

A mixed bag for the European Green Deal

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Climate Neutrality Challenge

Main narratives

- Economic growth decoupled from resource use
 - Fair and inclusive transition
 - Protecting, preserving and enhancing the natural heritage
 - Protecting the health and well-being of citizens from environmental risks
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Paradigmatic Shifts

The sheer breath of the green transition given that it ranges from the energy transition to the restoration of ecosystems

The speed with which the green transition is unfolding given that a reduction of 55 % of GHG emissions must be achieved by 2030

The binding nature of the legislative acts (directives and regulations) that flesh out the non-binding Commission's Strategies

The complementarity of the internal and external action to reduce the EU's footprint.

Paradigmatic Shifts

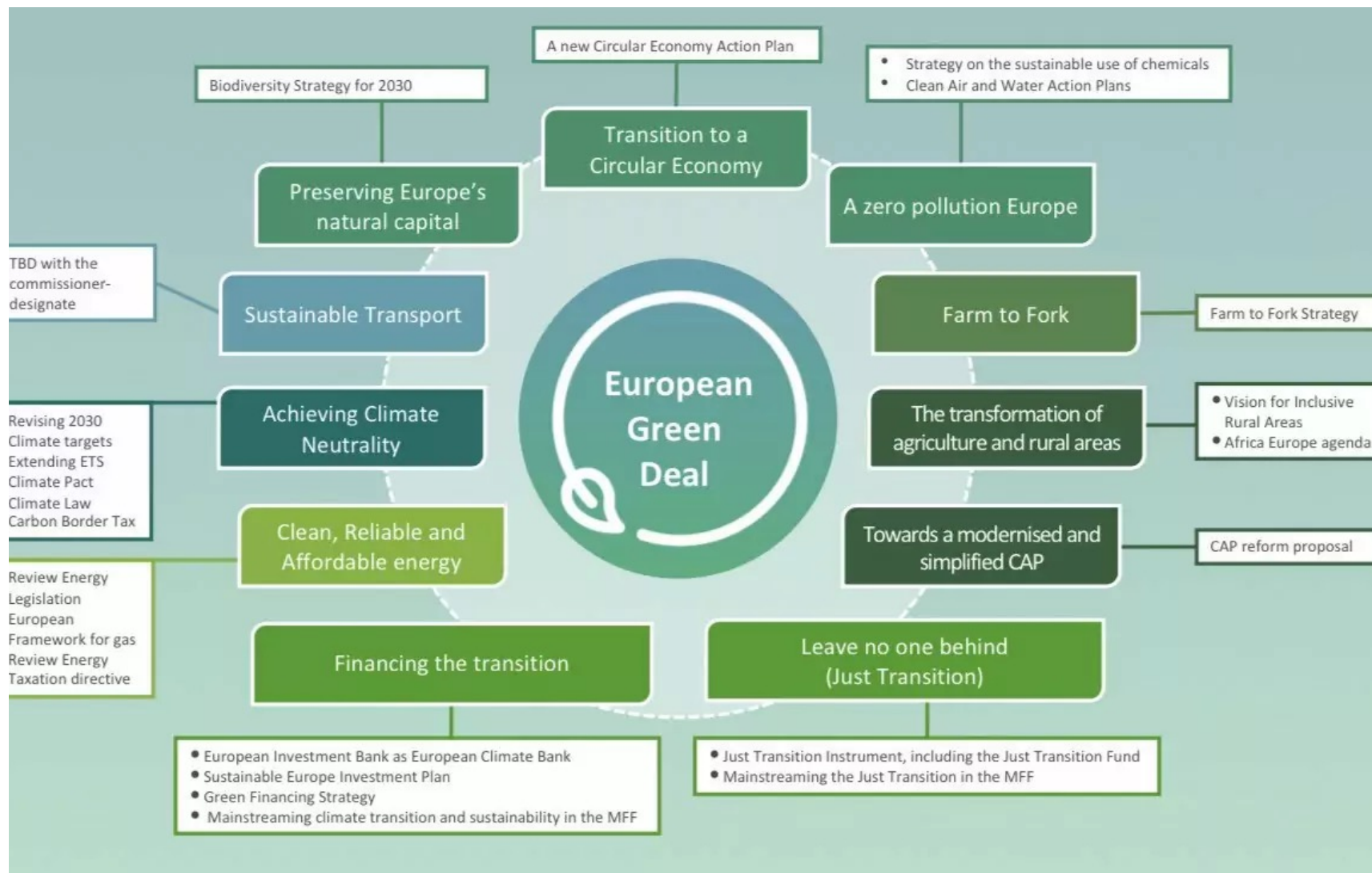
The green is dependent on complex normative processes involving the intersection of directives, regulations, decisions and communications reflecting a plethora of policies.

