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Fit for 55

Delivering the EU's 2030 climate target

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We are at a pivotal moment in the world's response to the climate and biodiversity emergencies and we are the last generation that can still act in time. So begins the European Commission's 'Fit for 55' package published on 14 July, its most detailed legislative plan yet for the European Union to reduce net greenhouse gas emissions by at least 55% from 1990 levels by 2030. The publication of the wide-ranging set of interconnected proposals represents an important step in the European Green Deal ambition to achieve net zero emissions by 2050, and a significant acceleration from the previous target to cut emissions by 40% by 2030.

The package, entitled 'Fit for 55': delivering the EU's 2030 Climate Target on the way to climate neutrality", comprises updates to existing legislation and new measures involving a broad range of policy areas including energy, climate, the environment, industry, transport and trade. There are early indications that member states are already pushing back against the Commission's proposal for a new emissions trading system for transport and buildings. Other proposals that could prove controversial in specific sectors include new green measures for aviation and shipping fuel and charging importers at the border for the carbon emitted in the production of certain products abroad.

The proposals will require approval by the EU's member states and the European Parliament, a process that will take several months at least and may not be concluded until 2023. However, the package marks this decade out as a key period for Europe's efforts to deliver on the Paris Agreement commitments and sets out the EU's stall ahead of the UN Climate Change Conference (COP26) scheduled to take place from 31 October to 12 November in Glasgow, Scotland. The announcement of the Fit for 55 plan comes after EU member states agreed the European Climate Law in June which made the bloc's emissions targets legally binding.

"The fossil fuel economy has reached its limits. We want to leave the next generation a healthy planet as well as good jobs and growth that does not hurt our nature. The European Green Deal is our growth strategy that is moving towards a decarbonised economy. Europe was the first continent to declare to be climate neutral in 2050, and now we are the very first ones to put a concrete roadmap on the table. Europe walks the talk on climate policies through innovation, investment and social compensation." President of the European Commission, Ursula von der Leyen, 14 July.

This Dods EU Monitoring report provides an outline of the key Fit for 55 proposals and a roundup of the initial political and stakeholder reactions.

Key Fit for 55 proposals

The European Commission's wide-ranging Fit for 55 package includes proposals to prevent carbon leakage, apply emissions trading to new sectors and tightening of the existing EU Emissions Trading System (ETS), greater use of renewable energy and energy efficiency, accelerated introduction of low emissions transport and related infrastructure, changes in taxation, and measures to protect and promote so-called carbon sinks. It also sets out upcoming proposals on the revision of the energy performance of Buildings Directive and the revision of the third energy package for gas. Here is an outline of the key proposals:

EU Emission Trading System

The EU ETS puts a price on carbon and lowers the cap on emissions from various sectors on an annual basis. The Commission proposed lowering the overall emission cap further and increasing its annual rate of reduction. It has also proposed phasing out free emission allowances for aviation and alignment with the global Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), and to include shipping emissions for the first time in the ETS. To tackle the lack of emissions targets for road transport and buildings, it proposed setting up a new and separate emissions trading system for these sectors. To complement the EU's climate spending, the Commission wants member states to spend the entirety of their emissions trading revenues on climate and energy-related projects. It also wants a dedicated part of the revenues from the new system for road transport and buildings to be used to address the possible social impact on vulnerable households, micro-enterprises, and transport users. The Commission also proposed an increase in the size of the Innovation and Modernisation Funds.

Effort Sharing Regulation

The Effort Sharing Regulation (ESR) assigns stronger emissions reduction targets for each member state for buildings, road and domestic maritime transport, agriculture, waste and small industries. The ESR covers all greenhouse gas emissions in the EU which are not covered by the ETS and the Regulation on Land Use, Land-Use Change and Forestry (LULUCF). The proposal upgrades national targets in line with an EU-wide reduction of 40% in the ESR sectors compared to 2005 by 2030. Member states contribute to the overall EU reduction in 2030 with targets ranging from -10% to -50% below 2005 levels. The targets are based on member states' GDP per capita, while recognising the different starting points and capacities, and adjustments made to take cost efficiency into account.

