



## **ENVIRONMENT COUNCIL**

### **Brussels, 19 December 2016**

Chair: **László Sólymos**, Slovak Minister for the Environment

European Commission representation: Commissioners **Karmenu Vella**, **Miguel Ángel Arias Cañete**

Starting time: 9:30

As the main point of this Environment Council meeting, ministers will look at the progress achieved on the revision of the **emission trading system** (ETS). The ETS is one of the main EU's tools to reduce greenhouse gas emissions. Its review is part of EU's climate action to cut emissions at least 40% by 2030 (compared to 1990 levels), which is EU's commitment under Paris Agreement.

The presidency will also inform the Council about the state of play regarding two legislative proposals to cut emissions in **sectors not covered by the ETS**: the effort-sharing regulation and the regulation on land-use, land-use change and forestry (LULUCF).

The Council is expected to adopt conclusions on the protection of human health and the environment through the sound management of **chemicals**. The conclusions cover, among other issues, the Refit evaluation of REACH, the fitness check of the rest of the legislation on chemicals and the issue of endocrine disruptors.

Under any other business, the Council will also be informed about the state of play of the legislative proposals on **waste** (circular economy) and about several recent international meetings, including **Marrakesh** climate change conference and the recent conference on biodiversity in Cancun. Ministers will also be informed, among other issues, about the fitness check of the EU **nature legislation** (Birds and Habitats Directives), the Commission's Communication on the next steps for a **sustainable European future** and the recently adopted Commission's staff working document on the Refit of the EU **Ecolabel**.

Finally, the incoming Maltese presidency will present its work programme for the first semester of 2017.

**Press conference:** +/- 13:00

\* \* \*

Press conferences and public events by video streaming: <http://video.consilium.europa.eu>

Video coverage in broadcast quality (MPEG4) and photo gallery on:  
<https://tvnewsroom.consilium.europa.eu/permalink/88783>

---

<sup>1</sup> This note has been drawn up under the responsibility of the press office.

# CLIMATE CHANGE

## Review of the EU emissions trading system

Ministers will look at the progress made so far on the revision of the **emission trading system** (ETS). The presidency will present its progress report on this file.

### Progress report

The presidency highlights that delegations agree on these points:

- The revision should be in line with October 2014 European Council conclusions, the objectives of the EU's 2030 climate and energy policy framework and the Paris Agreement.
- The ETS should be the main instrument to achieve the emission reduction goal for 2030.
- Appropriate protection should be provided against the risk of carbon leakage.
- The need to apply the cross-sectoral correction factor (CSCF) should be reduced to a minimum.

Regarding this last point, there have been discussions on key elements that affect the need to apply the **CSCF**, namely the **free allocation rules**, including the methodology to update the **benchmarks**; the alignment of allocations to **changes in production** levels; and the **carbon leakage** provisions.

The presidency considers that considerable progress has also been made in the compensation for **indirect carbon costs**, in the **innovation fund** and in the **simplification** and reduction of administrative burden. For the **review clause**, the presidency proposes to include a link to the implementation of the Paris Agreement. It is also suggested by the presidency to amend the market stability reserve in order to increase the number of allowances to be placed in the reserve.

In the presidency's view, the main focus of further work should be on the main outstanding issues in these three areas:

- Measures to reduce the need for a cross-sectoral correction factor (**CSCF**)
- Measures to **strengthen** the ETS while ensuring protection against the risk of **carbon leakage**
- Low-carbon funding mechanisms for **low-income member states**

[Progress report \(15487/16\)](#)