It is ambitious, with all sectors of society being mobilised in the push to achieve carbon neutrality by 2050.

It has a global vocation, with the Union seeking to externalise, or even globalise, its environmental and climate ambitions.

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- 1. Climate component
 - 2. Energy component
 - 3. Industrial Green Deal
 - 4. Green finance
 - 5. Sustainable transport
 - 6. Zero pollution
 - 7. Circular economy
 - 8. Natural heritage
 - 9. European funds





1.

European Climate Law (Regulation (EU) 2021/1119)

Net zero emissions

- ECL sets out a binding objective of **climate neutrality** in the Union **by 2050** in pursuit of the long-term temperature goal set out in Article 2(1)(a) of the Paris Agreement,
- Binding target of **-55%** net domestic reduction in GHG emissions for 2030, and **-90%** for 2040.

1.

Climate neutrality
Regulation (UE) 2021/1119

Year	Target
2030	-55%
2040	-90%
2050	Climate neutrality

1. European Climate Law

Net zero emissions

- Combination of emission reduction across a broad range of sectors (aviation, maritime sector, cars and trucks, etc.)
- Impressive array of legislative instruments regarding their scope, their level of ambition, etc.

=> Rapid and extensive changes to the economy in order to achieve net-zero within 30 years

1.

CC component of the Fit for 55

Increases the EU's climate target for 2030 to up to **55%** compared to 1990 levels and attain **climate neutrality** by 2050.

- Revision of the **Emissions Trading System (ETS)** Directive 2003/87
- Revision of the **Effort Sharing Regulation (ESR)**
- Revision of the Regulation on the inclusion of GHG emissions and removals from land use, land use change and forestry (**LULUCF**)
- Adoption of a Regulation on **Carbon Border Adjustment Mechanism (CBAM)**

1.

ETS 1: Reduction factors of the Cap

The cap is reduced annually in line with the EU's climate target, with a yearly reduction factor determining the pace of reduction.

ETS 1 Cap by 2024: 1415 Mt CO₂eq (carbon dioxide equivalent)

Cap Reduction Factors

- **Until 2020:** reduction factor of 1.74% per year
- **2021:** reduction factor of -2,2% per year
- **2024-2027:** reduction factor of -4,3% per year
- **2028-... :** reduction factor of -4,4% per year

Emissions Trading System (ETS1)

10,000 installations in the energy sector and manufacturing industry



ETS1 - Transport maritime



1.

ETS 1: Maritime Transport

Directive (EU) 2023/959 of 10 May 2023

- CO₂ emissions from maritime transport account for around 3 to 4 % of EU GHG emissions.
- The EU ETS should contribute significantly to reducing GHG emissions from maritime activities
- The extension of the scope of Directive 2003/87/EC to maritime transport will lead to changes in the cost of such transport.

1.

ETS 1: Aviation

Carbon leakage: Operators of aircrafts can benefit from emission allowances allocated free of charge (without having to buy them at auction sales) in order to cover their CO2 emissions.

