

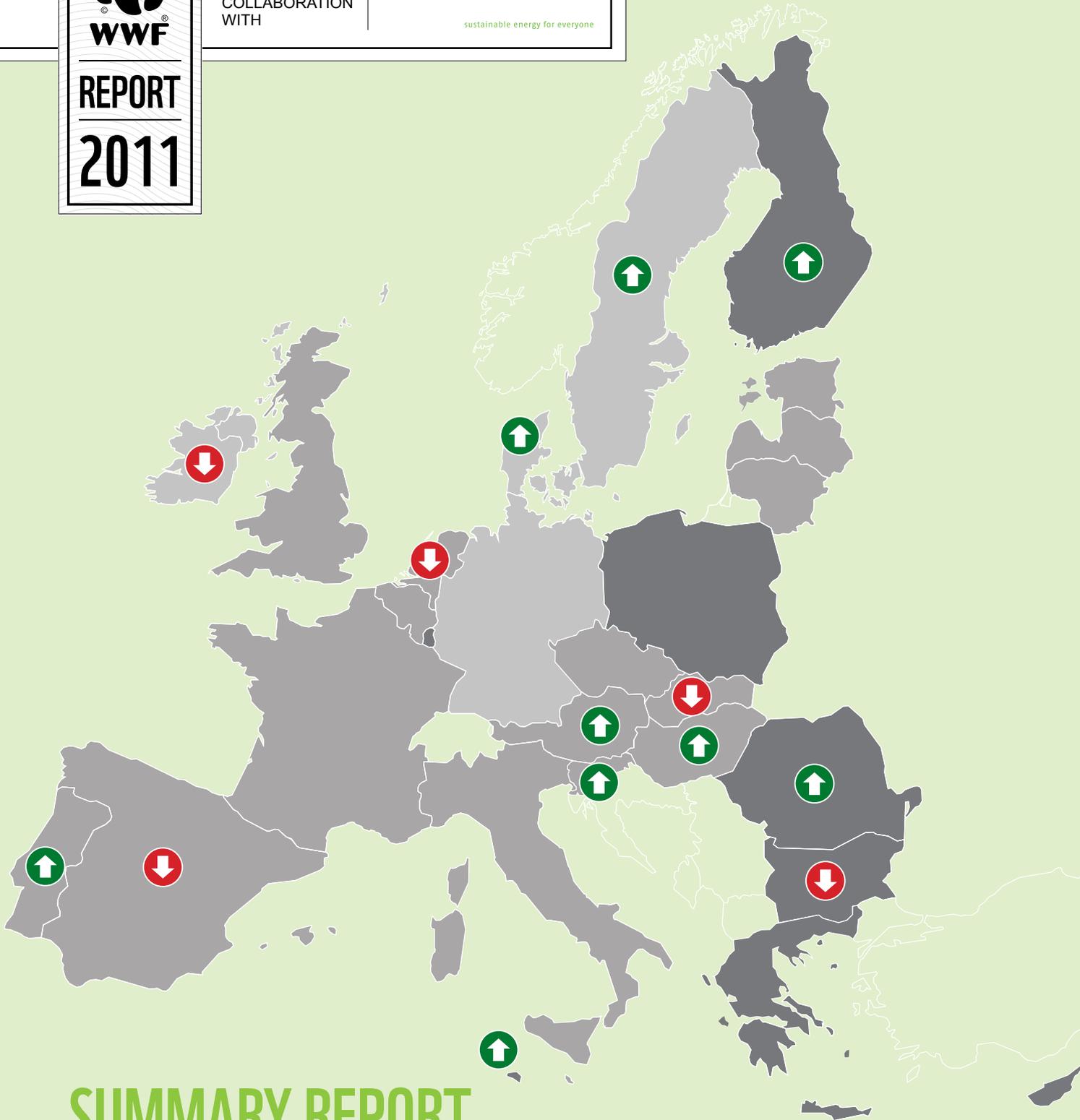


REPORT  
2011

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# SUMMARY REPORT

## EU CLIMATE POLICY TRACKER 2011



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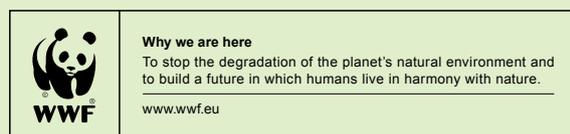
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*”I welcome this review of greenhouse gas emissions reduction policies within the European Union. We share similar aspirations for the future, namely the EU commitment to achieving an 80-95% reduction in greenhouse gas emissions by 2050, playing our part in limiting below 20C the global temperature rise due to climate change.*

*The examples of best practice policy by individual Member States highlighted within the report are very encouraging although it also demonstrates that Member States still make significant progress in climate policies through the implementation of tried and tested actions.*

*Our current ‘Resource Efficient Europe’ initiative will help to mainstream resource efficiency into a variety of policy areas including the forthcoming ‘2050 Low Carbon Economy Roadmap’, ‘Transport White Paper’ and the ‘Energy Efficiency Plan’.*

*The analyses presented in your report will be a very valuable resource for future action towards achieving EU targets.*

*I wish to thank you for your continuing support for strong EU action on climate change.”*

Excerpt from a letter addressed to WWF by José Manuel Barroso, President of the European Commission, on the EU Climate Policy Tracker 2010, 3 March 2011

# FOREWORD

If there was a crisis making headlines this past year, it was about debt, and not climate. Saving the economy has been on the top of every politician's agenda. So perhaps it's hard to see how a report indicating that Europe is not doing enough to combat climate change fits into the current focus on financial woes. But if we have learned anything from the debt crisis, it is that the seeds of trouble are sown well in advance, and are generally well recognised at the time. We ignore them at our peril.

The economic implications of failing to combat climate change will be disastrous. Poorly managing our carbon budget will be no less, indeed far more, problematic than the mismanagement leading to the financial crisis.

Furthermore, there is mounting evidence that combating climate change, focusing on energy efficiency and renewable energy, can create jobs and lead to economic growth starting today, while creating the basis for new growth industries of the future.

Three concepts underpin the necessity to move forward on climate and energy policy, whatever the broader political and economic environment:

**Urgency** - the climate crisis is not a far off problem. The impacts are already felt today, and will only become more severe in the future. Moreover, it would be impossible to contend with those impacts and avoid further damage by waiting until it's too late. Solutions have to begin now.

**Opportunity** - investing in renewable energy and energy efficiency is an economic opportunity; indeed it is probably better described as an economic necessity. The world has dug itself into a financial pit - looking for solutions from renewed over-consumption and finite, environmentally damaging resources, is simply grasping at another shovel. Europe is well positioned as a leader in low-carbon innovation; properly designed policy can drive a new wave of investment.

**Responsibility** – faced with the challenge of combating climate change in an era of financial uncertainty, our political leaders need to make progress on both fronts together. It would be irresponsible to mishandle or completely miss out on opportunities to make good policy choices, which continue to arise on the agenda even now.

This report holds two references in focus at the same time: a 2050 goal of near-total decarbonisation, and our current policy trajectory. The EU Climate Policy Tracker helps us understand to what degree politicians are making the best of the chances given to them to legislate in a way that aligns those two references.

The EU Climate Policy Tracker presents a clear vision as a metric against which policy is measured, and a transparent assessment of what is happening around Europe. It is intended to be a resource for those seeking information, a means of sharing best practice, and a way of holding policymakers to account.

Looking at developments in the past year, we can see that even in a crisis, environment, energy and climate can retain a high level of political importance. Germany put forward bolder nuclear energy phase out plans, and Italian voters massively rejected a return to nuclear. The UK published the next in a series of carbon budgets, and Denmark marked out a renewed course of accelerated decarbonisation plans. In fact, in every country around the Union there is an example of positive action. Of course, while this is encouraging, it's still not enough. It's time to recognise climate policy for what it is: an intrinsic part of our economic and social strategy to meet the challenge of transitioning to a world that, despite limited resources, is able to meet the needs of more people, more equitably, and in harmony with nature.



