

Flemish contribution to the public consultation on the EU's 2040 climate target

1. The 2040 climate objective

Whereas the timing for the proposal on the 2040 target is included in the EU Climate Law, it should be noted that the circumstances have changed significantly since the adoption of this legislation. The Russian invasion of Ukraine has prompted important concerns regarding the availability of energy as well as regarding the impact of rising energy prices on households and businesses. The Flemish government believes that the first priority of the European Commission should therefore be on assisting the Member States in speeding up the transition away from imported fossil fuels as well as on ensuring the availability of affordable energy, through the implementation of the agreed upon Fit for 55 legislative files. The focus of the Member States in the coming years should be on achieving the already ambitious 2030 targets through concrete measures. The nature of these short-term challenges warrants in our view the postponement of the discussion on the 2040 target.

When the timing is right, the Flemish Government will constructively contribute to the discussions on setting the 2040 target. The Flemish Region supports the objective endorsed by the European Council of 12 December 2019 to achieve a climate-neutral EU by 2050. The 2040 target is the next step to achieve this target, and with it the EU's contribution to achieving the goals of the Paris Agreement. However, a realistic approach should be followed in setting the 2040 target, finding the right balance between ambitions and achievability. It is therefore essential that the 2040 target takes into account the specific circumstances of the member states.

The impact assessment accompanying the 2040 target should therefore include:

- an analysis on different possible targets, including achievability, and consequences for households and businesses
- an analysis of the climate contributions of other trading blocks
- information on member state level, so that the effects of the different EU ambitions for 2040 can be measured

The Flemish Government furthermore believes that it is important to consider the timeline for the development of commercially viable innovative technologies. Even though these concrete measures are crucial to attain the 2050 EU climate neutrality target, they will not necessarily lead to emission reductions by 2040. As such, a linear path towards the 2050 target is not necessarily the most cost efficient trajectory towards achieving climate neutrality. This should be taken into account when setting the 2040 target.

All possible technologies should be considered in the fight against climate change and the contribution of carbon removals, including technological removals, should be an integral part of the future EU climate target. It is therefore crucial that greenhouse gas monitoring and accounting rules are applied in a consistent manner, so that Member States and businesses can make use of innovative methods of CO₂ removal and avoidance in order to attain their climate targets. Double counting should be avoided. Following the principle of technological neutrality, the most cost effective method will then be used to attain the climate goals. Based on the state of play of different technologies, emission reductions will remain the cornerstone of climate action.

2. The post-2030 climate architecture

Setting national climate objectives

In order to achieve the European long-term ambitions for climate and energy, each Member State, including Flanders, is taking drastic measures. Member States should therefore be allowed to estimate their own contribution to the European target in a bottom-up manner, as they can best judge what is proportionate. At the same time, we must recognize that some Member States have more possibilities to achieve rapid progress. In case the bottom-up contribution of the different member states is not sufficient to attain the EU target, additional measures should be required based on the cost-effective emission reduction potential of each Member State. In order to achieve the climate target in the most cost-effective manner, it is key that the Member States with the greatest cost-effective emission reduction potential make the greatest contribution. Furthermore, flexibility mechanisms (including international flexibility) must be put in place to allow Member States to achieve their targets in a flexible and cost-efficient manner.

Emissions trading

The ETS system now also covers road transport, buildings and ESR industry (ETS2), even though the same sectors are also covered by the Effort Sharing Regulation, and thus by the national energy and climate plans. Such double coverage might have an impact on targets, flexibilities and cost-effectiveness of EU climate policy and in any case reduces the flexibility of Member States to choose the instruments through which they achieve their national climate target. It remains unclear what the economic consequences of this double coverage will be. As part of the impact assessment, the European Commission needs to analyse if this 'double coverage' will be appropriate and instrumental in allowing member states to reach their respective 2030 reduction goals. This data should be used to determine whether 'double coverage' should be sustained or extended when we look at the implementation of the 2040-objectives.

The Government of Flanders is a priori a proponent to keep ETS1 and ETS2 separate due to the important differences in the emission reduction potential of the sectors covered, due to differences in price elasticity. Any decision to combine both system into a joint emissions trading system should be preceded by a thorough impact assessment analyzing the effects on households and businesses.

Additionally, the Flemish Government asks the European Commission to consider in its impact assessment whether a continuation of ETS fixed installations in its current form is desirable, considering the very different reduction potential in the power sector compared to the manufacturing industry. Establishing specific emission trading systems could allow an alignment of the climate target for both sectors with their cost effective contribution to the overall EU target.

AFOLU

We understand the need to have a combined vision for the land sector beyond 2030, for the purpose of aligning policies and instruments. However, in order to ensure the environmental integrity of the EU's climate policy architecture, we want to pursue the objectives of reducing emissions and increasing sinks separately. We maintain concerns that an AFOLU pillar would reduce incentives for the agricultural sector to reduce emissions on EU level.

National contributions to EU renewable energy and energy efficiency targets

Accomplishing the climate objectives is of the utmost importance and it is up to member states to define the means to reach these objectives. As such, Flanders is opposed to binding national sub-

targets related to energy efficiency or renewable energy, as well as to the continuation of the strict ambition gap filling mechanisms that de facto undermine the subsidiarity principle.

CBAM

The transition to a climate neutral and sustainable society can only be reached by global action. As the EU represents less than 10% of global emissions, the fight against climate change can only be won if global action is successful and if other trading blocks also take responsibility. As long as this is not (sufficiently) the case, measures against the risk of carbon leakage remain very important, in order to avoid that production (and with it: emissions) move to regions outside the EU with less stringent climate regulations.

This issue was partially left unsolved in the CBAM Regulation. A solution must be found for the competitive disadvantage that European companies face for their exports compared to their international counterparts that do not have an additional carbon pricing cost in production. Additionally, a clear impact assessment analyzing the effects on exporting industry on member state level is needed before extending CBAM to other sectors.

Furthermore, it should be noted that CBAM does not cover the entire value chain of products. A clear risk of carbon leakage therefore exists with regard to downstream products. The Flemish Government asks the European Commission to propose a concrete solution that also protects downstream products from the risk of carbon leakage.

Overall, Flanders considers it crucial that the impact of innovative technologies on production costs, as well as subsequent risk of carbon leakage, is taken into consideration when studying the post-2030 climate framework.

EU solidarity mechanisms

The Flemish government fully supports the principle to leave no one behind and finds that a socially just and inclusive transition is required in order to achieve climate neutrality.

Member States are best placed to ensure a socially just transition through national measures. Additionally, optimal use should be made of the various solidarity mechanisms that already exist, such as the Just Transition Fund, the Modernization Fund, the Cohesion Fund and the Social Climate Fund. These funds should ensure that each member state can contribute to achieving the EU climate target.