

## UFE's reply to the [European Commission's roadmap regarding the revision of the Effort Sharing Regulation \(ESR\)](#)

UFE welcomes and supports the Commission's initiative to review the Effort Sharing Regulation (ESR) to align it with the new 2030 and 2050 climate targets of the EU.

Although it is of the utmost importance to ensure that all sectors are subject to a meaningful CO2 price signal or CO2 standard regulation, **the same carbon pricing instrument will not be suited for all sectors**. It is therefore crucial to carefully assess both the revision of the ESR and the extension of the ETS, and interactions between these two mechanisms.

### **1. Sectoral legislations and national objectives are efficient tools to foster decarbonisation in the building and road transport sectors**

UFE strongly believes that for the road transport and building sectors, **strengthening sectoral legislations will be a more effective decarbonisation tool than their integration into the ETS**.

**Extending the ETS to road transport would increase costs for consumers**, in particular low-income households, while having little effect on their mobility behaviours and thus **no significant impact on the reduction of CO2 emissions** for road transport. Indeed, the price of CO2 in the ETS system would need to increase drastically (around 100-200€/tCO2) to drive significant behavioural changes in this sector. This price level would be difficult to attain via the ETS without a sharp price increase, and would be perceived as unfair by consumers. In this context, it is both fairer and more efficient to support households via investment aid.

By contrast, **sectoral legislations have provided a clear signal** to both manufacturers and consumers while reducing emissions. It also allows acting upstream by addressing the supply. **Regarding road transport** for instance, in France, the implementation of the CO2 emission standards has led to a reduction of new cars' CO2 emissions by around 16% during the first semester of 2020. In consistency with a just transition, CO2 standards also protect households from a taxation effect induced by a (low) CO2 price unable to drive decarbonisation that would be an additional burden to their energy bills and that might be perceived as unfair.

**The same applies for the building sector**, where sectoral legislations such as the Energy Efficiency Directive and the Energy Performance of Buildings Directive set clear objectives in terms of energy efficiency. The recently released Renovation Wave Strategy and the planned legislative revisions could also be promising tools if they include a more climate-centric approach. In any case, especially concerning dwellings, there is a duality between the one who decides on the CO2 performance (the owner) and the one who would support the ETS impact on energy prices (the tenant). This situation is all the more problematic as poor households are over-represented in the tenant category. Therefore, only legislation and mechanism that will have an impact on the owner will be relevant.

### **2. Option 3 must be favoured in the revision of the ESR**

UFE strongly believes that **one ETS for all sectors is not the right tool to support the decarbonisation objective of the EU**.

**The extension of the ETS must be carefully assessed** and its effectiveness must be compared with other carbon pricing solutions, always taking into consideration particularities of each sectors (marginal abatement cost, risk of carbon leakage, policy overlaps etc.).

Therefore, **UFE is strongly opposed to options 1 and 2** as proposed in the EC's roadmap on the revision of the ESR, as they would not offer an efficient way forward for the decarbonisation of the building and transport sectors.

**Option 3 described in the inception impact assessment is understood as a scenario of “no ETS extension” where “the ESR would have the same scope as today” and is the most efficient option.** The ESR revision must align national targets with the new 2030 and 2050 emissions targets. Indeed, the extension of the ETS opens the door for a suppression of Member States' targets. UFE does not support this idea, as national targets contribute to Member States' empowerment.