Renewable Energy Directive

The Commission's revised Renewable Energy Directive aims to raise the target for the percentage of energy produced from renewable sources to 40% by 2030 from the previous target of 32%. Every EU member state will be expected to contribute towards reaching that goal, and specific targets are proposed for renewable energy use in various sectors, including transport, heating and cooling, buildings and industry. As well as helping protect the health of EU citizens and of the environment, the directive aims to encourage the EU's technological development and support job creation and economic growth. To meet both climate and environmental goals, the Commission also wants to strengthen the sustainability criteria for use of bioenergy, and member states must design any support schemes for bioenergy in a way that respects the cascading principle of uses for woody biomass.

Energy Efficiency Directive

To reduce overall energy use and tackle energy poverty, the Commission also revised the Energy Efficiency Directive to establish a more ambitious binding annual target for reducing energy use at EU level. It will guide how national contributions are established and almost double the annual energy saving obligation for member states. The household sector makes up around a quarter of all final energy consumption in the Union. The public sector will be required to renovate 3% of its buildings each year. The Commission argues this will drive a renovation wave, create jobs, and bring down energy use and costs to the taxpayer.

CO_2 emission standards for cars and vans

The Commission proposed stronger emissions standards for cars and vans, with a requirement for average emissions of new cars to drop by 55% from 2030 and 100% from 2035, compared to 2021 levels – as a result all new cars registered from 2035 will be zero- emission. For new vans, the reduction targets are 50% and 100%, respectively. In addition to contributing to the overarching climate goals, the legislative proposal aims to stimulate innovation in zero-emission technologies, and provide benefits to consumers and citizens from a wider deployment of zero-emission vehicles, such as improved air quality, more affordable zero-emission vehicle models and significant energy savings.

Alternative fuels infrastructure regulation

To ensure there is the infrastructure to support the switch to environmentally friendly road transport, the Commission's proposed Alternative Fuels Infrastructure Regulation will require member states to increase their charging capacity in line with zero-emission car sales. Member states will be required to install charging and fuelling points at "regular intervals" on major highways, which it states is every 60 kilometres for electric charging and every 150 kilometres for hydrogen refuelling.

ReFuelEU Aviation and FuelEU Maritime Initiatives

To lower emissions in the aviation and shipping market the Commission proposed two initiatives to encourage the use of more sustainable fuels. The ReFuelEU Aviation Initiative proposes EU-wide rules for sustainable aviation fuels (SAF) that will apply to fuel suppliers and airline operators. The regulation will oblige fuel suppliers to blend increasing levels of sustainable aviation fuels in jet fuel taken at EU airports, including synthetic low carbon fuels known as e-fuels. The proposal aims to promote advanced biofuels and synthetic fuels produced from green electricity. The Commission does not include crop-based biofuels in the ReFuelEU initiative for sustainability reasons. Hydrogen and electricity are also not included, because they are expected to be available only for short-haul flights and after 2035.

For shipping, the FuelEU Maritime Initiative, aims to stimulate the uptake of sustainable maritime fuels and zero-emission technologies. The proposal establishes limits on greenhouse gas intensity of the energy used on-board. Passenger ships and container ships are required to use onshore power supply unless they can demonstrate use of another zero- emission technology. The proposal covers all renewable and low-carbon fuels in maritime transport, such as liquid biofuels, e-liquids, decarbonised gas, decarbonised hydrogen and decarbonised hydrogen-derived fuels, as well as electricity. The Alternative Fuels Infrastructure Regulation will also require aircraft and ships to have access to cleaner electricity supply at ports and airports.

Energy Taxation Directive

The Commission proposed a revision of the Energy Taxation Directive (ETD) to better align the taxation of energy products with EU energy and climate policies. The Commission has argued that the Energy Taxation Directive of 2003 is not in tune with the more ambitious EU climate policies or the functioning of the internal market, and . The proposed revision would promote clean technologies and remove outdated exemptions and reduced rates that currently encourage the use of fossil fuels. It also aims to reduce the harmful effects of energy tax competition and help secure revenues for member states from green taxes, which the Commission argues are less detrimental to growth than taxes on labour.

