

# SUMMARY

## Exchange of views between ENVI Committee and Frans Timmermans on the Fit for 55 Package



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### Exchange of views between Mr Frans Timmermans, Executive Vice-President of the Commission, and MEPs from the ENVI Committee on the Fit for 2030 Package

#### Chair Pascal Canfin (RE, France)

- He took stock of the work done in the previous two years, which was necessary to finalize the Fit for 55 Package (FF55) being presented on that day. He congratulated the Commission for all the hard work.

#### Mr Frans Timmermans, EVP for the European Green Deal

- He reminded that 14 July 2021 would only become a 'historic day' if both co-legislators agreed to turn the Commission proposals into legislation;
- He was convinced of the fact that this package was crucial to tackle climate change and biodiversity loss. It would then be necessary to convince other actors outside of the EU to follow suit;
- He admitted that this would be a hard process;
- There was no time to waste to meet the targets set for 2030, vital to reach climate neutrality by 2050;
- After his recent visit to Asia, he could confirm that all eyes were set on the EU, and not just because of CBAM;
- Some of the actions included putting a price on carbon across the economy and a 'premium on decarbonizing';
- He was well aware that the extension of the ETS system to corporate suppliers of fuels for buildings and transport would trigger a huge debate;
- He acknowledged the risk of social impacts these measures implied and to fight this a Social Climate Fund was proposed by the Commission, amounting to € 72.2 billion that Member States could match. He highlighted that Member States could make use of these funds to make clean transport and heating available to everyone. Member States would also have the option to give direct income support to the ones that needed it in a transitional period
- He asked MEPs to compare the costs of the transition with the costs of no-transition. He was determined that the latter was much higher, including social, environmental and geopolitical costs. Emphasizing this and the fact that the most vulnerable people would pay the highest cost of inaction was a requisite to gain the support of EU citizens.

#### Peter Liese (EPP, Germany)

- He echoed the extreme floods in Belgium, Germany and The Netherlands as a show that action was desperately needed;
- For the plan to succeed, it was important to communicate the initiatives in the best possible way. He called for more emphasis to be given to the incentives included in the FF55, such as the free-allowances to allow them in the development of breakthrough technologies for their decarbonisation;
- He called for more prescriptive and clearer rules on how Member States could spend the money gathered from ETS within the Social Climate Fund;
- He praised the work of the Commission on the proposal for the revision of the ETS, making reference to its extension to road transport and buildings, and disagreed with the positions held by S&D, Greens/EFA and ENVI Chair Pascal Canfin. He believed that the Commission followed a cautious approach ensuring that the ETS price would not reach € 60 per tonne until 2026;
- He asked for more information from the Commission on what could be the alternatives to this revision of the ETS, which could include more national actions, leading to distortions in competition. He referred to possible bans of internal combustion engines (ICEs) by 2025 and believed that would not be a good alternative;
- He went further and asked why the German Greens supported a similar measure to be implemented in Germany but not at the EU level.





### Jytte Guteland (S&D, Sweden)

- She praised the hard work put by the Commission and was pleased about the global leading role of the EU;
- On the publication of the proposal for CBAM, that would allow to phase out free allowances under the ETS more rapidly, making EU industries more sustainable and competitive;
- She welcomed the extension of the maritime sector in the ETS as well as the inclusion of international shipping despite the 50% rebate;
- She reflected that aviation would have to pay for all its emissions soon;
- She was happy about the phase out date for ICEs despite the huge pressure;
- Her group was concerned about the potential hostile reaction to climate policies and the negative impacts on poorer households that the extension of the ETS to road transport and buildings could create;
- She would like to hear in which ways would the Commission ensure that the Social Climate Fund reached the most vulnerable households and help them insulating their homes or access to electric vehicles.