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# EU CLIMATE POLICY TRACKER 2011

**A WWF report, produced by Ecofys**

This is a summary report. The full report, country profiles of the 27 EU member states, information about our methodology and all references and sources used for this report can be found on our website: [www.climatepolicytracker.eu](http://www.climatepolicytracker.eu)



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# EXECUTIVE SUMMARY

Limiting the rise in the average global temperature to 2°C has been the EU goal since 1996, and in December 2010 the UN recognised the need to consider a 1.5°C limit. Avoiding overshooting these levels will require massive emissions reductions – in the order of 80-95% for industrialised countries, like those in the EU. The next ten years are crucial in establishing whether society will be able to make this transition, or whether temperature increase limits will be irreversibly missed.

Last year, the European Union Climate Policy Tracker (EU CPT) investigated each member state's implementation of policy and legislation, and rated their progress towards a 2050 vision of deep decarbonisation using renewable energy. The uniquely developed rating scheme, modelled on appliance efficiency labels (A-G), gave an indication of how member states were doing compared to a 'low-carbon policy package'. The average score was an 'E', indicating that the level of effort needed to treble, to be on a pace to reach the 2050 vision. However, aggregating best practices across sectors and countries doubled the score – meaning that the tools are already at hand for major improvements across Europe.

This report builds on last year's EU CPT by giving an update on action in member states, and an indicative trend in the rating, as well as adding a new section on EU policy. The addition of an EU section is appropriate, with the Commission having produced a roadmap on a low-carbon economy by 2050, a transport white paper, and with another roadmap for 2050 focused on energy anticipated by the end of 2011. This report seeks to answer the question of whether these and other related initiatives are sufficient to help Europe reach its low-carbon goals.

When interpreting the results of this report, it is important to understand that the goal underlying the vision here is not the same as the one in the European Commission's 'low-carbon economy' roadmap published in March, 2011. There is a disagreement on what it means to be on the path to avoiding dangerous climate change. Our analysis indicates that global cuts of around 80% are needed by 2050, translating to the high end of the 80 to 95% range that is the indicative policy in Europe. The Commission's roadmap investigates the less ambitious end of that range. The rating scale presented here also places a high premium on certainty. Policies that appear more likely to have effective implementation, funding that is long-term and certain, and targets that are binding - these rate more highly. Exploring these factors is a major part of the chapter on EU policy.

The vision also supports the view that we should move to a fully renewable energy system by 2050. This is to emphasise not only that greenhouse gas cuts are important, but that other environmental, energy security, and social values also matter. Cutting dangerous and costly dependencies on fossil fuel imports, and avoiding the millennia-long legacy of nuclear waste are just two examples.

**Regarding EU policy**, the report observes that:

- Close to half of the performance of a member state is directly related to legislation from the EU.
- Many EU policies assist the member states in formulating ambitious climate policies, with the Renewable Energy Directive and the Energy Performance of Buildings Directive as prominent examples.
- Some EU policies that prescribe harmonised rules, such as the Ecodesign Directive or the cap on the Emission Trading System, are too weak but also restrictive – the risk inherent in such policy approaches.
- Some areas important for a path towards a low-carbon economy are not, or only very indirectly, covered by the EU: targets beyond 2020, investments in electricity grids and distribution, redesign of products, energy efficiency in industry, retrofit of existing buildings, freight transport and low-carbon agriculture policy.

In evaluating current policy and plans on the table for the future, we find that:

- The present EU-level policy package is insufficiently stringent to reach 2050 low-carbon goals, with an estimated average score of ‘E’.
- EU-level policies on renewables are more stringent than those on energy efficiency.
- The EU’s new plans, consisting of a roadmap on a low-carbon economy by 2050, a transport white paper and an energy efficiency plan, show significant improvements, but are still insufficient to be in line with a low-carbon economy.

**At member state level** we find that in terms of developments since last year’s report:

- Nine EU member states have, on balance, made progress, and five have fallen further behind. Overall, current effort remains insufficient to meet a low-carbon vision.
- The majority of new policy developments in EU member states are either a direct implementation of EU legislation or are linked to EU legislation. This reinforces the message that intensification of policies at the EU-level can have a large impact on countries’ performance.
- The financial crisis has made its impact felt: although green growth is part of many government plans, real transformation is little in evidence. Cuts in support to alleviate short-term budget gaps have appeared in several countries.

**Assessment at sectoral level** indicates few consistent trends, with changes for the better and the worse in evidence

- There has been a standstill in long-term strategies. Ireland and the Netherlands took back earlier commitments. Denmark and Germany are the exception to the rule – formulating low-carbon targets towards 2050.
- In electricity supply, there is reduced support for renewable electricity, mainly for photovoltaics (PV). This is partly justified given the decrease in production cost and very strong market growth. Still, in Spain and the Czech Republic, support for solar photovoltaics (PV) was cut retroactively, reducing greatly needed future investment certainty.
- Industry is still barely tackled by policies.
- In buildings, there has been a focus on measures to stimulate renovation policy and improved certification of buildings.

- Transport policies mainly focus on efficiency of existing cars, with premium or labelling systems for new cars in many countries.
- In forestry and agriculture there are few innovative policies to report.

### Overall there are two key recommendations:

1. EU policy needs significant strengthening to help Europe develop towards a low-carbon economy. The first needed step is **significant improvement of the EU's existing cornerstone policies**:
  - Revision of the EU Emissions trading system cap and reduction trajectory to align with 2050 decarbonisation, as well as measures to reduce the current credit oversupply.
  - Introduce a CO<sub>2</sub> tax as part of the Energy Tax Directive.
  - Tightening the requirements for CO<sub>2</sub> efficiency of passenger cars.
  - Tightening of standards under the Ecodesign Directive.
  - Guidance to member states on how to encourage retrofit for energy efficiency and renewable energy as part of the Energy Performance of Buildings Directive.

Second, there is a need for **new policies to close existing gaps**:

- Legal agreement on long term targets and strategies beyond 2020
- A greater ambition for energy savings through 2020.
- Explicitly targeting the redesign of products, with the objective to make these less material intensive, longer lasting and 100% recyclable.
- Legislation on freight transport via road, rail or shipping.
- A long term climate perspective on EU agriculture policy.

2. Finally, additional action across all sectors in all member states is needed. There is ample scope for member states to learn from each other. To name a few opportunities:
  - Germany put forward bolder nuclear energy phase out plans enabling a positive energy transition, Italian voters massively rejected a return to nuclear and Denmark began marking out a renewed course of accelerated decarbonisation plans.
  - Austria introduced environmental taxes in transport, and Ireland will double its carbon tax to €30 per tonne by 2014.
  - Finland, Hungary and Latvia further improved their support schemes for renewable energy.
  - The Slovenian government set up programmes to co-finance biomass district heating systems and the UK adopted an innovative feed-in tariff for renewable heat.

In every country in the European Union there is an example of positive action. A wider application of these policies across the EU would result in further greenhouse gas emissions reductions. This report seeks to help facilitate such exchanges.



# 1. OBJECTIVE & APPROACH

Government policy is the single biggest driver behind the fight against climate change. Although there are regular statistical updates on greenhouse gas emissions, there is far less transparency about the status of the policies that influence increases or decreases in emissions. It is essential to have a means of understanding the sufficiency of policy before it's too late to take action. This is what the EU Climate Policy Tracker (EU CPT) is intended to do.

The objective of this report is to provide:

- **Transparency** on what policies are being implemented versus what policies would be needed to limit the effects of climate change
- **A factual basis for public discussion** on climate and energy policy packages
- A resource for information to enable countries to **learn** from each other's best practice policy experiences

This report is an update of the 2010 EU CPT. Last year, using a uniquely developed scoring methodology, we rated member state policy on an A-G scale. This year we do the same for EU-level policy, while providing an update on member states.

