

## Summary of European Parliament & Council Positions on Fit For 55 Files

	<b>Council General Approach</b>	<b>European Parliament Position</b>	<b>Trilogues</b>
<b>Renewable Energy Directive II</b>	Adopted	Committee Adopted Awaiting Plenary Vote	Pending
<b>Energy Efficiency Directive</b>	Adopted	Committee Adopted Awaiting Plenary Vote	Pending
<b>ReFuelEU Aviation</b>	Adopted	Adopted	Pending
<b>FuelEU Maritime</b>	Adopted	Awaiting Committee Vote	Pending
<b>Emission Trading System &amp; Carbon Border Adjustment Mechanism</b>	Adopted	Adopted	Pending
<b>Alternative Fuel Infrastructure Regulation</b>	Adopted	Awaiting Committee Vote	Pending
<b>Energy Tax Directive (SLP)</b>	Negotiations ongoing	Awaiting Opinion	Not Applicable
<b>Energy Performance of Buildings Directive</b>	Negotiations ongoing	Negotiations ongoing	Pending

SLP: Special Legislative Procedure

## Revised Energy Efficiency Directive

### Aim

The Energy Efficiency Directive (EED) was originally in place to help EU member states increase energy efficiency by at least 20% by 2020. While in 2018 this target was raised to 32.5% by 2030, with the EU Green Deal the ambition was increased once again. The Commission has proposed to increase the energy efficiency target to 36% by 2030 in final energy consumption and 39% in primary energy consumption.

### European Parliament

The ITRE committee has approved its report on the revised EED and will submit it for plenary adoption in September. The major amendment put forward by the report is a further increase in the energy efficiency targets which the EU must meet by 2030, to bring the legislation in line with the REPowerEU plan. The targets are now proposed as a reduction of energy consumption of at least 40% by 2030 in final energy consumption and 42.5% in primary energy consumption.

### Council

The Council's General Approach has maintained the Commission's proposed EU-level targets of reducing energy consumption by 36% for final energy consumption and 39% for primary energy consumption by 2030. These figures shall be shared among member states through their indicative national contributions specified in the National Energy and Climate Plans to be updated in 2023 and 2024. The Council's position also staggers the energy savings obligation placed on members. Originally, member states were obliged to achieve new savings on energy consumption of 0.8% until 2023, and 1.5% per annum from 2024 until 2030. Council has put forward saving obligations of 1.1% of annual final energy consumption from 1 January 2024; 1.3% from 1 January 2026; and 1.5% from 1 January 2028 to 31 December 2030.

## Revised Renewable Energy Directive II

### Aim

The Renewable Energy Directive II (RED II) sets the legal framework to increase the share of renewable energy production and consumption in the EU. Prior to this revision, the EU target was a renewable energy share of 32% by 2030. This directive is being revised to match the EU's ambition in the Green Deal, with a new target of 40% by 2030.

### European Parliament

The ITRE committee has approved its report on the revised RED II and will submit it for plenary adoption in September. ITRE MEPs here also voted to further increase the climate ambition of the proposal, by setting a 45% target for renewable energy in the EU's final energy consumption by

2030. The report also seeks to double the number of obligatory cross border renewable energy projects to 2 per member state. For transport, the report puts forward a 16% GHG reduction target by 2030, up from the previous target of 13%.

### Council

The Council's General Approach has maintained the Commission's proposed EU-level target of a 40% share of energy from renewable sources in the overall energy mix by 2030. The Council's position has also increased other sub-targets. For instance, on transport member states may choose between a binding target of 13% reduction in greenhouse gas intensity in transport by 2030 or of a final energy consumption share of 29% renewable energy in the transport sector by 2030. The Council has also increased targets for heating and cooling systems, deciding on a binding efficiency increase of 0.8% per annum at national levels until 2026 and 1.1% from 2026 to 2030. The Council has also agreed to the indicative 1.1% annual target to increase in renewable energy use in industry, and to achieve an at least 49% renewable energy share in buildings by 2030. Finally, the Council's position also includes accelerated permitting procedures for renewable energy projects, consistent with the Commission's REPowerEU plan to reduce dependency on Russian fossil fuel imports.

### ReFuelEU Aviation

#### Aim

A significant reduction in the emissions generated by the transport sector is required to achieve the climate ambitions set out in the EU Green Deal. All forms of transport will have to contribute towards the 90% GHG emission reduction in transport set out in the Deal. The proposal aims to increase the share of Sustainable Aviation Fuels (SAF) overtime to phase out fossil fuel use and reduce emissions generated by the aviation sector.