Carbon Border Adjustment Mechanism

The Commission proposed setting up a new Carbon Border Adjustment Mechanism which would put a carbon price on imports of a selection of products to ensure climate action taken in Europe does not prompt ‘carbon leakage’ – a situation where European businesses seek to reduce climate-related costs by transferring production to countries with less stringent emission controls. The Commission argues that the mechanism will mean the price of imports will reflect more accurately their carbon content, and encourage international partners and producers outside the EU to take similar steps. The measure will be designed to comply with World Trade Organization rules and other international obligations.

LULUCF

The proposed Revision of the Regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry sets an overall EU target for carbon removal by natural sinks - forests and other ecosystems that absorb carbon thereby offsetting CO_2 emissions - equivalent to 310 million tonnes of CO_2 emissions by 2030. That represents a 15% increase on the current organic carbon sink, which the Commission estimates to be 268 million tonnes of CO_2 a year. It also implies a rapid reversal of the current downward trend in Europe's capacity to absorb atmospheric CO_2 which is forecast to shrink to 225 million tonnes by 2030. While EU countries already report on CO_2 emissions from the LULUCF sector, the Commission wants to give member states a set of binding carbon sink targets to achieve from 2026 to 2030.

According to the Commission, the EU should aim to reach climate neutrality in the land use, forestry, and agriculture sectors, including also agricultural non-CO_2 emissions, such as those from fertiliser use and livestock, by 2035. The revised LULUCF also allows for 'flexibilities', such as allowing an underachieving country to purchase 'carbon removals' from member states who have exceeded their national targets. The Commission's proposal also includes a requirement for member states to factor in some biodiversity elements through reporting, such as high carbon stock land, land units subject to protection and land units subject to restoration.

The Commission also published a new EU forest strategy which aims to improve the quality, quantity and resilience of EU forests, and includes plans to plant three billion trees across the bloc by 2030. It aims to support foresters and the forest-based bioeconomy while keeping harvesting and biomass use sustainable and preserving biodiversity.

Social Climate Fund

While there are predicted to be a wide range of long-term benefits from reducing greenhouse gas emissions, climate policies risk putting additional cost pressures on households, businesses, and transport users in the short term. To tackle this the Commission proposed a new Social Climate Fund to provide dedicated funding to member states to help citizens finance investments in energy efficiency, new heating and cooling systems, and cleaner mobility. It would be financed by the EU budget, using an amount equivalent to 25% of the expected revenues of emissions trading for building and road transport fuels. It would provide €72.2 billion of funding to member states, for the period 2025-2032, based on a targeted amendment to the multiannual financial framework. With a proposal to draw on matching funding from member states, the Fund would mobilise €144.4 billion to support a socially fair transition.

Political reaction

Presenting the package, **Frans Timmermans**, the Executive Vice-President for the European Green Deal, said, “This is the make-or-break decade in the fight against the climate and biodiversity crises. Together, our proposals will spur the necessary changes, enable all citizens to experience the benefits of climate action as soon as possible, and provide support to the most vulnerable households. Europe’s transition will be fair, green and competitive.” Given the wide-ranging nature of the proposals, several other Commissioners also commented on the package. **Kadri Simson**, Commissioner for Energy, said that reaching the Green Deal goals would not be possible without reshaping the EU’s energy system, as this is where most of the EU’s emissions are generated. “To achieve climate neutrality by 2050, the EU needs to turn the renewables evolution into a revolution and make sure no energy is wasted along the way,” she said. **Adina Vălean**, Commissioner for Transport, said, “This package will take us beyond greening mobility and logistics. It is a chance to make the EU a lead-market for cutting-edge technologies.”

The **Slovenian Presidency** of the Council of the EU said the bloc had to fulfil its climate commitments, but added that flexibility was also needed for each member state to achieve their targets as they had different starting positions and circumstances.

EU environment ministers discussed the Fit for 55 proposals for the first time since they were announced at an informal meeting in Slovenia on 20 July. The ministers welcomed the preparation of the European Commission’s package and stressed that it provided a good basis for further coordination. They concluded that fairness, solidarity, ambition and efficiency among the member states should be the guiding principles. Following the meeting, Andrej Vizjak, Slovenia’s minister of the environment and spatial planning, said that “We will do everything we can to bring this package as far as we can during our presidency so the French or the Czech presidency can complete the package. However, there is quite a lot of difficult work ahead of us, and we were able to see that in our discussion.”