### Bas Eickhout (Greens/EFA, Netherlands)

- Taking into account the ongoing discussions on the extension of the ETS to road transport and buildings, he thought that Peter Liese still had some work left to do in convincing his political group MEPs and even Commissioners;
- The level of ambition and the scope of the FF55 was of historical dimensions and already an achievement;
- He observed that the FF55 would deliver -55% GHG by 2030 but wondered whether some of its incremental approaches were adequate to move towards climate neutrality after that;
- He stressed big steps were required in areas such as energy intensive industries, and considered that the EU could not reach a 'wrong' lock-in situation with investments in hybrids or in natural gas. Additional policies would allow avoiding these lock-ins;
- His political group would fight for quicker decarbonization of the sectors that were able to do quicker than others. He highlighted the energy sector, specifically the phase-out of coal, and cars, which should move more quickly to zero emissions. Other sectors such as shipping and aviation were harder to decarbonize;
- Ensuring investments for industry was vital and, in his view, free allowances under the ETS did not help as it lowered revenues dedicated to investments later on;
- State aid guidelines were required to avoid that Member States subsidizing fossil fuels;
- His political group had concerns about the socially just transition. He believed that the European Semester should play an important role by ensuring tax reforms at the national level to ensure the application of the 'polluter pays principle'.

### Sylvia Limmer (ID, Germany)

- She believed that the Commission's vision of having to save the world was a fantasy;
- She observed the creation of more taxes, more intervention in the market;
- She was concerned about a possible increase in energy poverty and considered that cheap renewable energy was nothing but a 'fairy tale' as it was heavily subsidized by Member States;
- She believed that the move towards a bureaucratic dictatorship had already started.

### Alexandr Vondra (ECR, Czechia)

- He was worried about the possible social consequences of the measures proposed by the Commission;
- He supported the EU to have environmental policies but only 'balanced' ones;
- He did not think that the Commission was acting with the same pace to move towards green farming, biodiversity protection and the circular economy. He believed these areas would offer higher benefits at lower costs;
- The proposals were not fair to each Member States as more windy countries like The Netherlands would be benefitted while others such as Czechia and Poland had 'different geographic conditions' and it would hamper their economies;
- He asked whether the Commission had information concerning specific Member States in their impact assessments instead of the EU as a whole;
- He asked how much it would cost the extension of the ETS to road transport and buildings.



## Silvia Modig (The Left, Finland)

- She reminded that the European Climate Law did not fully align the EU with the Paris Agreement;
- She did not think that the proposals ensured that the phase out of fossil fuels was done quickly enough. She highlighted the existence of free allowances until 2035, kerosene tax exemption only fully lifted by 2033 and no explicit fossil subsidies ban. She asked EVP Timmermans in which way they would ensure that this phase out was quick enough;
- She asked about the plans of the Commission to finally include the agriculture sector in emissions' reductions;
- She was disappointed to see the 'Global South' included within the CBAM.

## Mr Frans Timmermans, EVP for the European Green Deal

- The EU ETS was the only instrument that the Commission deemed would bring a sufficient degree of change to reduce emissions in transport and buildings. An update of the Effort Sharing Regulation or a ban on car emissions would not have been enough.
- The Commission is aware the different starting points of Member States across the EU poses an added a risk for an increase in energy poverty. For this reason, the Commission has created the Climate Social Fund allowing for half of the ETS additional revenues (in co-financing with Member States) to be fueled into the most vulnerable EU citizens;
- After their analyses, the Commission concluded that not taking additional measures in road transport and buildings would prevent from meeting the 2030 target. He reminded that this target was enshrined in EU law and detractors to the ETS expansion to these sectors, or as EVP Timmermans' referred to it, ETS2, should offer an alternative;
- He agreed with the point made by Bas Eickhout in the need to push for national measures. The proposal for the revision of the Energy Taxation Directive would not be enough to tackle some of the matters the Commission observed. In his view, the European Semester offered a good channel for these discussions;
- He considered that reducing free allowances would accelerate change but it was also important to avoid that industries disappeared or moved outside of the EU;
- He would pay special attention and visit the MEMBER STATES and regions that would be more affected by the energy transition as there was a higher need to discuss the Commission's plans;
- He considered that Member States were perfectly able to impact assess what measures would mean for each of them;
- Global developments in the fight against climate change were speeding up. He was optimistic about this;
- He admitted that he would have liked to see a more decisive green turn of the new CAP. However, he observed the opportunities for carbon farming, carbon sinks and more ecological agriculture;
- As regards CBAM, he stressed that the Commission would do everything in their hands to ensure WTO compliance and reflected that placing a clear exemption for the Global South would mean sending an invitation for carbon leakage to those countries.

