The Fit for 55 Package – Fit for the CPMR Members?

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In a nutshell

The Fit for 55 Package, published by the European Commission, comprises proposals to update and revise the European Union policies, as well as new initiatives, to ensure that the EU policies are fit for the 55% greenhouse gas emission reduction target by 2030. Thus, setting the EU in the trajectory to meet its climate neutrality target by 2050 at the latest.

The Package encompasses different policy areas having a strong territorial impact. Hence, this technical note which analyses, based on previous CPMR technical and political/policy work, some dossiers of the Package of key relevance to CPMR Member Regions.

This document sums up key aspects of the Fit for 55 package legislation, the perspective of the CPMR from previously adopted position papers and action from the CPMR on specific pieces of legislation, whenever relevant.

It follows on from a meeting of the CPMR Climate Task Force organised on 10 February which discussed the specifics of the pieces of legislation analysed in this note. You can access a more complete version of this note by clicking here.

The CPMR is carefully monitoring the negotiations on each of these files and will continue to voice the position of peripheral maritime regions, particularly within the European Parliament.

The following files are analysed:

- Alternative Fuels Infrastructure Regulation
- Energy Efficiency Directive
- Energy Taxation Directive
- ETS revision concerning aviation
- FuelEU Maritime
- ReFuelEU Aviation
- Renewable Energy Directive
- Social Climate Fund
1. Alternative Fuels Infrastructure Regulation (AFIR)

The European Commission, following a fitness check on the Alternative Fuels Infrastructure Directive, decided to propose a Regulation: the Alternative Fuels Infrastructure Regulation (AFIR). The change from a directive to a regulation is to ensure that there is a widespread, rapid, and coherent development of fully interoperable recharging infrastructure in all Member States.

The AFIR sets out mandatory national targets for the deployment of sufficient alternative fuels infrastructure in the EU, for road vehicles, vessels, and stationary aircraft. It also lays down common technical specifications and requirements on user information, data provision and payment requirements for alternative fuels infrastructure.

CPMR perspective

The CPMR contributed to the evaluation the European Commission conducted on the Alternative Fuels Infrastructure Directive, which was discussed at its Transport Working Group. In its contribution, the CPMR stressed:

- The need of a wide-spread and seamless network leaving no one behind,
- The role of regions and the need to involve them in the National Policy Frameworks,
- The importance of territorial specificities and of a tailor-made and technologically neutral approach.

The Alternative Fuels Infrastructure Regulation proposal partially meets some of the CPMR demands. By changing the Directive into a Regulation and setting binding distance-based minimum targets in the TEN-T network, the European Commission hopes to address the uneven uptake of refuelling points across the EU. Therefore, supporting an efficient and wide-spread uptake. Furthermore, such targets apply at cross-border level so to ensure seamless operations. The overall aim to foster the uptake of the infrastructure across the whole EU is certainly positive.

However, the focus on distance-based targets, along the TEN-T network and on urban areas, raises some concerns on when and how the uptake of such infrastructure will happen in peripheral and less densely populated areas.

As regards the specificities of the territories, the targets’ exemptions set in article 9.3 for islands maritime ports on the TEN-T network, when they are not connected directly to the electricity grid or have not sufficient locally generated capacity from clean energy sources, is certainly welcomed. However, it would have been an opportunity to follow a more ambitious approach and include in the proposal a supporting tool to boost energy innovation in those territories.

Setting a comprehensive and more thorough approach with the NPFs is certainly positive. However, the formulation of article 13.3 remains unsatisfactory in terms of involvement of regional authorities, as “Member States shall ensure that national policy frameworks take into account, as appropriate, the interests of regional and local authorities, in particular when recharging and refuelling infrastructure for public transport is concerned, as well as those of the stakeholders concerned”.

The AFIR proposal should ensure a structured dialogue where regions can effectively contribute to the NPFs. The knowledge and first-hand experience of regional and local authorities, having in many cases direct competences on transport, is extremely valuable to ensure the wide-spread uptake of the needed infrastructure.

Other than providing support for the identification of bottlenecks and solutions, they are in many cases owners of airports and ports infrastructure. Thus, knowing investment and infrastructure needs. Moreover, they have already established dialogue frameworks with different stakeholders from citizens to the private sector.
A positive element in the AFIR is that it recognises that liquified natural gas (LNG) still has a role to play – transitionally – in the transport sector decarbonisation, especially in maritime transport.

However, a stronger attention to rail transport and its key role should be envisaged in the proposal, as well as the importance of non-electric sustainable solutions in those areas where electrification is not feasible.

2. Energy Efficiency Directive

The proposal aims to revise the existing Energy Efficiency Directive introduces higher binding targets at EU level for reducing primary (39%) and final (36%) energy consumption by 2030 from the current target of 32.5% (for both primary and final consumption).