He noted that “as regards the setting up of a special ETS scheme for transport and buildings, quite a lot of reservations were expressed. So I think it is going to be quite a hard nut to crack. At the beginning the Commission will have quite a lot of explanations to make, but I’m sure that at the end of the day we’re going to come up with a compromise.” Bloomberg reported that France, in particular, was pushing back against the proposal for a new carbon market for heating and road transport. France is due to take over the Council of the EU’s rotating presidency in January. The different Council configurations are due to discuss the legislative proposals in the autumn. The Environment Council has the Fit for 55 package on the agenda for October 6 and December 20, the Energy Council will discuss its respective proposals on December 2, while agriculture ministers will debate the package on October 11 and 12. The Economic and Financial Affairs Council will also discuss the package at a later stage.

The European Parliament’s various political groups welcomed the broad thrust of the package, with the exception of the Identity and Democracy Group (ID), but several expressed concern about ensuring the costs were borne fairly. The centre-right Group of the European People’s Party (EPP) agreed with the overall climate goal of the package, but said low-income families and middle class home owners should not be made to foot the bill. The Socialists & Democrats (S&D) argued for a socially just transition where the most vulnerable will be supported and assisted financially. The Renew Europe Group stressed the need for an ambitious, effective, balanced and socially fair legal framework, in line with the Paris Agreement and climate neutrality by 2050 at the latest. The Greens/EFA Group said it wanted to see more ambition towards a socio-ecological transformation. The Greens said they would work to strengthen the climate package during the negotiations. The European Conservatives and Reformists (ECR) did not object to the goal of achieving climate neutrality by 2050, but said they were highly concerned with the Commission's approach. It highlighted the need to consider the risks to poorer citizens, and to avoid endangering jobs in industry or neglecting rural and coal-dependent regions. The Left Group said the package should be a tool to combat inequalities and should not hurt working-class families and vulnerable people.

The Chair of the European Parliament's Industry, Research and Energy (ITRE) Committee, Romanian Christian-Democrat Cristian Bușoi, said the Fit for 55 package would require considerable effort by European industry, but he was convinced that it would allow the EU to gain competitiveness, conquer new markets and benefit from better jobs. Industry jobs should be protected from unfair competition, he stressed. The Chair of the European Parliament's Environment, Public Health and Food Safety (ENVI) Committee, French liberal Pascal Canfin, underlined the need for all the new laws to meet the EU's climate ambitions and transform society without social dislocation.

The European Parliament is due to start discussing the legislative package in September when it returns from the summer recess. Within Parliament, the various proposals will be dealt with by the relevant Committees with the ITRE, ENVI and Transport and Tourism (TRAN) committees likely to play leading roles. The legislative procedure, with the Council and Parliament each formulating their positions on each separate file and then going into negotiations, can easily take more than one year, meaning that the package may not come into effect until early 2023.

Stakeholder reactions

The wide-ranging nature of the Fit for 55 proposals has prompted reaction from an equally broad cross-section of interested parties. This report groups the responses under three headings: business groups, environmental groups, and bodies concerned with transport.

Business groups

Gas Infrastructure Europe (GIE) applauded the adoption of the package, and stated that fostering collaboration between regions, sectors, energy carriers and infrastructures is crucial. GIE argued in favour of applying a neutral technological approach and noted that gas infrastructure has a large role to play in supporting the future hydrogen infrastructure across Europe.

The **International Association of Oil & Gas Producers (IOGP)** said it was concerned by provisions which would prevent member states, industry and citizens from making smart use of natural gas to reduce their carbon footprint on the way to climate neutrality. It called on the European Parliament and the Council to use the months ahead to turn the proposals into inclusive and fact-based legislation and give everyone an equal opportunity to contribute to the EU's energy transition.

Eurogas expressed its commitment to the climate goals, and called for renewed stakeholder dialogue across the energy sector.

Eurelectric called on the EU and national policymakers to take consequential and prompt action to untap the full potential of clean electrification to decarbonise the economy. An overarching electrification strategy is urgently needed, according to the European electricity industry.

