A study by Farm Europe has recently suggested that the draft 10-year National Energy and Climate Plans (NECPs) of the EU member states risk being ineffective because they lack a calculation method on the cost-effectiveness of the proposals.

The deadline to submit the plans is the end of the year and the authors of the report warn that none of the drafted NECP plans provide specific figures on how much the proposed measures will cost, which will directly impact the society as well as Europe’s climate objectives when it comes to transport.

The revised Renewable Energy Directive (RED II) offers a variety of measures to decarbonise transport, ranging from electrification to conventional, advanced biofuels and hydrogen.
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The EU risks missing its target to decarbonise transport by 2030, as in the current draft plans of member states there is no cost-effectiveness calculation of the different proposed measures, a study has found.

As part of the implementation of the new Renewable Energy Directive (RED II), EU member states are currently drafting 10-year National Energy and Climate Plans (NECPs).

These plans describe the precise mixture of renewable energies set to be used to meet climate objectives in transport. The deadline to submit the plans is by the end of the year.

Farm Europe, a think tank specialising in agricultural topics, has published a study suggesting that the current draft plans risk being ineffective due to the lack of a calculation method on the cost-effectiveness of the proposals.

The RED II offers a variety of measures to decarbonise transport, ranging from electrification to conventional, advanced biofuels and hydrogen.

According to the study, only three member states (Finland, Italy and Spain) have a robust transport decarbonisation plan while just seven (Czech Republic, Finland, France, Greece, Hungary, Italy and Slovenia) have considered all options.
“realistically”. In addition, a public consultation on NECPs took place in only nine countries.

COST ASSESSMENT AND ‘YELLOW VESTS’

However, the authors of the study warned that no draft NECP plan provides specific figures on how much the proposed measures will cost to society.

In general, the study pointed out that the vast majority of member states, such as Germany, Sweden, the Netherlands and Poland, “vaguely” rely on electrification. But the cost of transition to electric cars is not calculated in any member state and the slow progress when it comes to electrification infrastructure could be an obstacle for quick deployment.

German Chancellor Angela Merkel has vowed that Germany should install one million electric car charging points by 2030 in an effort to convince consumers to ditch petrol and diesel cars for their electric equivalents.

Tesla, which specialises in electric car manufacturing, recently announced that it will open a European Gigafactory in Germany. However, last July it reported large losses despite a relatively rise in electric cars demand.

“It is of utmost importance that society has a clear understanding of what to expect for the future and that citizens support chosen policy tools in order to achieve climate targets. Discussions today focus on ‘ambitions’ rather than on good governance,” the paper reads.

“The real work is gaining public support for and implementing policies that will reduce oil consumption next year, albeit at some level of cost,” the study noted. Referring to the ‘Yellow Vests’ protests, the study added that when climate plans are “derailed” by public protest then “the beneficiary is fossil fuel”.

The study criticised the lack of discussion in Brussels and national capitals on cost-effectiveness of transport decarbonisation policies, adding that EU taxpayers care about the cost of climate measures.

Based on the current draft plans, the authors tried to provide a first estimation of the carbon abatement cost specifying, though, that it’s not on a scientific basis. On average, the carbon abatement cost in the EU was calculated at €521/tCO2.

“The lowest cost is estimated for Finland, where the transport plan for the period of 2020-2030 is calculated to cost €225 per ton of CO2 abated.

The highest carbon abatement cost is associated with the transport plans of Cyprus, Portugal and Sweden at €772/tCO2,” the report noted.

EURACTIV asked the European Commission if it has provided EU member states with a cost-effectiveness calculation of the different transport decarbonisation measures.

An EU source admitted that in the case of NECPs no analysis has been made.

“The Commission regularly prepares impact assessments accompanying legislative proposals which provide information to member states on cost-effective measures to reduce emissions across various sectors,” the EU source said.

“In the context of the NECP process no such specific analysis has been undertaken, as the Governance Regulation doesn’t foresee it,” the source added.

However, the Governance Regulation explicitly states: “This Regulation sets out the necessary legislative foundation for reliable, inclusive, cost-efficient, transparent and predictable governance of the Energy Union and Climate Action.”
The European Commission should ask member states to provide cost assessments of carbon abatement in their transport decarbonisation plans, but also to compare “alternative paths to decarbonisation” and look beyond Europe for inspiration, an international expert on agricultural issues told EURACTIV.com.

Speaking about national energy and climate plans drafted by member states in response to the revised EU Renewable Energy Directive (RED II), Joao Pacheco, a senior fellow at Farm Europe, said:

“They should compare the costs of alternative paths to decarbonisation, and benefit from successful experiences in other member states, and indeed in other countries where there are actions to decarbonise transport like in the US or Brazil”.

EU member states are currently drafting their 10-year national energy and climate plans (NECPs) specifying...
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their options to decarbonise transport offered by RED II.

However, Farm Europe, a think tank specialising in agricultural topics, has published a study suggesting that the EU states risk failing due to the lack of a calculation method on the cost-effectiveness of their proposals.

