

**E U R O P E A N E C O N O M I C A R E A**  
**FORUM OF LOCAL AND REGIONAL AUTHORITIES OF THE EEA EFTA STATES**

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**Discussion Paper on the European Green Deal**

Meeting of the EEA EFTA Forum of elected representatives of Local and Regional Authorities,  
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**Introduction**

This document explains what the European Green Deal is about and describes some of the key upcoming legislative initiatives under the following headings: Revision of climate and energy legislation, the regulation on sustainable economic activities (taxonomy) and circular economy. The expected impact and relevance of the initiatives for local and regional authorities is explained, followed by a brief description of possibilities for political influence by the EEA EFTA Forum. The aim of the document is to facilitate discussion at the Forum's meeting on which of the initiatives (if any) the EEA EFTA Forum should work on in more detail, with the aim of adopting one or several opinions at future meetings.

**1. The European Green Deal to deliver the UN sustainable development goals and the EU climate target**

The European Green Deal, presented by the European Commission in December 2019, is a comprehensive strategy for sustainable growth, paving the way for EU climate neutrality in 2050. The European Green Deal includes a set of legislative measures, policy actions and funding mechanisms covering, among others: energy, transport, circular economy, nature and biodiversity, food and agriculture, finance and industry. It sets the framework for most of EU policy development in the years to come.

The European Green Deal will have an impact on the local and regional level in many areas, such as in climate change mitigation, climate change adaptation, energy efficiency measures, education, labour and social policy, industrial policy, research and innovation, citizen engagement, waste management, use of EU cooperation programs, public procurement and state aid, and green budgeting.

The European Green Deal builds on the ambition that good climate policy should also strengthen economic growth, and simultaneously protect the environment and ensure social justice. The European Green Deal is therefore accompanied by proposals on just transition for workers in industries and regions that are most severely affected, with the aim of creating jobs while emissions are cut, the environment is preserved, and the economy is transformed from a linear to a circular system. Digitalisation is a key tool in this transition.

**2. Key upcoming legislative proposals of relevance for local and regional authorities**

Implementation of the European Green Deal is well underway, and the European Commission has put forward several strategies and action plans on how the Green Deal is to be delivered, followed by revisions of regulations and new legislative proposals. The strategy covers most policy areas, under which several legislative proposals will be relevant for the EEA EFTA Member States due to the EEA Agreement.

*2.1 Revision of key climate and energy regulation (Fit for 55% - package)*

All key elements of EU climate and energy legislation will be revised to ensure that the legislative framework enables the EU to reach the 55% emission reduction target by 2030. This will include, but not be limited to, the following legislation:

The **Emissions Trading System (EU ETS)** and **Effort Sharing Regulation**: The EU ETS is EU's system for selling and buying of emission quotas (norsk: klimautslippskvoter, isenska: kvóta um losun loftslags, francais: quotas d'émissions climatiques). In addition to all EU countries Iceland, Liechtenstein and Norway are members of the EU ETS. It covers emissions from heavy energy-using installations like power stations and industrial plants and aviation, in total around 40 % of EU's emissions.

The Effort Sharing Regulation covers non-ETS emissions, i.e. emissions from transport, buildings, waste management and agriculture. It sets binding annual emission targets for each country.

The Commission will assess how the ETS should be revised in order to contribute to the new 2030 target. One of the options is to include maritime emissions, and road transport, buildings and waste incineration into the ETS. If road transport and the building sector are included in the ETS, it could have significant implications for the municipalities and counties. Fee on carbon fuels is among the main alternative mechanisms under discussion for obtaining the targets for the transport sector. In addition, there will be defined standards for vehicles. For buildings there might also be such market-based mechanisms.

By having fees and standards as the only measures for obtaining the target, local measures like densification and other land-use measures, parking restrictions, emission free zones, road tolls and other local actions could be excluded from national climate plans and support schemes. Such measures could, in theory, weaken the system. The implications of the upcoming proposals are, however, still unclear. Therefore, it's important for the municipal sector to elaborate this question further.

**Regulation on greenhouse gas emissions and removals from land use, land use change and forestry:** This regulation is the third pillar in EU's system for reducing greenhouse gas emissions, besides EU ETS and the Effort Sharing Regulation.

