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# The European Green Deal

and the “Fit for 55” policy package



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## Background and goals

In July 2021, the European Union adopted the first climate law as part of the so-called European Green Deal, goal of which is to ensure at least **55 per cent reduction in greenhouse gas emissions** by 2030, compared to 1990 emission levels, **3 billion additional trees** to be planted in the EU by 2030 and being **the first climate neutral continent** with no net emissions of greenhouse gases by 2050.

## Structure of the Green Deal

The European Green Deal consists of **nine major policy areas**, each of which consist of dedicated regulations, strategies and funding sources for related projects that have different stages of maturity, but all aim towards the same objective – being the first climate-neutral continent:

1. Clean, affordable, sustainable and secure energy.
2. Cutting emissions.
3. Zero pollution.
4. Preserving and restoring ecosystems and biodiversity.
5. Sustainable and smart mobility.
6. Clean and circular economy.
7. Healthy and environmentally friendly food system.
8. Innovative building.
9. Just transition to a climate-neutral economy for everyone.

The European Green Deal is a bundle of legislation from various sectors which includes:

- climate and pollution,
- energy and fuels,
- products and packaging,
- transport,
- buildings and construction,
- land use and forestry.

# Climate

## European Climate Law

This Regulation establishes a **framework for the irreversible and gradual reduction of greenhouse gas emissions** and enhancement of removals by natural or other sinks in the Union.

## Effort Sharing Regulation

This Regulation lays down obligations on Member States with respect to their **minimum contributions to fulfilling the Union's target of reducing its greenhouse gas emissions** in the sectors covered.

## EU Emission Trading System (ETS)

EU ETS is the **first and biggest carbon market in the world**. It limits emissions from thousands of installations in the power sector and manufacturing industries, which have to purchase rights to emit CO<sub>2</sub>. Currently, EU ETS covers around 40 percent of European GHG emissions.

## Carbon Border Adjustment Mechanism

Europe's efforts to go climate-neutral by 2050 could be undermined by lack of ambition by the international partners. This would mean a risk of carbon leakage. This occurs when companies transfer production to countries that are less strict about emissions. In such a case global emissions would not be reduced. This new mechanism would counteract this risk by putting a carbon price on imports of certain goods from outside the EU.

Lately, the Commission also adopted pioneering proposals to **restore damaged ecosystems and bring nature back across Europe**, from agricultural land and seas, to forests and urban to forests and urban environments. The Commission also proposes to **reduce the use and risk of chemical pesticides by 50% by 2030**.

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These are the flagship legislative proposals to follow the Biodiversity and Farm to Fork Strategies, and will help ensure the resilience and security of food supply in the EU and across the world.

The proposal for a **Nature Restoration Law** is a key step in avoiding ecosystem collapse and preventing the worst impacts of climate change and biodiversity loss. Restoring EU wetlands, rivers, forests, grasslands, marine ecosystems, urban environments and the species they host is a crucial and cost-effective investment: into our food security, climate resilience, health, and well-being. In the same vein, the new rules on **chemical pesticides** will reduce the environmental footprint of the EU's food system, protect the health and well-being of citizens and agricultural workers, and help mitigate the economic losses that we are already incurring due to declining soil health and pesticide-induced pollinator loss.

Furthermore, the Commission is proposing **stronger rules on ambient air, surface and groundwater pollutants, and treatment of urban wastewater**. Clean air and water are essential for the health of people and ecosystems.

The Commission presented proposals to update and modernise the **Industrial Emissions Directive**, key legislation to help prevent and control pollution. Updated rules will help guide industrial investments necessary for Europe's transformation towards a zero-pollution, competitive, climate-neutral economy by 2050. They aim to spur innovation, reward frontrunners, and help level the playing field on the EU market. The revision will help provide long-term investment certainty, with first new obligations on industry expected in the second half of the decade.

The revision builds on the overall approach of the existing Industrial Emissions Directive, which currently covers some 50,000 large industrial installations and intensive livestock farms in Europe. These installations need to comply with emissions conditions by applying activity-specific 'Best Available Techniques'. These techniques are determined together by industry, national and Commission experts, and civil society. The new rules will cover more relevant sources of emissions, make permitting more effective, reduce administrative costs, increase transparency, and give more support to breakthrough technologies and other innovative approaches.

# Energy & Fuels

Two major existing energy directives have been amended, and together, they aim to increase the share of renewables in the energy mix and meet enhanced energy efficiency targets via integrated energy systems.

