SUSTAINABILITY IN CEE BUSINESS MODELS

Ministry of the Environment of the Czech Republic

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Pathway to climate neutrality
According to the European Climate Law
Making Europe the first climate neutral continent in the world is our goal

**Key steps**

- **December 2019**
  Commission presents European Green Deal, committing to climate neutrality by 2050

- **March 2020**
  Commission proposes European Climate Law to write 2050 climate neutrality target into binding legislation

- **September 2020**
  Commission proposes new EU target to reduce net emissions by at least 55% by 2030, and add it to the European Climate Law

- **December 2020**
  European leaders endorse Commission’s proposed target to reduce net emissions by at least 55% by 2030
April 2021
Political agreement reached on European Climate Law by European Parliament and Member States

June 2021
European Climate Law enters into force

July 2021
Commission presents package of proposals to transform our economy, to reach our 2030 climate targets. European Parliament and Member States to negotiate and adopt package of legislation on reaching our 2030 climate targets

2030
EU to deliver a reduction of emissions of at least 55% compared to 1990 levels

2050
EU to become climate neutral
Fit for 55 package
FF55 Package

Final compromised agreed during the Czech Presidency:

✓ EU ETS
✓ CBAM
✓ EU ETS - Maritime
✓ EU ETS - Aviation
✓ EU ETS 2 (road transport, buildings and other combustion of fissile fuels outside EU ETS 1)
✓ Social Climate Fund
✓ CO2 from cars
✓ Effort-Sharing
✓ LULUCF

• CZ PRES achieved final agreements during trialogues
• Many priorities of the EU Council defended
• 28. 3. a 25.4. final approval from the Council and 18. 4. from the European Parliament (ESR, LULUCF, CO₂ from cars, ETS MSR)
• Publication in the Official Journal
• Final approval energy files will follow
European Climate Law

55% net emissions cut by 2030, compared to 1990
Climate neutrality by 2050

- ETS sectors
  - 61% emissions cut, compared to 2005 levels
  - EU ETS market stability reserve
  - Carbon border adjustment mechanism*
  - Social climate fund*
  - EU ETS Directive
  - ETS as regards aviation
  - Notification on CORSIA*
  - CO₂ emission standards for cars and vans
  - Alternative fuels infrastructure regulation

- Effort-sharing sectors
  - 40% emissions cut, compared to 2005 levels
  - RefuEU Aviation*
  - FuelEU Maritime*
  - Methane regulation*
  - Effort-sharing Regulation
  - Gas and Hydrogen Directive
  - Gas and Hydrogen Regulation
  - Renewable Energy Directive
  - Energy Efficiency Directive
  - Energy Taxation Directive
  - LULUCF Regulation

- Land use, land use change and forestry
  - 310 Mt CO₂ removals

* New legislative proposal

Buildings
Transport
Energy
Policies that support overarching targets (some modelled directly, some modelled indirectly using ‘proxy’ policies with the same effect)

2. ETS extension to roads and buildings (ETS2) to achieve 43% emissions reductions by 2030, compared to 2005:
   - Starting in 2027 or 2028 depending on energy price levels.
   - Scope extended to all fossil fuel combustion, including also process heating in small industries, as well as private yachts and jets.
   - Price stability mechanism ensuring that the ETS2 price does not exceed 45 euros/\(\text{tCO}_2\) at least until 2030.

3. New sales of ICE cars/vans phased-out by 2035:
   - Emission reductions of 15% in 2025, 55% (cars) and 50% (vans) in 2030 and 100% in 2035.

4. Sustainable Aviation Fuels (SAF): Minimum 63% share by 2050 at aircraft suppliers at EU airports.

5. Reduce the GHG intensity of the energy used on-board by ships by up to 75% by 2050.

Renewable Energy

EU renewable energy target for 2030 of 42.5%

Policies that support overarching targets (some modelled directly, some modelled indirectly using ‘proxy’ policies with the same effect)

Sub-targets included in the RED revision:

1. Indicative target for renewable energy in buildings of 49% in 2030.

2. Heating and cooling target: increase the share of renewable energy by at least 0.8 percentage points as an annual average calculated for the period 2021 to 2025 and by at least 1.1 percentage points as an annual average calculated for the period 2026 to 2030, starting from the share of renewable energy in the heating and cooling sector in 2020.

