



### NGO priorities for the Fit for 55 trilogue negotiations

The window for stopping runaway climate change is closing rapidly, and action in the next few years will be decisive. The 'Fit for 55' package therefore constitutes the EU's best - and possibly last - chance to help meet the 1.5°C goal set out in the Paris Agreement.

As they stand, neither the Commission's original proposals, nor, as so far adopted, the positions of the Council and European Parliament, come close to what is required. But with appropriate compromises, a package might still be agreed that would move things forward. One that would do so in a socially fair way and make a significant contribution to the energy security and biodiversity crises we face.

We believe the key principles underpinning such a deal should be as follows:

1. **Keeping the 1.5°C target within reach.** The EU's current 55% target for 2030 is not commensurate with the climate emergency we face, or with an equitable approach to keeping global temperature rise to 1.5°C. But it is a floor, not a ceiling, and it could be exceeded if co-legislators agree to a strong ETS target, to limiting or eliminating flexibilities and loopholes within and between ESR and LULUCF, increasing renewable energy and energy efficiency targets, and setting an early phase out date for internal combustion engines in all cars and vans.
2. **Ensuring policy consistency across all dossiers.** All EU rules need to pull in the same direction, both in the Fit for 55 package and more broadly. Co-legislators must ban fossil fuel subsidies from public funds, meaning the exclusion of all fossil fuels from the Modernisation, Innovation and Social Climate Funds,

and the use of ETS revenues. At the same time, free ETS pollution permits for industry must disappear rapidly as the CBAM comes in, and access to the Modernisation Fund must be made conditional on countries having set a national climate neutrality target. The scandal of EU support for burning trees and crops in the name of climate action must end, and all parts of the package must reinforce not undermine the EU's environmental, nature protection and nature restoration goals.

3. **Putting fairness at the heart of the transition.** The Social Climate Fund (SCF) must be big enough to help the most vulnerable to make the transition and should be in place well before an ETS for road transport and buildings. Further safeguards such as price controls should protect the most vulnerable from excessive cost burdens while all ETS revenues should be spent on socially fair climate action and, where necessary, compensation schemes. Finally, citizens must have access to justice and be able to hold their governments to account on complying with EU rules.

**To deliver on these principles, and without prejudice to the parallel discussions on the Commission's recent RePowerEU proposals, we call on co-legislators to agree on the points below. This is not an exhaustive list, and does not in many cases represent what we believe is necessary or have been calling for. It consists of recommendations based on what is currently still on the table at this point in the negotiations.**

#### Emissions Trading System (ETS) and Carbon Border Adjustment Mechanism (CBAM)

- Increase the overall ETS target to at least 64%, as proposed by the European Parliament. To be achieved through a combination of a strengthened linear reduction factor (LRF) as proposed by the European Parliament, a one-off reduction of the cap (rebasin) by at least 117 million allowances, as endorsed by the Council, and a strengthened Market Stability Reserve (MSR).
- Make the allocation of free ETS allowances to industry fully conditional on both energy efficiency audits and the establishment of a company's decarbonisation plan at installation level, foreseeing a possible reduction by 100% for worst performers if not all requirements are fulfilled.
- Ensure that the EU ETS does not support fossil fuels, meaning that all ETS revenues must be spent on climate action and fossil fuel-related investment must be excluded from the scope of the Modernisation Fund.
- Make access to the Modernisation Fund conditional on countries having set a national target of reaching climate neutrality by 2050 at the latest.
- Include all highly-emitting industrial sectors (hydrogen, organic basic chemicals and polymers) and indirect emissions in the CBAM and implement it as an alternative to existing carbon leakage protection measures as soon as possible, by cutting the share of free ETS allowances for CBAM sectors significantly from 2026 onwards, reaching 0% earlier than 2032.

#### Emissions Trading System for buildings and road transport (ETS2/BRT) and Social Climate Fund (SCF)

- Subject the ETS 2 carbon price to controls, such as a rising price corridor and a requirement for fuel suppliers to absorb part of the carbon price, to avoid placing an excessive burden on the poorest households.
- Make sure the most vulnerable households receive targeted and timely support, including sufficient direct income support for the low and lowest income households, through the SCF. The SCF should start

at least 3 years before an ETS2 and involvement of partners including local authorities and communities should be assessed for the approval of the Social Climate Plans.