## Renewable Energy Directive (RED II)

This Directive establishes a **common framework for the promotion of energy from renewable sources**. It sets a binding Union target for the overall share of energy from renewable sources in the Union's gross final consumption of energy in 2030.

It also lays down rules on financial support for electricity from renewable sources, on self-consumption of such electricity, on the use of energy from renewable sources in the heating and cooling sector and in the transport sector, on regional cooperation between Member States, and between Member States and third countries. It also establishes sustainability and greenhouse gas emissions saving criteria for biofuels, bioliquids and biomass fuels.

The Directive has been put into detail by the Commission adopting two Delegated Acts, in which, among other things, the Commission has set the rules to define what constitutes renewable hydrogen in the EU.

## Energy Efficiency Directive

**Improving energy efficiency throughout the full energy chain, including energy generation, transmission, distribution and end-use**, will benefit the environment, improve air quality and public health, reduce greenhouse gas emissions, improve energy security by reducing dependence on energy imports from outside the Union, cut energy costs for households and companies, help alleviate energy poverty, and lead to increased competitiveness, more jobs and increased economic activity throughout the economy, thus improving citizens' quality of life.

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The EU institutions reached a provisional agreement in March 2023 to reform and strengthen this Directive. This agreement establishes an EU energy efficiency target of 11.7% for 2030, exceeding the Commission's original 'Fit for 55' proposal, the EU countries will be required to achieve doubled annual energy savings of final energy consumption on average, from 2024 to 2030, as well as introduces the first ever EU definition of energy poverty. The provisional agreement is now awaiting its formal adoption.

## Third Energy Package for Gas

**The focus of this regulation is on regional cooperation, fostering competition and better consumer engagement.** It will continue to support the growth of clean gas supply throughout the EU at competitive rates and enable funding to viable and sustainable gas and transportation projects.

Tightening environmental targets will speed up the process of gas demand reduction in the EU energy generation sector, providing room for other, more clean and renewable approaches including hydrogen.

## Regulation on batteries and waste batteries

**Battery development and production are strategic imperatives for Europe in the context of the clean energy transition.** It is also a key component of Europe's automotive sector. The electrification of some residential services, like energy storage or heating, will follow on from this and help to further reduce emissions.

These initiatives will support the cost efficiencies in battery technology and also fund research to define protocols for end-of-life treatment to help ensure minimum wastage. This will also help in developing sustainability standards for the entire battery and charging ecosystem, which can be adopted globally.

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## Regulation on guidelines for trans-European energy infrastructure

The proposed changes to the regulations would provide **support in aligning the infrastructure interconnection initiative within the contours of the Green Deal**. This will help in deploying clean energy across Europe in the most efficient way and in integrating renewables generation with the larger energy market and synchronize the efforts to achieve the European Green Deal.

## Energy Taxation Directive

Taxes account for a significant share of the final prices consumers pay for energy around the EU and can have a strong impact on consumption and investment patterns, the type of energy consumed and their use.

This is reflected by the different rates of energy taxation in different EU countries, with important variations between households and industrial use, between different energy sources, diesel and other transport fuels, and with rates that bear little relation to the energy content or externalities, such as CO<sub>2</sub> emissions or air pollution.

# Products and packaging



Quite recently, the Commission **proposed new EU-wide rules on packaging**.

On average, each European generates almost 180 kg of packaging waste per year. Packaging is one of the main users of virgin materials as 40% of plastics and 50% of paper used in the EU is destined for packaging. Without action, the EU would see a further 19% increase in packaging waste by 2030, and for plastic packaging waste even a 46% increase.

The new rules aim to stop this trend. For consumers, they will ensure reusable packaging options, get rid of unnecessary packaging, limit overpackaging, and provide clear labels to support correct recycling. For the industry, they will create new business opportunities, especially for smaller companies, decrease the need for virgin materials, boosting Europe's recycling capacity as well as making Europe less dependent on primary resources and external suppliers.

The Commission also brings **clarity to consumers and industry on biobased, compostable and biodegradable plastics**: setting out for which applications such plastics are truly environmentally beneficial and how they should be designed, disposed of and recycled.

The proposals are key building blocks of the European Green Deal's Circular Economy Action Plan and its objective to make sustainable products the norm.