Reducing emissions from land use change and increasing the removals from forests and other areas is necessary to reach the 2030 target. Managing land and forests in a sustainable way plays thus an important role in EU's climate policy. The overall objective is to get a balance between emissions and removals. The Commission will assess how to revise this regulation in order to give incentives to reduce emissions and to increase removals by land use-measures.

The objective of balancing emissions and removals will put new requirements on many Member States. This will make it important for these countries to introduce new measures for lowering the emissions and increasing the removals.

Being responsible for land-use planning, the municipal sector will be a very important partner for national governments in this respect. National governments' attention on land-use practice will increase significantly. For example, the Norwegian government has newly announced that it will consider introduction of a fee on negative land-use changes.

**Energy Efficiency Directive:** Energy efficiency policies have been one of the cornerstones of the EU Energy and Climate policy, and the principle of "*energy efficiency first*" has been widely used. There is a need to step up energy efficiency efforts, and one of the many aspects to be considered is to extend the obligation on energy efficiency in renovation of public buildings from national to also local and regional authorities.

**Renewable Energy Directive:** Similar to energy efficiency, the share of renewable energy sources needs to be increased in order to reach the new 2030 target. The potential revision will be related to the potential revision of the Energy Efficiency Directive, and touch upon, among others, renewable hydrogen, offshore renewables (wind and waves), carbon capture and storage, renewable electricity generation in buildings and transport policies.

The important package of proposals is foreseen to be published in June 2021.

## *2.2 Sustainable economic activities (taxonomy)*

The EU has established rules that provide a common European definition of what constitutes a sustainable investment. The rules oblige investors and big companies to report on sustainability of their investments. To be classified as sustainable, investment must contribute to at least one of the following six environmental objectives and political priorities: climate change mitigation, climate change adaptation, circular economy, pollution prevention, healthy ecosystems and sustainable use of marine resources.

The Taxonomy Regulation covers investments in areas such as agriculture, forestry and fishing, energy, manufacturing, water supply, waste disposal, transport, construction, real estate and information and communication technologies. By creating a common European definition of what is environmentally sustainable investment, the new rules might have an effect on strategies and working methods for sustainable development in municipalities and counties. For example, by giving direction for new investments, the taxonomy will affect local and regional businesses. It is a likely scenario that the taxonomy will determine the future framework for EU spending, such as research funding, investments in innovation, and state aid. Given that these instruments in the long run will be aligned with taxonomy, local and regional actors will have to adapt to the criteria in order to get funding. The taxonomy could also set criteria for a municipality's own direct investment, for example in buildings and energy systems.

The Commission has already presented the first two sets of technical sustainability criteria, on climate change mitigation and climate change adaptation. A **proposal for the remaining sets of criteria** will be prepared and put forward in 2021.

## *2.3 Circular Economy: product policy and waste management*

The European Commission launched a Circular Economy Action Plan in March 2020. One of the key initiatives is the **sustainable product policy**, aiming to make products climate neutral, resource efficient and fit for the circular economy and the reduction of waste. This will be a major building block in transforming EU economy from linear to circular. The policy will propose a comprehensive set of requirements to ensure that all products placed on the EU market become increasingly sustainable. The Commission envisages the **establishment of EU rules to make producers responsible for providing more circular products and intervening before products can become waste**. This is an initiative requested by many local governments, making it easier to recycle products like plastics, wood and textiles. Today many products consists of six to eight different layers of plastics welded together and thus impossible to recycle.

The Commission is planning to introduce **mandatory minimum sustainability requirements on public procurement of products**. The package is foreseen in the 4<sup>th</sup> quarter of 2021.

In 2022 the Commission is planning to put forward a **proposal to harmonise separate waste collection systems and labelling to facilitate waste collection**. This proposal will address the most effective combinations of separate waste collection models, the density and accessibility of separate collection

points, including in public spaces, taking account of regional and local conditions. Common bin and wastebag colours, harmonised symbols for key waste types and product labels will also be considered. Today, it is often the municipalities deciding on the colour of wastebags, resulting in confusion when travelling on which waste bin or bag should be used. **A proposal for reduction targets for specific waste streams, such as metal, wood, plastic, etc.** will also be put forward. These initiatives will have a direct impact on how local and regional authorities work with waste reduction and recycling.

