

Room to grow emissions under the current climate targets

Summary

The carbon budgets Europe set to meet its 2020 target would allow it to grow its emissions by over 2% a year between now and 2020 (reaching 19% above current levels). Europe must urgently revisit its 2020 target and the carbon budgets set to meet it if the original spirit of that goal is to be maintained. If these are not redressed, the 2030 target will be similarly undermined.

Introduction

Each year the European Environment Agency (EEA) releases new figures on Europe's greenhouse gas emissions and its progress towards its 2020 targets, and each year they provoke fresh outrage from campaign groups. In its most recent report the EEA estimated that, eight years out from the target to reduce emissions by 20% relative to 1990 levels, the EU28 was already at -18%, exposing the utter inadequacy of Europe's mid-term climate ambitions.

For most observers this has been taken to mean that Europe has hardly any further effort to undertake to bridge the remaining 2% and achieve its 2020 target. The reality is far more worrying. **Europe can safely achieve this target even if it grows its emissions 19% from current levels, potentially reversing most of its progress since 1990.**

The key issue that has been widely overlooked is that Europe translated its 2020 climate commitment into two carbon budgets, which allowed that target to be met more flexibly. They are respectively:

- the EU Emissions Trading Scheme (ETS) – covering factories, power stations and airlines
- the EU Effort Sharing Decision (ESD) – covering the remaining sectors, such as transport, heating, waste and agriculture.

These budgets start high in 2013 before slowly ratcheting down to the 2020 target. But with emissions now much lower than expected following the recession, these budgets now promise to significantly exceed EU emissions. In 2013 they start around 8% higher than emissions in 2012. That is before taking into account some 1.9 billion spare allowances banked forward from the previous phase of the EU ETS (2008-2012). If emissions stayed at 2012 levels across the next eight years, Europe would have 3.8 billion allowances to spare; around 10% more than required.

About Sandbag

Sandbag is a UK based not-for-profit organisation campaigning for environmentally effective carbon markets and focusing on the EU Emissions Trading System.

Our campaigns are supported by in-house research that monitors the environmental robustness of the caps, the distribution of allowances, and how key sectors, installations and companies in the scheme are affected.

For more information visit our website at www.sandbag.org.uk or email us at info@sandbag.org.uk

