

December 2016

### **Effort sharing: greenhouse gas emission reductions by Member States (2021-2030)**

*Impact Assessment (SWD (2016) 247, SWD (2016) 248 (summary)) of a Commission proposal for a regulation of the European Parliament and of the Council on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 for a resilient Energy Union and to meet commitments under the Paris Agreement and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change (COM (2016) 482)*

#### **Background**

This note seeks to provide an initial analysis of the strengths and weaknesses of the European Commission's [Impact Assessment \(IA\)](#) accompanying the above proposal, submitted on 20 July 2016 and referred to Parliament's Committee on the Environment, Public Health and Food Safety. The proposed regulation seeks to achieve 30 % greenhouse gas (GHG) emission reductions by 2030, compared to 2005 levels, in the sectors not covered by the EU emissions trading system (ETS), such as transport, buildings and agriculture.

The proposal is one of the initiatives coming under the 'climate action and energy' political priority of the Juncker Commission. The proposed Effort Sharing Regulation (ESR) contributes to the objective of implementing the targets as agreed by the [European Council in October 2014](#) (2014 European Council conclusions), as well as the EU's commitment under the Paris Agreement on climate change adopted on 12 December 2015. The proposed regulation will amend the Monitoring Mechanism Regulation<sup>1</sup> (MMR) and supersede the Effort Sharing Decision (ESD),<sup>2</sup> which expires at the end of 2020.<sup>3</sup>

#### **Problem definition**

The IA presents the general problem as follows: 'with current targets implemented by 2020 and existing policies, GHG emissions in ESD sectors are not expected to sufficiently decrease by 2030 to achieve the EU's domestic contribution to the Paris Agreement' (IA, p. 16). Following the EU reference scenario 2016,<sup>4</sup> emissions covered by the ESD are projected to decrease by around 24 % in 2030 compared to 2005, thus leaving a gap of six percentage points compared to the 30 % reduction target. The IA identifies as the specific problem to be addressed 'how the current methodology of the ESD can be continued in a manner that it (1) addresses fairness concerns, (2) takes into account the need for cost-efficiency and (3) avoids problems with overall environmental

<sup>1</sup> Regulation (EU) 525/2013 of the European Parliament and the Council of 21 May 2013 on a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other information at national and Union level relevant to climate change and repealing Decision No 280/2004/EC.

<sup>2</sup> Decision No 406/2009/EC of the European Parliament and of the Council of 23 April 2009 on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020.

<sup>3</sup> For further information, see G. Erbach, [Effort sharing regulation, 2021-2030 Limiting Member States' carbon emissions](#), EU Legislation in Progress, EPRS, September 2016.

<sup>4</sup> The EU reference scenario 2016 projects EU Member States' energy, transport and GHG emission-related developments up to 2050, see European Commission, EU Reference Scenario 2016 - Energy, Transport and GHG Emissions - Trends to 2050. Directorate-General for Energy, Directorate-General for Climate Action and Directorate-General for Mobility and Transport, July 2016.

integrity' (IA, p. 19). The Commission refers in this context to the [2030 framework impact assessment on climate and energy](#), which demonstrated that applying cost-effectiveness as sole criterion for the distribution of efforts would lead to considerable variations in the necessary national economic effort and would imply (on average) relatively higher efforts and costs per unit of GDP for lower income Member States. The European Council recognised both the need for fairness and cost efficiency in its [October 2014 conclusions](#) (IA, p. 19).

## Objectives of the legislative proposal

The *general* objective of the Commission proposal is to contribute to achieving the Paris Agreement climate goal of holding the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels in order to reduce significantly the risks and impacts of climate change (IA, p. 23).

The *specific* policy objective is to achieve a 30 % reduction in GHG emissions in the non-ETS sectors compared to 2005 in a way that is (1) fair, taking into account different economic capacities of Member States; (2) cost-efficient, taking into account differences in cost-effective mitigation potentials between Member States, providing predictability and certainty for Member States and investors and increasing flexibilities to ensure cost efficiency; and (3) that ensures environmental integrity by promoting timely and sufficient action to ensure that the EU 2030 GHG reduction target is achieved (IA, p. 24).

