



Planbureau voor de Leefomgeving

# Is the Netherlands Fit for 55?

## Implications of proposals for the industry

Corjan Brink, MIDDEN conference 2021








# Outline

- › EU climate and energy framework
- › Fit for 55 package
- › Implications for industry in the Netherlands

See also (in Dutch): <https://www.pbl.nl/publicaties/nederland-fit-for-55>



# EU Climate and Energy Framework

				Emissions share 2020	
				EU	NL
	ETS	Emissions trading system	energy-intensive industry power sector	37%	45%
	ESR	Effort sharing regulation	buildings, transport, agriculture, other industry	63%	55%
	LULUCF	Land use and forestry		-8%	+3%
	RED	Renewable energy directive			
	EED	Energy efficiency directive			



# Fit for 55

Package to deliver targets European Green Deal:

- > net reduction of at least 55% in 2030
- > Union-wide climate neutrality objective 2050

Pricing	Targets*	Rules
<ul style="list-style-type: none"><li>• stronger ETS</li><li>• extending ETS</li><li>• update ETD</li><li>• Carbon Border Adjustment Mechanism</li></ul>	<ul style="list-style-type: none"><li>• update ESR</li><li>• update LULUCF</li><li>• amended RED</li><li>• amended EED</li></ul>	<ul style="list-style-type: none"><li>• CO2 performance cars&amp;vans</li><li>• infrastructure for alternative fuels</li><li>• more sustainable aviation fuels</li><li>• greener maritime fuels</li></ul>
Support measures		
Social Climate Fund, Modernisation and Innovation Fund		