### 3. Room for political influence

The above-mentioned legislative proposals are different from each other when it comes to the legislative process and alternatives for political influence.

**Fit for 55% - package:** The directive on emission trading (ETS) is part of the EEA Agreement, and a potential revision of this directive will be handled in the ordinary legislative process in Norway and Iceland. The effort sharing regulation and regulation on greenhouse gas emissions and removals from land use, land use change and forestry are part of the climate agreement between the EU and Norway and Iceland. This means that Norway and Iceland have agreed to follow these regulations only until 2030.

The Energy Efficiency Directive and Renewable Energy Directive are part of the EEA Agreement.

The public hearing on all of these pieces of legislation is open until early February. Once the proposals are launched in summer 2021, there will be the possibility for the EEA EFTA Forum to engage in discussion with the European Parliament, Committee of the Regions and the EEA Member States in order to influence the final decisions.

**Taxonomy:** The Regulation that establishes taxonomy rules is in the process of becoming part of the EEA Agreement, and is expected to come into force in 2022, with the first two sets of technical criteria. The Commission is expected to propose technical criteria that defines what is sustainable within the remaining priority areas (circular economy, pollution prevention, healthy ecosystems and sustainable use of marine resources) in the first half of 2021. For the EEA EFTA Forum, there will be the possibility to participate in a public hearing, or give input via the association of employers and providers of Services of General Interest, SGI Europe, that has an observer seat in the advisory body to the Commission. Dialogue with the EEA Member States and European Parliament is also possible, but as their role is to only accept or reject the Commission's proposal, early participation is crucial.

**Circular economy:** The proposals to implement the circular economy action plan are planned for late 2021 and 2022. This means that the EEA EFTA Forum has plenty of possibilities for early engagement and dialogue with EU institutions, EEA Member States and stakeholder organisations in order to influence the proposals and final decisions.

### 4. Key developments in Iceland, Norway and Switzerland

Iceland

- New greenhouse gas emission target – 55% reduction by 2030 in cooperation with the EU and Norway.
- Action plan for climate change mitigation, launched in 2020.
- Improved implementation of the Circular Economy, including increased financial resources to further implement the waste water directive.
- Action plan for plastic waste, launched in 2020.
- Action plan for reduced food waste, launched in 2020.

- Roadmap for a more sustainable building and construction sector, launched in 2020.
- Public entities, including municipalities, are to prepare a climate change policy no later than 2021.
- Network of municipalities on how to implement climate change policies and the UN Sustainable Development Goals at the local level.

#### Norway

- A new strengthened target under the Paris Agreement, to reduce emissions with at least 50% and towards 55% by 2030 compared to 1990 levels.
- Governmental agencies published a report, Climate Cure 2030, on how to reduce emissions by 50% in the non-ETS sector.
- UN sustainable development goals as basis for local and regional planning.
- Ambitious goals for emission reductions in cities, counties and municipalities.
- New agreements on land use and transport between cities and the national state.
- A governmental white paper for National Climate Plan for 2021-2030 published in Jan 2021. The final plan will be decided by the Parliament in 2021.
- National strategy on circular economy due in early 2021.

#### Switzerland

For its part, Switzerland is closely following the developments in the EU. Although it is sharing many of the goals for more sustainable development set out in the European Green Deal, Switzerland pursues an independent sustainability, environmental, energy and climate policy, whereby the ambitions are largely equivalent to that of the EU. Nevertheless, as a like-minded partner, it expects that the measures foreseen in the European Green Deal will be implemented in a way that no additional distortions of competition and trade barriers will arise.

- Climate target of net zero emissions by 2050.
- 50% reduction by 2030.
- New CO2 law agreed in September 2020 by parliament includes a package of incentives to achieve the country's climate goals (e.g. tax on airline tickets, increase in an incentive tax on fossil fuels such as heating oil and natural gas, limits on CO2 emissions for new heating systems in buildings).
- Guidelines on sustainability in the financial sector adopted by the Federal Council (government) in June 2020. The aim is to make Switzerland a leading location for sustainable financial services. In order to achieve this, authorities want to shape the framework conditions in such a way that the competitiveness of the country's financial centre is improved and at the same time the financial sector can make an effective contribution to sustainability.