Chart 1: Europe's 2012 emissions vs. 2013-2020 carbon budgets

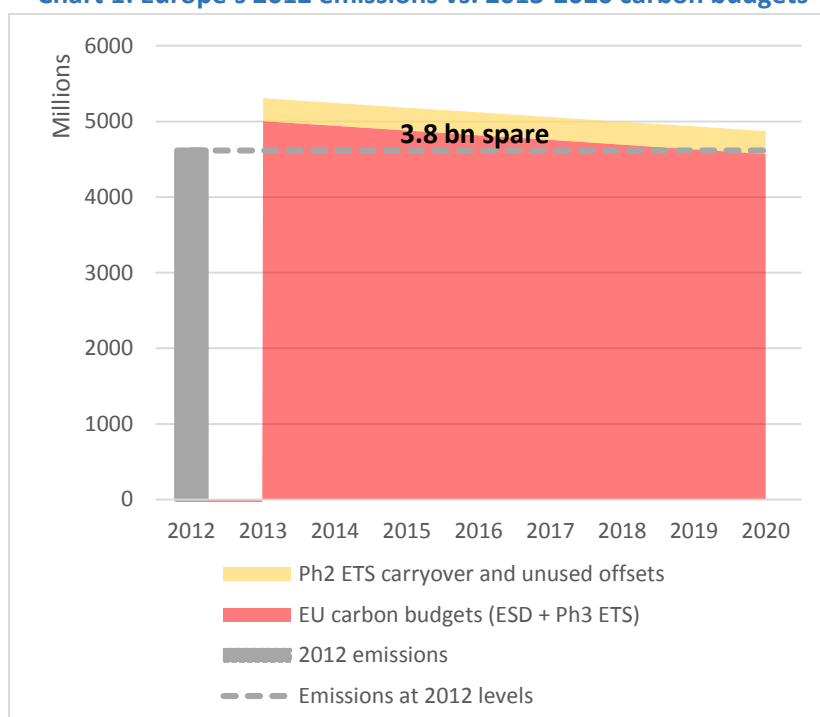


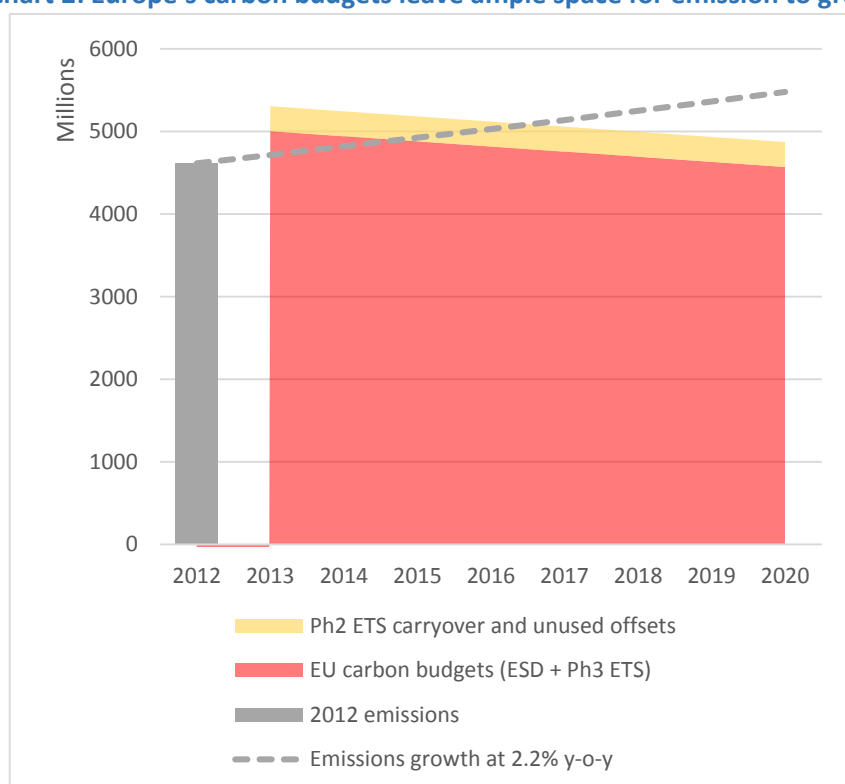
Table 1: Breakdown of 2013-2020 carbon budgets

	Mt CO ₂ e
2012 Emissions*	4,615
2013-2020 Carbon budget†	40,711
- ESD budget	22,687
- Ph 3 ETS budget†	15,603
- Ph 2 ETS carryover†	1,868
- unused ETS offset budget	552
C: Spare allowances at 2012 emissions level	3,788
<i>*EU28 emissions plus ETS emissions for Iceland, Norway and Lichtenstein), excluding aviation.</i>	
<i>†ETS budgets include Iceland Norway and Lichtenstein. Aviation excluded.</i>	
<i>Sums may not add due to rounding</i>	

Europe's emissions would need to grow by 2.2% year-on-year to use up all that slack in the carbon budgets. Cumulatively, this would allow Europe's emissions to grow 19% above current levels by 2020. That would bring EU emissions back up to somewhere near 98% of 1990 levels, reversing most of Europe's progress to date.¹

¹ This cannot be translated directly back into 1990 emissions because we have excluded aviation (its future in the ETS is not yet resolved), and also because the ETS includes three non-EU Member States (Norway, Iceland and Lichtenstein). We reach this indicative figure by applying our 19% increase to the EEA's estimation that EU28 emissions are 82% of 1990 levels (119% x 82% =98%)

Chart 2: Europe's carbon budgets leave ample space for emission to grow



Our assessment of the degree of slack in the 2020 budgets is a conservative estimate since it assumes emissions hold steady for the rest of the decade. In reality they will decrease further from today's levels thanks chiefly to renewable policies, energy efficiency policies and also environmental policies such as the Large Combustion Plant Directive and the Industrial Emissions Directive. The latest emissions projections from the European Environment Agency show that *domestic* emissions are expected to reach 21% below 1990 levels under measures already agreed in 2013, and 24% below 1990 levels if planned policies are implemented as expected. Conservatively estimated, offsets surrendered towards the ETS and the ESD will deliver an additional 3% emissions reductions.² Unequivocally, then, there is clear potential for increasing ambition in Europe's official 2020 commitments.