The Commission also presented a package of European Green Deal proposals to **make sustainable products the norm in the EU**, boost circular business models and empower consumers for the green transition. As announced in the Circular Economy Action Plan, the Commission is proposing new rules to make **almost all physical goods** on the EU market **more friendly to the environment, circular, and energy efficient throughout their whole lifecycle** from the design phase through to daily use, repurposing and end-of-life.



The Commission is also presenting today a new strategy to **make textiles more durable, repairable, reusable and recyclable**, to tackle fast fashion, textile waste and the destruction of unsold textiles, and ensure their production takes place in full respect of social rights.

The package also includes a proposal on new rules to **empower consumers in the green transition** so that consumers are better informed about the environmental sustainability of products and better protected against greenwashing.



# Transport

## Agreement on adopting of Fuel EU Maritime regulation

In March 2023 the Union institutions reached a political agreement on a new EU regulation aiming to help decarbonise the maritime transport sector by setting maximum limits on the yearly greenhouse gas intensity of the energy used by a ship.

## Regulation on reducing CO2 from emissions from vehicles

This Regulation establishes **CO2 emissions performance requirements for new passenger cars and for new light commercial vehicles** in order to contribute to achieving the Union's target of reducing its greenhouse gas emissions.

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In March 2023 the Commission proposed new CO2 emissions targets for new heavy-duty vehicles, i.e. zero-emissions target for all new city buses and 90% emissions reductions for new trucks by 2040.

## Directive on deployment of alternative fuels infrastructure

This Directive establishes a **common framework of measures for the deployment of alternative fuels infrastructure** in the Union in order to minimise dependence on oil and to mitigate the environmental impact of transport.

This Directive sets out minimum requirements for the building-up of alternative fuels infrastructure, including recharging points for electric vehicles and refuelling points for natural gas (LNG and CNG) and hydrogen, to be implemented by means of EU Member States' national policy frameworks, as well as common technical specifications for such recharging and refuelling points, and user information requirements.

## Regulation on the trans-European transport network

The aim of this Regulation is to support **implementation and development of a Europe-wide network of railway lines, roads, inland waterways, maritime shipping routes, ports, airports and railroad terminals**. Development of the infrastructure aims to remove technical barriers and strengthen territorial cohesion within Europe.

With the adoption of this Regulation, financing for sustainable transportation projects would become more viable with greater adoption of sustainability measures. Integration with other tenets (such as charging infrastructure, etc.) will also help in faster adoption of technologies to reduce emissions. Digital innovation in transportation infrastructure could also be more widely adopted through this initiative.

# Buildings

## Directive on the energy performance of buildings

The building sector is crucial to achieving European climate neutrality. In particular, the development of energy efficiency will help improve the economy and society. The Directive on the energy performance of buildings aims at **boosting the energy performance of buildings and the promotion of policies with energy efficiency and decarbonization goals.**

These initiatives will provide support in tackling energy poverty of residents and will also help them in leading better lives. Several initiatives for energy management and sustainability in buildings could become global standards that can be emulated in other economies. For illustration, the Social Climate Fund will provide EUR 72.2 billion over 7 years in funding for renovation of buildings, access to zero and low emission mobility, or even income support.

Another proposal aims to boost the **internal market for construction products** and ensure that the regulatory framework in place is fit for making the built environment deliver on our **sustainability and climate objectives.**

# Land Use and Forestry

## Revision of the Regulation on the Inclusion of GHG Emissions and Removals from LULUCF

Reducing emissions from other than industrial or transport sources is essential to reach climate neutrality. This regulation sets **binding targets for member states to compensate for emissions from land use by removing them from the atmosphere.**

These initiatives shall increase the speed of transition to nature-based solutions with developed resilience and sustainability in forest management and agriculture. Increasing importance of not only forests but as well all other land uses (including wetlands) can provide a development boost to bio-economy products. On the other hand, the regulation introduced additional efforts to decrease use of forestry biomass in the energy sector.

## New Deal for Pollinators

The EU also strives to deal with the **decline in wild pollinators** and its consequences on food security, human health, quality of life and ecosystem functioning. Therefore, in January 2023 the Commission introduced a New Deal for Pollinators being the revision of the EU Pollinators Initiative.

The revised EU Pollinators Initiative sets objectives for 2030 under three priorities:

- I: Improving knowledge of pollinator decline, its causes and consequences.
- II: Improving pollinator conservation and tackling the causes of their decline.
- III: Mobilising society and promoting strategic planning and cooperation at all levels.



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