



**COUNCIL OF  
THE EUROPEAN UNION**



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## **Council adopts climate-energy legislative package**

The Council adopted today the climate-energy legislative package containing measures to fight climate change and promote renewable energy. This package is designed to achieve the EU's overall environmental target of a 20 % reduction in greenhouse gases and a 20 % share of renewable energy in the EU's total energy consumption by 2020. It includes the following acts:

### **New EU rules promoting the use of energy from renewable sources**

The Council adopted a directive setting a common EU framework for the promotion of energy from renewable sources ([3736/08](#), [8037/09 ADD1](#)).

The aim of this legislative act is to achieve by 2020 a 20% share of energy from renewable sources in the EU's final consumption of energy and a 10% share of energy from renewable sources in each member state's transport energy consumption.

# **P R E S S**

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To achieve these objectives, the directive for the first time sets for each member state a mandatory national target for the overall share of energy from renewable sources in gross final consumption of energy, taking account of countries' different starting points. The main purpose of mandatory national targets is to provide certainty for investors and to encourage technological development allowing for energy production from all types of renewable sources. To ensure that the mandatory national targets are achieved, member states have to follow an indicative trajectory towards the achievement of their target.

Each EU country will adopt a national renewable energy action plan setting out its national targets for the share of energy from renewable sources consumed in transport, electricity, heating and cooling in 2020 and will notify it to the Commission by June 2010.

To reach the mandatory targets, member states will apply support schemes or measures of cooperation between different member states and with third countries.

The 10% target for the transport sector is set at the same level for each member state in order to ensure consistency in transport fuel specifications and availability.

The new directive also lays down rules relating to statistical transfers between member states, joint projects between member states and with third countries, guarantees of origin, administrative procedures, information and training, and access to the electricity grid for energy from renewable sources.

Finally, the directive establishes sustainability criteria for biofuels and bioliquids with the aim of ensuring, in particular, that biofuels and bioliquids can be counted as renewable energy for the purposes of this directive only when it can be guaranteed that they meet these criteria which relate *inter alia* to biodiversity, the protection of rare, threatened or endangered species and ecosystems, and greenhouse gas emission savings.

Member states are required to transpose the directive into national law within 18 months after its publication in the Official Journal of the EU.

## **Revised EU Emissions Trading System**

The Council adopted a revised Emissions Trading System (ETS) for greenhouse gases in order to achieve greater emissions reductions in energy-intensive sectors. From 2013 onwards heavy industry will contribute significantly to the EU's overall target of cutting greenhouse gas (GHG) emissions by one-fifth compared to 1990 levels by 2020<sup>1</sup>.

To stimulate the adoption of clean technologies, the new ETS ([3737/08](#); [8033/09 ADD1 REVI](#)) provides that GHG emissions permits will no longer be given to industry for free, but be auctioned by Member States from 2013 onwards. ETS sectors must start by purchasing 20 % of their emissions permits at auctions in 2013. That rate will rise gradually to 70 % in 2020, with a view to reaching 100 % in 2027.

Power producers, on the other hand, are obliged to acquire all of their emissions allowances at auctions so as to prevent windfall profits. To facilitate the energy transition for countries with high dependence on fossil fuel or insufficient connection to the European electricity network, a derogation is available. Ten member states can apply for reduced auctioning rates in power production: at least 30 % in 2013, gradually rising to 100 % in 2020<sup>2</sup>. In order to prevent market distortion, recipient power producers must invest in clean technology to the market value of the permits.

The directive also provides for a solidarity mechanism in order to help less affluent EU states with the transition to a low-carbon economy. They will receive an increased amount of emissions permits to auction, i.e. 12 % more than their actual share in overall EU GHG emissions<sup>3</sup>. That will give them an opportunity of generating substantial revenues from selling allowances.

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<sup>1</sup> The ETS covers energy-intensive sectors including electricity generation, coking, mineral-oil refineries, ferrous-metal production, cement, lime, ceramics, bricks, glass, pulp and paper.

<sup>2</sup> Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland and Romania are eligible for this derogation.

<sup>3</sup> The twelve "new" Member States and Greece and Portugal benefit from this solidarity mechanism.

Each EU state will determine the use of its revenues from auctioning the pollution permits. At least half of the proceeds should be used to fight climate change in the EU and abroad and also to alleviate the social consequences of moving towards a low-carbon economy.

