HEINRICH BÖLL STIFTUNG
BRUSSELS
European Union

EFFORT SHARING REGULATION (ESR)

Regulation (EU) 2023/857 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement

WHAT'S IN IT?

OBJECTIVE	GOOD PROSPECTS IN VIEW OF THE OBJECTIVE	MIXED PROSPECTS	A STEP BACKWARDS, UNDERMINING THE OBJECTIVE
Climate ambition in view of respecting the limit of 1.5°C global warming under the Paris Agreement			
100% renewables accelerating the phase-out of fossils and nuclear			
Fair participation of citizens in the benefits of the European Green Deal			

WHAT'S NEXT?

STATUS

Entered into force

MILESTONES

Since June 2024
EU Member States to submit their updated National Energy and Climate Plans (NECPs – partly delayed)

Since June 2024
European Commission report on the operation of the ESR and the suitability of national greenhouse gases (GHG) reduction targets delayed

January 2025
Full implementation starts

WHAT TO WATCH OUT FOR?

RISKS	LIMITED RISK	MEDIUM RISK	HIGH RISK
Speed. Slowing down the EU law's progress or implementation.			
Money. Conflict on distributional effects or lack of finance for making this EU law impactful.			
Fossil fuels. Open door to supporting the use of fossil fuels.			
Nuclear power. Open door to supporting the use of nuclear power.			

NO RISK
N/A NOT APPLICABLE

Learn more
eu.boell.org/green-deal-risk-radar

WHAT'S IN IT?

Climate ambition

Obliges EU Member States to reduce emissions in the transport, agriculture, buildings and waste sectors by on average 40% by 2030 (compared to 2005). Emission allowances in the first years will be generous, thereby allowing Member States to create surpluses that they can use to cover obligations in later years. Also, certain Member States can use surplus emission allowances and removals from the emission trading system (ETS) and land use, land use change and forestry (LULUCF) sectors to ease efforts in the ESR sectors.

100% renewables

The ESR commits EU Member States to reduce their emissions in the transport, agriculture, buildings and waste sectors but leaves it open to countries to decide how to do this. The role of renewables is not addressed.

Fair participation

Although not specifically addressed in the Regulation, the Social Climate Fund covers the ESR sectors (see our dedicated scorecard on the Emissions Trading System 2).

WHAT TO WATCH OUT FOR? RISKS

Speed **Money** **Fossil fuels** **Nuclear power**

Implementation of the ESR fully depends on EU Member States' action aligned with their targets, as evidenced in countries' NECPs. Until all final NECPs are submitted no complete judgement can be made but on the basis of the draft revised NECPs (submitted in 2023), it is clear Member States risk collectively failing on the ESR target.

It will be crucial to see how the EC responds to such a situation, also in light of the entering into force of ETS2 as the Commission and Member States might assume that the ETS2 will fill the gaps. Also, once the ETS2 starts, it will be crucial to see whether this parallel process will undermine (and start to replace) the ESR. A continued non-enforcement of EU legislation runs the risk of undermining the EC's authority in relation to the laggards amongst national governments.

> **'[The EU's effort sharing rules] need to be seriously revisited, [effort sharing] is not cost-efficient now.'** – KAI MYKKÄNEN, FINNISH ENVIRONMENT MINISTER, EURACTIV, 28 JUNE 2024.

FURTHER READING

- Transport and Environment: National climate targets off track: Six years left to course correct and avoid penalties, June 2024
- Ecologic: Raising the Bar on National Climate Governance in the EU. How EU policy can help Member States deliver certainty, accountability, consistency, and consensus on the road to net zero, July 2024

WHAT'S NEXT?

STATUS
Entered into force on 16 May 2023

- Full implementation should start in January 2025.
- The Regulation applies to small and micro-enterprises only from 30 June 2025.

Transposition by EU Member States

Member States are responsible for setting up national policies and measures to ensure the binding targets are reached. This is to be done through the National Energy and Climate Plans (NECPs) established by the Governance Regulation. Based on the 2023 revision of the ESR, Member States had to update their original NECPs. In a first phase (by 30 June 2023), Member States had to submit draft updated NECPs for revision by the Commission. By 30 June 2024, Member States had to submit their final updated NECPs. As of 1 September 2024, only ten countries (DE, DK, FI, FR, IE, IT, LV, LU, NL and SE) have done so.

Revision clauses and reporting duties

The European Commission (EC) shall submit a report within six months of each United Nations Framework Convention on Climate Change (UNFCCC) global stocktake on the operation of the ESR as well as on the suitability of the national greenhouse gas emission reduction targets as regards their contribution to the EU's climate objectives and to the goals of the Paris Agreement. That report shall include in particular an assessment of the need for additional EU policies and measures in view of the necessary greenhouse gas emission reductions by the EU and its Member States in a post-2030 framework (as of 1 September 2024, not published yet, although the first global stocktake ended on 13 December 2023).

Delegated acts and other related legislative action

There are many delegated acts relating to a wide range of issues. Further legislative action depends on the reviews mentioned above.

HOW TO IMPROVE IT? OPPORTUNITIES

The EC assessment of the final NECPs will potentially offer opportunities to push EU Member States to develop and adopt additional policies and measures. As some governments might overachieve on their national targets, there will be opportunities to go beyond the EU-wide ESR target by blocking trading of surplus allowances.

Similarly, a weak outcome of the overall NECP assessment might be used to push the EC to develop proposals to limit the use of loopholes such as the banking of surplus allowances from the first years of the ESR, from the ETS and from LULUCF sectors.

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