

Bellona Europa Response to the Inception Impact Assessment for the 2030 Climate Target Plan

Bellona Europa welcomes the European Commission's roadmap for the 2030 climate target plan. The ongoing process and the proposed "European Climate Law" offers an unprecedented opportunity for Europe to become the global leader on tackling climate change.

For this to become a reality, however, the proposed impact assessment underlying the 2030 climate target plan must be done right. It is of vital importance to ensure that the intermediate targets enshrined into law through the proposed "Climate Law" are in line with a "just transition for all"¹ as well as sufficient to reach the set target of climate neutrality by 2050. Bellona Europa therefore present the below recommendations, as we see them necessary to ensure that the forthcoming assessment covers all relevant aspects² towards a climate neutral Europe by 2050.

Ensure Absolute Emissions Reduction and clear definition of GHG removal

It is of great importance that the proposed impact assessment do not over-rely on uncertain and overly optimistic estimates of the future availability of Negative Emissions Technology and Practices (NETPs)³. If such an overreliance occurs, we would fail to reach the set target of climate-neutrality by 2050. We cannot allow ourselves to expect that NETPs will be available at a large-scale within a short timeframe. Bellona Europa therefore draws the European Commission's attention to the current omission of this important aspect in the published inception impact assessment.

Of particular importance is the creation and inclusion of a clear and science-based definition of what constitutes greenhouse gas removal. While it is increasingly clear that GHG removal will play a role in mitigating climate change, there is a real danger that relying on faulty assumptions and over-estimates will lead to inadequate or postponed emissions reductions. As there is currently no standard definition, such an inclusion offers an unprecedented opportunity for the EU to set an international standard – in-line with its clear ambition of becoming a global leader on tackling climate change.

The Commission must ensure that the EU is not faced with a rude awakening in 2030, in the likely event that large-scale application of NETPs fail to deliver at the expected scale. It is critical that the enabling conditions and governance framework for negative emissions be established as soon as possible to deliver any GHG removals which can contribute to the EU's climate efforts by 2050 and beyond. Bellona recommends that NETPs be applied as 'supplementary measures'.

¹ See Bellona Europa's Consultation response on the Just Transition Fund and Modernisation Fund for additional information on our recommendations and dedication to a «just transition for all» (Annexes to this response) as well as our 2018 "[An Industry's Guide to Climate Action](#)"

² See Bellona Europa's response to the [Carbon Border Adjustment Mechanism Consultation](#) for additional information on the importance of complete phase-out of Free allowances within EU ETS.

³ See Bellona Europa's consultation response to [the climate law for](#) additional information or our recommendations

As postponing action is not an option, we strongly recommend that the European Commission:

1. Create and include (both in inception impact assessment and resulting amendment to proposed “European Climate Law”) a robust and evidence-based definition and international standard of what constitutes GHG removal only including *permanent* removal from the *atmosphere*. In line with the below criteria⁴:
 - a. Physical greenhouse gases are removed from the atmosphere.
 - b. The removed gases are stored out of the atmosphere in a manner intended to be permanent.
 - c. Upstream and downstream greenhouse gas emissions associated with the removal and storage process, such as biomass origin, energy use, gas fate, and co-product fate, are comprehensively estimated and included in the emission balance.
 - d. The total quantity of atmospheric greenhouse gases removed and permanently stored is greater than the total quantity of greenhouse gases emitted to the atmosphere.
2. Include a detailed outline of the 2030 climate target plan’s reliance on NETPs
3. Include a EU “benchmark” emission reduction target for 2030 to reach 2050 target of climate neutrality not reliant on NETPs
4. Include both targets from recommendation 2 and 3 in the proposed 2030 climate target plan and resulting amendment to proposed “European Climate Law”
5. Set clear and enforceable regulation on accounting practices and disclosure requirement actively combatting “creative accounting” practices and greenwashing.

We are happy to assist and provide additional information on the topics should it be of further interest. And look forward to following the development of the legislative files as here outlined, also in footnotes, closely.

⁴ See <https://pubs.rsc.org/en/content/articlelanding/2019/ee/c8ee03338b#!divRelatedContent&articles> for further information

Response to Consultation: Regulation 2020/0006(COD) – Establishing the Just Transition Fund

Bellona Europa comes out in strong support of the aims underlying the proposed regulation 2020/0006 (COD) establishing the Just Transition Fund (JTF).