If international negotiations on climate change in Copenhagen, in December 2009, do not lead to a new international agreement on climate change, a number of sectors could be exposed to a risk of "carbon leakage", i.e. see investments and production move to third countries with lower environmental standards. With that in mind, the Council has introduced the possibility of reducing auctioning for a limited number of sectors.

If an industry can demonstrate that purchasing permits significantly increases its costs (more than 5 % of its gross value added) and that it faces international competition (non-EU trade intensity above 10 %), it can qualify for the free allocation of its allowances. Full free allocation will not, however, exceed the level of an ambitious benchmark corresponding to the 10 % cleanest technologies in the EU. If an installation emits more than that, it will need to acquire allowances up to the level of its actual emissions. Substantial auctioning rates can therefore be expected even in exempt industry sectors. The Commission will determine the list of sectors in question no later than 31 December 2009, after discussions at the European Council.

The overall reduction of auctioning through these provisions could have an impact on the volume of the solidarity mechanism and diminish the redistribution in favour of less affluent EU members. For that reason the "carbon leakage" derogation is subject to further review before the start of the third trading period in 2013.

In addition, up to 300 million emission allowances will be set aside for the financing of clean technologies (estimated value EUR 6 to 9bn). They will contribute to the funding of up to twelve demonstration projects in carbon capture and storage and also innovative renewable energy projects.

Finally, the directive includes provision for its adaptation after the conclusion of an international agreement to fight climate change and for a subsequent move beyond the EU's overall 20 % reduction target.

The reviewed ETS will apply from the start of its third trading period on 1 January 2013. Member states must bring the acts necessary for compliance with the directive into force by 31 December 2012.

## **EU Member States share the effort to make carbon emissions reductions**

The Council adopted a decision to reduce greenhouse gas emissions across a wide range of activities including transport, agriculture and housing ([3738/08](#)). The so-called "effort-sharing" decision sets binding emissions targets for EU member states in sectors not subject to the EU's Emissions Trading System.

Across the entire EU, greenhouse gas emissions from the relevant sectors are to diminish by 10 % on 2005 levels by 2020, thus contributing to the EU's goal of a 20 % reduction in CO<sub>2</sub> ejections across the entire economy. EU member states have agreed to share this effort in line with the principles of solidarity and equity so that individual countries have different targets. EU states with low GDP per head and strong prospects for economic growth may increase their carbon emissions by up to 20 % whereas those with high national income per head must cut CO<sub>2</sub> pollution by up to a fifth.

The national trajectory of carbon emissions until 2020 is binding on member states and enforceable through the usual EU infringement procedure. If a country exceeds its annual objective it must implement corrective measures. In addition, the excess emissions will be multiplied by an abatement factor of 1.08 and deducted from the following year's CO<sub>2</sub> allowance.

To make the reductions more cost-effective, the Council has introduced several flexibility mechanisms, including the possibility of trading emissions cuts among member states and carrying forward excess reductions to future years. EU countries can also use a limited amount of carbon credits from developing countries, through the so-called "Clean Development Mechanism". The combined effect of the flexibility mechanisms would be to cut costs while ensuring that emissions drop substantially in the EU and abroad.

The decision also includes provision for its adaptation after the conclusion of an international agreement to fight climate change and for a subsequent move beyond the EU's overall 20 % reduction target.

The decision will come into force shortly after its publication in the Official Journal of the EU.

## **New rules for cleaner cars in Europe**

The Council adopted a regulation setting the first legally-binding standards for CO<sub>2</sub> emissions from new passenger cars, to apply as of 2012 ([3741/08](#); [8041/09 ADD1](#)). The main objective of this new law is to reduce the contribution of road transport to global warming, thus helping the EU to meet its objective of a 20% reduction in greenhouse gas emissions by 2020.

The regulation will give legal effect to the EU's existing goal of reducing average emissions from new cars to 120gr CO<sub>2</sub> / km. This is to be achieved in two ways: A reduction to 130gr CO<sub>2</sub> / km through engine technology plus an additional cut of 10gr CO<sub>2</sub> / km through more efficient vehicle features, for instance air-conditioning systems or tyres.