Directive (EU) 2023/958 of 10 May 2023 as regards aviation's contribution to the Union's economy-wide emission reduction target

Suppression of allowances allocated free of charge to airlines for intra-EU flights according to a set timetable

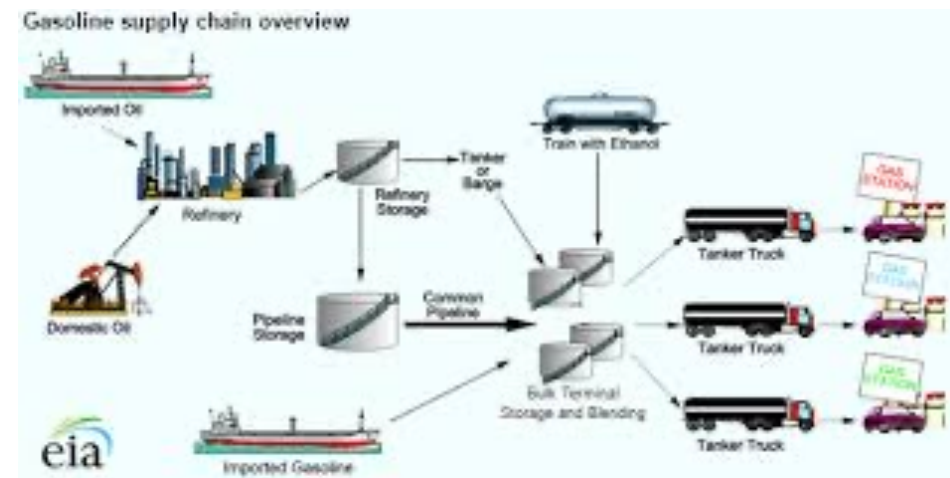


1. Emissions Trading System (ETS2)

Extending the carbon market to heating and cars


Fuel, gas and heating oil suppliers will be obliged to buy allowances (auction sales) to cover their GHG emissions.

They will pass on these additional costs to households, small industries, etc.



1. CBAM

Carbon border adjustment mechanism for selected sectors (cement, aluminium, electricity, fertiliser, hydrogen, iron and steel sectors), to reduce the risk of **carbon leakage**

 **Regulation (EU) 2023/956** of 10 May 2023 establishing a carbon border adjustment mechanism

	Legal Act	Scope	Targets for 2030
ETS1	Dir. 2003/87/EC modified by Dir. 2023/958	Major industries, aviation, maritime transport	- 62% GHG emissions compared to 2005 levels
ETS2	Dir. 2003/87/EC modified by Dir. 2023/958	Fuel combustion in buildings, road transport and additional sectors (SMEs) not covered by the ETS 1	- 42% GHG emissions compared to 2005 levels
CBAM	Reg. (EU) 2023/956	Cement, aluminium, electricity, fertiliser, hydrogen, iron and steel	None

Effort Sharing Regulation (ESR) Targets

ESR establishes for the EU and for each Member State a target for the reduction of GHG emission by 2030

- at **EU level**, in the Effort Sharing sectors, of of **40%** compared to 2005 levels.
- The **national targets** range from **10 to 50%**

ETS & ESR: Complementary approach

	ETS 1 Directive	ESR Regulation
Material Scope	Industrial plants, aviation, energy	Buildings, listed installations (not included in ETS), transport, agriculture, waste management
Personal Scope	Economic operators	Member States
Type of Emissions	Localised emissions	Diffuse emissions

Land Use, Land Use Change and Forestry (LULUCF)

All sectors of the economy, including the ‘land use, land use change and forestry’ (LULUCF) sector, are expected to contribute to achieving the - 55 % GHG emissions target compared to 1990 levels by 2030.

- **Regulation (EU) 2018/841 of 30 May 2018:** contribution of net removals to the 2030 climate target limited to **225 million tonnes** of CO₂ equivalent.
- **Regulation (EU) 2023/839 of 19 April 2023 amending Regulation (EU) 2018/841:** increase net carbon removals to levels above **310 million tonnes** of CO₂ equivalent (Article 4(2)).