The Polish Electricity Association (PKEE) welcomed the publication and its objectives, while noting that new provisions should not undermine the need to preserve economic stability and should take into account different capacities and regional specifics of individual member states.

FORATOM, the European trade association for the nuclear energy industry, welcomed the package and underlined that nuclear energy has a key role to play in this transition.

BusinessEurope said the overall direction of the Fit for 55 package was right, but warned that the devil is in the details in finding the balance between climate ambitions and economic and technical challenges. It said it was concerned the Commission's plans to reduce the amount of Free Allocation to be received by the sectors covered by the Carbon Border Adjustment Mechanism risked destabilising the investment outlook for these sectors enormously. The Confederation of European Business added that it favours a predictable business environment that allows all European industry to make the investments necessary to decarbonise.

The American Chamber of Commerce to the EU (AmCham EU) applauded the ambitions laid out in the new package, while emphasising the need for an investment-enabling environment that will facilitate the uptake of technological solutions required for a successful and timely green transition.

IndustriAll Europe criticised the lack of new measures and resources that could ensure a Just Transition for workers impacted by the acceleration of the EU's decarbonisation and called for a legal framework for the anticipation of change. "Workers in our energy intensive industries, automotive and extractive industries are anxious about what this will all mean for their futures," it said.

APPLiA, the trade association for the home appliance industry in Europe, supported the objectives set out and called for the recognition of heating and cooling decarbonisation in buildings as a priority. APPLiA argued for a coherent and inclusive EU policy framework that works for its citizens, pursues higher degrees of sustainability, while preserving the Single Market, promoting industrial competition and freedom to innovate.

Orgalim, representing Europe's technology industries, welcomed the package and the increased targets in the Renewable Energy Directive and Energy Efficiency Directive.

FIEC, the European Construction Industry Federation, said several of the proposed measures will have a significant impact on our sector and on its capacity to play a key role in the achievement of the EU Green Deal. It said it would be looking "very closely" at the proposed extension of the Emissions Trading Scheme to buildings.

European Aluminium supported the principles of the legislative package, but warned against unintended effects of aluminium inclusion in the Commission's EU Carbon Border Adjustment Mechanism (CBAM) proposal. The association was concerned about the negative economic and climate impact of including aluminium in the pilot phase of the CBAM.

Eurometaux, the voice of non-ferrous metals producers and recyclers in Europe, said it was crucial that the EU strengthened carbon leakage protection to help its metals producers cope with a much higher carbon price and industry transition focus. It said it had concerns the Commission was proposing to weaken carbon leakage protection over the next decade.

EUROFER, the European Steel Association, expressed similar concerns and said the package needs a more finely balanced approach to enable the decarbonisation of EU steel industry while avoiding the leakage of production and CO_2 emissions outside the EU.

ePURE, the voice of the European renewable ethanol producers, noted that the Commission's proposal leaves room for biofuels such as renewable ethanol to help achieve the Green Deal, but should better maximise their potential for decarbonising transport.

FuelsEurope, the voice of the European petroleum refining industry, was concerned by the lack of recognition of the contribution of sustainable and renewable fuels in the vehicle CO_2 Regulation and the weakening of the carbon leakage protection for the EU industries. It said the revision of the CO_2 standards for cars and vans regulation misses the opportunity to stimulate the deployment of different innovative low-carbon technologies complementing each other to enable the effective and efficient decarbonisation of this transport sector.

The Renewable & Low-Carbon Liquid Fuels Platform said the proposals fail to fully recognise the crucial contribution of renewable and low-carbon liquid fuels in the decarbonisation of transport and the value of multiple technological pathways to achieve the 2030 and 2050 targets.

Bioenergy Europe was supportive of the objectives the package is trying to achieve, but it regretted that the new sustainability framework for bioenergy is poorly designed in both form and content. The "Fit for 55" package creates a top-down approach that makes it harder for member states to achieve a renewable future and contains burdensome retroactive measures which will be especially punitive to SMEs, it said.

EFET, the European Federation of Energy traders, welcomed the EU ambitions, but called on the Commission to consider the need for an effective EU-wide market in instruments verifying at the wholesale level of the value chain renewable and low carbon attributes of gases (including hydrogen).

