Status Update on Fit For 55 Packages

Policy Brief

May 2023

	Council	European Parliament	Trilogues
EED	✓	✓	Provisional Agreement
RED II	✓	✓	Provisional Agreement
ReFuelEU Aviation	✓	✓	Provisional Agreement
FuelEU Maritime	✓	✓	Provisional Agreement
ETS & CBAM	✓	✓	Provisional Agreement
AFIR	✓	✓	Provisional Agreement
ETD			
EPBD	✓	✓	Negotiations ongoing

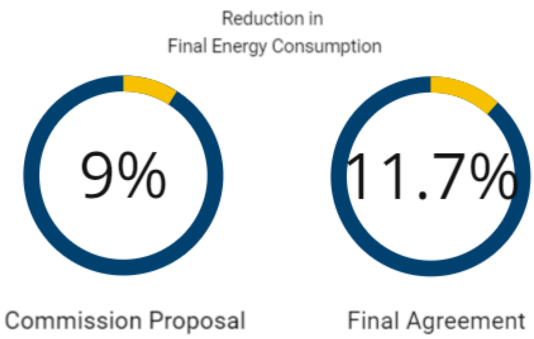
Revised Energy Efficiency Directive

Aim

The Energy Efficiency Directive (EED) was originally in place to help EU member states reduce energy consumption by at least 20% by 2020. In 2018, this target was raised again to 32.5% by 2030. In line with the Green Deal ambition, the Commission has once again proposed to further reduce energy consumption by 9% by 2030, this time compared to 2020 levels.

Trilogue Agreement

The Council and European Parliament have reached an agreement on the EED proposal, setting an energy consumption reduction target of 11.7% by 2030, even higher than the Commission's original proposal. All member states will contribute towards this objective through indicative national targets set by their national energy and climate plans (NECPs). Updated NECPs are due this year and in 2024.



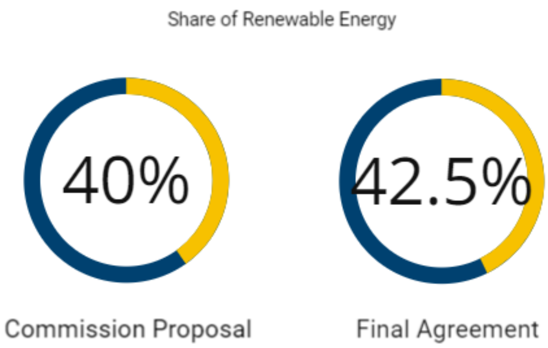
Revised Renewable Energy Directive II

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.

Trilogue Agreement

The Council and European Parliament have reached an agreement on the RED II proposal which seeks to increase the share of renewables in the EU energy mix. The agreed target is to achieve a 42.5% share of renewables in EU energy consumption, with a possibility for an additional 2.5% 'top up'. Complimenting this, industry is required to increase renewables use by 1.6% per year, including through renewable liquid and gaseous fuels of non-biological origin (RFNBO). Separate targets apply to the transport sector, with member states allowed flexibility to



choose between a binding GHG emission reduction target of 14.5% or a 29% share of renewables in energy consumption by transport.

Emission Trading System & CBAM

Aim

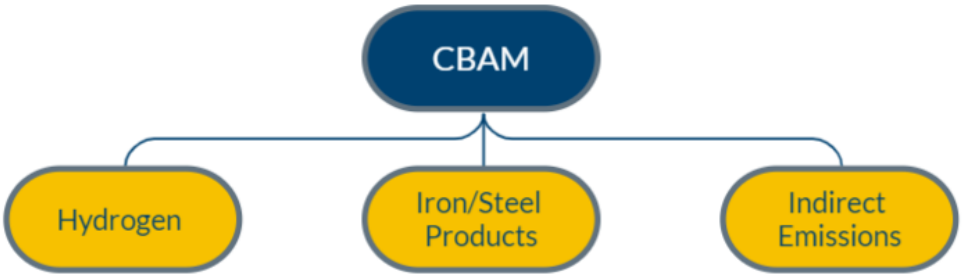
The EU Emission Trading System (ETS) is a carbon market established to reduce greenhouse gas emissions from some of the worst emitting sectors and place a price on carbon. The revision aims to increase the ambition of the ETS to match the 55% emission reduction target by 2030 placed by the EU Green Deal,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

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.

Trilogue Agreement

The Council and Parliament have reached an agreement to increase the emission reduction target of ETS sectors to 62% by 2030. The agreement has also reinforced a mechanism intended to keep allowance prices stable through an automatic release of allowances when needed. Additional requirements will apply to those installations benefitting from free allowances, such as the need to conduct energy audits or climate neutrality plans. Free allowances from CBAM sectors shall be gradually phased out over 2026-2034. On the maritime front, the agreement stipulates that shipping companies falling in scope will be obliged to surrender the following allowances: 40% for verified emissions from 2024, 70% for 2025 and 100% for 2026. Finally, a separate emissions system for road transport and buildings has also been created.