## Range of options considered

The IA presents the policy options with a view to achieving the six *operational* objectives in its section 4 on 'What are the various options to achieve the objectives?'<sup>5</sup> This stands out since operational objectives should normally be reported after having identified the preferred option.<sup>6</sup> It is stressed that 'with no additional policies put in place beyond 2020, the EU is not projected to achieve its -30 % GHG reduction target in the non-ETS sectors' (IA, p. 25). Referring to the 2014 European Council conclusions, the IA emphasises that 'from a policy perspective this impact assessment is not about assessing the need or not to go to -30 % GHG reductions in the non-ETS, but about what the options regarding the targets set per Member State are and the flexibilities available to achieve this, assuming a continuation of the current ESD' (IA, p. 25).

### 1.) Policy options for setting national 2030 targets (IA, p. 28)

- *Baseline option T1: Target setting for all Member States based on GDP per capita*  
This baseline option would apply the principles of the current ESD for setting the 2030 target based on GDP per capita data, but overall with an increased effort of around 20 % for all compared to the 2020 targets, leading to Member State targets within a range of 0 to -40 % compared to 2005.
- *Options T2-T4: Target adjustments in the groups of high income Member States*  
The IA explains that 'based on assessing which high income Member States have a greater concern related to cost-efficiency compared to others with targets set purely on the basis of GDP per capita, a group based approach to target adjustments is proposed. High income Member States are ranked in groups in a manner that is robust over a set of scenarios and avoids hence to base target setting on specific modelling results.' Two options are assessed, one with only small adjustments (T2), and one with large adjustments within this group (T3). In addition, another option (T4) is presented where 2030 targets for high income Member States are based for 50 % on the target using GDP per capita and 50 % on a target based on a cost-effective emission reduction projection.

### 2.) Policy options for setting the starting point for target trajectories (IA, pp. 28-29)

The IA states that the existing methodology under the ESD for target setting should be continued as concluded by the European Council, which includes defining a linear trajectory to the 2030 target. The Commission points out that a continuation of the differentiated baseline option (the starting points are defined differently

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<sup>5</sup> See Figure 5 setting out the 'intervention logic of the impact assessment', IA, p. 27.

<sup>6</sup> See Tool #13 of the Better Regulation Toolbox.

depending on whether a Member State is allowed to increase emissions or not compared to 2005) loses its purpose; the IA therefore concludes that all Member States should use the same approach setting the starting point for the 2020-2030 target trajectory. The IA does not present different options (which are discussed later in its section 5.2), but only suggests using as a starting point the most recent available emissions by 2020, i.e. 2016-2018. A sensitivity analysis on alternative approaches is provided in section 5.2 as requested by a number of stakeholders and Member States.

### **3.) Policy options for a one-off flexibility between ETS and non-ETS (IA, pp. 29-30)**

- *Baseline option O1: No flexibility from the ETS towards the ESR*
- *Option O2: For eligible Member States a small amount of allowances is available for the one-off flexibility*
- *Option O3: For eligible Member States a large amount of allowances is available for the one-off flexibility*

There is currently no flexibility to use emission reductions under the ETS for compliance under the non-ETS. However, the European Council concluded to establish a new, one-off flexibility mechanism for Member States with national emission reduction targets significantly above both the EU average target and their cost effective reduction potential, as well as for Member States that did not have free allocation for industrial installations in 2013.<sup>7</sup> These allowances are transferred from the auctioning amounts of the ETS of a Member State and can be used for compliance purposes in the ESR by that Member State. According to the IA, many stakeholders stated that the one-off flexibility mechanism should not compromise either the functioning of the ETS or the environmental integrity of the ESR and the ETS.

### **4.) Options to include a limited LULUCF flexibility in the Effort Sharing (IA, pp. 30-31)**

- *Baseline option L1: No use of LULUCF credits for compliance*
- *Option L2: Use of up to 280 million tons LULUCF credits for compliance*

Currently, credits generated in the land use, land use change and forestry (LULUCF) sector cannot be used in the ESD for compliance purposes. The European Council encouraged the inclusion of the LULUCF sector in the EU's 2030 climate and energy framework. One option<sup>8</sup> relates to allowing a limited extent of LULUCF credits from activities with sound accounting and overall environmental integrity for compliance under the ESR, corresponding to the lower mitigation potential in the agriculture sector.

### **5.) Policy options for enhancing existing flexibility instruments (IA, pp. 31-33)**

- *Baseline option F1: Maintain the current provisions in the ESD without any changes*  
Member States could still manage their own Annual Emission Allocations (AEAs) within the compliance period ('inter-temporal flexibility') and engage in transfers of AEAs amongst themselves ('inter-Member State flexibility').
- *Option F2: Increased permitted borrowing within the commitment period*  
This option for inter-temporal flexibility would allow a higher level of borrowing of AEAs from subsequent years. Under the selected option (one of the two suggested was discarded), an increase in permitted borrowing to 10 % from the subsequent year during the period 2021-2025, reduced to 5 % from 2026 onwards, is envisaged.

