

The Effort Sharing Dinosaur: Avoiding extinction for the EU's climate ambition

- Sandbag's [latest report](#) shows the EU's biggest climate instrument - the Effort Sharing Decision (ESD)¹ - is not on track to deliver the EU's 2030 and 2050 emission reduction targets
- Sandbag's new research reveals that:
 - the ESD in 2020 will have a huge surplus of 2.6 billion tonnes of carbon (in the form of Annual Emission Allowances),
 - the ESD will deliver no emissions reductions beyond business as usual until after 2030, if the baseline for the start of the next phase is not changed to match real emissions levels,
 - the ESD's 30% emissions reduction target for 2030 is too low, and puts the EU on a path to missing its 2050 goals.

Today, Thursday 26 May Sandbag has released a [new report](#) on the cumulative surplus of Annual Emission Allowances (AEAs) under the Effort Sharing Decision (ESD) – the EU's bigger, but less well known climate instrument, alongside the EU Emissions Trading System (ETS).

Sandbag has modelled the scale of the cumulative surplus of AEAs in 2020, assessed what baseline should be used for emission levels for Phase II after 2020 so that 'hot air' is not built in and real emission reductions take place, and considered the interaction with the ESD target for 2030, assessing where the target should be set to get the EU on the trajectory to the upper end of its 2050 target.

Our analysis shows there will be 2,600 MtCO₂e of spare allowances by 2020 with no further emission reductions needed to reach the ESD 2030 target.

In addition, our forecasts show that emissions will already be 28% lower than 2005 levels in 2021, creating a surplus of 320MtCO₂e in the first year of Phase II alone, if the endpoint of the Phase I trajectory is used as the starting point for Phase II. A new baseline, based on actual emissions is therefore needed.

Sandbag is calling for the following to incentivise emission reductions beyond business as usual and to drive ambition in line with current 2050 emission target:

1. **Ensure no surplus AEAs are carried over to Phase II**
2. **Re-base the ESD post 2020 at actual average emission levels (e.g. by averaging 2018, 2019 and 2020 emission levels)**
3. **Increase the ESD target for 2030 to at least 40% and ideally 50% to be in line with the Paris Agreement and the European Council Conclusions from 2014, which call for "at least" a 40% target by 2030**
4. **Introduce more flexibility within the ESD so emissions reductions take place in the most cost-effective way across Europe**
5. **Include five-year review clauses in the revised ESD to respond to implementation of the Paris Agreement.**

¹ The Effort Sharing Decision (ESD): A carbon budget covering more than half of EU emissions from sectors not covered by the Emissions Trading Scheme, including agriculture, transport, and buildings

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Debbie Stockwell, Sandbag's Managing Director, commented:

"The review of the ESD provides a real opportunity for the EU to show that it is up for the challenge of delivering the Paris Agreement.

Through a small number of changes it will be possible to deliver real emission reductions to 2030 and beyond, rather than just a decade of hot air and business As usual"

Endnotes to Editor

1. The European Commission is expected to publish proposals for revisions to the Effort Sharing Decision in June.
2. The ESD is a key instrument for delivering the EU's 2050 target of 80-95% emission reductions below 1990 levels and was introduced in the EU 2020 Climate and Energy Package in 2009 to guide decarbonisation in the sectors that are not part of the EU Emissions Trading System. It covers more than half of the EU's greenhouse gas emissions.
3. Sandbag is a London and Brussels-based not-for-profit think tank conducting research and campaigning for environmentally effective climate policies. Our research focus includes reforming the EU ETS and the ESD; accelerating the phase-out of old coal in Europe; deep decarbonisation of industry through technologies including Carbon Capture Utilisation & Storage. For more information, visit sandbag.org.uk or email us at info@sandbag.org.uk