For the transition towards a climate-neutral economy to be successful, it must be a just transition for all. It is imperative that regions facing the greatest challenge have access to technical assistance and funding to ensure climate compliant continued employment and job creation, and sustainable growth. The European Commission has taken an important first step to establish a framework facilitating such support. In the context of the proposed regulation, Bellona Europa reiterates that the phase-out of carbon-intensive industry and economic activity must be completed in conjunction with efforts to phase-in sustainable alternatives. It is through such parallel efforts Europe stands the best chance to mitigate job losses and foster sustainable economic growth. If not properly incorporated into the JTF, we miss an unprecedented opportunity to facilitate a just transition for all to a climate-neutral economy.

As a long-time active advocate of a just transition for all, Bellona Europa offers up **4 recommendations** in light of the proposed regulation.

Recommendation 1: Protecting the welfare of European workers and sustainable economic growth through CCS for low-carbon Steel and Cement facilities

Bellona Europa supports the efforts made by the European Commission in the proposed regulation's Article 5, in particular point (d) ensuring that funding from the JTF does not go to fossil fuel investments. Although imperative to ensure JTF's contribution to deep and actual industrial decarbonisation, we are concerned that the wording as it currently stand could lead to a lock-out of investments to CCS for low-carbon steel and cement facilities – an important tool relied on in the plans to reach climate neutrality by 2050. We therefore recommend that the regulation is amended to specify that Article 5 do not exclude such investments in CCS connected to low-carbon steel and cement industry. Such climate compatible investments are in fact key to ensure continued employment hand-in-hand with sustainable growth.

Recommendation 2: Foster Private Investment through Clarity and EU Taxonomy Alignment

To ensure long-term dedication and facilitation of sustainable investments, the JTF and Just Transition Platform should seek to incorporate alignment with the final EU taxonomy once finalized.

The proposal's inclusion of the possibility to increase ambition level and funding in the future is encouraging, as there is little doubt that the transition in full will require funding greatly exceeding the proposed "fresh funding" of €7.5 billion. In this context, we urge the European Commission to ensure clarity as to what extent transfers from funds under Cohesion Policy and national co-financing are included in the SEIP EU budget spending of 25% on climate-related activities. We need a clear grasp on both the challenges and opportunities lying ahead – and in a context where both private and public investment is sorely needed we must foster investor confidence and trust through predictability and clear information.

Recommendation 3: Ensure open and transparent process through the Just Transition Platform

To ensure that the Just Transition Platform fulfils its promised function to foster cooperation

partnership and exchange of best practices, building on the existing platform for coal regions in transition, it is imperative that it is open to representatives of civil society. In particular civil society representatives active in or with relevant experience from the regions eligible for support under the JTF. Such organisations, in additional to EU, national, regional and local stakeholders, should not only be allowed but welcomed and encourage to take part in the work of the platform.

Response to the Published Roadmap for a “European Climate Law”

Bellona Europa welcomes the European Commission’s Roadmap for the first “European Climate Law”, set to enshrine the 2050 climate neutrality target into law and increase the EU’s intermediate target for 2030.

The proposed “Climate Law”, if done right, has the potential to deliver on the European promise to become a “Global Leader” on tackling climate change. For this to occur, the Law needs to ensure that all EU policies actively contribute to and are in line with the aims of the Paris Agreement. Europe must lead by example and take its part of historical responsibility to ensure that the targets are met with real emissions reductions and removals in EU territory.

The proposed “Climate Law” needs to ensure **absolute emissions reductions**, actively combatting superficial or misguided attempts of “creative accounting” and greenwashing. Of particular importance is the creation and inclusion of a clear and science-based definition of what constitutes greenhouse gas (GHG) removal. While it is increasingly clear that GHG removal will play a role in mitigating climate change, there is a real danger that relying on faulty assumptions and over-estimates will lead to inadequate or postponed emissions reductions. As there is currently no standard definition, such an inclusion offers an unprecedented opportunity for the EU to set an international standard – in-line with its clear ambition of becoming a global leader on tackling climate change. We need to ensure that when speaking of carbon removal, we only include those efforts **permanently removing GHGs from the atmosphere**. This is of great importance when dealing with Negative Emission Technologies and Practices (NETPs).