Land Use, Land Use Change and Forestry (LULUCF)

Principle: 2021-2025 GHG emissions do not exceed GHG removals (Article 4(1))

- In addition to the national target for the year 2030, each Member State must achieve a sum of net GHG emissions and removals for 2026-2029.
- M. St. are bound by a **linear trajectory** starting in 2022 and ending in 2030.



2.

Energy transition: a drastic remedy



Crises	EU responses	Legal instruments
2021–COVID-19 pandemic	2021 NextGenerationEU	Recovery and Resilience Facility (RRF) - Regulation (EU) No 2021/24
2022–Energy vulnerability	2022 REPowerEU	RED III, Energy Efficiency Directive, chapters REPowerRRF
2022–Supply from clean technologies and critical materials	2023-25 Industrial Green Deal	Critical Raw Materials Act; Net-Zero Industry Act

2.

Rise of a renewable energy-based economy

In order to achieve climate neutrality by 2050, the green transition requires:

- a renewable and decarbonised energy-based economy entailing the electrification of entire parts of the economy,
- a sharp increase of electricity produced from renewables (biomass, solar, wind, hydro),
- the adaptation of the energy infrastructure to accommodate low-carbon energy sources through the expansion of grids and energy storage.

2.

How to square the circle?



External factors (pandemic, invasion of Ukraine)

- + climate neutrality,
- + energy transition,
- + strategic autonomy
- + and the circular economy.

Energy policy is becoming not only more European but also more sustainable.




2. Rise of a renewable energy-based economy

- The revised **Renewable Energy Directive (RED III)**
- the amended **Energy Efficiency Directive**
- the **Energy Performance of Buildings Directive**

set targets for renewables in consumption, energy efficiency that includes building renovations.





2. Energy component of the Fit for 55' legislative package

- **Energy Taxation** Directive
(postponed)
- **Renewable Energy**
Directive RED III
- (2018/2001/EU): from 32%
to **40%** of renewables by 2030
- **Energy Efficiency** Directive
(2023/1721/EU)



2. Renewable energy sources (REDIII)

- **RED II** = At least 32 % of the EU's energy consumption must come from renewable energy sources (RES) by 2030
- **RED III** = new EU target of a minimum 40 % share of RES in final energy consumption by 2030



Energy transition: a drastic remedy

Sectors	Instruments
Carbon market	ETS1 ↔ CBAM Social Climate Fund (pooling revenues from the auctioning of allowances from the ETS2 as well as 50 million allowances from the existing EU ETS)
Products	Energy Efficiency Directive , prohibition of combustion vehicles, CO2 Vehicle standards, Aviation and maritime fuels
Buildings	RED III, Effort Sharing Regulation, Directive 2010/31/EU on the energy performance of buildings

3. Industrial Green Deal

From critical materials to technologies



3. The last piece of the puzzle, the Industrial Green Deal

The energy transition has to deal with **geo-strategic** and **geo-economic tensions**.

The energy transition will require massive use of clean technologies, the related components and rare materials (lithium, graphite, cobalt, nickel, manganese, etc.), which will have the effect of exacerbating the vulnerability of an EU that is already highly dependent on external markets.

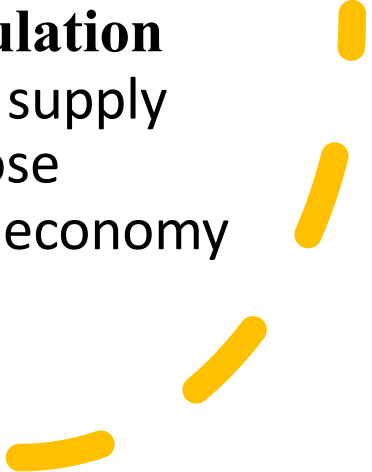
Moreover, the growing exploitation of minerals and rare earth metals outside Europe will heighten environmental pressure, with mining companies having to extract increasingly large quantities in order to obtain the same quantities of metal.