Options F3, F4 and F5 below concern enhancement of inter-Member State flexibility. They are listed according to the degree of EU-level interference and concern both transfers and project-based alternatives. They are not mutually exclusive.

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<sup>7</sup> The IA explains that the only Member State to which this criterion applies is Malta, which already has the lowest per capita emissions in the ESD in the EU (IA, p. 29).

<sup>8</sup> This option arose from the Commission's impact assessment on agriculture and LULUCF, SWD(2016) 249, 20 July 2016.

- *Option F3: Central information site*

This option would involve the creation of a central site where all offers and requests for AEA transfers would have to be notified by Member States selling or buying AEA's. The information submitted by participating Member States could include the amount of AEA's, the requested price and other conditions requested for the transfers. Member States would be expected to organise their own public tenders for hosting or investing in any emission reduction projects. The site could be hosted by the European Commission or by an organisation contracted by it.

- *Option F4: Central market place for AEA transfers*

This option involves establishing a central market place for inter-Member State transfers of AEA's. The market place would enable Member States to offer AEA's for sale and submit requests to purchase allowing for full price transparency. The market place would act as a broker matching sellers with buyers. It could be hosted by a European institution or contracted to an external organisation.

- *Option F5: Mandatory auctioning*

This option would constitute a central initial auction at the beginning of the 2021-2030 commitment period based on a limited set-aside (e.g., 1 %) of the AEA's in the first year(s) of the period. It could possibly be combined with later auctions held on a regular basis, with Member States required to contribute a share of any surplus AEA's established after compliance checks (i.e., any positive difference between their allocations for each year and their actual emissions in that year) to the auctioning pool.

The IA states that the majority of Member States and other stakeholders in the stakeholder consultation were open to different solutions with respect to the policy options F2 to F4, with no clear preferences.

## 6.) Policy options for administering compliance (IA, pp. 33-34)

- *Baseline option C1: Continue the system under the current ESD with annual compliance checks*

- *Option C2: Biennial compliance checks*

A second option is to check compliance with annual AEA limits every second year, i.e. the first compliance check of reported annual emissions for the years 2021 and 2022 would be performed in 2024.

- *Option C3: Compliance checks every fifth year*

A third option is to perform compliance checks after every five years, i.e. the first compliance check of reported annual emissions for the years 2021, 2022, 2023, 2024 and 2025 would be performed in 2027.

In the stakeholder consultation, several Member States expressed a preference for less frequent compliance checks for the sectors under the current ESD after 2020.

In comparison, the range of options appears limited at times, in particular with regard to the setting of the starting point and the integration of LULUCF credits (linked to the 2014 European Council Conclusions). In section 6 of the IA, the Commission presents and evaluates a number of combinations of policy options. It appears that the **preferred combinations of policy options are: Combination 2 (T2, O2, L2)**, which 'addresses cost efficiency concerns for those countries that are typically projected to have a large gap, but does so in a moderate way', and using as the **starting point the average 2016-2018 emissions** (IA, p. 83, see also pp. 84-88), **in conjunction with Combination 5 (F1, F3, C3)**, which enhances transparency of AEA transfers, but further simplifies and reduces the costs of administering compliance with checks every five years, while maintaining the current 5 % limit for borrowing (IA, pp. 89-90).

## Scope of the Impact Assessment

The IA assesses the distributional, economic and environmental impacts of the different options in a seemingly balanced approach in its section 5. The social dimension was not deemed relevant for consideration.<sup>9</sup> The IA

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<sup>9</sup> Regarding the environmental, economic and social impacts of the 2030 targets, including at Member State level, as well as impacts on competitiveness, the IA refers to the 2014 impact assessment for the 2030 framework for climate and energy, SWD(2014) 15, 22 January 2014.

emphasises that the focus is on the ESR and related national binding targets and flexibilities (with as the policy baseline the continuation of the ESD for the period 2021-2030 with unchanged principles). The IA highlights that the initiative sets targets for Member States and covers mainly the building, transport, agriculture and waste sectors (IA, pp. 35-36). Regarding the policy options for setting national 2030 targets, the IA defines a group-based approach in which Member States are classified according to the gap between cost-efficient projections and GDP-based targets. The IA discusses the various impacts and concludes that 'a target adjustment clearly lowers the divergences between high income Member States in the gap they have between EU wide cost efficient emission reduction projections and the target they would receive. Option T2, a limited adjustment, would still see the richest Member States take the highest targets, but differences in gaps would decrease for all with the exception of Luxembourg, that majorly benefits from the fact that targets can't go beyond -40 %' (IA, p. 48). It is furthermore stated that, overall, a target adjustment as proposed would have no impact on environmental integrity.