- Endow the SCF with a budget worth at least 25% of ETS2 revenue (i.e. a budget that increases with the carbon price) and oblige Member States to co-finance it with part of their ETS and ETS2 revenues.
- Require all ETS2 revenue to be spent on socially just climate action, reducing the risk of locking households into fossil fuel technologies - and hence a rising carbon price - for longer, and where necessary on compensation schemes.

#### Extension of the ETS to shipping and aviation

- Automatically include non-CO<sub>2</sub> greenhouse gases (such as methane and nitrous oxides), and emissions of the biggest ships (all ships above 400 GT), in the ETS. Plan now to include offshore service vessels within the Monitoring Reporting and Verification Regulation and the ETS.
- Ensure some ETS revenues go to subsidise green hydrogen and H<sub>2</sub> based synthetic fuels through Carbon Contracts for Difference.
- Extend the scope of the EU ETS to address the biggest chunk of aviation's climate problem, by including all departing flights (long haul) and monitoring non-CO<sub>2</sub> effects based on flight-specific data through the EU ETS
- Phase out free allowances as soon as possible, as aviation is not at risk of carbon leakage
- Increase transparency by requiring the Commission to publish all emissions data reported by airlines

#### Effort Sharing Regulation

- Minimise the emissions budget for this decade by adopting the emissions reduction trajectory proposed by the European Parliament.
- Limit flexibilities, as proposed by the European Parliament, to ensure timely and sufficient emissions reduction to meet the EU climate target.
- Reject any 'additional reserve' that expands offsetting with the LULUCF sector.
- Ensure highly potent methane and nitrous oxide emissions (from agriculture and waste) are reduced significantly this decade by supporting the Parliament's position on a sub-target for non-CO<sub>2</sub> emissions.
- Support the Parliament's position to grant access to justice for parties to hold governments to account when they fail to comply with the ESR and the Governance regulation, in accordance with the requirements of the Aarhus Convention

#### Land Use, Land Use Change and Forestry (LULUCF)

- Reject the Council's proposal to eliminate annual targets from 2026-2030 and move to relative targets for the year 2030.

- Reject the Commission proposal to merge agriculture and LULUCF after 2030, which would reduce much needed pressure to cut non-CO<sub>2</sub> agricultural emissions.
- Support the Parliament's position on flexibility mechanisms, to ensure they are limited and that biodiversity-related provisions in other EU legislation are followed. The impact of natural disturbances, which can be exacerbated by management choices, should be tracked and should not be subject to additional flexibilities.
- Support the Parliament's tighter restrictions on carbon storage products to avoid short-lived wood products being incentivised as climate-friendly solutions.
- Ensure that new reporting requirements to monitor areas subject to protection and restoration are legally binding, in order to ensure increased biodiversity, resilience and carbon sequestration.
- Support the Parliament's position to grant access to justice for parties to hold governments to account regarding national acts and targets adopted in compliance with the LULUCF regulation, as required by the Aarhus Convention

#### CO<sub>2</sub> standards for cars and vans

- Support a 2035 end date for internal combustion engine cars and vans, without loopholes or exemptions such as e-fuels.

#### Energy Efficiency Directive

- The Parliament's proposal for a 2030 energy efficiency target of at least 14.5% (PRIMES 2020), with both the primary and final energy consumption targets being binding, is a step in the right direction, but we recommend at least 20%, sticking to the PRIMES 2020 reference in lieu of PRIMES 2007.
- Support the Parliament's Energy Committee proposal for binding national contributions, including intermediate targets, and the introduction of a legally defined Energy Efficiency First Principle, which should apply to all investment decisions.
- More than double the annual energy saving rate, starting in 2024. Reject loopholes such as counting energy savings realised through fossil fuel combustion technologies and carry-overs between periods.
- Keep social housing in the scope of art. 6, thus making sure that this important part of the building stock gets priority in renovations.
- Support the proposal by the Commission/Parliament on the role of the public sector (Art.5), public bodies' buildings (Art.6) and public procurement (Art.7) for energy efficiency.

#### Energy Performance of Buildings Directive (EPBD)

- Foster deep renovations (whether in one-step or in a limited number of steps) and support stronger Minimum Efficiency Performance Standards (MEPS), i.e. with the worst performing buildings reaching level C by 2030/2033, and address bottlenecks in enforcement.