*3. The last
piece of the
puzzle, the
Green
Deal
Industrial
Plan*

Countering the risk of shortages in the supply of certain raw materials and technological products, and reducing price volatility.

Primary importance of critical raw materials for the climate and digital transitions, which are largely imported, the **Critical Raw Materials Act (Regulation (EU) 2024/125)** should enable the EU to reduce its dependence, diversify its imports and reinforce its strategic autonomy.

The **Net-Zero Industry Act (Regulation (EU) 2024/1735)** aims to secure supply chains and the production of those technologies where the Chinese economy plays a major role.



CRMA Sectors	Targets to be achieved by 2030
Mineral extraction capacity	10% of annual consumption of strategic minerals
Mineral transformation capacity	40% of annual consumption of strategic minerals
Mineral recycling capacity	15% of annual consumption of strategic minerals
Production capacity	40% of requirements to achieve carbon neutrality and meet energy targets

4.

Finance to the rescue of carbon neutrality

- The 2022 **Corporate Sustainability Reporting Directive** (CSRD) (Directive (EU) 2022/2464), which from 2026 will regulate reporting on non-financial performance by more than 50,000 European companies, should make undertakings that have adapted to a low-carbon world more attractive, whilst rendering access to capital more complicated for the others.
- The 2021 **Taxonomy Regulation** (Regulation (EU) 2020/852) defines eligible investments.
- The 2024 **Corporate Sustainability Due Diligence Directive** (CSDD) (Directive (EU) 2024/1760) will oblige businesses with a workforce exceeding 5,000 individuals and turnover of €1.5b to ensure that their value chains are compliant with international obligations in the area of fundamental rights and environmental law.
- => **Simplification and abrogation of reporting duties through 2025 Omnibus legislation**

Acts	Scope	Sustainability reporting
Amending Directive 2022/2464 as regards corporate sustainability reporting	Large EU companies and all listed companies	Retrospective and prospective information on the company's impact on sustainability issues
Regulation 2019/2088 on sustainability-related disclosures in the financial services sector	Financial market players offering investment products, and financial advisers	Information on sustainability risks and main negative impacts
Regulation on the transparency and integrity of Environmental, Social and Governance (ESG) rating <u>activities</u>	Investment funds	Transparency of ESG rating characteristics
Amending Regulation 2020/852 on taxonomy	Companies subject to the CSRD	Information on environmental sustainability



5. Sustainable Transport

From land-based to air transportation

5.

Sustainable Transport

- Regulation (EU) 2023/851 setting stricter CO2 performance standards for cars and vans
- Regulation (EU) 2023/2405 on sustainable aviation fuels (**ReFuelEU**)
- Regulation (EU) 2023/1805 on cleaner shipping fuels (**FuelEU**)
- Regulation (EU) 2023/1804 on a new alternative fuel infrastructure, including improving the public charging network for electric cars (**AFIR**)



6. Zero Pollution

- **Industrial Emissions Directive 2024/1785**
- **Wastewater treatment Directive 2024/3019**

