Consultation on the preparation of a legislative proposal on the effort of Member States to reduce their greenhouse gas emissions to meet the European Union's greenhouse gas emission reduction commitment in a 2030 perspective.

Flexibility Mechanisms

1. ***How can the availability and use of the two existing internal flexibility instruments under the ESD be enhanced to ensure cost-effectiveness of the collective EU-effort in 2021-2030:***

   a) for banking and borrowing; and
   b) for AEA transfers among Member States, respectively?

   With respect to the latter, is there need for more transparency in how Member States engage in AEA transfers? Could the current rules be further enhanced through more transparent reporting, the use of trading platforms, project-based mechanisms, auctioning, or through other means? Are there examples from other areas that could provide useful experience in designing a post-2020 transfer system?

a) The Netherlands attaches great importance to ensuring cost-effectiveness of the collective EU effort. Enhancing the current flexibility instruments under the ESD could play an important supporting role in this regard. Therefore, we would support the continuation of the current provisions that allow for banking of unused AEAs within the compliance period and carrying forward from the following year by a quantity of up to 5% of a Member State's annual emission allocation. This will encourage Member States to undertake early action and thereby bring the effects of undertaken measures forward. The Netherlands considers the 5% borrowing limit an adequate balance to ensure progress towards the targets on the one hand, and allowing for some flexibility on the other.

b) AEA transfers between Member States should be supported and encouraged to increase cost-effectiveness of the collective EU effort. Currently, a key problem is that very little budget is put up for sale. A mandatory auctioning of a limited % of the total EU budget of AEAs on an annual basis would be a relatively simple way to guarantee a minimum level of supply. It would also provide a market price and increase transparency with regard to supply and demand. This would lower the barriers for Member States to engage in further AEA transfers through bilateral trade or other transactions, or by voluntarily adding their surplus budget to the annual auction supply. In addition, the possibilities to enhance other flexibility mechanisms could be further explored.

Monitoring, reporting and compliance

2. ***On the basis of experience with the present set of rules on reporting, monitoring, and corrective actions, which aspects should be maintained and which should be changed after 2020?***

Please select one of the following:

- ☐ ***a) Keep it as it is: Annual reporting and annual compliance checks with existing corrective action (explain your reasons);***
- ◉ ***b) Annual reporting with biennial compliance checks with existing corrective action (explain your reasons);***
- ☐ ***c) Biennial reporting with biennial compliance checks and enhanced corrective action (explain your reasons and possible additional corrective actions); or***
- ☐ ***d) Other (with explanation).***

Annual reporting ensures that Member States provide annual information on their GHG emissions. As emission estimates are also based on questionnaires, statistics etc., continuous improvements are recommended in the IPCC 2006 guidelines. The annual UNFCCC review process also provides recommendations for improvement. Annual estimates can change after they are reported for the first time.

Biennial compliance checks would also reduce the workload for the European Commission and the Member States in the compliance checks process.

Setting national targets for GHG emissions not covered by the EU Emissions Trading System

3. ***How can cost-effectiveness be reflected in a fair and balanced manner in adjusting individual ESD targets for Member States with a GDP per capita above the EU average? What can be the role of the one-time reduction through a limited amount of ETS allowances in achieving these Member States' ESD targets, while preserving predictability and environmental integrity?***

The October European Council 2014 Conclusions state that the methodology for setting the national non-ETS reduction targets is to follow the Effort Sharing Decision for 2020 with efforts distributed on the basis of relative GDP per capita, while all Member States will contribute to the overall EU reduction in 2030 with the targets spanning from 0% to 40% compared to 2005. Targets for the Member States with a GDP per capita above the EU average must subsequently be relatively adjusted to reflect cost-effectiveness in a fair and balanced manner.

The most straightforward and logical approach for this adjustment is to take the average of the target based on GDP per capita and a target based on cost-effectiveness. The targets based on cost-effectiveness are provided by the Commission’s Impact Assessment accompanying the 2030 Climate & Energy package, which has served as the basis for the 2030 negotiations.

For determining the average, a 50% weight allocation to both targets seems to be best in line with the prescribed principle of ‘a fair and balanced manner’, as it does not favor one criterion over the other. The total EU effort in the non-ETS sectors should amount to 30% reduction compared to 2005 emissions.

The one-time reduction through a limited amount of ETS allowances could serve as a safety valve for Member States with high ESD targets, but should in no way be regarded as a substitute for a cost-effective distribution of the Member States’ reduction targets.

Further evidence and studies on implementation of the Effort Sharing Decision at Member-State level and at regional level

4. Do you have studies on:

- ***the implementation of the ESD at the level of Member States and at regional level;***
- ***how the ESD incentivises greenhouse gas reductions in the different sectors concerned;***
- ***good practices of policies and measures that are of particular interest for sharing with other Member States; and***
- ***other benefits apart from greenhouse gas emission reductions***

that you think the Commission should be aware of?

In your view, what are the key lessons learned of these studies relevant for the European Commission and other Member States, and what other benefits does ESD implementation bring (e.g. in terms of job creation, energy security, health benefits, …)?

The Netherlands would like to highlight the experience with regard to the Dutch Agreement on Energy For Sustainable Growth ("Energieakkoord voor duurzame groei"). After an eight month negotiation process, forty-seven organisations (businesses, NGOs and the Dutch government) signed the agreement in September 2013 and thereby committed themselves to several goals and concrete actions that will contribute towards our climate and energy targets, including our ESD target, and will create 15.000 green jobs. The Energy Agreement in our view illustrates some of the merits of inclusive environmental decision making, and we should investigate the possibilities of applying similar approaches at the EU level. The Energy research Centre of the Netherlands (ECN) and the Dutch Environmental Assessment Agency (PBL) have published an analysis of its effects ("Het Energieakkoord: wat gaat het betekenen?").

Complementary EU-wide action in the sectors covered by the Effort Sharing Decision

5. Is the current scope of EU-wide action and legislation OTHER than the ESD to support Member States' emission reductions in ESD sectors sufficient, or should it be enhanced?

☐ ***a) The current scope is sufficient; or***

☉ ***b) The current scope should be enhanced.***

Stronger EU action is needed to unlock additional mitigation potential in the ESD sectors a cost-effective manner, while maintaining the level playing field. This could be done for instance by setting additional and/or more ambitious Ecodesign requirements for energy–related products, and energy labelling systems to inform consumers.

In addition, the Netherlands would like to see a comprehensive EU transport policy which aims at a substantial reduction of CO2 in fuels as well as vehicles. Important components of a comprehensive EU transport policy should be the continuation of the CO2 reduction target in the Fuel Quality Directive post-2020 and an ambitious CO2 target for vehicles.

The Netherlands is of the opinion that measures need to be taken for non-agriculture land emission sources (gas extraction and transport, waste dumps and mining activities). Also, we have to keep in mind the effects on other emissions and air quality, especially when using biomass as a fuel.

Capacity building and other support to implementation at national, regional and local level

6. Is there a need for additional EU action in terms of capacity building and similar support targeted at the regional and local level to facilitate national policies and measures under the ESD after 2020?

- [x] ***a) Yes***
- [ ] ***b) No***

If you selected answer a), what kind of additional support do you have in mind?

From 2020 onwards, a significant amount of Member States will have considerable experience with policies and measures for the ESD sectors. It would be expected that as far as needed, only minor additional EU actions in terms of capacity building and support will be needed. It should concentrate on facilitating the exchange of best practices, experiences with (national) policies and Member States'measures dealing with monitoring and impact evaluation. This should also apply to those ESD sectors where successful additional measures could guide/help other Member States.