- Give Energy Performance Certificates (EPCs) a wider coverage and improve the quality of information they contain. Make deep renovations the standard ambition level of all energy renovations, ensure synergies with other parts of the legislative package (especially with EED and RED), and support aiming at zero emissions building throughout the full life cycle, looking beyond operational emissions only.
- End any support/subsidy for installation of fossil-based heating and cooling systems in all buildings as soon as possible and from 2025 at the latest, phasing out fossil fuels from buildings by 2035 at the latest, while ensuring dedicated support to the energy poor and vulnerable based on close monitoring of the social impacts of measures. Technical assistance and ad hoc financing should reinforce community action.
- Introduce a comprehensive and forward-looking framework encompassing the entire building stock from the entry into force of this Directive until 2050 for the measurement, reporting, benchmarking, and limiting of whole lifecycle GHG emissions from energy used in buildings and in the production of materials for construction and renovation.

### Renewable Energy Directive

- Increase the 2030 target for renewable energy to at least 50%.
- End EU support for burning types of woody biomass that increase emissions compared to fossil fuels over climate relevant timescales and for dedicated biofuel, biogas or energy crops.
- Ensure a strict hierarchy on the cascading use of biomass is respected, i.e. before being burnt for energy, alternative uses for biomass - including as natural carbon storage in forests - must be considered.
- Only promote environmentally sound renewable energy sources through the RED - reject any support for so-called low-carbon energy and nuclear energy and end EU support for new - including small (<10 MW) - hydropower, which should neither count towards the Union's renewable energy target nor be eligible for financial support.
- Strengthen measures to foster greater direct use of renewable electricity in industry, and introduce more binding measures for renewable heating & cooling provided by renewable electricity, geothermal and solar heating, facilitated through heat storage and district heating.

**As regards the Commission's RePowerEU plan, it is clear that we need a much faster deployment of wind and solar power and there are many ways in which this can be facilitated. However this cannot be at the cost of nature protection or the effective engagement of citizens and local communities, and several aspects of the Commission's proposals are concerning in this regard. The relevant amendments are at present being discussed in a parallel process and so we do not address them in detail here.**

### FuelEU Maritime

- Introduce a mandate on ships to use a minimum share of 6% Renewable Fuels of Non-Biological Origin (RFNBOs), generated by additional renewable electricity only, by 2030.

- Raise the GHG intensity reduction targets, especially for the years 2025, 2030 and 2035 to accelerate the emissions reductions from marine fuels
- Increase the reward factor for RFNBOs proposed by the Council from 2 to 5, to bridge the price gap between RFNBOs and other alternative marine fuels

#### RefuelEU Aviation

- Strengthen European leadership in e-fuels production by raising the ambition of the blending mandate for e-fuels to 0.1% (0.05 Mt) in 2025 and at least 2% for 2030 (1.00 Mt)
- Ensure true sustainability of Sustainable Aviation Fuels (SAFs) by capping the use of advanced biofuels which are limited in availability, such as used cooking oil, and exclude the use of category 3 animal fats
- Ensure renewable electricity and green hydrogen are counted as SAFs to lay the ground for zero emissions aircraft
- Oblige fuels suppliers to report on the aromatics content of kerosene to start addressing non-CO<sub>2</sub> effects of jet fuel

#### Alternative Fuels Infrastructure Regulation (AFIR)

- Instead of LNG infrastructure for ships, introduce targets for green hydrogen and ammonia ship refuelling infrastructure in EU TEN-T core ports
- Extend the 2030 shore-side electricity mandate beyond passenger ships and containerships to cover all ship types by 2035 at the latest
- Strengthen targets for charging infrastructure in countries with low Electric Vehicle-share
- Introduce full coverage of the TEN-T road network with charging infrastructure for electric cars by 2025 at the latest
- Ambitious targets for heavy duty vehicles (HDVs)-charging infrastructure from 2025, with no LNG infrastructure targets; targets for hydrogen refuelling infrastructure for HDVs should not apply before 2030

#### **Signatory organisations:**

World Wide Fund for Nature  
 Climate Action Network Europe  
 Transport & Environment  
 European Environmental Bureau  
 Carbon Market Watch  
 Birdlife Europe and Central Asia  
 Eco-union  
 The Green Tank  
 Germanwatch

Partnership For Policy Integrity  
Fern  
Zero  
Deutscher Naturschutzring  
Environmental Justice Network Ireland  
Euronatur  
Environmental Coalition on Standards