Industrial Emissions Directive 2024/1785



Directive (EU) 2024/2881 on ambient air quality



Stricter thresholds

NO₂

MP

Lead

Benzene

CO





Water Quality

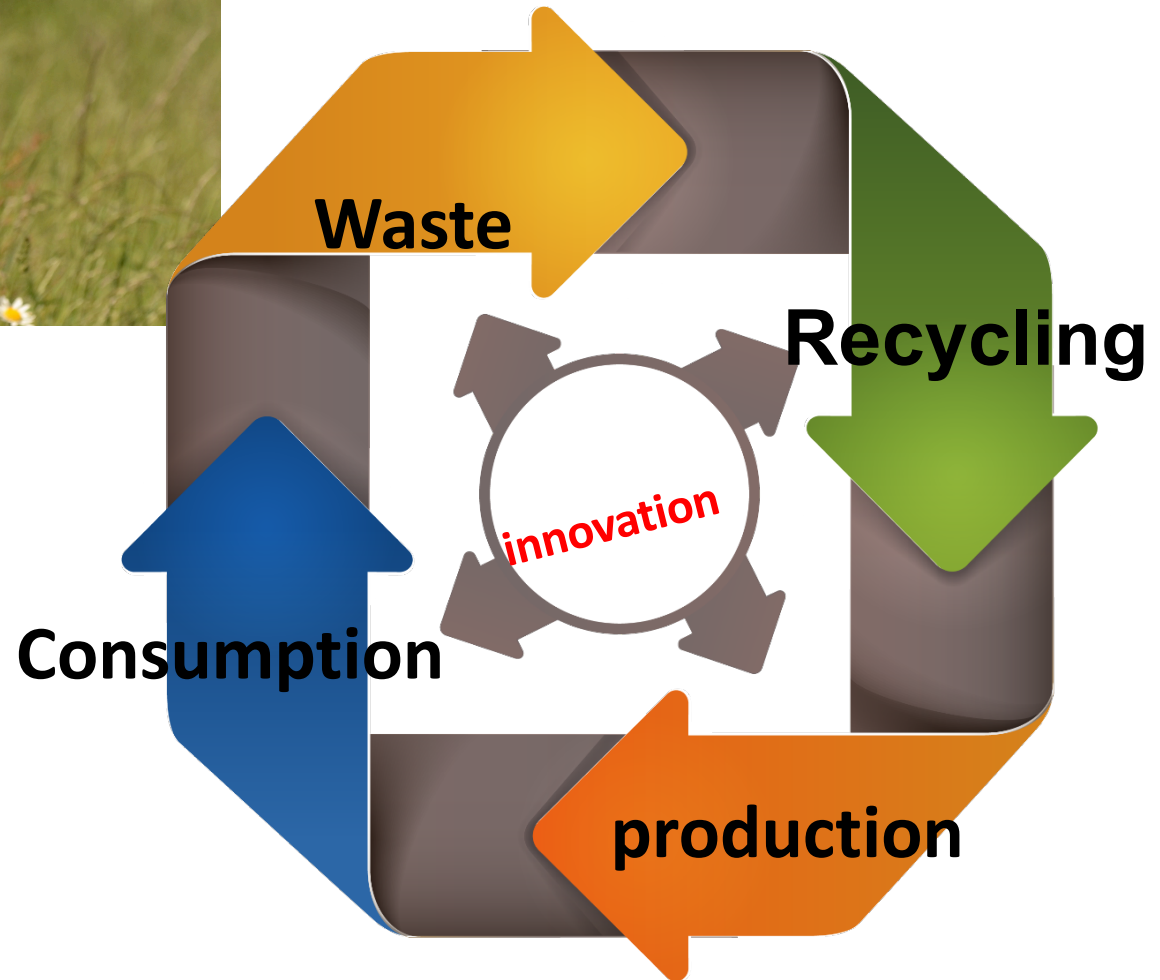
- Directive (EU) 2020/2184 of the European Parliament and of the Council of 16 December 2020 on the quality of water



Sustainable consumption

- **Greenwashing Directive (EU) 2024/825**
- Regulation (EU) 2024/1781 establishing a framework for the setting of **ecodesign** requirements for sustainable products

Circular Economy



New Waste Acts

- Revision of Directives 2008/98/EC and 2012/19 WEEE
- Directive (EU) 2024/1799 promoting the repair of goods
- Regulation 2023/1542 on batteries
- Regulation (EU) 2023/1542 on packaging and packaging waste
- Regulation (EU) 2024/1157 on shipments of waste

7. Circular Economy



Ecoconception and Reparation

- Ecodesign Regulation (EU) 2024/1781
- Directive 2024/1799 on the right to reparation (R2RD)

8. Natural Heritage



- 8.1. Farm to Fork Strategy
- 8.2. Forest Strategy
- 8.3. Biodiversity Strategy





2023 Forest Risk Commodities Regulation

Regulation 2023/1115 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation

8. Natural Heritage

Regulation (EU)
2024/1991
on nature
restoration



Member States have to restore

- 30% of degraded habitats to good condition by 2000,
- 60% by 2040
- 90% by 2050.

