Overview of Fit for 55

The **Fit for 55 Package** aims to make the EU's climate, energy, land use, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels, to **deliver on the targets agreed in the European Climate Law**.

The package combines:

- application of emissions trading to new sectors and a tightening of the existing EU Emissions Trading System;
- increased use of renewable energy;
- greater energy efficiency;
- a faster roll-out of low emission transport modes and the infrastructure and fuels to support them;
- an alignment of taxation policies with the European Green Deal objectives;
- measures to prevent carbon leakage;
- and tools to preserve and grow our natural carbon sinks.

ETS and related Funds

✓ The **EU Emissions Trading System (ETS)** **puts a price on carbon** and lowers the cap on emissions from certain economic sectors every year. It has successfully **brought down emissions from power generation and energy-intensive industries by 42.8%** in the past 16 years. The **Commission is proposing** to lower the overall emission cap even further and increase its annual rate of reduction. The Commission is also **proposing** to phase out free emission allowances for aviation and **align** with the global Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and to include shipping emissions for the first time in the EU ETS. To address the lack of emissions reductions in road transport and buildings, a separate new emissions trading system is set up for fuel distribution for road transport and buildings. The Commission also proposes to increase the size of the Innovation and Modernisation Funds. To complement the substantial spending on climate in the EU budget, **Member States should spend the entirety of their emissions trading revenues on climate and energy-related projects**. A dedicated part of the revenues from the new system for road transport and buildings should **address the possible social impact on vulnerable households, micro-enterprises and transport users**.

✓ A **new** **Social Climate Fund** is proposed to provide dedicated funding to Member States to help citizens finance investments in energy efficiency, new heating and cooling systems, and cleaner mobility. The Social Climate Fund would be financed by the EU budget, using an amount equivalent to 25% of the expected revenues of emissions trading for building and road transport fuels. It will provide €72.2 billion of funding to Member States, for the period 2025-2032, based on a targeted amendment to the multiannual financial framework. With a proposal to draw on matching Member State funding, the Fund would mobilize **€144.4 billion for a socially fair transition**.

✓ **A new Carbon Border Adjustment Mechanism will put a carbon price on imports** of a targeted selection of products to ensure that ambitious climate action in Europe does not lead to 'carbon leakage'. This will **ensure that European emission reductions contribute to a global emissions decline**, instead of pushing carbon-intensive production outside Europe. It also aims to encourage industry outside the EU and our international partners to take steps in the same direction.

Non-ETS

- ✓ The Effort Sharing Regulation **assigns strengthened emissions reduction targets to each Member State** for buildings, road and domestic maritime transport, agriculture, waste and small industries. Recognizing the different starting points and capacities of each Member State, these targets are based on their GDP per capita, with adjustments made to take cost efficiency into account.

- ✓ Member States also share responsibility for removing carbon from the atmosphere, so the Regulation on Land Use, Forestry and Agriculture **sets an overall EU target for carbon removals** by natural sinks, equivalent to 310 million tonnes of CO_2 emissions by 2030. National targets will require Member States to care for and expand their carbon sinks to meet this target. By 2035, the EU should aim to reach climate neutrality in the land use, forestry and agriculture sectors, including also agricultural non-CO_2 emissions, such as those from fertilizer use and livestock.

Energy

- ✓ Energy production and use accounts for 75% of EU emissions, so accelerating the transition to a greener energy system is crucial. The Renewable Energy Directive will set an **increased target to produce 40% of our energy from renewable sources** by 2030. All Member States will contribute to this goal, and specific targets are proposed for renewable energy use in transport, heating and cooling, buildings and industry. To meet both our climate and environmental goals, **sustainability criteria for the use of bioenergy are strengthened** and Member States must design any support schemes for bioenergy in a way that respects the cascading principle of uses for woody biomass.

- ✓ To reduce overall energy use, cut emissions and tackle energy poverty, the Energy Efficiency Directive will set a **more ambitious binding annual target for reducing energy use** at EU level. It will guide how national contributions are established and almost double the annual energy saving obligation for Member States. The **public sector will be required to renovate 3% of its buildings** each year to drive the renovation wave, create jobs and bring down energy use and costs to the taxpayer.

- ✓ The tax system for energy products must safeguard and improve the Single Market and support the green transition by setting the right incentives. A revision of the Energy Taxation Directive proposes to **align the taxation of energy products with EU energy and climate policies**, promoting clean technologies and removing outdated exemptions and reduced rates that currently encourage the use of fossil fuels. The new rules aim at reducing the harmful effects of energy tax competition, helping secure revenues for Member States from green taxes, which are less detrimental to growth than taxes on labour.

Transport

- ✓ A combination of measures is required to tackle rising emissions in road transport to complement emissions trading. Stronger CO_2 emissions standards for cars and vans will accelerate the transition to zero-emission mobility by **requiring average emissions of new cars to come down by 55% from 2030 and 100% from 2035** compared to 2021 levels. As a result, all new cars registered as of 2035 will be zero-emission. To ensure that drivers are able to charge or fuel their vehicles at a reliable network across Europe, the **revised Alternative Fuels Infrastructure Regulation** will **require Member States to expand charging capacity in line with zero-emission car sales**, and to install charging and fueling points at regular intervals on major highways: every 60 kilometers for electric charging and every 150 kilometers for hydrogen refueling.

- ✓ Aviation and maritime fuels cause significant pollution and also require dedicated action to complement emissions trading. The Alternative Fuels Infrastructure Regulation requires that aircraft and ships have access to **clean electricity supply in major ports and airports**. The **ReFuelEU Aviation Initiative** will oblige fuel suppliers to blend **increasing levels of sustainable aviation fuels** in jet fuel taken on-board at EU airports, including synthetic low carbon fuels, known as e-fuels. Similarly, the **FuelEU Maritime Initiative** will stimulate the uptake of sustainable maritime fuels and zero-emission technologies by setting a maximum **limit on the greenhouse gas content of energy used by ships** calling at European ports.

For more information:

https://ec.europa.eu/commission/presscorner/detail/en/IP_21_3541

https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/delivering-european-green-deal_en