



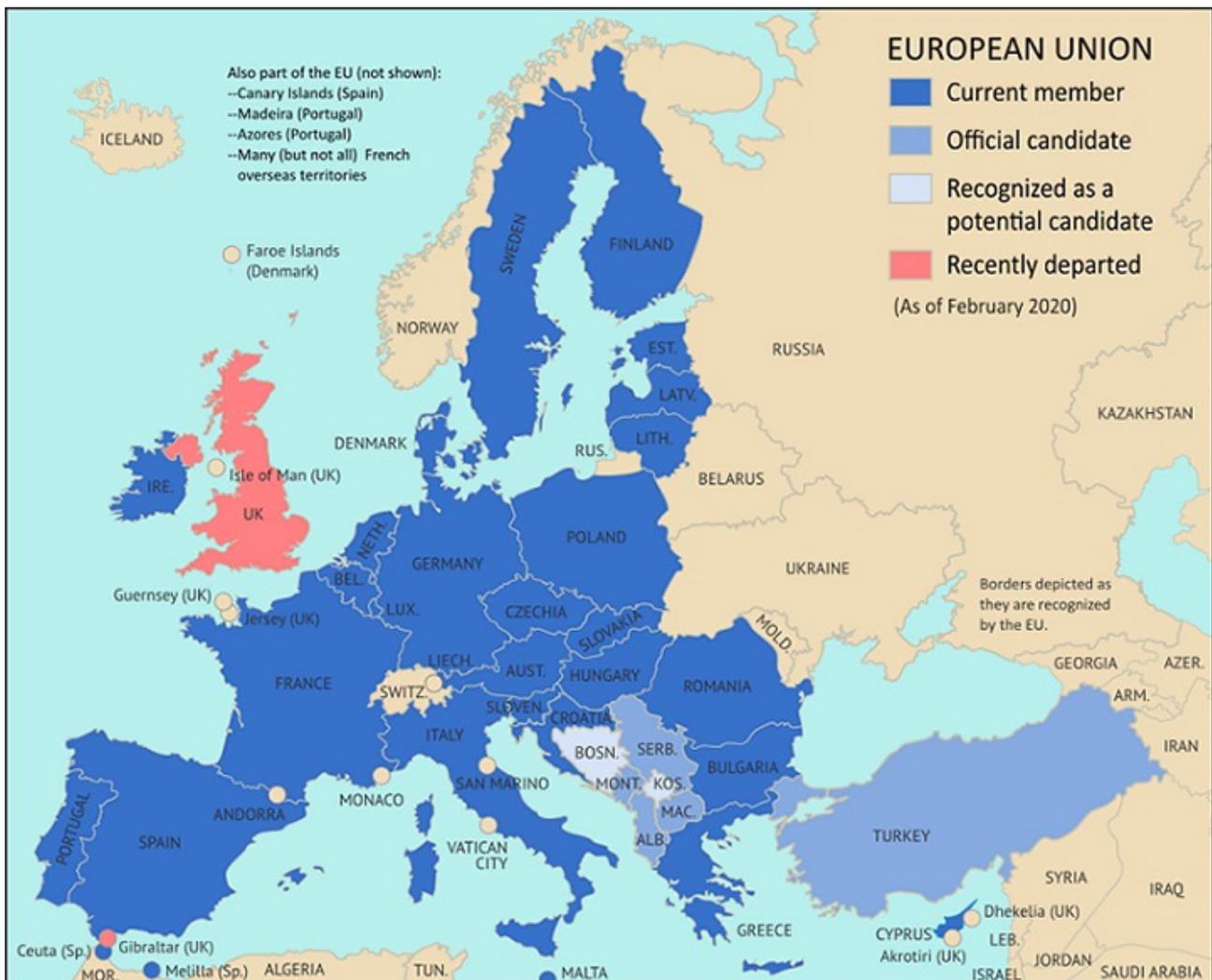
Fit for 55 Package: EU

 drishtiias.com/printpdf/fit-for-55-package-eu

Why in News

Recently, the **European Union (EU)** released a new climate proposal, the **Fit for 55 package**.

The EU in **December 2020** submitted a revised **Nationally Determined Contribution (NDC)** under the **Paris Agreement**.