Planting of 3 billion native trees is planned by 2030

Objectives pursued by the EUDR

Aims at reducing the impact of EU consumption and production on deforestation and forest degradation worldwide.

Aims to minimise consumption of products coming from supply chains associated with deforestation or forest degradation – and increase EU demand for and trade in legal and ‘deforestation free’ commodities and products.

Imposes due diligence obligations on operators and traders.

Material scope: Commodities and products

FRC Reg, article 2 – Definitions:

- (1) ‘Relevant commodities’** means cattle, cocoa, coffee, oil palm, rubber, soya and wood;
- (2) ‘Relevant products’** means products listed in Annex I that contain, have been fed with or have been made using relevant commodities.
 - E.g., beef, pulp and paper (except if bamboo-based or recycled).

× CSDD: “Actual and potential human rights adverse impacts and environmental adverse impacts with respect to their own operations, the operations of their subsidiaries, and the value chain operations carried out by entities with whom the company has an established business relationship.” (article 1(1)(a))

Regulation (EU) 2021/2115

Good agricultural and environmental condition of the land (GAEC)
Regulatory requirements, particularly with regard to the environment and climate change (ERMG)






9. Are European funds up to the task?



9. Are European funds up to the task?

Fund	Objectives	Beneficiaries	Amounts
Recovery and Resilience Facility - Regulation (EU) No 2021/24	Solidarity - Covid-19 pandemic	MS - depending upon the impact of the pandemic	Climate change component 37% 2021-27: 72.3 billion euros
Just Transition Regulation (EU) No 2021/1056	Inter-regional solidarity	Regions dependent on heavy industry and coal	2021-27: 7.5 billion euros
Social Climate Fund Regulation (EU) No 2023/955	Citizen solidarity	Disadvantaged households - SMEs	2026-32: revenues from the auctioning of allowances from the ETS2 and 50 million allowances from the existing EU ETS
Modernisation fund ETS Directive 2023/87	Inter-state solidarity	10 MS with the lowest revenue levels	60 billion euros, although variable as dependent on ETS (2% of total amounts allocated over 2021-2030)
Strategic Technologies for Europe Platform (STEP) Regulation (EU) No 2024/795	Support for clean technologies	Enterprises	10 billion euros
Life Regulation (EU) No 2021/1783	Support for the protection of ecosystems	NGOs, public authorities	2021/2027: 5.45 billion euros



How to make the EU's economy more prosperous and competitive?

- 2024 Draghi report 'A **competitiveness strategy** for Europe'
- January 2025 **Competitiveness Compass** => 'cut red tape and simplify business environment'
- March 2025 new **Clean Industrial Deal**

Watering down the reform

2024 modifications to the Horizontal CAP Regulation: revised environmental “conditionalities”; exemption of smaller farms from controls and penalties for non-compliance with some of the rules

EUDR: postponement of its application by one year

2025 Omnibus Package: simplification of due diligence regarding business practices (CSDDD), simplification of reporting obligations (CSRD), curtailment of the scope of CBAM

Edodesign: risk of simplifying the standards through standardisation



The green Deal: a failure or a success?