- The **low-carbon policy package** defines the technical requirements to reach a low-carbon economy by 2050. On that basis we define the benchmarks against which actual policy can be rated.
- This year's report takes a special look at **the role of the EU-level policies**, ranking them on the A-G scale, and examining plans for future policy. We also analyse the balance between national versus EU competencies in more detail.
- Building on last year's quantitative ranking, we provide a narrative update and trend rating for **member state policies** introduced or removed in the period from 1 July 2010 to 1 September 2011.

## 2. A LOW-CARBON POLICY PACKAGE

Policy plays a central role in achieving emissions reductions but causes and effects are complex to evaluate. How do we know if they are on the right track, so we can adjust before it's too late?

To help, we have created a **low-carbon policy package**. Based on an extensive review of relevant methodologies, it specifies the technologies and behaviour changes that are needed for each sector in the economy, and translates them into measurable requirements.

Limiting the rise in the average global temperature to 2°C has been the EU goal since 1996, and in December 2010 the UN recognised the need to consider a 1.5°C limit. Avoiding overshooting these levels will require massive emissions reductions – in the order of 80-95% for industrialised countries, like those in the EU. The next ten years are crucial in establishing whether society will be able to make this transition, or whether temperature increase limits will be irreversibly missed.

The package is summarised in Table 1 and organised by policies that support renewable energy, those that support energy efficiency and all remaining 'overarching' incentives.

Our framework defines the benchmark for the 'A' rating in the EU Climate Policy Tracker methodology. It includes four essential building blocks:

- Efficiency improvements as key requisite to a sustainable low-carbon future;
- A 100% renewable energy supply by 2050<sup>1</sup>, which according to the scenarios is technically possible and economically feasible for Europe;
- Sustainable land use;
- Prompt action.

Ratings for EU and member state policy are presented on a scale from A (excellent) to G (poor). An 'A' score would signal that policies are sufficient to reach a low-carbon economy by 2050. A 'G' score would signal no or only very limited policies in this area.

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<sup>1</sup> For a discussion on alternative carbon-free options, see the main report.

**Table 1. Summary of our low-carbon policy package: specific and measurable requirements on policies that are needed now to arrive at a low-carbon economy in 2050.**

	Renewables	Energy efficiency	Overarching
<b>GENERAL</b>	<ul style="list-style-type: none"> <li>• Binding greenhouse gas target or budget of 95% reduction until 2050 supported by an ambitious and comprehensive strategy</li> <li>• Innovation for a low-carbon economy</li> </ul>		
 <b>ELECTRICITY SUPPLY</b>	<ul style="list-style-type: none"> <li>• Stable support for renewable energy sources of level and size to increase the share by 20% between 2010 and 2020</li> <li>• No administrative or grid barriers</li> </ul>	<ul style="list-style-type: none"> <li>• Effective and sufficient support of combined heat and power production, 10% additional share in 2020</li> </ul>	<ul style="list-style-type: none"> <li>• Stringent emission trading system allocation and/or emission performance standard for fossil fuel power plants, in total leading to 35% to 40% reduction below 2005 in 2020</li> <li>• No subsidies for electricity production from fossil fuels (also not through free allowances)</li> </ul>
 <b>INDUSTRY</b>	<ul style="list-style-type: none"> <li>• Effective support for renewables in industry increase the share by 10% between 2010 and 2020</li> <li>• Support of innovative breakthrough technologies in industry</li> </ul>	<ul style="list-style-type: none"> <li>• Support schemes or sufficiently ambitious and effective voluntary agreements that lead to significant additional improvements in energy efficiency of more than 2% per year</li> </ul>	<ul style="list-style-type: none"> <li>• Active support towards the redesign of products to be less material-intensive, long-lasting, 100% recyclable</li> <li>• Sufficient levels of energy taxes for industry to factor-in external cost and motivate energy savings and use of renewables</li> <li>• Stringent emission trading system allocation of 35% to 40% reduction below 2005 in 2020</li> </ul>
 <b>BUILDINGS</b>	<ul style="list-style-type: none"> <li>• Promotion or mandate for renewable heating and cooling technologies in new and existing buildings for all types of buildings, increase share by 10% between 2010 and 2020</li> </ul>	<ul style="list-style-type: none"> <li>• Efficiency standards for new buildings for all types of buildings, zero emission by 2014</li> <li>• Incentive for high energy related retrofit rates for all types of existing buildings, leading to more than 3% per year (average 2010-2020) and more then 2% afterwards</li> <li>• Sufficient incentive for the use of efficient appliances, for example through performance standards</li> <li>• Removal of barriers</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient levels of energy taxes for households and the service sector to factor in external cost and motivate energy savings and use of renewables</li> </ul>
 <b>TRANSPORT</b>	<ul style="list-style-type: none"> <li>• Sufficient incentives to increase the share of renewable energy sources in transport (biofuels + renewable electricity) by 10% between 2010 and 2020</li> </ul>	<ul style="list-style-type: none"> <li>• Measures to reduce new vehicle emissions per kilometre, achieving 95g per km by 2015 and new freight vehicles emissions per kilometre cut substantially</li> </ul>	<ul style="list-style-type: none"> <li>• Support modal shift and avoidance of traffic, supported by sufficient investment in low-carbon transport infrastructure leading to 5% of emissions avoided or moved in 2020</li> <li>• Sufficient levels of fuel or CO2 taxes to factor-in external cost and motivate energy savings and use of renewables</li> </ul>
 <b>AGRICULTURE FORESTRY</b>	<ul style="list-style-type: none"> <li>• Formulation and implementation of a consistent and comprehensive land use strategy</li> <li>• Effective measures to reduce CH4 and N2O emissions in agriculture</li> <li>• Promotion of sustainable farming and consumption practices with positive impact on greenhouse gas emissions</li> <li>• Strategy for forest management planning and prevention of deforestation</li> </ul>		

# 3. EU-LEVEL ENERGY AND CLIMATE POLICY

Enthusiasm for climate policy quite clearly varies in intensity around Europe. The member state ratings in last year's report, and this update, demonstrate this fact. And yet, all member states collectively comprise the EU, which has staked out many areas of climate policy and therefore largely defines collective ambition. Here we explore the relationship between EU and member state level action, and assess the current direction of EU policy, which helps us evaluate Europe's chances of achieving a low-carbon policy package.

## 3.1 How important are climate and energy policies at EU-level for member states' climate performance?

**EU-level policies influence member state policies in two dimensions: coverage and flexibility.** First, EU-level policy does not cover all areas in the low-carbon policy package, for example it covers building codes, but does not incentivise increased renovation rates. The remaining areas are left to member states. Second, EU legal provisions encompass a range of approaches that give more or less flexibility to member states. These range from 'high flexibility,' such as directives with non-binding targets, for example the current 20% energy saving target, to 'low flexibility', such as standards directly enforced in member states, for example under the Ecodesign Directive (see Table 2).

**Close to half of a country's performance on our rating scale is defined by the ambition of EU legislation.** The level varies per sector, in the dimensions of coverage and flexibility. For example energy efficiency in transport is strictly defined by CO<sub>2</sub> efficiency standards for new passenger cars and vans with no flexibility, but it does not cover freight transport via road, rail or shipping.

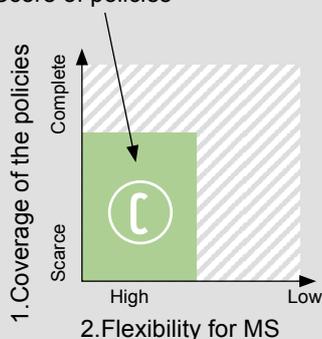
**Many EU policies assist member states in formulating ambitious climate and energy policies.** Examples are the Energy Performance of Buildings Directive, which prescribes a process that all member states have to comply with, without providing detailed targets. Another example is the Renewable Energy Directive, which sets binding targets, but leaves the actual policy to the member states. In these cases, member states implement the EU-level policy to a varying degree, some over- and some underperforming. Clear and measurable targets and measures help to ensure consistency and stringency.