It introduces a benchmarking system for Member States to set their national indicative contributions to the binding EU target. It also proposes to nearly double Member State annual energy savings obligations (ESOs) in end use to 1.5% from 0.8%. Malta and Cyprus should also meet this target from their current 0.24% ESOs rate.

In stimulating this acceleration, the proposal focuses on sectors with high energy-savings potential – notably heating and cooling, industry, and energy services – and puts additional emphasis on the public sector for the example that it can serve in leading the transition.

CPMR perspective

The energy efficiency objectives in the revision are lower than what the CPMR did call for in two different policy positions. The CPMR called for 40% (as other like-minded LRAs organisations) with of course a strong financial support, instead of the proposed 39% of primary and 36% energy targets. The spirit of the revision to make energy efficiency accessible is positive, and the fact that rural and remote regions might have a larger population affected by energy poverty is at least a little glimpse of a territorial awareness.

The Directive revision still retains in recital 118 the positive concept that “Local and regional authorities should be given a leading role in the development and design, execution and assessment of the measures laid down in this Directive, so that they are able properly to address the specific features of their own climate, culture and society”. With the recognition of the role of LRAs, however, new duties come in for them.

As stated in article 5, regional and local authorities will now have to contribute to the public sector 1.7% energy consumption reduction per year. Member States may take into account climatic variations within the Member State when calculating their public bodies’ final energy consumption. This is relatively positive.

Member States shall include in their updated National Energy Climate Plans (NECPs) a list of public bodies which shall contribute to the fulfilment of the above-mentioned obligation and the amount of energy consumption reduction to be achieved by each of them and the measures they plan to achieve it.

Article 5 also establishes that Member States shall ensure that regional and local authorities put in place specific energy efficiency measures in their decarbonisation plans and that Member States will be required to set up project development assistance mechanisms at national, regional and local levels to promote energy efficiency investments to help reaching the higher energy efficiency targets. The fact that Member States will have to give technical assistance is positive.

According to article 6, each Member State shall ensure that at least 3% of the total floor area of heated and/or cooled buildings owned by public bodies (thus also regions) is renovated each year to at least be transformed into nearly zero-energy buildings.

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The Directive revision introduces a 3% annual renovation rate which might seem to be in some cases high and consequently expensive. This, in particular, for those regions having ‘old’ and historic buildings which require larger structural interventions. Some degree of flexibility should be introduced.

In article 23.6, concerning heating and cooling, regional and local authorities are mentioned. For instance, Member States shall encourage regional and local authorities to prepare local heating and cooling plans at least in municipalities having a total population higher than 50,000.

For this purpose, Member States shall develop recommendations supporting the regional and local authorities to implement policies and measures in energy efficient and renewable energy-based heating and cooling at regional and local level. Member States shall support them to the by, for example, financial support and technical support schemes.

The fact that financial and technical support should be provided by the Member State is positive, as the creation of such plans can create an excessive administrative burden.

The proposal also sets a new requirement on Member States to implement energy efficiency improvements for the people affected by or at risk of energy poverty, vulnerable customers, people living in social house, elderly people and those living in rural and remote areas. Parts of these measures are expected to be financed via revenues from ETS allowances on building and transport or from the new Social Climate Fund.

However, it is paradoxical that regions are excluded from the drafting and implementation of the Social Climate Fund when the Directive mentions the Fund as an instrument to be used to support vulnerable customers and people affected by energy poverty. This raises again the need to involve regional authorities in the drafting and implementation of the Social Climate Fund Plans.

3. Energy Taxation Directive revision

The revision of the Energy Taxation Directive aims to align the taxation of energy products with the EU energy and climate policies, promote clean technologies and remove exemptions and reduced rates that currently encourage the use of fossil fuels.

The main changes include the following points:

• Fuels will start being taxed according to their energy content and environmental performance rather than by their volume, therefore helping businesses and consumers alike to make cleaner, more climate-friendly choices,
• Products are categorised for taxation purposes in a simplified way in order to ensure that the most harmful fuels to the environment are taxed the most,
• Exemptions for certain products and home heating will be phased out. Thus, fossil fuels can no longer be taxed below minimum rates,
• Fossil fuels used as fuel for intra-EU air transport, maritime transport and fishing should no longer be fully exempt from energy taxation in the EU.

CPMR perspective

The Energy Taxation will have major impacts on different sectors of importance to CPMR Members. Hence, this brief overview on some potential shortcomings.