## Esther de Lange (EPP, Netherlands)

- Her political group warned that decarbonization should not lead to deindustrialization. Industries in transition should be protected;
- She referred to the interaction of targets, pricing and regulation. She called for a higher degree of details to understand the exact costs of the options that were chosen by the Commission instead of the ones that did not;
- She asked how the Commission would ensure that the money that Member States would receive under the Social Climate Fund would be used to help the citizens that would suffer the most.

## Mohammed Chahim (S&D, Netherlands)

- He asked Peter Liese to be more cooperative with other political groups to ensure it was a success of the whole Parliament;
- He reflected that the time for exceptions was over and that every sector needed to contribute;
- He asked how the Commission would ensure that direct income support under the Social Climate Fund reached the EU citizens that needed it the most.



### **Martin Hojsík (RE, Slovakia)**

- The situation was moving from climate crisis to climate catastrophe;
- Moving forward with the plan was an economic opportunity for Europe;
- He did not like the contrast between introducing carbon pricing for road transport and buildings and giving free allowances to ‘polluters’. He argued that a strong CBAM would allow them to have a fair market to operate within and would make it possible to phase out free allowances more quickly;
- As regards LULUCF, he was of the opinion that a higher total carbon sink capacity was possible but this required an increased contribution by farmers. He asked whether EVP Timmermans agreed that, if farmers were given the right tools, could exploit the potential of EU soils to move above 310 tonnes of CO2 absorbed by 2030;
- It was crucial to ensure that ‘green energy’ was indeed green. Taking into account a previous JRC report on woody biomass, he asked EVP Timmermans about the prospects of designing criteria within the revised Renewable Energy Directive (REDIII) that would ensure the protection of biodiversity.

### **Jutta Paulus (Greens/EFA, Germany)**

- She observed that energy efficiency had been mainstreamed in all the proposals and was happy about the exclusion of energy savings of fossil fuels investments under the revision of the Energy Efficiency Directive;
- She was disappointed that the Commission did not attempt to set binding targets for Member States;
- The introduction of energy management systems had been effective. She would like to know the reason why the Commission had set what she considered to be a high threshold as a big supermarket would be exempt from it;
- She emphatically asked why the Commission was encouraging investments in LNG on both the FuelEU Maritime and the Alternative Fuels Infrastructure Directive proposals. In her view, this would lead to the creation of stranded assets.

### **Catherine Griset (ID, France)**

- Establishing a carbon market for transport would lead to social unrest;
- She referred to requests coming from the USA to lift CBAM and asked what the Commission was planning to do to ensure higher environmental standards in third countries. She particularly mentioned developing countries;
- She believed that the EU would fail in trying to gather support in the next COP26 in Glasgow as there was not even consensus among Member States.

### **Anna Zalewska (ECR, Poland)**

- The proposals only proposed higher taxes and costs;
- She asked about a revision of the structure of the revised ETS and denounced it was based on speculation and not on free markets;
- She believed some parts of the FF55 had elements that belonged to ‘socialism’;
- As regards the transport sector, she reflected that after 1.5 years of work there had been huge problems to find an instrument to measure emissions.

### **Mick Wallace (The Left, Ireland)**

- The proposal for the revision of the LULUCF Regulation would expand its scope to cover non-CO2 agricultural emissions. He considered that this could incentivize the offset of methane emissions from agriculture;
- He reflected on the high proportion of livestock emissions in Ireland and the plans of the Irish government to grow that sector further;
- He asked whether EVP agreed that offsetting emissions could mean in practice to legitimize that emissions were not phased out;
- The CBAM would hurt less developed countries and the resulting revenues would not be used to assist them in becoming more sustainable. He asked how the Commission was planning to support these countries in doing so.

### **Jessica Polfjärd (EPP, Sweden)**

- She observed the increasing number of scientific developments that could support the green transition. She highlighted clean steel production processes or next generation batteries;



- She asked how the Commission proposals can encouraged innovation compared to the situation under the legislative framework currently in force.

### **Delara Burkhardt (S&D, Germany)**

- She was not as excited as other colleagues about allowing agriculture to offset GHG emissions. She would have wished that the CAP reform had tackled this issue and stressed that all sectors should contribute

### **Antoni Comín I Oliveres (NI, Spain)**

- Looking at FF55 from an industry perspective this was an ambitious package but analyzing it from a scientific perspective, it is the bare minimum;
- He called for CBAM to act not as a 'wall' for trade with developing but as a spur for global green transformation;
- Free allowances eroded the legitimacy of the CBAM, he asked for a more ambitious approach in the phasing out process.