**Some EU policies prescribe harmonised rules that can restrict ambition.** The converse example of the role of harmonised rules is that they run the risk of being watered down in the policy development process – evident in the cap in the Emission Trading System or the ambition level of the Ecodesign Directive for some products. In such cases they may even impede countries from implementing more stringent policies.

### Description of the 4 step approach used to evaluate EU energy and climate policies:

- 1. Coverage of the policies:** Indication of the share of topic areas that ideally be covered in a low-carbon policy package (4 stages: scarce, some, high, complete).
- 2. Flexibility for member states:** Indication of the flexibility to the member states ranging from 'high flexibility' such as directives with non-binding targets to 'low flexibility' such as standards directly enforced in member states (4 stages: low, limited, significant, high).
- 3. Scoring of policies:** The rating of the existing EU policies against the benchmark of the indicators. The rating gives scores to the EU policies on a scale from 'A' (excellent) to 'G' (insufficient), assuming optimal implementation of the policy at member state level.
- 4. Significance of the sector and policy area:** The relative importance of the sector (based on its share of emissions) and policy areas renewable energy, energy efficiency and overarching (3 steps: below 5%, 5% to 10%, above 10%).

#### 3. Score of policies



#### 4. Size= Significance of the sector

#### How to read this example:

**Coverage:** A majority but not all topics that we identified as part of low-carbon policy are covered by the EU policies.

**Flexibility:** The EU policy consists of a directive with binding targets, leaving flexibility to the member state on the policy implementation – and for a lower or higher score on the respective indicators.

**Score:** The EU policies relevant for this sector rate 'C'. The score applies to the non-striped area only.

## 3.2 How do the climate policies at EU-level compare to what is necessary to reach a low-carbon economy in 2050?

**The EU-level policy package is insufficiently stringent to reach 2050 low-carbon goals.** We estimate the EU policy package receives an average score of 'E', two-thirds away from what would be necessary to match the low-carbon policy package. There are several concrete options to improve European policy on the table now, and other changes are quite easy to recognise (see Table 2).

**EU-level renewable energy policies are more stringent and effective than those for energy efficiency.** Policies for renewable energy are clearly articulated, with measurable targets and implementation plans in member states. Energy efficiency policies are scattered in several directives and lack clear and measurable targets.

**Some areas important for a path towards a low-carbon economy are minimally covered by the EU.** At present there are mostly non-binding targets or strategies beyond 2020, investments in electricity grids and distribution is still under development, little work is done on the redesign of products to be material efficient, energy efficiency in industry is only indirectly covered by the EU emission trading system, there are as yet no incentives for retrofit of existing buildings, freight transport via road, rail or shipping is not covered, and climate plays a minimal role in agriculture policy.

The overall message from the icon is that the larger the coloured area, the more the score of the individual member state is influenced by EU policy.

**Table 2. Summary table with indicative rating of implemented EU regulations.**

**GENERAL**

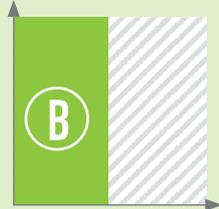


- Coverage is high. The EU is committed to reduce greenhouse gas emission by 80% to 95% by 2050. However, an agreed climate strategy does not yet go beyond 2020. Innovation strategies and the amount of resources for research and development in climate change and energy are mainly determined nationally.
- Flexibility for member states is significant. Long term EU targets are not yet legislated or binding. Resources for research and development have some EU guidelines.
- Score: 'F'. Although the longer term target is a step in the right direction, the target is not binding and the implementation strategy only reaches until 2020.

**ELECTRICITY SUPPLY**

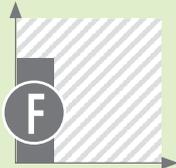


**Renewables**



- Coverage is almost complete. The Renewable Energy (RES) Directive sets renewable targets for 2020 and regulates most prominent barriers.
- Flexibility for member states is significant. The RES Directive sets binding targets – member states have flexibility in choosing support mechanism and are not required to differentiate between different types of technology. The most prominent barriers are regulated.
- Score: 'B'. The target of the RES Directive of 20% renewable energy in 2020 is quite ambitious. In the electricity supply sector this translates to a 15-20% increase in renewable electricity's share in 2020, which is almost as ambitious as the 20% increase required in the low-carbon policy package.

**Energy efficiency**



- Coverage is high, with a directive aiming to stimulate combined heat and power (CHP) use. Losses during distribution of electricity and heat have only recently been covered by the recently proposed draft of the Energy Efficiency Directive. Investments in electricity grids are as yet minimally coordinated by the EU.
- Flexibility for member states is high, as the CHP Directive gave non-binding targets until 2010. Its impact heavily depends on implementation at member state level, which is weak at the moment.
- Score: 'F'. The requirements of the CHP Directive are not ambitious enough.

**Overarching**

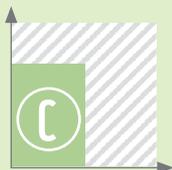


- Coverage is high with the EU emission trading system (ETS) giving price signals to power generation, although emissions performance standards for fossil fuel power plants are not set. Member states continue to subsidise conventional fuel supply. The EU gives a legal framework for carbon capture and storage (CCS) and taxes are covered by the Energy Tax Directive.
- Flexibility for member states is limited overall, due to the emission trading system. Member states have higher flexibility to adopt additional legislation on taxes, subsidies and carbon capture and storage.
- Score: 'D'. EU emission trading system so far does not give sufficient price signals. Since taxes on power production are exempted from minimum tariffs, they are far away from the required levels of around 100% of the energy price. Subsidies on coal mining are allowed until 2018.

## INDUSTRY



### Renewables



- Coverage is high, with the RES Directive influencing the use of renewables in industry and potentially imposing sustainability criteria on biomass. Demonstrations can be funded through Cohesion and NER300 funds.
- Flexibility is significant as member states have flexibility in choosing if support mechanism for renewable energy apply to industry and how sustainability criteria are applied.
- Score: 'C'. Corresponding to the 'B' score on renewable electricity, achieving the 20% renewables target will help reach 10% share of renewables in industry in 2020 that is given in the low-carbon policy package. The lack of stringent biomass sustainability requirements is a problem for heat production in industry.

### Energy efficiency



- Coverage is medium, with only the Eco-design Directive directly impacting energy efficiency policies in industry. EU emission trading system has an indirect effect. The recently proposed – but not yet adopted - Energy Efficiency Directive includes frequent and mandatory energy audits for large companies, as well as a greater use of residual heat and heat from cogeneration.
- Flexibility for member states is significant, since there is no binding energy efficiency target for member states. Member states are tied to the norms on electrical motors set in the Eco-design Directive.
- Score: 'E'. The EU energy efficiency target of 20% is in line with a low-carbon policy package, but policies are missing. Doubling of ambition in energy efficiency in industry is needed.

### Overarching



- Coverage is medium, with an Energy Tax Directive setting minimal tax levels and the EU emission trading system regulating CO<sub>2</sub> prices in industry. The main gap is the redesign of products to be less material intensive, longer lasting and 100% recyclable is not targeted. Although the EU has made a resource-efficient Europe one of its 'flagship initiatives', this has not yet translated into policies.
- Flexibility for member states is limited as the EU emission trading system is giving harmonised rules with only limited flexibility to member states. Countries could increase taxes, or stop exemptions, on industrial energy use.
- Score: 'E' The minimum energy tax levels for industry are too low and with significant exemptions. EU emission trading system does not give sufficient price signals.

## BUILDINGS



### Renewables



- Coverage is almost complete as the use of renewable energy and new technologies are supported by the Energy Performance of Buildings Directive and the share of RES in buildings is (indirectly) covered by the RES Directive.
- Flexibility is significant as member states have the flexibility in choosing support mechanisms. There is no specific building related target for the increase in the use of renewable heat and cooling in buildings.
- Score: 'C'. Corresponding to the 'B' score on renewable electricity, achieving 20% renewables target will help reach the additional 10% share of renewables in buildings in 2020 that is given in the low-carbon policy package. The lack of stringent biomass requirements is a problem for heat production in buildings.