While NETPs will have a role to play in the plan to achieve climate neutrality by 2050, it cannot be perceived as a silver bullet. As outlined in the European Academies’ Science Advisory Council (EASAC) policy report 35 from 2018¹: “Climate scenarios that keep global warming within Paris Agreement limits rely on large-scale application of technologies that can remove CO2 from the air on a huge scale”. The report goes on to assert “...these technologies offer only limited realistic potential to remove carbon from the atmosphere and not at the scale envisaged in some climate scenarios”. This is in line with Bellona’s continued and extensive research on the topic.

In this context, Bellona Europa looks with great anticipation towards the upcoming impact-assessed plan to increase the EU’s GHG reductions target for 2030. In this process, we urge the Commission to not over-rely on optimistic estimates of the future availability of NETPs. The upcoming, as well as future, Impact assessments therefore need to disclose, in detail, to what extent mitigation efforts rely on NETPs in the Commission’s plans to reach climate neutrality by 2050. When setting intermediate emission reduction targets, benchmark targets which do not included NETPs should always be included for comparison.

It is based on this that Bellona Europa urges that the proposed “Climate Law” set stringent intermediate targets based on absolute emissions reductions as opposed to relying on uncertain future estimates of available NETPs. We cannot allow ourselves to expect that NETPs will be available at a large-scale within a short timeframe.

¹https://easac.eu/fileadmin/PDF_s/reports_statements/Negative_Carbon/EASAC_Report_on_Negative_Emissions_Technologies.pdf

The Commission must ensure that the EU is not faced with a rude awakening in 2030, in the likely event that large-scale application of NETPs fail to deliver at the expected scale. It is critical that the enabling conditions and governance framework for negative emissions be established as soon as possible to deliver any GHG removals which can contribute to the EU's climate efforts by 2050 and beyond. Bellona Europa recommends that NETPs be applied as 'supplementary measures', as they are referred to in Sweden's [Carbon Removal Strategy](#), such that they do not interfere with emissions reductions in absolute terms.

To summarise, the proposed "Climate Law" offers an unprecedented opportunity for Europe to become the global leader on tackling climate change. For this to become a reality, however, the "Climate Law" needs to be done right. In this context Bellona Europa urges the European Commission to set forth a strong legal framework ensuring actual emissions reduction in absolute terms. It is the European Commission's responsibility to ensure that the intermediate targets enshrined into law through the proposed "Climate Law" do not over-rely on uncertain estimates of the future availability of NETPs. If such an overreliance were to occur, we would fail to reach the set target of climate-neutrality by 2050. Postponing action is not an option, and this is why Bellona Europa sets forth the following concrete recommendations for the European "Climate Law":

1. Create and include a robust and evidence-based definition and international standard of what constitutes GHG removal in the "Climate Law", only including *permanent* removal from the atmosphere.
2. Set clear and enforceable regulation on accounting practices and disclosure requirement actively combatting "creative accounting" practices and greenwashing
3. Include a detailed outline of the current EU intermediate emission reduction target's reliance on NETPs in the forthcoming and future impact assessments
4. Include an EU intermediate "benchmark" emission reduction target not reliant on NETPs in the forthcoming and future impact assessments
5. Include both targets from recommendation 3 and 4 in the proposed "Climate Law"

Response to the published Inception Impact Assessment for a Carbon Border Adjustment Mechanism

Bellona Europa commends the European Commission’s ongoing efforts to ensure that climate neutrality is met by 2050 and efforts to price Greenhouse Gas (GHG) emissions. While the proposed Carbon Border Adjustment (CBA) Mechanism could be an important tool ensuring that imports “reflect more accurately their carbon content”, it must be accompanied by an equally effective carbon price within the EU. With the CBA set to tackle carbon leakage, it must be acknowledged that current levels of carbon leakage are minimal, and any potential future threat hinges on increased asymmetries in global climate ambition levels and carbon prices. Although a CBA could be an important tool in such a context, incentivising global climate ambition levels, it cannot be seen as a silver bullet.

In the context of the EU ETS, a CBA is preferable to the current system of free allowances. It is important to note that free allowances cannot operate together or in conjunction with a CBA on the same products. It would either result in not being WTO compliant through double protection of domestic industry, or reduce its effect as any benefit derived from free allowances would also be extended to imports.