### Main elements of the Commission proposal for a review

- Currently the cap on overall emissions in the system is reduced annually by 1.74%. From 2021, the **annual reduction will be 2.2%**
- **Free allocation** and measures to prevent the risk of **carbon leakage** will continue after 2020 (aiming to ensure that free allocation is focused on the sectors at highest risk of relocating their production outside the EU)
- **Benchmarks** used to determine free allocation will be adjusted following new rules (which aim to better align the amount of free allocation with production levels)
- From 2021 onwards, the share of allowances to be **auctioned** shall be **57%**
- A '**modernisation fund**' will support investments in modernising energy systems and improving energy efficiency in member states with a GDP per capita below 60% of the EU average. From the total allowances, **2%** shall be auctioned to finance this fund.
- Low-income member states will also have the **option to give transitional free allocations** to installations for the modernisation of the energy sector.
- 400 million allowances will be available to support **innovation** in low-carbon technologies, CO2 capture and geological storage (CCS) projects and innovative renewable energy technologies from 2021 onwards. Moreover, 50 million allowances from phase 3 (2013-20) can be used for such projects before 2021.

- The **revenue** from emissions trading may be allocated, among other ends, to support sectors at risk of carbon leakage, as climate finance for vulnerable countries and to fund training and reallocation of workers affected by the transition to a decarbonised economy.

[Council website: Reform of the EU emissions trading scheme](#)

[European Council \(23 and 24 October 2014\) - Conclusions](#)

[Commission's proposal for a review of the EU ETS](#)

### Timeline and next steps

The **European Council**, in its conclusions of October 2014, established the main elements of the review of the EU ETS. Based on these agreed guidelines, the **Commission** presented its proposal for a directive in July 2015. As it is an **ordinary legislative procedure**, this proposal needs to be discussed by the **Council** and the **European Parliament**, with a view to agreeing a final text. Neither institution has fixed its position yet.

### The EU ETS

The emissions trading system is one of the main instruments of EU's policy to **fight climate change**. It aims to **reduce greenhouse gas emissions** in a **cost-effective** way.

The system, launched in 2005, works by putting a **limit** on overall emissions from high-emitting industry sectors. Within this limit, which is reduced each year, companies can **buy and sell emission allowances**. Each allowance gives them the right to emit one tonne of CO<sub>2</sub>, the main greenhouse gas, or the equivalent of another greenhouse gas. This approach is intended to incentivise companies to cut their emissions in a cost-effective way.

Although **auctioning** is the default method for allocating emission allowances to companies, some sectors of industry receive a share of allowances for free. **Free allocation** is carried out on the basis of greenhouse gas emissions performance benchmarks, which reward best practice in low-emission production.

### EU emissions reduction target

In its October 2014 conclusions, the European Council agreed on the 2030 climate and energy policy framework for the EU. Leaders set as a binding target a reduction in greenhouse gas emissions of **at least 40% by 2030 compared with 1990**. This target was later on included in EU's commitment under the Paris Agreement.

European Council conclusions also specify that the reduction shall amount to 43% in the **ETS sectors** and to 30% in **non-ETS sectors**, in both cases by 2030 compared with 2005.