Key Points

- **Aim:**

- The new package **attempts to deliver the NDC and carbon neutrality goal through proposed changes** that would impact the economy, society and industry, as well as ensure a **fair, competitive and green transition by 2030 and beyond.**

Climate neutrality is achieved when a country's emissions are balanced by absorptions and removal of greenhouse gases from the atmosphere. It is also expressed as a state of net-zero emissions.

- It claims to achieve a **balance between “regulatory policies” and market-based carbon pricing** to avoid the pitfalls of each.

- **Major Proposals:**

- **Renewable Sources:**

It proposes to **increase the binding target of renewable sources in the EU's energy mix to 40%** (from 32% earlier) and **improve energy efficiency by 36%** (from 32.5% earlier) **by 2030**.

- **Vehicular Carbon Emissions:**

- It must be cut by **55% by 2030 and by 100% by 2035**, which means a phaseout of petrol and diesel vehicles by 2035.
- It also includes some **provisions that benefit the auto industry**. Public funds will be used to help build **charging stations every 60 kilometers, on major highways**, a move that will encourage sales of electric cars.
- It will also help finance a network of **hydrogen fueling stations**.

- **Emissions Trading System:**

It calls for the creation of an **Emissions Trading System (ETS)** for **buildings and road transport**, separate from the EU's current ETS, to become operational from 2026.

ETS are market-based instruments that create **incentives to reduce emissions** where these are most cost-effective.

- **Social Climate Fund:**

- To help low-income citizens and small businesses adjust to the new ETS, the EU proposes the creation of a Social Climate Fund, which **will take various forms ranging from funding for renovation of buildings, and access to low carbon transport, to direct income support**.
- They expect to build up this fund using **25% of revenues from the new ETS**. The current ETS is proposed to extend to the maritime sector between 2023 and 2025.

- **Carbon-Border Adjustment Mechanism:**

- Among other market-based mechanisms, the EU is proposing a carbon-border adjustment mechanism, which will **put a price on imports from places that have carbon-intensive production processes**.
- This instrument has been deemed to have a small impact on global carbon dioxide emissions by the **United Nations Conference on Trade and Development**, and could instead have negative impacts on developing countries.

- **Enhance Sink Capacity:**

It has set a target to **enhance the EU's sink capacity to 310 million tonnes of CO₂ equivalent**, which it hopes will be achieved through specific national targets by member countries.

- **Analysis:**

- The EU's NDC target is to reduce **greenhouse gas** emissions by 55% below 1990 levels by 2030. It has also set a long-term goal of achieving **carbon neutrality by 2050**.
 - The EU's target is **more aggressive than that of the US**, which committed to reduce emissions by 40% to 43% over the same period, but **behind Britain**, which pledged a 68% reduction.
 - China, the **world's largest emitter**, has only said it aims for emissions to peak by 2030.
- Fit for 55 Package **could put Europe at the forefront of new technologies** like electric car batteries, offshore wind generation or aircraft engines that run on hydrogen.
- But the transition **will also be painful for some consumers and companies**, raising the cost of a wide variety of goods and services, like video monitors imported from China, for example, or a vacation flight to a Greek island or even a full tank of gasoline.
 - Companies that make products destined for obsolescence, like parts for internal combustion engines, **must adapt or go out of business**.
- The proposals **could reshape polluting industries** like steelmaking, which directly employs 330,000 people in the EU.

India's INDC, to be achieved primarily, by 2030

- To **reduce the emissions intensity of the Gross Domestic Product** by about a third.
- A total of **40% of the installed capacity for electricity will be from non-fossil fuel sources**.
- India also promised an **additional carbon sink** (a means to absorb carbon dioxide from the atmosphere) of 2.5 to 3 billion tonnes of carbon dioxide equivalent through **additional forest and tree cover by the year 2030**.

Indian Initiatives to Fight Climate Change:

Way Forward

- The **principle of climate justice should guide the negotiations** over the package.
- Fit for 55 **pushes EU decarbonization into higher gear**, marking the visible entry of climate policy into the daily life of all European citizens and companies, and also starting to impact global trade partners.
- **Ensuring that the transition is socially fair, both domestically and internationally**, is the most important element to make it successful in the long-run.

Source: DTE