### Energy efficiency



- Coverage is medium, as the Eco-design Directive sets minimum performance standards for (some) equipment. The Energy Performance of Buildings Directive sets standards for existing buildings, although the most prominent barriers (such as the landlord-tenant dilemma) are not regulated. A significant gap is retrofitting of the existing building stock.
- Flexibility for member states is limited. Member states have significant flexibility in complying with the demands for existing buildings, but cannot adopt stricter norms on appliances regulated by the Eco-design Directive.
- Score: 'D'. The ambition level of the Eco-design Directive should be doubled and the requirement for nearly zero energy buildings should be shifted from 2020 to 2014 for a maximum score.

### Overarching



- Coverage is complete, with the Energy Tax Directive affecting the only indicator in this area.
- The flexibility for member states is significant, since member states should adopt the minimum tariffs set in the Energy Tax Directive but are free to impose higher taxes if they see fit.
- Score: 'G', the minimum tariffs set in the Energy Tax Directive are too low to have a real effect.

## TRANSPORT



### Renewables



- Coverage is high. The RES Directive sets a binding target of 10% share of renewables in transport in 2020, including sustainability criteria. The gap is that there is no EU legislation on the development of infrastructure for electric mobility.
- Flexibility for member states is significant. Member states are free to decide on policy measure to meet the binding target.
- Score: 'C'. Target of 10% renewables in 2020 is in line with the requirements for a low-carbon policy package, but the sustainability criteria are insufficient.

### Energy efficiency



- Coverage is medium. EU has CO<sub>2</sub> efficiency standards for new passenger cars and vans. The main gap is freight transport via road, rail or shipping is not covered. With about 9% of the primary energy use in the EU it is the most significant economic activity not covered.
- Flexibility for member states is low. Emission norms for vans and passenger cars are part of an EU regulation directly and entirely applicable to all member states.
- Score: 'E'. Standard for new passenger cars is phased in from 2012 to 2015 (130 gCO<sub>2</sub> per km) with a longer term (not binding) target of 95 gCO<sub>2</sub> per km.

### Overarching



- Coverage is medium. The Energy Tax Directive sets minimum tax levels for transport fuels. The major gaps are that EU has no legislation that is targeted at a modal shift or reduction of traffic. Investments in low-carbon infrastructure are partially targeted by Cohesion funds available for investment in rail transport.
- Flexibility for member states is limited. Spending of Cohesion fund money has restrictions. Member states can impose higher taxes than the minimum standards.
- Score: 'F'. Minimum tax levels for transport fuels are around 40-50% of the energy price, while they should be 400% of the current energy price.

## AGRICULTURE



The major gap in the EU's agriculture policy is that it does not include a long term climate perspective. A reform of the EU subsidy scheme, taking emissions into consideration, would be needed, especially in the longer term of our vision, when agriculture will become the main emitter of greenhouse gas emissions.

## FORESTRY



The EU's forestry policy is guided by the RES Directive, which encourages member states to complete biomass plans, and the Cohesion Funds, where beneficiaries can be supported for investment in reforestation. Gaps are that comprehensive land use strategies, forest management and prevention of deforestation are not directly targeted at EU-level.

### 3.3 How do the plans for future climate policy at EU-level move the EU closer to a low-carbon economy?

**Current plans show significant improvements, but are still insufficient to be in line with a low-carbon economy.** Several policy developments are currently under discussion. These constitute a further step towards a low-carbon economy, but still leave gaps. In particular, long-term plans are still in the discussion phase, efforts and targets on energy efficiency would have to be more specific and binding, plans for tightening the cap of the emission trading system are missing, and planned action on freight transport and modal shift is limited (see Table 3).

**Table 3. EU-level action: current level, necessary level and future plans**

	Gaps and insufficient ambition in current EU policy	Stringency necessary towards a low-carbon economy by 2050	Action suggested in new EU plans
 <b>ELECTRICITY SUPPLY</b> <b>GENERAL</b>	Long-term targets or agreed strategies beyond 2020 missing	Legally binding goal of 95% reductions by 2050	Climate roadmap suggests 80% reductions by 2050, with interim milestones
	Investments in electricity grids and distribution missing	Significant investments in electricity grids	Infrastructure communication recommends electricity highways as of 2020
	Targets in combined heat and power (CHP) Directive not ambitious enough	10% additional share of CHP in 2020	Draft Energy Efficiency Directive: new thermal generation should include efficient CHP
	Cap and reduction trajectory in the emission trading system not ambitious enough	Reduction of between 35 and 40% below 2005 levels by 2020	Climate roadmap indicates cuts of 43-48% by 2030 and 88-92% by 2050
	Redesign of products not supported	Strategy to redesign of products to be more material efficient, 100% recyclable	Resource-efficiency is one of its 'flagship initiatives', but not yet translated into policies
 <b>INDUSTRY</b>	Energy efficiency in industry only indirectly covered by the EU emission trading system	Improve energy efficiency in industry by more than 2% per year	Draft Energy Efficiency Directive: Frequent and mandatory energy audits, energy savings obligation scheme, targets not specified, climate road map weak on energy efficiency
	Cap of the emission trading system not ambitious enough	Reduction of 35 to 40% from 2005 to 2020	Climate roadmap indicates cuts of 43-48% by 2030 and 88-92% by 2050
	Incentives for retrofit of existing buildings missing	Incentives to increase retrofit rate to 3% per year	Draft Energy Efficiency Directive: Target of 3% renovation rate for public buildings only
 <b>BUILDINGS</b>	Energy efficiency standards for appliances not ambitious enough	One to two classes beyond Ecodesign Directive	-
	Standard for new passenger cars of 130 gCO <sub>2</sub> per km phased in 2012 to 2015 not ambitious enough	Standard for new cars of 95 gCO <sub>2</sub> per km in 2015	White paper focuses only on long-term action
 <b>TRANSPORT</b>	Freight transport via road, rail or shipping not covered	Reduce new freight vehicle emissions per kilometre by 25% in 2020	White paper includes only limited action on freight transport
	Modal shift and reduction of traffic not covered	5% of emission avoided or moved from cars and trucks to more carbon efficient modes like rail in 2020	-
	 <b>AGRICULTURE FORESTRY</b>	Climate perspective on agriculture and forestry policy missing	Formulation and implementation of a consistent and comprehensive land use strategy Goals and incentives for CH <sub>4</sub> and N <sub>2</sub> O reductions

# 4. THE TRENDS IN EU MEMBER STATE POLICIES

An overall assessment of EU member state policies finds that **nine have, on balance, made progress, and five have fallen further behind.** Assessment at sectoral level indicates few consistent trends, with changes for the better and the worse in evidence.

Our analysis shows that the majority of new policy developments in EU member states are either a direct implementation of EU legislation or are linked to EU legislation. This reinforces the message in chapter 3, that intensification of policies at the EU-level can have a large impact on countries' performance.

Certainly the financial crisis has made its impact felt: although green growth is part of many government plans, real transformation is little in evidence. Cuts in support to alleviate short-term budget gaps have appeared in several countries.

## 4.1 How much does the implementation of EU policies account for action in member states during the past year?

**The majority of last year's developments in EU member states were linked to EU legislation:**

- The promotion of renewable heating measures as part of the Renewable Energy Directive. The UK introduced an innovative 'feed-in tariff' for heat, Finland now stimulates the use of wood fuel and biogas combined heat and power (CHP) with a feed-in premium and Slovenia introduced a programme to promote biomass boilers and solar collectors in households.
- Support schemes for renewable electricity are linked to binding targets for the share of renewable energy in 2020. Over the past year, some countries reduced support for (mainly) photovoltaic solar energy: Slovak Republic, Czech Republic, Italy, France, Spain, UK, Estonia, Germany and Belgium. Finland introduced a feed-in premium scheme and Hungary now limits its feed-in support to genuinely renewable energy.
- The transposition in national law of the Eco-design Directive in Bulgaria and Romania.
- Changes in buildings codes and building certification as a reaction to the Energy Performance of Buildings Directive, for example in Cyprus, Finland, Romania and Slovenia.
- Changes in regulation for biofuel to reach the binding target of 10% share of biofuels in transport in 2020: Ireland, Germany, Spain, and the UK have increased quotas or new support. Still, Bulgaria, Poland and the Slovak Republic abolished policies that were intended to help reach the target.
- New policies that support the purchase of energy efficient new cars often related to the upcoming EU standard of the maximum of 130 g-CO<sub>2</sub> per km for the new passenger car fleet that is phased in 2012 to 2015: Romania and UK introduced a new premium for efficient cars, whereas France and Austria applied stricter emission levels to their premium system. On the other hand Italy did not extend its incentives for efficient cars in 2011.