\*requires national policies to achieve targets



# Implications for Dutch industry



Stronger ETS



Carbon border adjustments



Higher ambition renewable energy



Increasing ambition of ESR



Increasing energy efficiency

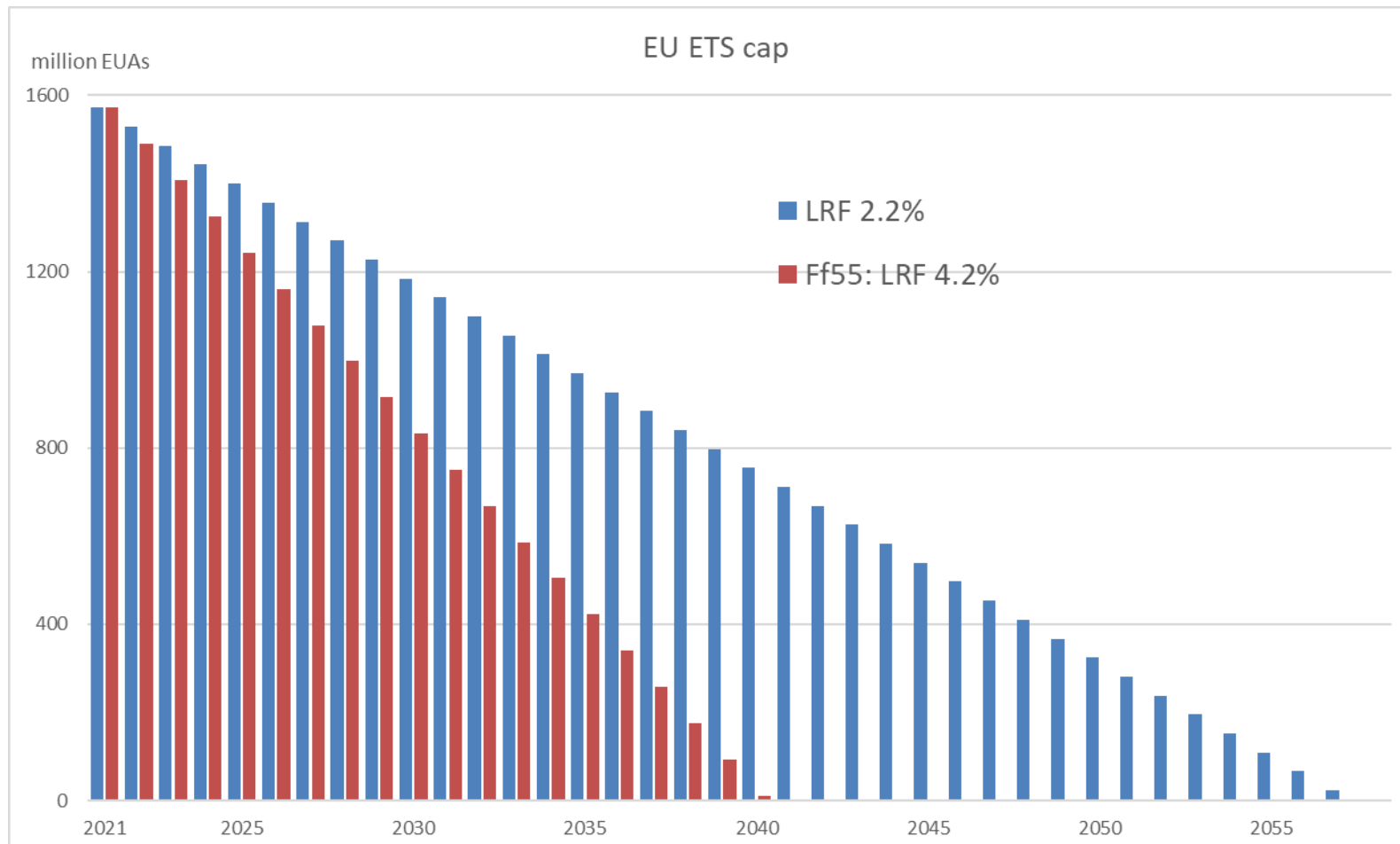


Revision energy tax framework



# Stronger EU ETS

- > Faster decrease in cap: LRF increase from 2.2% to 4.2%

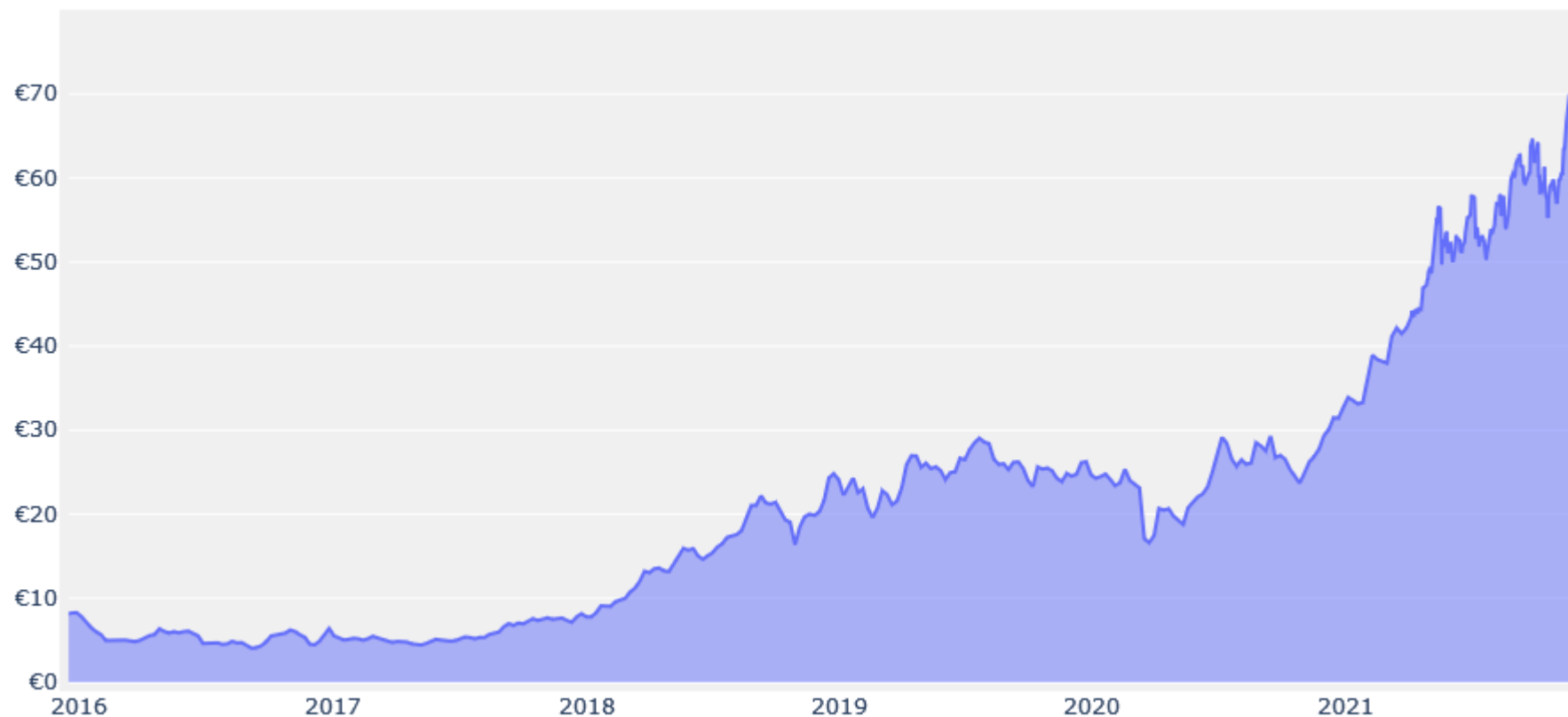




## Stronger EU ETS

- > Faster decrease in cap
- > Higher ETS price: current price  $>€70/tCO_2$ , 2030 ???