According to the study, only three member states, Finland, Italy and Spain, have a robust transport decarbonisation plan.

**GOVERNANCE REGULATION REQUIREMENT**

An EU source told EURACTIV earlier this week that in the context of the NECP process, no such specific analysis has been undertaken, as the EU's Governance Regulation doesn’t foresee it.

The Governance Regulation explicitly states: “This Regulation sets out the necessary legislative foundation for reliable, inclusive, cost-efficient, transparent and predictable governance of the Energy Union and Climate Action.”

Pacheco, former deputy director-general in DG AGRI, said the cost-assessment is required by the Governance Regulation and for a good reason, which is that “the public acceptance of the efforts to be made depends upon the costs (and the way they are distributed)”. “High abatement costs could bring public resistance, and ultimately render unrealistic the measures proposed.”

**EXPOSING WEAKNESSES**

He emphasised that the executive should provide a public in-depth review of the NECPs but also thoroughly assess their conformity to the Governance Regulation requirements.

“In particular, the European Commission should evaluate the credibility of the national plans, measure the tons of carbon that would be abated as a result of those plans by 2030, and assess the cost of the measures proposed,” the Portuguese expert said.

He added that the EU executive should “publicly expose” weaknesses in the NECPs with a view to prodding national governments into acting consistently, otherwise the bloc will be unable to meet its own internal targets as well as the Paris climate goals.

Asked why there has not been any discussion of costs in Brussels, he replied that one gets the impression the EU is rushing to set new targets and levels of ambition rather than making sure to implement the existing ones.

“It is fundamental, in our view, to assess the reasons why the EU risks being short on the 2020 targets, and identify the best pathways, less costly for the society, to meet its goals.”

“If, as is likely, the 2020 targets are missed, the Commission should also examine which regulatory elements are constraining further reductions of emissions and propose adequate modifications,” Pacheco said.

“For instance, one of the cheapest ways to decarbonise transport is by using sustainable biofuels, but they face a stringent cap in the recently modified Renewable Energy Directive. How can this be justified if the EU is below its decarbonisation targets?” Pacheco said.
The European Union has both external and internal climate commitments. Externally, the European Union has made a pledge under the Paris Agreement to achieve a certain level of decarbonisation across all the Member States. Internally, the European Union has tried to translate these Paris Agreement obligations into targets for energy decarbonization (through the Renewable Energy Directive), energy efficiency (through the Energy Efficiency Directive), industrial/power decarbonization (through the EU ETS system of tradable carbon credits), and “everything else” decarbonization (through the Effort Sharing Regulation targeting transport, agricultural, waste and other sectors not included in the EU ETS system).

At the heart of this system is the Energy Governance Regulation, which is what is supposed to draw these various policies into an integrated whole to allow them to be quantified, measured, costed and stress tested to ensure that the EU’s amorphic “ambitions” actually add up to not less than the tons of carbon dioxide abatement of its Paris Agreement obligations.

Accordingly, the Energy Governance Regulation compels all Member States to generate integrated National Energy and Climate Plans, laying out what they will do between now and 2030 under the various directives and regulations described above. The Commission is then supposed to crunch the numbers to determine whether these NECPs aggregate to compliance under these directives, regulations and the Paris Agreement. The final NECPs are due to be submitted to the Commission by the end of 2019.

As a result of all this, we know a good amount about where the EU’s GHG emissions are coming from today and where they came from 10 years ago. Therefore, we know that most emissions, not surprisingly, come from three energy sectors roughly equally divided now among power generation (electricity), heating and cooling (mostly for industries) and transport. However, it is a new phenomenon that there is rough parity among these energy sectors. Whereas transport in 1990 accounted for only 15% of total EU GHG emissions, it now accounts for over 25%.

The recently-published study by Farm Europe aims to contribute to the discussion on the state of the draft NECPs from the perspective of the transport sector. It examines all the 28 draft NECPs from this point of view, underlining the importance of the need to make vital efforts in this area for Europe to succeed and reach its energy and climate targets. It focuses on the question whether or not the proposed measures, ambitions and tools in these draft Plans are truly able to effectively contribute to the decarbonisation of the European transport sector.

Read the full report at eurac.tv/9R2T.
Indeed, the transport sector has become the number one issue of EU decarbonisation policy, as its emissions track record has not improved in the last decade but on the contrary is on the rise. In contrast, there is visible progress outside the European Union, for example in the United States and Brazil. Both countries have shown that transport decarbonisation at scale is not only achievable, but need not be expensive or contentious or even be the result of “climate ambition”.

Progress in GHG reductions in Europe to date is largely due to EU success with relatively painless “low hanging fruit” in the power sector in the past decade, leading to assertions of climate leadership by the Union. However, this achievement has obscured the lack of meaningful decarbonization in transport. It is probable that large parts of the EU will not meet their 2020 targets. In this eventuality there is a case to be made that meaningful action on transport decarbonization could have ensured 2020 success.