Only a quarter of developments is independent of, or goes beyond, EU legislation. Examples are the 2050 target of independence from fossil fuels in Denmark, the developments in aviation tax in Germany and Austria and carbon taxation in countries like Sweden, the UK and Ireland.

### Description of the approach used to evaluate member states energy and climate policies:

We analysed the policy progress of individual member states, focussing on new or abolished policies over the period of 1 July 2010 until 1 September 2011. The conclusions are based on individual country profiles, which can be downloaded from [www.climatepolicytracker.eu](http://www.climatepolicytracker.eu).

We analysed the progress per country, on sectoral level and per policy area. Icons are used to indicate the trend on balance:

-  Positive policy developments since last year's situation,
-  Negative policy developments since last year's situation,
-  Negative and positive policy developments are balanced or new plans where issued, but not yet implemented.
-  When there are no policy developments, we report this as empty (white).

Important considerations when interpreting the results are:

- Our focus is on implemented new policies: we did not include continued policies or the effect of existing policies into our analysis.
- To keep a focus on change rather than on an update of the score, we did not quantify smaller and larger changes.
- The focus is on adopted legislation. However, we do mention developments if they are considerable, always making it clear that when it concerns plans only.

## 4.2 How did the financial crisis affect member state climate policies?

**The economic crisis has led to a stimulus in green growth, but also to budget cuts of support policies:** Although energy and climate change are said to be integral to many economic reform packages, no country has taken the opportunity to really transform their economy towards a low-carbon future.

Measures resulting directly from budget cuts can for example be seen in Germany, which temporarily shifted the budget for its building energy efficiency support programme between years. Bulgaria, Poland and the Slovak Republic have reduced support or ended their quota obligations for biofuels. In Romania, biofuels are no longer exempt from excise tax. Spain cut its support for electric vehicles due to budgetary constraints. Research funds suffered from budget cuts in both Hungary and the Netherlands. The Netherlands prematurely cancelled a support scheme for renewable heat in households. The only countries that have set aside dedicated funding for energy efficient renovation are Germany, Austria and Ireland.

## 4.3 How have member state climate policies changed over the last year?

**Positive and negative policy developments have occurred in all countries, but the overall picture remains largely unchanged – current efforts are insufficient to meet the low-carbon vision.** All EU countries need to intensify their efforts. Progress in European member states' energy and climate policies has been minimal. Efforts are still not strong enough to lead to a low-carbon economy in the long term.

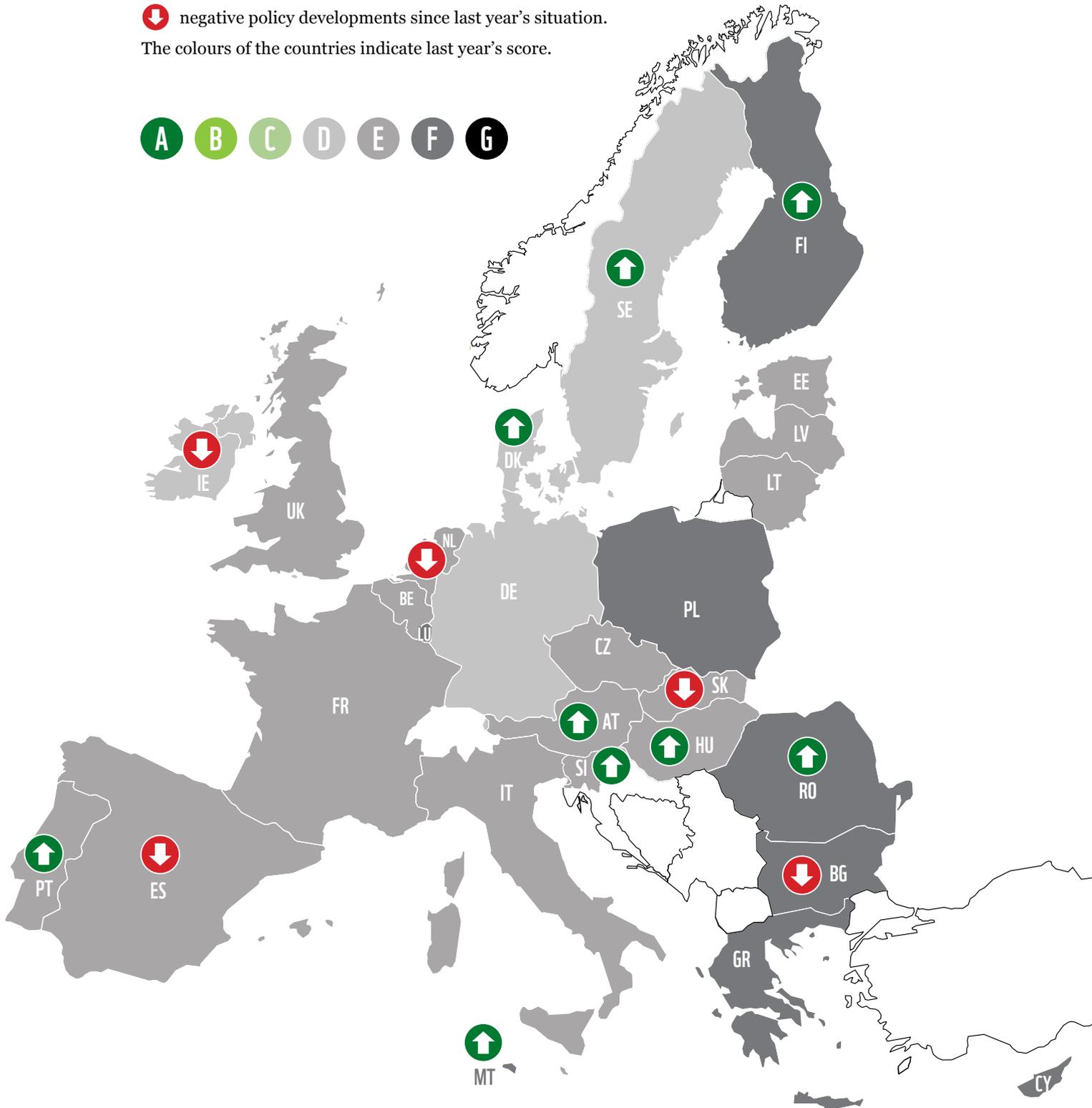
Country results are summarised in Figure 2. Nine of the EU-27 countries took a step forward in their climate and energy policy package. Five countries have shifted further away from achieving a low-carbon economy in 2050. Assessment at sectoral level indicates few consistent trends, with changes for the better and the worse in evidence, as demonstrated by Table 4 and the examples of most important developments per sector in the following paragraphs.

**Figure 2. Overall developments in the EU-27 climate and energy policy packages from 1 July 2010 until 1 September 2011.**

Colours indicate the country trend on balance:

-  positive policy developments since last year's situation,
-  negative policy developments since last year's situation.

The colours of the countries indicate last year's score.