CO2 emission allowance





## Stronger EU ETS

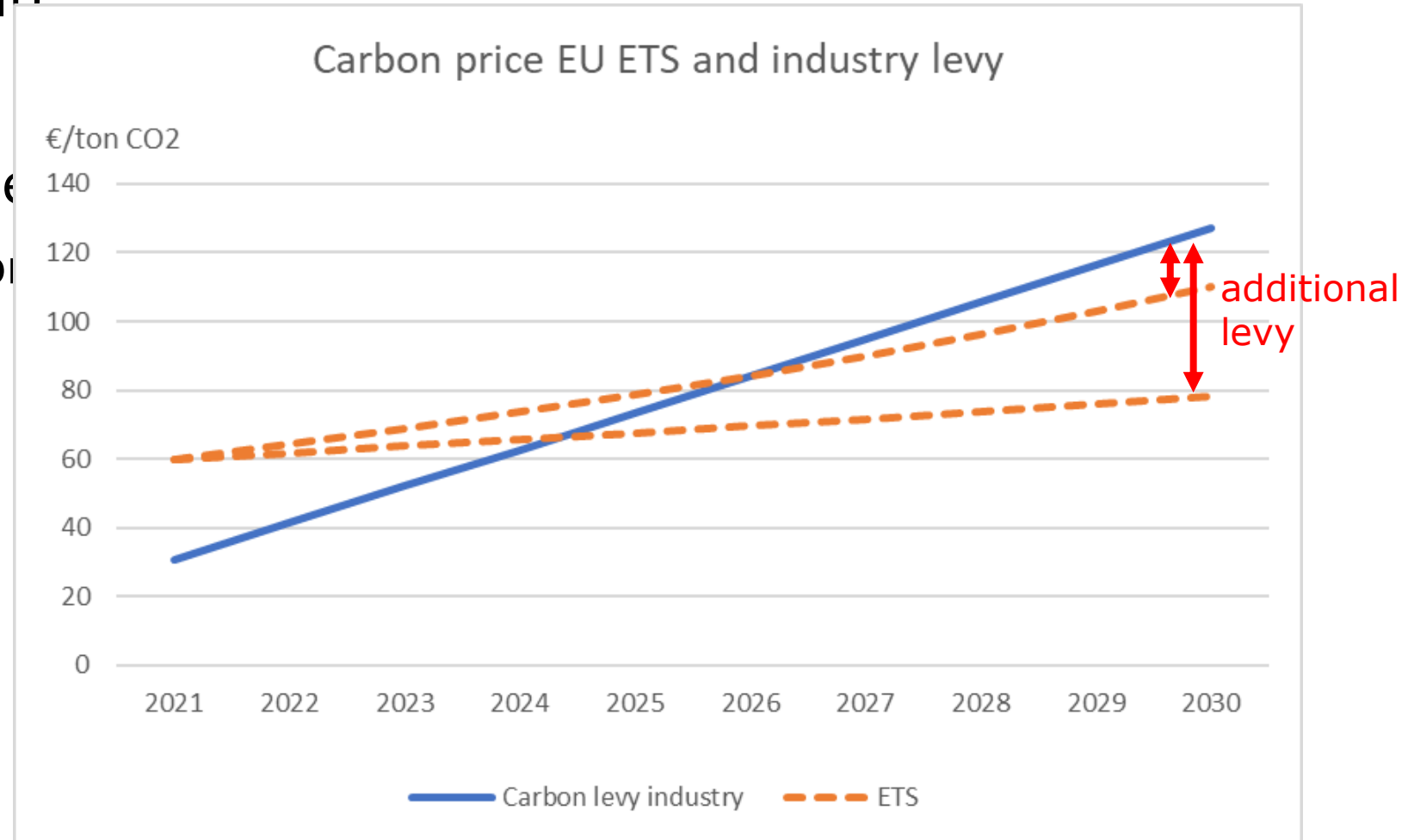
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- > Higher ETS price
- > Impact on industrial emissions, but in the Netherlands
  - national carbon levy for industry on top of ETS





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  - subsidy low-carbon technologies (SDE++) depends on ETS-price



## Stronger EU ETS

- > Faster decrease in cap
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- > Impact on industrial emissions, but in the Netherlands
  - national carbon levy for industry on top of ETS
  - subsidy low-carbon technologies (SDE++) depends on ETS-price
- > Reduced and better targeted free allocation
- > Doubling of Innovation Fund and Modernization Fund



# Carbon border adjustment mechanism

- > Reduce risk of carbon leakage
  - carbon price on imports of goods from outside the EU
  - more level global playing field for European industry
  - encourages decarbonization in non-EU countries
- > starting in 2026 for  
iron & steel, aluminium, cement, fertilizer, electricity



