breakthrough. One could imagine a separate chapter analyzing their impact, also taking into account the application of digital and smart technologies resulting in less carbon intensive operational patterns.
- **Timing:** This will always be a challenging balancing act, but we cannot lose sight of the fact that negotiations for the Climate Law, and the 2030 target amendment proposal, are taking place during 2020, while the climate and energy framework proposals (sectoral measures), including what we think as critical, measures to address carbon leakage and competitiveness, will only take place in 2021. This approach has not very successful in reaching the current ETS package with a balanced carbon leakage and MSR package. That experience should be considered. Another option would be to consider a package, and the determination of both sides of the coin: the pathway together with the mean of achieving that pathway, knowing what the variety of sectors will have to provide in order to contribute to the new targets. This is illustrated by the long list of possible **amendments to the currently existing legislation**, which is included in the IIA Policy Options section. There are policies are in place and the update of the target impacts them immediately. A strong recommendation would be to look into the flanking measures, so that the updates of ETS (including carbon leakage provisions), ESR, LULUCF, CO2 standards for cars and vans, EED, RED, ETD and Smart Mobility Strategy go well together.
- Post 2030 world: this analysis should benefit from clarity of what can be expected in the **post-2030 world** and how the neutrality target is disaggregated in the 2040/2050 decades? The IIA does not make any reference to the debate on climate-neutrality vs. carbon-neutrality.
- International context: there is reference in the IIA to the **international context**, but there is no recognition of a “divergent ambition scenario”. One can imagine, within some tolerances,

a scenario whereby Parties to the Paris Agreement follow similar ambition pathways. However, another scenario, what some may consider as an “extreme scenario”, whereby many of the important emitters and EU trading partners take very divergent approaches, does not seem to be on the radar of this IIA. While it is hoped that such scenario will not materialize, it needs to be considered and provided for, given signals such as the US withdrawal from the Paris Agreement. On this latter scenario, it becomes more urgent and complex for the EU to find solutions to achieve its targets and remain competitive. Discussion on the **border adjustment** should be taken into account as it strongly relates to the level of CO₂ prices in the EU and outside. The chapter on international cooperation would cover also the global carbon market discussion which should be developed in the discussed time horizon.

- International socio-economic impacts: The EU’s actions will have foreseen and unforeseen **impacts on other economies**. This in itself will require a very serious impact analysis as the standards of imports in the EU may change, in some cases requiring restructuring of economic sectors in other countries.
- **Overall societal welfare:** The proposed measures tend to create new models of consumption and production and forecast dramatic **changes in the way of life**. This IA should not only consider redistributive aspects, but more broadly, the general welfare of society and general quality of life as we have come to expect it in EU societies in the 21st century. It is important to recognize and make it clear the societal changes resulting from such changes Internalization of the CO₂ in services and production to reach neutrality by 2050 and -50% / -55% by 2030, will lead to radical new ways of measuring societal welfare, beyond the GDP. This merits, and requires, highlighting, and a real debate.
- **Market for low carbon products:** the adoption of and demand for low carbon products will be critical if we are to reach the carbon neutrality target currently under discussion. At the same time, it will also impact on the other policies and measures that need to be developed and adopted in the context of the EGD.
- There needs to be an assessment on this dynamic interaction as well as how this impacts **investment and technology cycles**, that some see as shortening significantly.
- Negative emissions: the IIA refers to **negative emissions**, but the focus is on nature-based solutions, with little attention being paid to technological ones (e.g. CCUS, direct air capture). It is imperative to be realistic and recognize that technological solutions must be part-and-parcel of this assessment, albeit considered under different adoption scenarios.
- Trading vs non trading sectors: preparing for the 2030 we also need to consider the relationship between the **CO₂ trading and non-trading sectors**. Should they be subject to one carbon price architecture.
- In the section on objectives and policy options the IA will need to consider how the **coordination at the EU level** is maintained. The EU wide target requires proportional level of subsidiarity. Given the update of the 2050 Long Term Strategy IA, the 2030 Target Plan should serve as a basis for the **Climate Law discussion**. Also, other EU Green Deal policies should be coherent. In their implementation timelines one can see many interdependencies, which should be clarified during the negotiations process.