The IA suggests using as the starting point for target trajectories the average 2016-2018 emissions. The IA discusses the impacts and underpins its conclusion with a sensitivity analysis (IA, pp. 49-60 and Annex 8.8).

In terms of a one-off flexibility, the IA appears to explain the impacts of the options in a balanced way, both for the effort sharing sectors and in the ETS. The IA highlights that 'the one-off transfer could in theory reduce mitigation costs for eligible MS, but would lead to diverse impacts both in ETS and in effort sharing sectors. For the latter sectors, access to the one-off flexibility needs to be based on the need for AEAs for compliance looking at the potential deficits over the whole period and taking into account the 2030 target adjustment' (IA, p. 69). The IA also underscores the increased risk of not achieving the -30 % target.

Concerning the integration of LULUCF, the IA admits the difficulty of fully predicting the amount of LULUCF credits that will be used in the ESR and emphasises that the impacts very much depend on the latter. As concerns environmental impacts, the IA emphasises the need for a clear limit of LULUCF credits. 'Overall it is expected that especially high income Member States with the highest overall targets will make most use of it, but also lower income Member States can benefit from it if emissions are not reduced as projected' (IA, p. 75).

With regard to the impacts of options for enhancing flexibility instruments, the IA first explores inter-temporal flexibility (baseline option F1 and option F2) and then inter-Member State flexibility (baseline option F1 and options F3, F4 and F5). While option F2 would provide for time for Member States to respond to an unexpected lack of availability, it would also imply a higher risk of non-compliance for individual Member States in later years. Option F2 might delay or reduce any demand for AEA transfers for Member States that are expected to have a shortage of AEAs over the period, and could also help to reduce compliance costs over the whole period for some Member States when compared to baseline option F1. The IA considers that the policy options F3, F4 and F5 could enhance inter-Member State flexibility, but considers F5 as too intrusive and F4 as having significant regulatory and administrative costs for a limited and very uncertain benefit (IA, pp. 76-80).

Finally, the IA analyses the impacts regarding the policy options for administering compliance. The IA points out that 'less frequent compliance checks would reduce the administrative burden and align the ESR compliance cycle with that of the LULUCF and also with the international cycle under the Paris Agreement.' Maintaining the current reporting system, but carrying out compliance checks every five years, would reduce total administrative costs by 50 to 60 % (€5 750 000 to €6 900 000) for the period 2021-2030 (IA, pp. 80-82).

## **Subsidiarity / proportionality**

The legal basis of the proposed legislation is Articles 191 to 193 TFEU, which specify the EU's competence in the field of environment and climate change. The IA points out that 'climate change is a trans-boundary problem which cannot be solved by national or local action alone' (IA, p. 23). The IA highlights that 'coordination of climate action both at global and European level is therefore necessary and EU action is justified on grounds of

subsidiarity.' The EU and its Member States presented their intended nationally determined contribution (INDC) to the Paris Agreement in March 2015. The Paris Agreement foresees that Parties, including regional economic integration organisations and their member states, may 'act jointly' (Article 4, paragraphs 16 to 18). As under the Kyoto Protocol, the EU and its Member States intend to participate in the Paris Agreement by acting jointly.

The Commission highlights that co-ordinated EU action is needed to achieve the EU-wide 30 % non-ETS GHG reductions for 2030 endorsed by the European Council, in particular to ensure a cost-effective and fair distribution of efforts across the EU Member States (IA, p. 23). The explanatory memorandum of the legislative proposal states that it 'complies with the proportionality principle because it does not go beyond what is necessary in order to achieve the objectives of implementing the EU's greenhouse gas emission reduction target for the period 2021 to 2030 in a cost-effective manner while at the same time ensuring fairness and environmental integrity' (p. 4). However, it appears that the options have not consistently been assessed against proportionality. No reasoned opinions on the legislative proposal have been submitted by national parliaments; the deadline for contributions was 27 October 2016.