The new regulation makes these objectives binding for the average fleet of a given car manufacturer in successive stages: In 2012, 65 % of their car fleet must meet the target, in 2013 75 % and in 2014 80 %. From 2015, the whole fleet needs to comply with the CO<sub>2</sub> emissions objective. The Council proposed this phase-in so as to respect the length of industrial planning and production cycles and give the automotive industry the necessary time to adjust.

To send a signal to industry for further production cycles, Council and European Parliament introduced in addition an objective of 95gr CO<sub>2</sub> / km for 2020. By 2013, the Commission has to review the modalities for reaching this target.

If car manufacturers do not comply, they face penalties depending on how far their fleet exceeds the targets and on the number of their new passenger cars. From 2012 until 2018, EUR 5 per newly registered car must be paid for the first gram above the objective. For the second gram of exceedance EUR 15 are due and EUR 25 for the third gram. For emissions of more than 3 grams over the limit, EUR 95 are charged per newly registered vehicle. From 2019, the penalty will be EUR 95 per new car for every gram above the target.

Manufacturers can improve their fleet emissions performance by including eco-innovations, i.e. new technology that is not measured through the standard EU CO<sub>2</sub> emissions test, or by producing ultra-low emissions cars, which emit less than 50gr CO<sub>2</sub> / km. Niche manufacturers can be excluded from the regulation under certain conditions.

The regulation will come into force shortly after its publication in the Official Journal of the EU and be effective without implementing measures although the emissions targets will apply only as of 2012.

### **New environmental quality standards for fuels and biofuels**

The Council approved the revision of a directive that will improve air quality and reduce greenhouse gas emissions through environmental standards for fuel. It will also facilitate the more widespread blending of biofuels into petrol and diesel and, to avoid negative consequences, set ambitious sustainability criteria for biofuels ([3740/1/08](#); [8040/09 ADD1](#)).

The revised directive introduces for the first time a reduction target for greenhouse gas (GHG) emissions from fuels. By 2020, fuel suppliers have to decrease by 6% climate-harming emissions over the entire life-cycle of their products. This can be reached in particular by admixing biofuels to petrol and diesel as well as by improving production technology in refineries.

Member states may require an additional 4% reduction from fuel companies, achieved through the supply of energy for electric vehicles or other clean technologies, including carbon credits from third countries (so-called "Clean Development Mechanism").

To enable these GHG emissions cuts, petrol may have a higher biofuel content. From 2011, petrol may contain up to 10% ethanol. In order to avoid damage to old cars, however, fuel with 5% ethanol (E5) will continue to be available until 2013, with the possibility for member states to extend that period.

The directive also lays down stringent environmental and social sustainability criteria for biofuels, which correspond to those in the directive on the promotion of energy from renewable sources ([3736/08](#)).

The directive also imposes limits on the content of sulphur and metallic additives in engine fuel. In order to minimise emissions of volatile air pollutants, the maximum vapour pressure of fuel is also prescribed.

The revised environmental quality standards as well as the sustainability criteria for biofuels will apply from 2011.

Member states are required to transpose the directive into national law by the end of 2010.

## **A regulatory framework for carbon capture and storage**

The Council adopted a directive setting up a regulatory framework for the geological storage of carbon dioxide. The new act ([3739/08](#); [8036/09 ADD1](#)) is intended to make the deployment of this technology in the EU possible, which could help to mitigate climate change.

Whether to use carbon capture and storage or not is still a matter for independent decision by each EU member state. For EU countries that wish to do so, the directive sets out the conditions for the assessment of storage sites, for authorisation procedures and for the closure of such sites. In order to ensure harmonized application throughout the European Union, the Commission will review draft storage permits and draft decisions on closure prepared by national authorities before their final approval.

Operators are obliged to monitor storage sites and report to the member state's authorities, both while storing carbon dioxide and after the closure of sites and the cessation of storage activities. Responsibility for a site reverts to a public authority when sufficient proof is obtained that the carbon dioxide will be completely and permanently contained.

Member states are required to transpose the directive into national law within two years.

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The climate-energy" legislative package was proposed by the Commission in January 2008. It was adopted at first reading in the co-decision procedure, having been discussed at the European Council of 12 December 2008. In accepting all of the amendments the European Parliament adopted on 17 December 2008, the Council has now definitively adopted the new acts.

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