

Feedback on the Proposal for Amendments to the Effort Sharing Regulation

The Clean Air Task Force (CATF), a climate and energy organization dedicated to decarbonizing our energy system with operations in the US and Europe, welcomes the European Commission's climate ambition, leadership on the issue, and pursuit of policies to decouple greenhouse gas emissions from economic growth.

CATF applauds the European Commission for its plans to increase the ambition of the EU's 2030 climate goals to ensure carbon neutrality by mid-century. CATF also commends the European Commission for pursuing policy innovation on the road to net-zero emissions by mid-century. CATF is grateful for the opportunity to provide feedback on the European Commission's Inception Impact Assessment for Amendment of the Effort Sharing Regulation (ESR).

As noted in our comments on the inception impact assessment for amendments to the EU Emission Trading System (ETS), CATF has serious concerns about extending emissions trading to include methane, especially methane from the oil and gas sector. The current effort sharing regulation covers methane emissions from the energy sector ostensibly, however there is very little direct regulation or control of methane especially in the oil and gas sector.

While changes to the ESR are merited at this time, CATF strongly discourages the Commission from including oil and gas methane in the ETS. Traditionally methane would be added to the "single basket" of pollutants covered by the ETS. Under a "single basket" approach, the EU must determine the global warming potential (GWP) of methane, in terms of CO₂e. This creates challenges in implementing because the Commission would be forced to make a determination of the appropriate time horizon over which the GWP is determined, and that determination has complex implications¹:

- A higher GWP for methane, in line with more recent scientific assessments and more consideration of near-term impacts, reduces the need for near-term CO₂ mitigation.
- Counter-intuitively, under a decarbonization policy, a higher GWP for methane can also slow down methane abatement in the near term.

Using the 20-year GWP may be appropriate in certain frameworks; however, in decarbonization programs, using a high GWP to determine CO₂-equivalency could have unintended consequences.

First, using the 20-year GWP would result in very high credit to investments to reduce methane, at the expense of investments to reduce CO₂. For example, under a market-based approach, if a polluter reduces one ton of methane emissions, which is counted as 86 tons of CO₂e (based on the 20-year GWP in AR5) rather than 34 tons of CO₂e (based on the 100-year GWP), that polluter will have effectively avoided an obligation to reduce 52 tons of CO₂ emissions. We expect that, particularly if the 20-year GWP is adopted, many polluters could seek low-cost methane emission reductions at the expense of making the CO₂ reductions needed to address climate change in the longer term.

Using a higher GWP for methane, such as the 20-year GWP, results in a second problematic and counter-intuitive outcome: it potentially extends the timeframe over which methane pollution is eliminated. Applying the higher GWP of methane increases the total emissions (in CO₂e) in the baseline year, which can allow polluters to reduce smaller volumes of methane (which are counted or credited at a higher value of CO₂e) to comply with the overall emissions reduction obligation, especially in the initial years. In other words, using the higher GWP for methane can shrink the actual size of the methane reductions in early years. Meanwhile, using the higher GWP for methane will certainly delay actions to reduce CO₂.

CATF is grateful for the opportunity to provide feedback on the ESR revision. CATF is looking forward to the Commission's proposal and is open to discussing any suggestions in this submission in detail.

Sincerely,

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ⁱ For more information and discussion on this issue see CATF's submission to the Colorado Department of Health: <https://www.catf.us/wp-content/uploads/2020/09/AQCC-GWP-methane-June-16-2020-Final.pdf>