#### European Parliament

In its position, the Parliament increases further the Commission's proposal concerning the minimum share of a sustainable aviation fuel (SAF) that should be made available at EU airports. The Parliament's figures are a 2% share in 2025, 37% in 2040 and 85% in 2050. The Commission's original figures were 32% for 2040 and 63% for 2050. MEPs have also amended the definition of SAF to also include certain recycled carbon fuels produced from waste processing gas, and exhaust gas deriving from production process in industrial installations. MEPs also included renewable electricity and hydrogen as part of a sustainable fuel mix, as both are promising technologies that could progressively contribute to the decarbonization of air transport. Nonetheless, feed and food crop-based fuels, and those derived from palm oil, soy and soap stock have been excluded. The Parliament has also put forward the creation of a Sustainable Aviation Fund from 2023 to 2050 to accelerate the decarbonization of the aviation sector and support investment in sustainable

aviation fuels, innovative aircraft propulsion technologies, and research for new engines. The Fund would be supplemented by penalties generated by the enforcement of these rules.

### Council

The Council's General Approach largely supports the objectives of the Commission proposal but stresses the importance of maintaining connectivity and the competitiveness of European aviation. The Council has excluded biofuels produced from food and feed crops from qualified as SAFs for the purposes of this legislation but have included recycled carbon aviation fuels. The Council has introduced several flexibility mechanisms for member states vis-a-vis their fuel shares and reporting obligations. Firstly, biofuels should account for a maximum of 3% of fuels supplied by each supplier to EU airports for the purposes of complying with the minimum shares. Additionally, when the minimum share of SAF has been reached on average across Union airports, including synthetic aviation fuel, during the previous reporting period, or at any time before 1 January 2027, a Member State may apply a higher minimum share of synthetic aviation fuel at one or several Union airports located on its territory, for the following reporting periods and until 31 December 2034. On refueling obligations, the Council also proposes an exemption for routes of less than 1200km and departing from an EU airport, justified by operational difficulties of refueling aircrafts with SAFs at the EU airports. Similar to the European Parliament's position, the Council advocates for the creation of a research fund supported by fines for non-compliance with the regulation.

## FuelEU Maritime

### Aim

Similar to the REFuelEU Aviation proposal, FuelEU Maritime aims to promote the use of sustainable fuels, this time in the maritime sector. The aim is thus to propose a common EU framework on the use of renewable and low-carbon fuels in maritime transport.

### European Parliament

The vote in TRAN is scheduled for October and a vote in the EP Plenary could take place later than month.

### Council

In its General Approach, the Council revised the scope of the requirements governing shore power supplies, enabling member states to extend obligations existing for ships at berth to also cover ships anchored in ports. The Council has also rejected the creation of an Innovation Fund supported by fines for non-compliance, instead favouring that the funds are distributed among member states. Nonetheless, these should still be used as support for the energy transition of the maritime sector.

## Emission Trading System & CBAM

### Aim

The EU Emission Trading System (ETS) is a carbon market established to reduce greenhouse gas emissions from some of the worst emitting sectors and place a price on carbon. The revision aims to increase the ambition of the ETS to match the 55% emission reduction target by 2030 placed by the EU Green Deal, and to extend the system to even more sectors such as road transport and buildings (ETS II), aviation and maritime.

The Carbon Border Adjustment Mechanism (CBAM) compliments the ETS by placing a price on the carbon embedded in products manufactured and imported from outside the EU, to protect EU manufacturers from carbon leakage. The Commission has proposed that CBAM's scope is initially limited to cement, aluminum, iron & steel, fertilizer and electricity.

### European Parliament

**ETS:** The Parliament's position increases the ambition in terms of emission reductions from 61% to 63% in ETS sectors. This is to be achieved through further one-off cuts to the EU-wide quantity of allowances in circulation, in combination with an increase in the annual reduction of allowances to 4.4% until the end of 2025, rising to 4.5% from 2026 and to 4.6% from 2029. The Parliament has also introduced a bonus-malus system which incentivises actors to implement the recommendations in their energy audits, certify their energy systems, or establish decarbonising plans. Failing to do so may risk losing all or some of their free allowances.

With regards to the maritime sector, MEPs want 100% of emissions from intra-European routes covered as of 2024 and 50% of emissions from extra-European routes from and to the EU as of 2024 until the end of 2026. From 2027, 100% of emissions for all trips shall be covered 100%, without prejudice to a derogation which may be applied to certain non-EU countries (50%). With regards to the extension of the ETS to buildings, the Parliament would like this to commence 1-year earlier than the Commission's plans (2024) and is seeking an exemption for citizens until 2029. Finally, all revenues from the ETS should be used for upskilling and re-skilling of workers potentially affected by the green transition.