Environmental groups

Climate Action Network (CAN) Europe said the overall level of ambition needs to be increased for the EU to fulfil its commitment under the Paris Agreement to limit global temperature rise to 1.5 degrees Celsius.

Friends of the Earth Europe warned that the new energy legislation in the package could put energy-poor households in jeopardy, with unfair rises in Europeans' energy bills.

WWF argued that the package still falls far short of what is needed for a science-based and socially fair shift to climate neutrality, and fails to fix the EU's "appalling" bioenergy policies.

Greenpeace said the package was unfit to tackle the climate crisis, arguing that it was based on a target that is too low, does not stand up to science, and will not stop the destruction of our planet's life-support systems.

Stakeholders concerned with the forestry sector, such as the **Swedish Forest Industries**, **Birdlife**, the **European Environment Bureau** and **Fern** welcomed the Commission's emphasis on the role of sustainable forest management and use of wood products for the green transition and mitigating climate change. However, they expressed concern that the Commission's overall focus on using forests as compensation for emissions from other sectors and introducing short-term sink targets. They also called for active forest management in order to maintain stable, long-term forest sinks for 2050 and beyond.

Transport groups

Transport & Environment (T&E) said the measures in the Fit for 55 package will make emissions-free cars accessible for all. William Todts, executive director of T&E, said that “the new EU rules will democratise electric cars and give a major boost to charging, meaning clean cars will soon be affordable and easy to charge for millions of Europeans.” He cautioned, however, that “carmakers will only have to start selling those cleaner cars in 2030. Our planet cannot afford another nine years of big talk but little action from the auto industry.” T&E welcomed the plan to strengthen Europe’s carbon market for aviation and mandate for e- kerosene jet fuel sales in Europe.

The **International Council on Clean Transportation (ICCT)** cheered that “the European Commission policy proposal continues to set a stronger emphasis on the real-world instead of the official type-approval CO_2 values of new vehicles” but lamented that “from a climate protection perspective, the proposal does not go far enough.”

ACEA, the European Automobile Manufacturers’ Association, said it supported the climate-neutrality target by 2050, but “banning a single technology is not a rational way forward at this stage – especially when Europe is still struggling to get the right enabling conditions in place for alternatively-powered vehicles.”

The **European Association of Automotive Suppliers (CLEPA)** also expressed the view that renewable fuels and electricity make transport climate neutral, not a ban on technology.

ChargeUp Europe, the industry association representing the electric vehicle (EV) charging sector, applauded the plan to deliver zero emissions in road transport, and in particular the move to establish a new Regulation on Alternative Fuels Infrastructure to replace the existing Directive with binding targets for cars and trucks.

IRU, representing the voice of almost one million European passenger and goods road transport operators, cautiously welcomed some of the proposals but warned that energy tax and emissions trading together risk an unbalanced double-dip hit to road transport costs for EU citizens and business.

National motoring organisations, such as the **FIA Region I**, expressed concerns about the challenges that will be faced by many in the transition and underlined the remaining uncertainties on the efficiency of the proposed ETS scheme for transport. “By assessing climate neutrality through the tailpipe emissions, the European Commission neglects an indispensable aspect in designing a climate neutral transport system: a fair assessment of all modes and their actual footprint on a life cycle basis,” said Laurianne Krid, FIA Region I Director General.

The International Air Transport Association (IATA) warned that the reliance on taxation as the solution for cutting aviation emissions is counter-productive to the goal of sustainable aviation.

Airports Council International (ACI) proposed the development of an EU Pact for Sustainable Aviation - a joint roadmap for industry and policymakers to align their actions towards realising the 2030 and 2050 climate goals.

The European Community Shipowners’ Associations (ECSA) called for ETS revenue to be used to help decarbonisation of shipping and welcomed the increased climate ambition.

The International Chamber of Shipping (ICS) said the EU’s overreach threatens to sink shipping’s decarbonisation efforts. Guy Platten, the secretary general of the ICS, said that other that an ideological revenue-raising exercise that will greatly upset the EU’s trading partners, “it’s difficult to see what extending the EU ETS to shipping will achieve towards reducing CO_2”, particularly as the proposal only covers about 7.5% of shipping’s global emissions.”

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