The restructuring of the EU framework for the taxation of energy products and electricity has been identified as one of the key policy options to discourage the use of fossil fuels and speed up the achievement of the EU the climate neutrality objective.
While the CPMR shares the final objective proposed, Maritime regions are concerned about the potential socio-economic impacts that might be generated by a ‘general’ reduction/elimination of fossil fuel incentives for sectors with a high added value for coastal communities (e.g., fishing).

The CPMR believes that the climate neutrality objective must be reached while preserving a high political priority and appropriate measures/mechanisms to ensure compliance with the principle of territorial cohesion set by Art. 174 of the Treaty.

The CPMR warns the European Commission and Member States against the risk of an increase of socio-economic and territorial cleavages due to a non-differentiating increase of taxation of energy products for all EU territories.

4. ETS revision regarding aviation

The European Commission proposes to revise the ETS rules concerning aviation to ensure the contribution of aviation to the EU climate goals.

The Directive revision aims to phase out free allowances for airlines as from 2027 and reducing the number of allowances auctioned as of 2023 by applying an increased Linear Reduction Factor of 4.2% (instead of 2.1%).

The scope of the Directive is limited to intra-EEA (plus Switzerland - CH and UK) flights, as CORSIA is to be applied to extra-EEA (plus CH and UK) flights.

The revision aims also to include in the scope of the ETS flights between outermost regions and other EEA territories other than the Member State in which the outermost region is located as from 2023.

However, a derogation (until 2030) will apply to domestic flights from and to the outermost region in its Member State, so to preserve connectivity.

CPMR perspective

Air transport has a key role to ensure connectivity and social and economic development for many CPMR Member Regions, thus the following overview on the proposal’s potential impacts.

According to a study conducted for the European Parliament TRAN Committee, the ETS revision on aviation will increase flight ticket prices in the EEA + CH and UK area of 9% average. This assuming full auctioning and a future CO2 price of EUR 120, the ETS cost of intra-EEA passenger air transport could rise from about EUR 1.25 to about EUR 11 per passenger.

A price increase in flight tickets will negatively impact customers. Furthermore, there is the risk that fares’ increase will negatively impact connectivity, by reducing the demand and/or supply of flights.

The ETS revision would in particular impact regions relying on air transport for their social an economic development and connectivity, comprising not only islands and outermost regions but also mainland regions (e.g. sparsely populated areas). Moreover, the fact that the rules governing Public Service Obligations (PSOs) are still under revision makes it unclear whether the social costs and connectivity costs can be absorbed by PSOs flights.

However, given that the current ETS provisions on aviation only exempts some flights (to and from outermost regions, some PSOs) it would be difficult to define a clear action or criteria on how to ensure other kind of exemptions, given also the objective is to integrate all flights from 2030. Moreover, concerns might arise on market distortion and competitiveness gains for the airlines serving outermost regions.
Nonetheless, the exemption for domestic flights to and from outermost regions and in the case of some PSOs is certainly positive to not jeopardise their connectivity and territorial cohesion.

The scenario of a positive externality where there would be an increase of flights, bypassing the ETS, from a non-EEA+CH+UK airport to non-hub airports in the area would probably be very limited. Such kind of flights (e.g. Bologna – Doha) are mostly focused on medium to large airports. Furthermore, the COVID-19 pandemic has drastically reduced traffic and consequently such kind of flights.

5. FuelEU Maritime

The FuelEU Maritime proposal aims to foster the uptake of renewable and low-carbon fuel in the maritime sector, in order to decarbonise the maritime sector.

To achieve its objective the proposal sets two principal objectives. As for the first, from January 2030, containerships and passenger ships at EEA ports will also have to connect to onshore power supply and use it for all energy needs while at berth (there are some exceptions).

As regards the second one, the proposed regulation introduces increasing limits on carbon intensity of the energy used by vessels from 2025, with the objective of obliging them to use alternative fuels. It applies to commercial vessels of 5000 gross tons and above, regardless of flag (fishing ships are exempted).

CPMR perspective

The CPMR contributed to the targeted consultation organised by DG MOVE in September 2020. This contribution was discussed in the Transport Working Group. The CPMR shares the objective of decarbonising maritime transport. The proposal follows a rather pragmatic approach.

However, room for improvement remains. For instance:

- The impact assessment focusing on island and peripheral maritime Regions is light to say the least. The negative impact of the proposal on these economies that heavily rely on maritime transport seems underestimated. It could demand to apply Article 91.2 TFEU to ensure that the cases where the application of EU transport policies might seriously affect the standard of living and level of employment in certain regions are duly considered.

- The implementation of the proposal will demand important investments, including by Regional Authorities. The resources generated by its implementation (penalties) would demand to be complemented to measure up to the investment needs in the whole sector (both on ships and in ports), such as in the case of the Ocean Fund proposed by the European Parliament.