On CBAM, its scope has been extended to also cover imports of hydrogen, certain products down the iron/steel value chain, which are made (almost) exclusively from iron/steel such as bolts and screws, and indirect emissions. Furthermore, the Commission will review whether to include polymers (plastics) and organic chemicals, at the end of the transitionary period. As a new anti-circumvention measure, artificially splitting up shipments into smaller consignments that do not meet the de-minimis threshold of EUR 150 will be banned. Other practices such as trans-shipping via an exempted country will be monitored. The first phase of CBAM shall commence from 1st October 2023.



Scope extended to the above

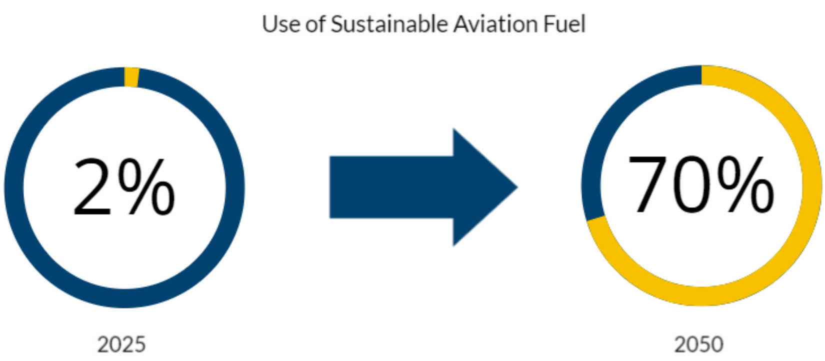
ReFuelEU Aviation

Aim

A significant reduction in the emissions generated by the transport sector is required to achieve the climate ambition set out in the EU Green Deal. All forms of transport will have to contribute towards the 90% GHG emission reduction target in transport. 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.

Trilogue Agreement

The European Parliament and Council reached an agreement on the ReFuelEU regulation, which obliges airlines to use increasing shares of SAF from 2025. This percentage will start from 2%, rising to 70% by 2050. Airlines will also be obliged to only refuel with appropriate amounts needed for the journey, to limit extra weight during trips and avoid 'tankering' practices. Airports will also be obliged to ensure appropriate infrastructure for SAF distribution.



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.

Trilogue Agreement

The European Parliament and Council have reached an agreement on the FuelEU Maritime proposal which retains many of the main elements of the Commission proposal, while introducing several amendments. The agreement further increases the reduction targets for GHG intensity of energy used on board ships by 2035 and introduces measures to encourage the use of RFNBO. The agreement also aligns onshore power supply requirements with AFIR (see below) and amends the intended use of revenues generated through penalties due to non-compliance.

Alternative Fuel Infrastructure Regulation

Aim

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

Trilogue Agreement

The Council and European Parliament have reached an agreement on the AFIR proposal, which stipulates that publicly accessible charging infrastructure with a power output of 1.3 kW need to be installed for every battery-electric vehicle registered in a member state. Furthermore, fast recharging stations (150 kW) needs to be installed every 60km along the trans-European transport (TEN-T) network from 2025 onwards, while minimum outputs of 350 kW need to be provided for heavy duty vehicles. Charging points in maritime ports, airports, and for hydrogen cars and lorries must also be set up.

1.3 kW Charging Infrastructure per registered EV

150 kW Fast Charging per 60km on TEN-T

Minimum outputs of 350 kW for heavy duty vehicles

Charging points at maritime ports, airports, and for hydrogen vehicles

Energy Performance of Buildings Directive

Aim

The objective of the revised Energy Performance of Buildings Directive (EPBD) is to increase renovation rates of existing buildings in Europe and achieve a zero-emission building (ZEB) 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 onsite, through energy communities, or through district heating and cooling systems. This will require a large-scale renovation of national building stocks across Europe, and the upgrading of technical standards for new buildings.

European Parliament

The European Parliament has further increased the proposal's ambition by putting forward shorter cut-off dates for new ZEB and for the renovation of existing buildings. It has included a new requirement for the mandatory installation of solar energy on buildings where feasible, while also amending the definition of ZEB to include a reference to renewable energy provided by the grid.

Council

As with the Parliament's opinion, the Council has also amended the definition of ZEB and introduced mandatory solar energy on buildings. However, for the latter it has included an exemption for existing non-residential buildings below 400m2. The Council has decided to maintain the Commission's original target date for new ZEBs (2027), while amending the approach towards building renovation. Buildings with an unfavourable cost-benefit analysis will be exempt from renovation requirements.

	Council	European Parliament
Mandatory Solar Energy	Exemptions for non-residential buildings below 400m2	Solar energy where technically and economically feasible
ZEB Definition	Removed reference to renewables generated onsite	Includes renewables supplied through the grid
ZEB Targets	Maintained Commission targets	Shortened target dates
Renovation	Threshold approach - 15% worst buildings to be renovated by 2030, and 25% by 2034 Exemption for buildings with unfavourable cost-benefit assessment	Shortened cut-off dates

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.

Council

Negotiations are still ongoing.

For questions or more detailed information please contact EU Affairs Manager Daniel Debono and Manager – EU Policy (Sustainability) Gabriel Cassar on infobrussels@mbb.org.mt

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