## **Budgetary or public finance implications**

The explanatory memorandum of the legislative proposal specifies that the proposal has very limited implications for the EU budget. It explains that 'the indirect impacts on Member States' budgets will depend on their choice of national policies and measures for GHG emission reductions and other mitigation action in sectors covered by this initiative' (explanatory memorandum, p. 7). It is further indicated that the proposal for setting national targets will reduce cost effects for low-income Member States, compared to a proposal that would set targets solely based on cost-efficiency, and that it provides for enhanced flexibility to ensure that costs for high-income Member States will remain limited. Less frequent compliance checks as foreseen by the proposal would reduce the administrative costs for Member States (explanatory memorandum, p. 7).

## **SME test / Competitiveness**

The IA specifies that practical and economic consequences for businesses might arise from the implementation of such national policies but not as a direct effect or obligation of this initiative itself. Any effects on enterprises will depend on the specific measures chosen at national level. With respect to businesses in general, and SMEs in particular, there are no direct reporting obligations for SMEs or other enterprises under the current ESD and the proposal would not change this situation (IA, p. 22 and Annex 8.3, p. 108). Moreover, the Commission states that impacts on competitiveness of industrial manufacturing plants and SMEs are difficult to quantify but are not expected to be significant (IA, p. 34).

## **Simplification and other regulatory implications**

The IA explains that a legislative proposal for continuing an EU effort sharing mechanism until 2030 in order to ensure achievement of the binding EU climate target is an integral part of the 2030 Climate and Energy Framework and of the Commission framework strategy for a resilient energy union with a forward-looking climate change policy. In particular, it contributes to delivering the Energy Union's fourth dimension to decarbonise the economy (IA, p. 24). The present legislative proposal complements the Commission proposal to review the EU Emission Trading System (ETS) as well as the proposal for a LULUCF regulation integrating emissions and removals in the EU legal framework (IA, pp. 9-10). Complementary legislative proposals (the '[Clean Energy package](#)') were published on 30 November 2016 with the aim of maintaining EU competitiveness as the clean energy transition is changing the global energy markets.

The European Commission points out that the proposal respects fundamental rights and observes the principles recognised in the EU Charter of Fundamental Rights (EU Charter). In particular, the Commission emphasises, the proposal contributes to the objective of a high level of environmental protection in accordance with the principle of sustainable development as laid down in Article 37 EU Charter (IA, p. 25).

## **Relations with third countries**

The IA explains that the proposed regulation aims to contribute to meeting the EU's international commitments under the Paris Agreement on climate change (IA, p. 10).

## **Quality of data, research and analysis**

The overall impression is that the research behind the IA is wide-ranging and sound. The IA points out that the quantitative assessment of future impacts in the EU is consistent with the analysis undertaken for the 2030 framework proposal. The IA used a number of analytical models for which the Commission contracted external expertise, including from the National Technical University of Athens, the International Institute for Applied Systems Analysis (IIASA) and EuroCare, to model EU scenarios; the energy system and CO<sub>2</sub> emission modelling is based on the PRIMES model; the non-CO<sub>2</sub> GHG emission modelling is based on the GAINS model; and agricultural non-CO<sub>2</sub> emissions are assessed with the CAPRI modelling framework (IA, pp. 35-36; Annex 8.1, p. 93; and Annex 8.4 for detailed descriptions and model-based scenarios used for the preparation of the IA). The Commission is transparent about the key assumptions upon which the models are based. For instance, the projections under the EU 2016 reference scenario are based on assumptions related to population growth, macroeconomic and oil price developments, technology improvements and policies (IA, p. 17 and Annex 8.4.2.2, pp. 116-119). Limitations of the models seem to have been acknowledged. In addition, the IA used an external supporting study for the evaluation of the implementation of the ESD, which was drawn up in 2015 for the Commission by a group of consultants led by Ricardo Energy & Environment (Annex 8.1., p. 93). It would have been desirable if the IA had provided a link to this supporting study.

## **Stakeholder consultation**

The IA identifies Member States and their administrations as the main stakeholders affected by the initiative. The IA states that 'depending on the nature and scope of national measures implemented by Member States they will affect various stakeholders in the sectors concerned, including consumers' (IA, p. 22). There are no direct reporting obligations for SMEs or other enterprises. Possible costs for the private sector might arise because of national implementing measures but not as a direct effect of the ESR itself (IA, Annex 8.3, p. 108).