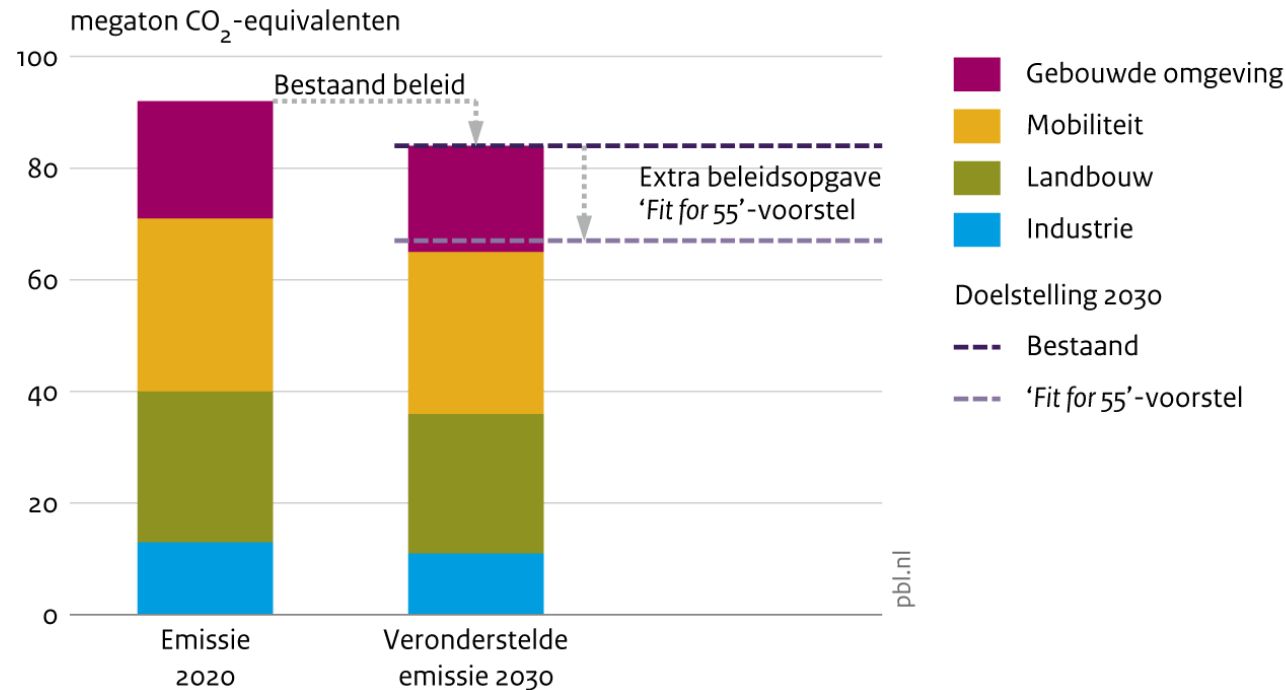
# Renewable energy and green hydrogen

- > Renewables in EU energy mix
  - Overall target increased from 32% to 40%
- > National binding targets
  - 50% green hydrogen in industry
  - increase of renewables in heating and cooling (includes industry)
- > indicative target to increase renewable energy use in industry



# Increasing ambition for ESR

## Emissie broeikasgassen en doelstellingen ESR-sectoren



Bron: Emissieregistratie, PBL

- > Target Netherlands 2030
  - > from -36% to -48% (to 2005)
  - > Additional reduction of 15 Mton
- > Annual target
  - > cumulative additional reduction: 62 Mton 2021-2030
- > ~20% of total emissions industry in the Netherlands covered by ESR



## Energy efficiency

- > More ambitious overall EU target: 36% (final) / 39% (primary)
  - indicative contribution member states
- > Binding national targets
  - no specific targets for industry
  - increased annual energy savings of 1.5% (includes industry)  
(NB: by additional national policies)



# Energy taxation

- › Revision of framework for energy taxation (ETD)
  - proposed minimum rates below current energy tax rates the Netherlands
  - equal taxes on energy products for specific use
    - tiered system as applied for natural gas and electricity not allowed anymore
  - national tax rates should replicate ranking of ETD minimum rates
    - higher rates for fossil fuels, lowest for electricity
  - Limits to possibility for tax exemptions or reductions
    - exemption of natural gas in CHP installations only for part used to produce electricity; part related to heat at least taxed at minimum levels
    - no exemptions for mineralogical processes
    - reduced rates allowed for energy intensive firms (not below minimum levels)





# Implications of Fit for 55 for the Dutch industry

- > direct impact on industry mainly through
  - higher price ETS + clear path to zero (in 2040!)
  - reductions free allocation
  - 50% requirement green hydrogen
- > impact changes ETD, ESR, RED and EED
  - dependent on national implementation
- > changing context
  - more level playing field within EU
  - global playing field more level by CBAM and global developments (COP26)