As the current threat of carbon leakage is minimal, free allowances under EU ETS are resulting in windfall profits rather than protecting against actual carbon leakage. As a result, the current system may in fact contribute to steering investments away from decarbonisation efforts. In the upcoming revision of the EU ETS, Bellona Europa strongly recommends that the European Commission complete a full phase-out of free allowances, introduce a price floor and ensure a strengthened and dynamic Market Stability Reserve (MSR) to account for market developments. Although a proposed CBA on imports can be an enabling tool for global climate ambition, it is not sufficient on its own.

A CBA mechanism must therefore be accompanied by a comprehensive policy package incentivising low carbon investments, production and consumption within the EU. This must include a portfolio of measures including market drivers for uptake of clean products. Bellona Europa urges the European Commission to include a thorough assessment of all available policy options and tools in the upcoming impact assessment, including the introduction of product standards. Above all, any CBA or policy influencing the treatment of imports must be for climate and not protectionism.

The aims below must be at the heart of any potential CBA for it to deliver. If not, a CBA on imports risks being nothing more than a vaguely disguised protectionist measure where global climate ambition and emission cuts are secondary targets.

1. Encourage and incentivize third countries to increase climate ambition to access the European market. In turn reducing total global emissions and facilitate the development of low-carbon products and markets.
2. Facilitate development of low-carbon products and markets in Europe, through sustained demand and predictability, for industries facing “like” cheaper carbon-intensive imports. In turn facilitating further sustainable investment and growth as outlined in the European Green Deal, and also in line with the “just transition for all”.

Lastly, a CBA must take “common but differentiated responsibilities and respective capabilities” into account, and resulting revenue should be earmarked to reach set aims with a particular focus on Least-Developed Countries (LDC).

Response to Consultation: “Making energy systems greener – EU Modernisation Fund (detailed rules)”

Bellona Europa welcomes the proposed implementing regulation laying down the detailed rules for the application of Directive 2003/87/EC as regards to the operation of the Modernisation Fund. As a long-time advocate for a just transition for all, the Modernisation Fund is seen by Bellona Europa as an important step in the right direction.

The Modernisation Fund must deliver on its aim to: “support investments in modernising energy systems and improving efficiency in certain Member States” while contributing to the attainment of the objectives of the European Green Deal. It is Bellona Europa’s view that there are certain aspects of the legal text that need amending for this to be ensured, and we therefore present the European Commission with the following recommendations.

Recommendation 1: Investment Committee Clarification and Amendments Needed

Composition

To ensure safeguards and oversight, it is important that the biannual meetings of the Investment Committee is open to relevant stakeholders affected by the transition to a climate-neutral economy. The proposed regulation opens for this through its Article 11(6). It is the recommendation of Bellona Europa that there be an amendment specifying that observer status and speaking rights are extended to representatives and stakeholders with proven relevance to the projects in question. This process should be open and transparent, in line with Directive 2003/87/EC Article 10d(5) first sentence of second paragraph. Therefore, a “call of interest” should be published well-ahead of the proposed meetings of the Investment Committee, circulated broadly.

Move from consensus to two-third majority decision for “non-priority” investments

In the event that a proposed “non-priority” investment is not endorsed for financing by the EIB representative, Directive 2003/87/EC Article 10d(6-7) removes the voting right of both the EIB representative and the representative of the MS where the investment is to take place.

Subsequently, the Investment Committee can make a decision with a two-thirds majority. This raises several concerns, as the EIB’s endorsement is an important safeguard ensuring that the funds allocated under the Modernisation Fund are in fact going towards achieving the stated aim. Bellona Europa therefore strongly recommend that there be an amendment to the proposed regulation establishing further safeguards when it comes to both “non-priority” investments not requiring EIB endorsement, and the exception included in Article 10d(1) second paragraph last sentence.

This should be seen as aligning with the regulations’ paragraph (13) highlighting the importance of “clear monitoring and reporting arrangements”. The amendment should establish the necessity of EIB endorsement for all investments, aligning with Directive 2003/87/EC paragraph (16) noting that: “due account should be taken of the expertise of the European Investment Bank (EIB) in the decision-making process”.

Recommendation 2: Ensuring EU Sustainable Finance Taxonomy Alignment

In line with the proposed regulation’s paragraph (12) referencing Directive 2003/87/EC Article 10d(3), the asset management guidelines to be developed by the EIB should reference and ensure

alignment with the EU Taxonomy on Sustainable Finance. This is in line with the goal of the EIB to be the “Climate Bank” of the Union, as well as with the aims of the fund and with the transition towards a climate-neutral economy.