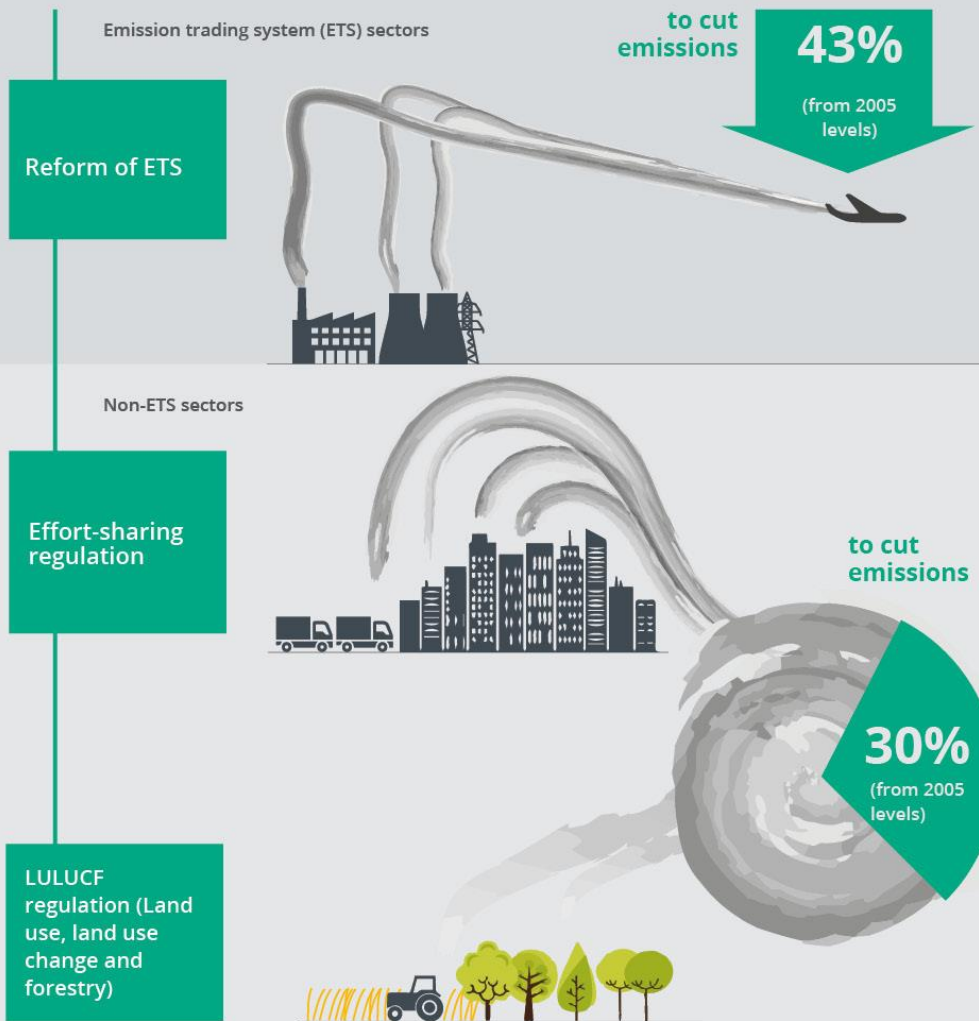
[European Council \(October 2014\) - Conclusions](#)

# Paris Climate change: how will the EU deliver?

## 2030 goal: EU's commitment to Paris Agreement



## How



# ENVIRONMENT

## Sound management of chemicals

The Council is expected to adopt conclusions on the sound management of chemicals. The aim will be to send a political message highlighting the need to keep a high level of protection of human health and the environment, especially in the context of the REACH review and the fitness check of the rest of the legislation on chemicals, as well as the development of criteria to identify endocrine disruptors. The conclusions will also recall some of the commitments and measures on chemicals that the EU is expected to deliver on in order to create a non-toxic environment.

### Legislation on chemicals

The REACH Regulation, in force since June 2007, covers the registration, evaluation, authorisation and restriction of chemicals. It includes the obligation for a review every five years to monitor progress in its objectives. The second review, due in 2017, is being carried out in parallel with the fitness check on the most relevant chemicals legislation apart from REACH.

Fitness checks provide an evidence-based critical analysis of whether EU actions are proportionate to their objectives and delivering as expected. They are part of Refit, the Commission's programme to make sure EU law delivers. It aims to simplify and reduce regulatory costs while maintaining benefits. The evaluation criteria are: effectiveness, efficiency, relevance, coherence and EU added value.

### Endocrine disruptors

Some chemicals, known as endocrine disruptors, can have harmful effects on the body's hormone system. There is growing concern in the EU and worldwide about their negative human health and environmental impact.

The EU has introduced specific legislative obligations aimed at phasing out endocrine disruptors in water, industrial chemicals, plant protection products and biocides.

On 15 June 2016, the Commission adopted a package on endocrine disruptors containing, among other documents, two draft regulations which set the criteria to identify endocrine disruptors. Some member states have since expressed concerns about the Commission's approach, and have highlighted that the criteria must respect the precautionary principle and ensure a high level of human health and environmental protection.