As campaigners and policymakers look ahead to the 2030 targets, political attention has diverted away from the inadequacy of 2020 targets. This is premature. Not only does this discount any possibility of increased ambition for the next seven years, it stores up problems to waylay the 2030 target seventeen years hence. The huge amount of slack in the budget will inevitably impact on 2030, reducing ambition. In a report commissioned by Greenpeace earlier this year, Ecofys demonstrated that carryover ETS allowances threaten to weaken the 2030 target by as much as 7%, diluting ambition and subverting the cost-effective trajectory to 2050.^{3 4}

² See p.59 *Strengthening the EU ETS* (Oko Institut, June 2012). Uses the mean annual contribution of the offsets estimated to be used in the ETS (2008-2020) and the ESD (2013-2020).

³ *The Next Step in Europe's Climate Action* (Ecofys, May 2013)

⁴ According to the European Commission's 2050 Low Carbon Roadmap, a cost-effective trajectory requires domestic emissions reach 25% below 1990 levels in 2020 and 40% below 1990 levels in 2030

Conclusion and recommendations

As the UN Environment Programme continues to warn of an 8-12 billion tonne gap in the world's 2020 climate commitments⁵, it is unacceptable that Europe maintain a pledge that allows it to massively *grow* its emissions from current levels. It is also unacceptable that Europe's 2020 climate targets do not currently satisfy the bare minimum criteria outlined in the effort sharing systems surveyed by the Intergovernmental Panel on Climate Change. In their Fourth Assessment Report, the IPCC concluded that by 2020 developed countries should reduce their emissions by 25-40% from 1990 levels.⁶

Under the Doha Amendment to the Kyoto Protocol, Europe can propose to increase the ambition of its targets for the second commitment period (2013-2020) at any time;⁷ however, a subsequent also decision taken at COP18 in Qatar⁸, requests that all parties indicate whether they intend to increase their target by April 30th 2014 and requires they submit their latest emissions projections to show the potential for increasing ambition.

If Europe fails to indicate a ramping up of ambition to the UNFCCC secretariat, it will come under intense scrutiny from developing countries and small island states come the Ministerial in Bonn two months later. The outrageous gap between Europe's current targets and its projected emissions risk embarrassing it precisely when it seeks to negotiate a new climate agreement encompassing large emitters from developing countries.

We recommend that, by the March council, EU leaders should agree to increase their 2020 commitments in time to express this intention to the UNFCCC secretariat in April. Specifically, leaders should agree to reduce emissions 30% below 1990 levels by 2020 (25% domestic, 5% international). This would:

- **better align the EU's official target and carbon budgets with its current emissions trajectory as driven by other policies,**
- **bring Europe's target in line within the acceptable 25-40% range specified for developed countries by the Intergovernmental Panel on Climate Change.**
- **begin to close UNEP's 2020 "emissions gap", and encourage other countries to raise their game.**

The window is rapidly closing before the EU is officially locked in to its current inflated carbon budgets. Europe must move now to put these in order, both for its own sake and for the sake of the international negotiations.

⁵ <http://www.unep.org/pdf/UNEPemissionsGapReport2013.pdf>

⁶ IPCC, 4AR, Working Group 3, Box 13.7

⁷ D. Article 3, paragraph 1 ter http://unfccc.int/files/kyoto_protocol/application/pdf/kp_doha_amendment_english.pdf

⁸ Decision CMP.8/1 paragraph 9 <http://unfccc.int/resource/docs/2012/cmp8/eng/13a01.pdf>