### **Mr Frans Timmermans, EVP for the European Green Deal**

- In answer to Esther de Lange, he reflected that possible alternatives to the measures adopted included the mandatory energy consumption reduction of housing. This would be costly for EU citizens and there was no instrument that generated funds to support this transition;
- The legacy of the existing ICEs fleet would last for another 20 or 30 years. The Commission proposal would help to accelerate the reduction of their carbon footprint;
- He would like to be able to have more time in the coming months to carefully explain what would have been the costs of possible alternatives to the extension of the ETS;
- In case Member States matched the amounts generated through the Social Climate Fund would allow addressing energy poverty issues that went beyond the direct effects of the expansion of the ETS of the aforementioned sectors;
- He reflected that electric cars would only become cheaper in the future and echoed the commitments made by some major producers to quickly transform their production;
- He fully agreed with the point made by Martin Hojsík related to LULUCF. He observed that too often all the attention focused on forests but grasslands and peatlands held great potential for carbon sequestration and biodiversity restoration;
- As regards bioenergy, he reflected it needed to really be 'green'. He echoed the ongoing discussions on the 'not so green taxonomy' and emphasized the great popularity of green bonds in the market;
- He reflected that the decarbonization of maritime transport would need to be done through biofuels. He clarified that LNG terminals would play a transitional role;
- The only goal of CBAM was to prevent carbon leakage, this was mandatory to help the EU in its decarbonization path while not becoming a protectionist measure;
- Innovation was crucial and any new technologies that could help in the path to decarbonization deserved the highest level of attention;
- He considered that it was feasible to convince farmers to engage further in sustainable practices through ecoschemes, the possibilities offered by carbon farming and targeted investments;
- If the rest of the world continued moving in the right direction, there was a chance to stay within 1.5 degrees of global warming.

### **Pernille Weiss (EPP, Denmark)**

- She focused on the 2030 target set for energy efficiency under the Energy Efficiency Directive that was set at 36%. She considered that energy efficiency would be more cost effective if the target was 40%;
- She asked for the reasoning behind the 36% target.

### **César Luena (S&D, Spain)**

- He believed that jointly with Next Generation EU, the FF55 was the flagship of the EU;
- He stressed the need for ambition and fairness needed to go hand in hand;



- He suggested the possibility of rolling out the Social Climate Fund earlier and for a higher amount of resources to be available under it;
- He reflected on the need for progressive environmental taxation that did not place an excessive burden on EU citizens.

### **Martin Häusling (Greens/EFA, Germany)**

- The proportion of wood being used as bioenergy was too high in his opinion. He considered that wood could not be considered CO2 neutral;
- Germany was currently replacing coal factories with wood combustion. He thought that more strict criteria was required;
- He echoed previous mistakes in Germany in bioenergy as well as in biogas and hoped for this to change in the future.

### **Ljudmila Novak (EPP, Slovenia)**

- She had to listen to the introductory remarks from her office as she was watching the Tour de France;
- She wanted EP ENVI Committee and EVP Timmermans to visit Slovenia and enjoy its nature;
- She believed that the targets laid out in the FF55 might not all be achieved but appreciated the good intentions.

### **Hermann Tertsch (ECR, Spain)**

- Hundreds of millions of people would be affected by the plans. He considered that nobody knew, including the Commission, what was going to happen with the plans under the FF55;
- He echoed previous remarks made by EVP Timmermans on the need for less regulation and related it to the abundance of ‘impositions’ and taxes.

### **Mr Frans Timmermans, EVP for the European Green Deal**

- The target for energy efficiency was determined by the impact assessment conducted. The Commission believed that this was as ‘far as the EU could go;’
- He believed that climate and social justice were not antagonist concepts and refrained from embracing this narrative. The narrative needed to be clear to convince EU citizens, as he considered that most vulnerable citizens would be hurt the most by the climate crisis;
- He stressed that redistribution was not assigned to left or right policies and was a necessary instrument;
- He was shocked about Hermann Tertsch’s and reminded him it was necessary need to tackle desertification or ‘gota fría’ in Spain;
- In answer to Pascal Canfin’s question, he confirmed that a total 50% of the money would be available via the extension of the ETS to buildings and road transport. He wished to look in detail at the potential that this proposal had for the transformation.