The draft Commission regulations follow comitology procedures and meetings are currently ongoing.

### Pending legislation and reports

In line with the 7th Environment Action Program, the EU must develop by 2018 a strategy for a non-toxic environment. This is expected to build on horizontal measures that should have been undertaken by 2015 to ensure:

- the safety of manufactured nanomaterials and materials with similar properties
- the minimisation of exposure to endocrine disruptors
- appropriate regulatory approaches to address combination effects of chemicals
- the minimisation of exposure to chemicals in products, including, among others, imported products, with a view to promoting non-toxic material cycles and reducing indoor exposure to harmful substances

The Commission was expected to deliver by September 2015 a strategic approach to pollution of water by pharmaceutical substances and to publish by June 2015 the report on the assessment of chemical mixtures. A review of the Regulation on cosmetic products was due by January 2015.

The Commission is also committed to develop a strategic approach to chemicals as part of the circular economy package, as well as to propose by September 2017 measures to address environmental impacts of pharmaceutical substances.

## Any other business

### Climate: effort-sharing and LULUCF

The presidency will also inform the Council about the state of play of two legislative proposals to cut emissions in sectors not covered by the ETS: the **effort-sharing** regulation and the regulation on land-use, land-use change and forestry (**LULUCF**).

- Information from the presidency on the state of play ([15520/16](#))
- [Background brief](#) - October 2016 Environment Council (includes information on these two legislative proposals)

### Circular economy: legislative proposals on waste

The presidency will inform the Council about the state of play of these legislative files.

- Information from the presidency ([15477/16](#))
- [Background brief](#) - March 2016 Environment Council (includes information on the circular economy package)

### European action for sustainability

The Commission will inform the ministers on its communication regarding next steps for a sustainable European future: European action for sustainability.

- Communication: European action for sustainability ([14774/16](#) + [ADD1](#))

### Energy union

The Commission will inform the ministers on its latest proposals on clean energy.

- Communication: 'Clean energy for all Europeans' ([15172/16](#) + [ADD1](#) + [ADD2](#))
- [Proposals on clean energy for all Europeans \(European Commission\)](#)

### EU nature legislation: Birds and Habitats directives

The Commission will inform the Council on the recently adopted staff working document on the fitness check of the EU nature legislation (Birds and Habitats directives)

- [Fitness check of the Birds and Habitats Directives \(European Commission\)](#)

### Recent international meetings

The presidency and the Commission will brief the Council on several recent international meetings:

- Marrakech climate change conference (COP 22, Marrakech, 7-18 November 2016) ([15527/16](#))
- Convention on Biological Diversity and its protocols (Cancun, 4-17 December 2016)
- Session of the International Whaling Commission (Portoroz, Slovenia, 20-28 October 2016) ([15529/16](#))
- Conference of the Parties to the UNECE Convention on Transboundary Effects of Industrial Accidents (Ljubljana, 28-30 November 2016) ([15405/16](#))

## **EU Ecolabel**

The Czech delegation, supported by the French, Croatian, Italian and Slovenian delegations, will present some information to the Council regarding the Refit evaluation of the EU Ecolabel.

- Information note ([15270/16](#))

## **European sustainable development week**

The Austrian delegation, supported by the German, French and Italian delegations, will present some information regarding the European sustainable development week (ESDW) to take place from 30 May to 5 June 2017.

- Information note ([15345/1/16 REV1](#))

## **Odour nuisance**

The Polish delegation will present some information to the Council about odour nuisance.

- Information note ([15267/16](#))

## **Budapest water summit**

The Hungarian delegation will inform the Council about the Budapest Water Summit 2016 that took place in Budapest from 28 to 30 November 2016.

- Information note ([15356/16](#))

## **Work programme (January - June 2017)**

The Maltese delegation will inform the ministers of its work programme for the coming months as the next member state to hold the presidency.

- Maltese presidency website: <http://www.eu2017.mt/>

---