**Table 4. Across all sector intensified action is needed**

	Trend since 2010	2010 rating	2011 trend
<b>GENERAL</b>	A standstill in long term strategies		
<b>ELECTRICITY SUPPLY</b>	Reduced support for renewable electricity, mainly for solar photovoltaic , partly justified		
<b>INDUSTRY</b>	Industry still barely tackled by policies		
<b>BUILDINGS</b>	Buildings renovation policy focus, but limited action		
<b>TRANSPORT</b>	Efficiency of existing cars is main policy area in transport policies		
<b>AGRICULTURE</b>	No new, innovative policies on agricultural greenhouse gas emissions		
<b>FORESTRY</b>	Forestry laws in Eastern Europe		

**Colours indicate the 2011 trend:**

- positive policy developments since last year's situation,
- negative policy developments since last year's situation,
- negative and positive policy developments are balanced or new plans where issued, but not yet implemented.

## GENERAL

### **A standstill in most long term strategies**

With respect to overall country low-carbon strategies, the situation in many countries is the same as it was last year. Denmark has presented an Energy Strategy 2050 with the aim to become independent from fossil fuels by 2050. This strategy has not yet been discussed by the parliament, but there is a general agreement for a clear 2050 target. Germany has introduced its Energy Concept with the long-term target to reduce emissions by 80-95% by 2050, but this target is not legally binding. France and Romania have taken some smaller steps forward by assigning funding for research and development in renewable energy. On the other hand, Ireland has shelved its climate change bill and the Netherlands has reduced its targets for 2020 to the minimum EU-levels.

## ELECTRICITY SUPPLY



### **Reduced support for renewable electricity, mainly for solar photovoltaic (PV), partly justified**

Some countries reduced support for renewable electricity, mainly the support levels for solar photovoltaic (Slovak Republic, Czech Republic, Italy, France, Spain, UK, Estonia, Germany and Belgium). The reduction of support levels for solar PV is justifiable given the decrease in production cost and very strong market growth. Still, the support reductions were often implemented as a step change and have reduced future investment certainty. This is especially the case in Spain and the Czech Republic, where the support for solar PV was cut retroactively, either by cutting the tariff or by introducing a tax for existing installations.

## INDUSTRY



### **Still barely tackled by policies**

Renewables in industrial sectors were not particularly targeted by new (or existing) policies and only six countries saw some change in policy. In Ireland the existing renewable heat deployment scheme for industrial buildings was closed. Slovenia introduced a co-financing programme for the installation of biomass boiler equipment and Malta started a credit scheme for the use of renewable sources in small and medium enterprises.

Efficiency in industry remains an area that is barely tackled by policies. Developments mainly concerned extending existing programmes. Ireland, Czech Republic and France extended existing programmes to stimulate energy efficiency projects in industry. Slovenia is co-financing the construction of biomass district heating systems.

A minority of countries have targeted the tax exemptions for industry. While Greece is the only country that lowered energy prices for their industry, and Finland has plans to lower energy taxation for energy intensive industry, Germany, the UK and Austria, have reduced tax benefits for intensive industry. The changes in these three countries are minor, and increase the tax levels of certain fuels by a few percent.

## BUILDINGS



### **Buildings: renovation policy focus, but limited action**

Some countries further stimulated the use of renewable heat in buildings, but the overall efforts to promote renewable heat are still too low. While the Netherlands prematurely cancelled a support scheme for renewable heat in households, the UK introduced an innovative 'feed-in tariff' for heat. The latter began with support for the non-domestic sector in 2011 and will extend to the domestic sector in 2012. Finland now stimulates the use of wood fuel and biogas combined heat and power with a feed-in premium. Slovenia introduced a programme to promote biomass boilers and solar collectors in households.

Energy efficiency in buildings is the area with most positive developments: twelve countries have taken steps forward. However, these steps are small and do not exploit the

full potential of energy efficiency improvements in buildings. The focus is on improved certification of buildings and temporary measures to stimulate (energy efficient) renovation of buildings (the Netherlands, Spain, Austria and Ireland). But last year also saw shifts or cuts in budgets for renovation projects (Germany, the UK)

No new carbon or energy taxes for households were adopted in the past year, with the exception of Cyprus, where the energy tax for consumers was doubled to fund renewable energy production. Ireland has planned to further increase its carbon tax to €30 per tonne of CO<sub>2</sub> in 2014.

## TRANSPORT



### **Policies mainly focussing on efficiency of existing cars**

The purchase of energy efficient new passenger cars was further promoted in a number of countries, but no country introduced any further measures to promote the energy efficiency of existing vehicles. The Dutch tax on new passenger cars is now connected to their CO<sub>2</sub> emissions intensity. Romania and UK introduced a new premium for efficient cars, whereas France and Austria applied stricter emission levels to their premium system. On the other hand Italy did not extend its incentives for efficient cars in 2011. Germany, a country that has had fewer policies to support efficient car use, will now introduce the energy labelling of cars.

Lithuania and Estonia have taken some initial steps to promote electric mobility. Malta and Ireland increased or introduced support for the purchase of electric vehicles, and Italy will start new incentives for electric vehicles either at the end of this year or the beginning of next year.

Support for biofuels shifted in many countries. Some countries took a step backwards due to reduced support or the ending of quota obligations for biofuels (Bulgaria, Poland, and Slovak Republic). Ireland, Germany, Spain, and the UK have increased quotas or new support.

A levy for air traffic was introduced in Germany and Austria. France saw a slight increase in the tax on domestic aviation.

## AGRICULTURE AND FORESTRY



### **Forestry laws in Eastern Europe but no new innovative policies on agricultural greenhouse gas emissions**

Policies on forestry were introduced or enhanced in some new EU member states. For example, Romania and Bulgaria introduced afforestation legislation. Greece published forestry maps and approved a law on the preservation of biodiversity. The Czech Republic and Slovenia are creating conditions for sustainable forest management and the Slovak Republic approved a national action plan for agricultural and forestry biomass.

**Table 5. Summary of policy developments per country. Colours indicate the trends per policy area and sector.**

	Renewables				Efficiency				Overarching						Total	
	ELECTRICITY	INDUSTRY	BUILDINGS	TRANSPORT	ELECTRICITY	INDUSTRY	BUILDINGS	TRANSPORT	GENERAL	ELECTRICITY	INDUSTRY	BUILDINGS	TRANSPORT	AGRICULTURE		FORESTRY
AT	↑	×	×	×	×	×	↑	↑	×	×	↑	×	↔	×	×	↑
BE	↓	×	×	×	×	↔	↓	×	↔	×	×	×	×	×	×	↔
BG	↔	×	↔	↓	×	×	↑	×	↔	↓	×	×	×	×	↑	↓
CY	↔	×	×	×	×	×	↑	↓	↔	×	×	↑	×	×	×	↔
CZ	↓	×	×	×	×	↑	×	×	↔	×	×	↔	↔	×	↑	↔
DE	↔	×	↔	↑	×	↔	↔	↑	↔	↔	↑	×	↔	×	×	↔
DK	×	×	×	×	×	×	×	×	↑	×	×	×	×	×	×	↑
EE	↔	×	×	↑	×	×	↑	↔	↔	×	×	×	↓	×	×	↔
ES	↓	↔	×	↔	×	×	↑	↔	↔	↓	×	×	×	×	×	↓
FI	↑	×	↑	↔	↑	↔	↑	×	↔	×	×	×	×	×	↔	↑
FR	↓	×	×	×	↔	↔	↔	↔	↑	↑	↔	×	×	×	×	↔
GR	↑	×	↑	×	×	×	↑	×	↔	×	↓	↔	↓	×	↑	↔
HU	↑	×	×	×	×	↔	×	×	↔	↑	×	×	×	×	×	↑
IE	↔	↓	↑	↑	↓	↔	↑	×	↓	×	↓	↔	↑	↓	×	↓
IT	↓	×	↑	↑	×	↔	↑	↔	×	↔	↔	×	↔	×	×	↔
LT	↑	↑	↔	↔	↑	×	×	×	↔	↔	×	×	×	×	×	↔
LU	×	×	×	×	×	×	↔	×	↔	×	×	×	×	↔	↔	↔
LV	↑	×	↑	×	×	×	↔	×	×	×	×	×	↔	×	×	↔
MT	↑	↔	×	↑	×	×	×	↑	×	×	×	×	×	×	×	↑
NL	↓	×	↓	×	×	×	↑	↔	↓	↓	×	×	×	↔	×	↓
PL	×	×	×	↓	↑	×	↑	×	↔	↔	×	×	↔	×	×	↔
PT	×	↑	↑	↑	×	×	×	×	↔	↑	↔	↔	×	↑	×	↑
RO	×	×	×	↑	↔	×	↑	×	↑	↔	×	×	×	↔	↑	↑
SE	↑	×	×	↑	×	×	×	×	×	×	×	×	↔	×	×	↑
SI	↔	↑	↑	↔	×	↑	↔	×	↔	×	×	×	×	×	↔	↑
SK	↓	×	×	↓	×	×	×	×	×	↔	×	×	×	×	↔	↓
UK	↓	×	↑	↑	×	×	↓	↔	↔	↓	×	↑	×	×	↔	↔

- ↑ positive policy developments since last year's situation,
- ↓ negative policy developments since last year's situation,
- ↔ negative and positive policy developments are balanced or new plans where issued, but not yet implemented.
- × When there are no policy developments, we report this as empty.