What is absolutely clear is that for a 2030 success meaningful transport sector decarbonisation is required. In the next decade, if the EU ignores again the transport sector it will be left with no plausible path to comply with its Paris Agreement obligations.

Thus there is a large cloud hanging over the EU’s current climate policy.

Throughout the Member States and Institutions there is a noticeable trend to propose increased targets and ambitions for 2030, 2050 or even for 2100. This is a tendency that can easily escalate into a state of postponing much needed actions into the distant future that distracts the focus from concentrating on what could, should and needs to be achieved for today’s world.

This report aims to highlight this problem more clearly by focusing on transport sector energy. A similar analysis could just as easily apply to every other energy and non-energy sector in the EU, but that would be a far more complicated exercise than just focusing on transport sector energy. It is logical that similar efforts should be made for other sectors. There is a real possibility that the results would be similar, albeit perhaps not as disappointing as for transport sector energy.

Today there is no plausible argument that the NECPs as they were published in draft form earlier this year aggregate to any meaningful level of transport decarbonisation by 2030. Based on observing the draft NECPs or the Commission’s public comments attached to them, there is little room to assume that any substantive effort will be undertaken by the Commission to calculate in a systematic way the tons of carbon abated by the EU through 2030 - which is the only metric for compliance with the Paris Agreement - or the costs of such abatement - which is the only way to provide a credible and predictable path for a successful climate policy, which will not be overturned but supported by society as a whole when the challenges and their consequences arise (It is not without a precedent that social unrest and protests have happened before – see France in 2018-2019 – due to policy changes in such climate-related issues as fuel taxes). Openness on cost to citizens, taxpayers and society is important.

Therefore, it is of utmost importance that society has a clear understanding of what to expect for the future and that citizens support chosen policy tools in order to achieve climate targets. Discussions today focus on “ambitions” rather than on good governance. It is hard to argue against ambitious but vague policies targeting 2100. The real work is gaining public support for and implementing policies that will reduce oil consumption next year, albeit at some level of cost. Hence, the current deficiency in cost and implementation details from all the discussions makes it hard to argue that there is truly forward progress.

Regarding the assessment that we undertook, we examined the plans, targets, policy tools and initiatives for the transport sector in each draft NECP. As the chart below shows, we found that only Finland and Italy submitted a draft NECP with a clear and coherent transport plan where all renewable technologies are considered. A handful of countries (CZ, FR, GR, HU, SI) apply a comprehensive approach to renewable energy technologies in transport, furthermore, Spain’s transport decarbonisation pathway could be considered clear.

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The cost of transport decarbonisation is key, yet it is only discussed in two NECPs in any meaningful way. The carbon abatement cost of transport decarbonisation is the ultimate metric to gauge if a policy is cost effective or not. No draft NECPs contains a carbon abatement cost calculation or a ranking based on costs of the transport decarbonisation options. It is that an ambitious policy whose cost is unknown (or hidden) will lose public support when the costs become known and real. Furthermore, it is unlikely that citizens of one country will continue to support a set of policy measures costing two or three times as much per ton of carbon abated than in a neighbouring country with more cost-effective policies while achieving the same climate outcomes.

Logic, and history, show that when climate plans are derailed by public protest, the beneficiary is fossil fuel. The most effective way to preserve oil's status quo is to have climate policies that result in a public backlash. Therefore, only robust, ambitious and cost-effective final NECPs stand a chance to reign in fossil fuel dominance.

Public consultations play a key role in developing well-thought-out plans. Less than half of Member States held a public consultation for the draft NECPs. For the final NECPs EU regulation prescribes that public consultation must be carried out.

Based on the available literature, we calculated a transport sector carbon abatement cost under each NECP. The aim of the estimation was to indicate the rough

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magnitude of how much it would cost to abate 1 ton of carbon emission from transport. The figures are not intended to be definitive. It is the task of each Member State and the European Commission to come up with more precise calculations.

Our results show a transport carbon abatement cost of more than €500 on average in the EU under the NECPs, and there is a wide variation across countries. Compared to other sectors, transport decarbonisation is nowhere cheap, it is difficult to find technologies that cost less than a hundred Euros a ton, commonplace in other sectors. The chart below shows that in terms of cost of decarbonisation a lot depends on the choice of transport pathways and technologies. A given Euro will deliver substantially more carbon reduction in countries with well thought through transport policies.

It is important to note that in its communication, the European Commission did not raise any significant objections or recommend any structural changes to any NECP as in general its major comment was a call to increase the ambition. This per se leads to the conclusion that the Commission has in fact approved the part regarding the transport policies of the draft NECPs. Our assessment shows that major revisions are needed if the final NECPs are to stand a decent chance of bringing about cost-effective transport decarbonisation before 2030.

In conclusion, most draft NECPs do not present a robust transport decarbonisation pathway between 2020 and 2030. The draft plans appear to be insufficiently clear and coherent to be aggregated at EU level into a meaningful evaluation of whether the EU will meet its Paris Agreement obligations.
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