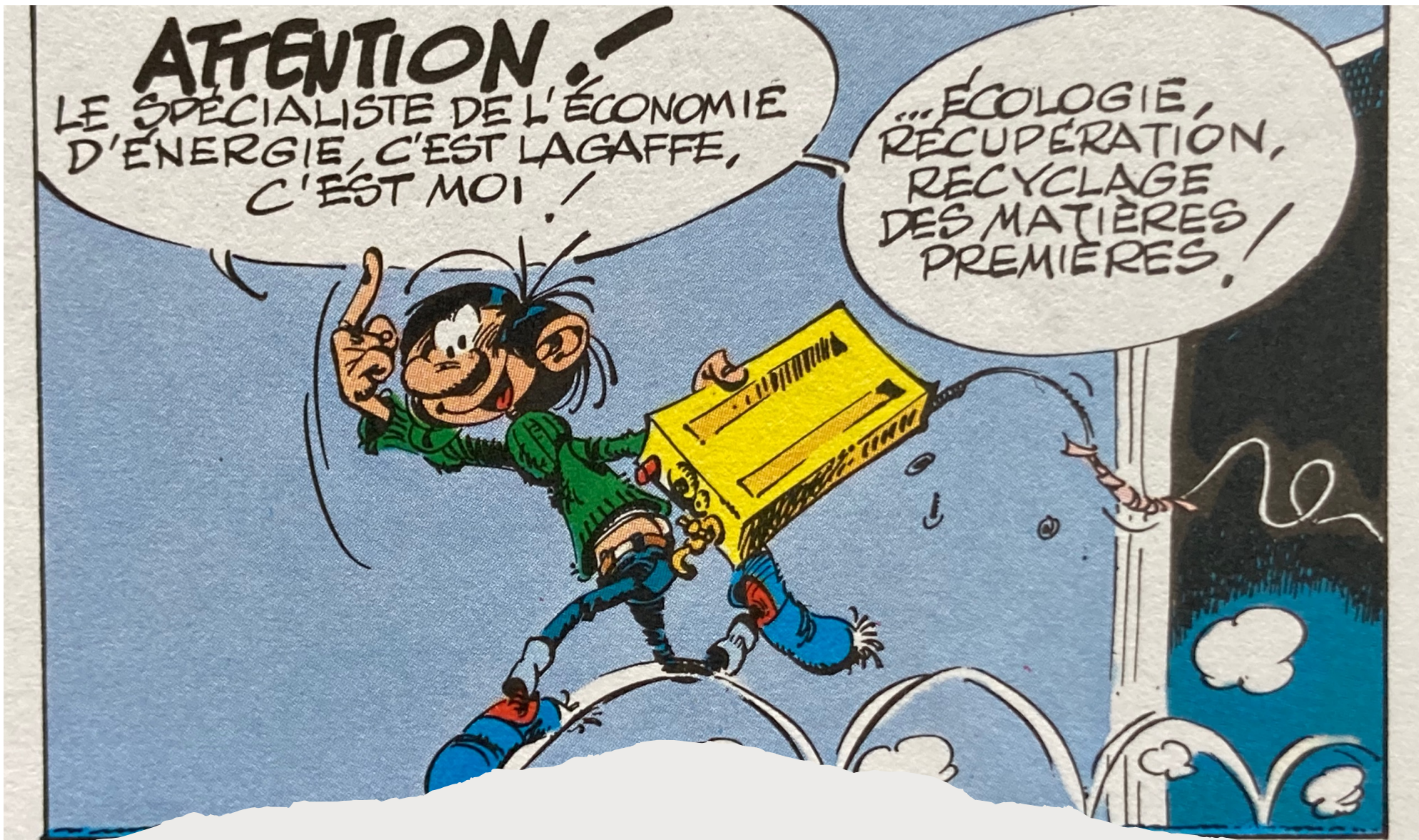
A TRANSITION TOWARD
A MORE SUSTAINABLE
ECONOMY?



A LIGHT
TRANSFORMATION?



GREENWASHING?



ATTENTION!
LE SPÉCIALISTE DE L'ÉCONOMIE
D'ÉNERGIE, C'EST LAGAFFE,
C'EST MOI!

...ÉCOLOGIE,
RÉCUPÉRATION,
RECYCLAGE
DES MATIÈRES!
PREMIÈRES!

Gaston Lagaffe à l'honneur!