With regards to the ETS for the aviation section, the Parliament's adopted position states that it shall apply to all flights departing from an airport located in the European Economic Area (EEA) and that free allocations to the aviation sector should be phased out by 2025. A derogation should be provided for emissions from flights between airports located in an EU outermost region and airports located in another EEA region, and flights between airports located within the same outermost region.

**CBAM:** MEPs have agreed to shorten the end date for cutting off free allowances to 2032 (originally 2035) and have extended the scope of the mechanism to also cover organic chemicals,

plastics, hydrogen and ammonia. The Parliament's position also supports the need for a centralised EU CBAM authority and mentions that revenue from CBAM shall accrue to the EU budget and be reflected in an increased support to least developed countries' decarbonisation efforts. A centralised authority would help combat 'forum shopping' by importers.

### Council

**ETS:** The Council has maintained the Commission's original emissions reduction target of 61% by 2030. As regards to the sectors covered by CBAM, the Council endorsed the proposal to progressively end free allowances for these sectors, over a ten-year period between 2026 and 2035. However, the Council accepted a slower reduction at the beginning and an accelerated rate of reduction towards the end of this transition period. The Council has also agreed to redistribute 3.5% of the ceiling of the auctioned allowances from maritime to those member states which are heavily dependent on the sector. The Council also proposes to delay by 1-year (2027) the setting up of an ETS II for road transport and buildings.

With regards to the ETS for aviation, the Council agreed to phase out free emission allowances for this sector gradually by 2027 and align the proposal with CORSIA. Thus, EU ETS will apply for intra-European flights (including the United Kingdom and Switzerland), while CORSIA will apply to EU operators for extra-European flights to and from third countries participating in CORSIA. The Council agreed to set aside 20 million of the phased-out free allowances to compensate for the additional costs associated with the use of SAFs. The Council also takes into account specific geographical circumstances and proposes limited transitional derogations.

**CBAM:** In its General Approach, the Council has further increased the scope of products covered by the mechanism, to include several other aluminum products, cement, wiring, among others. The Council has also introduced a provision to exempt consignments of an intrinsic value lower than 150 EUR but have included measures to analyse trade patterns and avoid abuse of this exemption. The Council has also proposed to increase the penalties applicable for non-compliant importers of CBAM goods.

### AFIR

#### Aim

The principal aim of the Alternative Fuel Infrastructure Regulation (AFIR) proposal is to ensure that there is enough infrastructure for cars, trucks, ships and planes to (re)charge or (re)fuel with alternative fuels (e.g. hydrogen and liquefied methane) with good enough coverage across the EU as to avoid range anxiety.

### European Parliament

The vote in TRAN is scheduled for October and a vote in the EP Plenary could take place later than month.

### Council

While the Council has maintained the fundamental aspects of the Commission proposal, it has also introduced certain important amendments. In particular, the Council has provided for a gradual process of infrastructure deployment for electric heavy-duty vehicles starting in 2025 and covering all TEN-T roads by 2030. Furthermore, to maximise the efficiency of investments in hydrogen refueling and to adapt to technological developments, the requirements are focused on the deployment of hydrogen gas refueling infrastructure along the TEN-T core network. The council has adapted the proposal to ensure that electric recharging requirements are compatible with real-world circumstances and that investments are proportionate to needs, allowing some leeway with regards to the power and frequency of recharging pools for road sections with very low traffic.

## Revised Energy Tax Directive

### Aim

The Energy Tax Directive (ETD) entered into force in 2003 and lays down structural rules and minimum excise duty rates for the taxation of energy products used as motor fuel and heating fuel, and electricity. Individual Member States are then free to set their own rates if those minimum rates are respected. The main objective of the revision is to introduce a new structure of tax rates and to broaden the taxable base. The most significant aspect of this file is the proposed removal of the energy tax exemption on fuels used in aviation and maritime (kerosene and heavy oil).

### Council

Negotiations are still ongoing. Since this is a taxation file, the Council will require unanimity of member states to adopt the legislation. The Parliament has a consultative role.

## Energy Performance of Buildings Directive

### Aim

The overall objective of the revised EPBD is to increase renovation rates of existing buildings in Europe and achieve a zero-emission building stock by 2050. This is defined by the Commission as a building with a very high level of energy performance, while meeting its energy demands through renewable sources. This will require a largescale renovation of national stocks of existing buildings across Europe, and the upgrading of technical standards for new buildings.

### European Parliament

Negotiations in the ITRE committee are still ongoing.

### Council

Negotiations in the Council are still ongoing.