3. Indicative renewable target in industry: average minimum annual increase of at least 1.6 percentage points as an annual average calculated for the periods 2021 to 2025 and 2026 to 2030.

4. Indicative renewable target for district heating and cooling: 2.2 percentage points as an annual average calculated for the period 2021 to 2030, starting from the share of energy from renewable sources and from waste heat and cold in district heating and cooling in 2020.

Energy efficiency

Energy savings of from 11.7% by 2030

Policies that support overarching targets (some modelled directly, some modelled indirectly using ‘proxy’ policies with the same effect)

1. ETS reform to achieve 62% emissions reductions in ETS sectors compared to 2005:
   - End of public support for gas heating in 2025.
   - Minimum energy performance:
     - from 2028 new buildings owned by public bodies would be zero-emission buildings.
     - from 2030 all new buildings would be zero-emission buildings.
   - Decrease of the average primary energy use in the whole residential building stock over the period from 2025 to 2050:
     - by 2033, the D energy performance class level.
     - by 2040, a nationally determined value derived from a gradual decrease of the average primary energy use from 2033 to 2050 in line with the transformation of the residential building stock into a zero-emission building stock.
   - Solar rooftops:
     - by 31 December 2026, on all new public and non-residential buildings with useful floor area over 250 m2.
     - by 31 December 2027, on all existing public and non-residential buildings, undergoing a major or a deep renovation, with useful floor area over 400 m2; and
     - by 31 December 2029, on all new residential buildings.

2. EED revision:
   - Overall energy savings target: 11.7% at EU level by 2030 (compared to the projections of the 2020 Reference Scenario).
   - Annual energy savings by EU countries of 1.5% (on average) until 2030.
   - The annual energy savings will begin with 1.3% in the period until the end of 2025.
   - and will progressively reach 1.9% in the last period up to the end of 2030.
   - EU countries shall ensure that the total final energy consumption of all public administration bodies combined is reduced by at least 1.9% each year.
• Target to reduce emissions in sectors outside the EU ETS by 26% between 2005 and 2030

• New ETS2 (transport, buildings and other combustion sources outside the EU ETS) will be an important instrument – MRV 2025, start 2027

• Target for CO2 sequestration in forests and soils (LULUCF) by 2030: - 1 228 thousand t CO2 - need to strengthen mitigation of bark beetle calamity

• From 2035, all new passenger cars and light commercial vehicles should achieve zero CO2 emissions

• Target for RES (RED III): 42.5% of final consumption in 2030, aiming for 45%

• EE target (EED): 11.7% reduction in EU final consumption by 2030

• New annual en. savings requirement doubles to 1.5%

• Targets for the Czech Republic will need to be adequately increased (NECP)
OUTCOMES OF SEEPIA MODELLING

• For ETS I sectors, the existing financial resources in the MdF and the allowance price are sufficient to meet the targets;
• The transformation needs in ETS 2 to be phased in over time as capacity is limited, i.e. start as soon as possible;
• Important to meet the targets with a perspective longer than just 2030;
• ETS 2 sector requires more support than ETS 2 generates;
• The more resources from allowances are used to support the transition, the more positive the economic and social impacts are -1.8 to +2.2% of GDP; -5 to 0% of household consumption.
The tasks ahead of us...

- Evaluation of the NECP (March 2023)
- NECP Update (June 2023)
- Submission of the SEP and CPP update to the Government (December 2023)
- EC comments on the updated NECP of the Czech Republic (December 2023)
- Final NECP/SEP/CPP (June 2024)

- Completion of the review of energy legislation (....)
- Amendment to the EU ETS Act... (December 2023)

- Some new EC proposals have been introduced and are being discussed – Carbon Farming, CO2 standards for HDV, New Electricity Market Design, Net Zero Industry Act, Hydrogen Bank

- Continuation of international climate negotiations COP28 (SAE), COP29 (EEG)
Thank you for your attention

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