The European Commission organised an internet-based public consultation from 26 March until 18 June 2015 on the continuation of the current ESD in the period 2021-2030. Most responses (out of 114 responses in total) to this consultation, which consisted of six main questions, were received from the private sector, individual enterprises representing 11 % and European and national industry associations accounting for 41 % of the replies. About 20 % of the replies came from national governments, while regional and local authorities represented 6 %. NGOs accounted for about 16 % of the replies. According to the Commission, the public consultation complements the earlier 2013 consultation on the green paper on a 2030 framework for climate and energy policies. Furthermore, the Commission consulted Member States in four meetings of the Climate Change Committee Working Groups held in 2015 (IA, Annex 8.2, pp. 94-107). While the stakeholder support is reflected for some options in the IA, it is not readily apparent for others.

## **Monitoring and evaluation**

The IA states that the monitoring and evaluation of this proposed regulation in 2021-2030 would follow the same rules and procedures as those already established in the current ESD for the commitment period 2013-2020 (IA, p. 90). The IA continues: 'Monitoring of progress and assessing compliance is based on a comprehensive framework of monitoring, reporting and verification (MRV) laid down partly in the ESD itself and partly in the MMR and its implementing provisions.' Not only are Member States obliged to report their GHG emissions to the Commission, but they also have to report every second year on national policies and measures implemented in order to achieve their targets under the ESD and on their emission projections. The Commission, with support from the European Environment Agency, reviews the GHG emissions inventories submitted by Member States to ensure that the compliance assessment relies on accurate and verified data. The review

encompasses the annual quality assurance and quality control of Member States' GHG emissions inventories. A team of technical review experts co-ordinated by the Agency checks the transparency, accuracy, consistency, comparability and completeness of the submitted inventories. The IA suggests that the review and compliance check with annual limits could be organised every five years (IA, p. 90). In addition, the Commission will monitor the Member States' progress towards their 2030 targets every year as part of the progress report under Article 21 of the MMR and integrated in the Energy Union Report (IA, p. 91).

## Commission Regulatory Scrutiny Board (RSB)

The RSB adopted a [positive opinion](#) on a draft version of the IA report of 29 April 2016. The RSB issued this positive opinion, however, on the understanding that the IA report be improved with regard to the following five aspects: first, the report should better assess the performance of the current framework; second, the report should better explain the scope of the present initiative as compared to what will be decided in specific policies for sub-sectors and explain how coherence and cost-efficiency will be ensured; third, the guidance provided by the 2014 European Council conclusions should be more clearly explained; fourth, the baseline should be defined as 'no policy change' scenario and related assumptions should be better explained; finally, the impacts of the ESD on national policies should be clarified. It appears that the final version of the IA has addressed the comments of the RSB. As required under the Better Regulation Guidelines, the Commission also explains how it proceeded in this respect (IA, Annex 8.1, pp. 92-93).

## Coherence between the Commission's legislative proposal and the IA

The Commission's legislative proposal seems to follow the recommendations expressed in the IA. As suggested in the IA, the Commission will carry out compliance check with annual limits every five years and will also monitor the Member States' progress towards their 2030 targets every year as part of the progress report.

## Conclusions

Overall, the IA (91 pages in all) seems to provide a sound justification for the amendment of existing rules backed by comprehensive research. The Commission admits that its analysis is based on a number of key assumptions upon which the different analytical models and scenarios are based. However, the range of options appears at times rather limited. This is the case, for example, with regard to the integration of LULUCF credits: although the baseline option is listed, it is clear that this option is not the desired one taking into account the guidance of the European Council. Likewise, the section entitled 'policy options for setting the starting point for target trajectories', in section 4 of the IA, appears odd, since it in fact only present one option, namely, using the 2016-2018 emission as the starting point. Finally, it would have been useful if the IA had provided a link to the supporting study.

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*This note, prepared by the Ex-Ante Impact Assessment Unit for the European Parliament's Committee on the Environment, Public Health and Food Safety (ENVI), analyses whether the principal criteria laid down in the Commission's own Impact Assessment Guidelines, as well as additional factors identified by the Parliament in its Impact Assessment Handbook, appear to be met by the IA. It does not attempt to deal with the substance of the proposal. It is drafted for informational and background purposes to assist the relevant parliamentary committee(s) and Members more widely in their work.*

To contact the Ex-Ante Impact Assessment Unit, please e-mail: [EPRS-ExAnteImpactAssessment@ep.europa.eu](mailto:EPRS-ExAnteImpactAssessment@ep.europa.eu)

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