**The policy developments behind these scores can be found in the country profiles and downloaded via [www.climatepolicytracker.eu](http://www.climatepolicytracker.eu).**

### Concrete examples of best practices in member states

In every country, we found positive or innovative developments – often small but sometimes also significant. Some examples include:

<b>Austria</b>	Introduced environmental taxes in transport to increase government income.
<b>Belgium</b>	Plans to amend its voluntary agreement scheme with industry to include product design and disposal.
<b>Bulgaria</b>	Adopted a new law on forestry, banning construction in national forests and introducing the concept of ecosystem services.
<b>Cyprus</b>	New buildings are required to have the infrastructure necessary for renewable electricity production pre-installed.
<b>Czech Republic</b>	Will publish a new climate change policy during 2011, and in July 2011 approved a new air pollution act.
<b>Denmark</b>	Has the goal of independence from coal, oil and gas by 2050.
<b>Estonia</b>	Started using 500 electric cars and will introduce further support on acquisition of electric cars and charging infrastructure.
<b>Finland</b>	Supports heat produced using wood fuel and biogas combined heat and power (chp) by an additional new premium of 20€ per mega watts (mw) for wood fuel chp and 50 € per mw for biogas chp.
<b>France</b>	Put aside €6 billion for research and development in the field of sustainable development.
<b>Germany</b>	Will phase out all nuclear power plants by 2022 enabling a positive energy transition.
<b>Greece</b>	Removed the cap for the support of residential solar photovoltaic (pv) measures.
<b>Hungary</b>	Prepared a new railway strategy to increase the share of rail transport in both passenger and freight transportation.
<b>Ireland</b>	Will double its carbon tax to 30€ per tonne CO <sub>2</sub> by 2014.
<b>Italy</b>	Extended a 55% tax rebate scheme for energy efficiency measures in buildings.
<b>Latvia</b>	Simplified the administration required for the feed-in tariff.
<b>Lithuania</b>	Approved a national strategy for renewable energy development.
<b>Luxembourg</b>	Will publish CO <sub>2</sub> abatement and energy efficiency plans during 2011.
<b>Malta</b>	Further focused on renewables: introduction of a higher feed-in tariff for solar photovoltaic (pv) and plans for offshore wind parks.
<b>the Netherlands</b>	The purchase tax on new cars now depends on the CO <sub>2</sub> emitted.
<b>Poland</b>	Recently introduced a white certificate scheme to boost energy efficiency.
<b>Portugal</b>	Started new development programmes on smart grids including the potential 'buffer' effect of large hydro and electric vehicles.
<b>Romania</b>	Adopted a new afforestation plan and started to enhance control on illegal deforestation.
<b>Slovak Republic</b>	Reinstated their ministry of environment under the new government.
<b>Slovenia</b>	Co-financed the construction of biomass district heating systems
<b>Spain</b>	Increased their biofuels target.
<b>Sweden</b>	Set the goal of achieving a transport fleet that is independent from fossil fuels in 2035.
<b>UK</b>	Adopted a feed-in tariff for heat for non-domestic and domestic users.

# 5. THE WAY FORWARD

This policy assessment finds that action at both EU and national level needs to be taken to develop a low-carbon economy – the gap between the current policy trajectory and one that will help avoid significant global warming is still very large. Importantly, plans have been tabled in the past year at EU-level that begin to outline the steps necessary to make the transition. But they remain in the discussion phase. Given both flexibilities and gaps in EU legislation, there will continue to be significant room for national initiative. Member states need to take responsibility for action on all sectors.

## 5.1 EU policy needs significant strengthening to help Europe develop towards a low-carbon economy

Agreeing EU climate policies that are stringent in ambition but flexible in application would significantly help increase the success of member state policies. Clear and measurable targets help to ensure consistency, and give greater guarantees of achieving desired goals. However, for EU-wide harmonised rules or standards there is the risk that they are watered down in the policy development process to a lowest common denominator ambition level. This tendency is a danger inherent in collective decision making, and will have to be guarded against – in part through better recognition of the importance of such decisions, as indicated in this report.

Many of the policy elements needed to reach a low-carbon economy are already in place at EU-level, but they are insufficient in scope or ambition. The first needed step is **significant improvement of the EU's existing cornerstone policies:**

- Aligning the cap and reduction trajectory of the EU emission trading system to achieve 2050 decarbonisation: the current trajectory overshoots this goal by 20 years. It will also be necessary to eliminate the large credit surplus built up in the system.
- Introduce a CO<sub>2</sub> tax as part of the Energy Tax Directive.
- Tightening the requirements for CO<sub>2</sub> efficiency of passenger cars.
- Tightening standards under the Eco-design Directive.
- Guidance to member states on how to incentivise retrofits for energy efficiency and renewable energy as part of the Energy Performance of Buildings Directive.

In addition, there is a need **for new policies to close existing gaps:**

- **Legal agreement on long term targets or strategies beyond 2020.** The EU's position is to reduce its greenhouse gas emissions by between 80% and 95% by 2050, but strategy is still under discussion. Legislation is needed on post-2020 greenhouse gas reduction targets, as well as targets increasing the share of renewable energy and achieving further energy savings.
- **Greater ambition on energy savings for 2020.** The Energy Efficiency Directive should be the vehicle to agree binding energy efficiency targets for all member states, or binding measures that achieve comparable outcomes. Unambiguous definitions of energy efficiency improvements, and agreed methodologies to measure these, are an important basis for action.
- **Explicitly targeting the redesign of products, with the objective to make these less material intensive, longer lasting and 100% recyclable.** Although the EU has made a resource-efficient Europe one of its 'flagship initiatives', this has not yet translated in to policies. This task can best be implemented at the EU-level.
- **Legislation on freight transport via road, rail or shipping.** This area is currently not targeted, despite being significant - it accounts for about 9% of primary energy use in the EU.
- **A long term climate perspective on EU agriculture policy.** Subsidies play an important role in shaping European agricultural practices. Subsidy reform, taking emissions into consideration, is necessary - particularly given that in the longer term, agriculture may very well represent a large share of greenhouse gas emissions.

## 5.2 European member states need to take responsibility for action in all sectors.

**Additional action across all sectors in all member states is needed.** For some sectors, such as building renovations, car efficiency and forestry, intensified action has been taken in the last 12 months, but also for other sectors such intensified action needs to be initiated. This will include further elaboration of long term climate change mitigation strategies, effective policies and/or increased funds for renewable energy, targeted policies for industry, and innovative policies on agricultural greenhouse gas emissions.

There is ample scope for member states to learn from each other. Over the past year there have been positive or innovative developments in many countries, and a wider application of these across the EU could result in further greenhouse gas emissions reductions. Each member state can increase its performance by taking up good examples from other member states. For this purpose we have prepared country-specific recommendations in individual country profiles that can be downloaded from [www.climatepolicytracker.eu](http://www.climatepolicytracker.eu).

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