- The proposal should include a territorial perspective in its implementation. For instance, a consultation mechanism to be deployed at a local/regional level, or better relaying in the already existing ones, would smoothen the coordination between key stakeholders from the ship side and the land side while facilitating social acceptance in port surroundings.

- The proposal should be aligned with the AFIR. Both legislations are closely linked and should, therefore, follow the same calendar to avoid generating unnecessary burden (e.g. Review timing set in article 28 of the FuelEU Maritime should be aligned with AFIR).

- Additionally, it can be questioned that the objective of decarbonisation is not broadened to all ship sections and that the proposed approach puts the responsibility solely on the users and not on the fuel producers.

- Finally, the list of equivalent technologies to Shore Sea Electricity provided in the Annex is limited and therefore fails to anticipate potential future innovation. Additional criteria should be added to remain open to the future.
6. ReFuelEU Aviation

The ReFuelEU Aviation proposal aims to boost the uptake of sustainable aviation fuels to support the decarbonisation of aviation.

The proposal introduces an obligation – as from 2025 – on jet fuel suppliers to blend a growing share of SAFs (synthetic aviation fuels and advanced biofuels) into fuel provided to airports in Europe. The minimum share changes every five years.

The proposal also introduces a provision requiring airlines to uplift from EU airports at least 90% of the jet fuel they require to perform flights within and from the EU. This is to prevent airlines avoiding the SAF mandate by purchasing extra fuel outside the EU.

ReFuel EU Aviation would also mandate ‘Union airports’, as from 2025, to furnish the needed infrastructure for the delivery, storage and uplifting of SAFs.

CPMR perspective

Air transport has a key role to ensure connectivity and social and economic development for many CPMR Member Regions, thus the following overview on the proposal.

ReFuelEU Aviation has an industry-focused approach, and its ambition is considered as to be balanced by both the airline industry and the climate NGOs.

The mandatory blending approach with specific targets for advanced biofuels and sub-targets for synthetic biofuels is deemed as to be realistic and taking into account the current and near-future technologies for decarbonising air transport. However, a more technologically neutral approach to allow for new technologies could be envisaged.

The potential exemption of outermost regions airports and some smaller ones from the scope of the Regulation is positive to preserve connectivity and not impose major burdens in airports were providing SAFs and the needed infrastructure might be challenging. However, the proposal is unclear on the exemptions not concerning outermost regions.

Moreover, greater flexibility should be introduced to ensure that airports, especially, in islands or peripheral areas can implement the necessary infrastructure for SAFs.

Albeit the Regulation proposal recognises the key role of aviation, and that air connectivity should be safeguarded, bolder measures other the potential above-mentioned exemptions would have been needed to spur the aviation sector decarbonisation whilst preserving connectivity, such as the proposal of a Sustainable Aviation Fund by the European Parliament.

7. Renewable Energy Directive

The proposal on the revision of the Renewable Energy Directive increases the current EU-level target of “at least 32%” of renewable energy sources (RES) in the overall energy mix to at least 40% by 2030.

The Revision, among others, aims at setting new targets and benchmarks in different sectors (e.g. buildings or heating and cooling), fostering renewable hydrogen for hard-to-decarbonise sectors, enhancing the sustainability criteria of bioenergy or boosting electrification and adding flexibility for the energy system.
The 40% target of RES final energy consumption by 2030 meets the CPMR demand in previous policy positions. However, the proposal does not envisage substantial changes regarding the role of regional authorities in the Directive.

A positive inclusion in the Directive is the addition of the key role of offshore renewable energy. For instance, offshore renewable energy sector is mentioned as an important sector in the Directive, which is to be harness via a sea-basin approach.

The proposal introduces, from 2026, an obligation for Member States to no longer grant support to the production of electricity from biomass in electricity-only-installations unless:
- it is produced in a region identified in a territorial just transition plan,
- it is produced applying Biomass CO2 Capture and Storage with specific requirements,
- it is produced in an outermost region.

The exemption for outermost regions is positive as it takes into account their challenges in terms of energy security and production. The exemption related to use of biomass CO2 Capture and Storage is also positive.

In the impact assessment of the Directive, capacity-building to regional and local regional authorities and coordination were mentioned as important. Thus, in this respect, having bolder measures in the Directive would have been expected.

The recognition of the skills’ challenge and the opportunity stemming from the renewable energy sector is positive. The Directive should call on Member States to take into account the already existing initiatives that are being implemented and/or developed at regional level.

8. Social Climate Fund

The purpose of the Social Climate Fund (SCF) is to cushion the social cost arising from the proposed extension of the ETS to the building and road transport sectors (launch of a separated ETS2).

The fund is intended to finance measures and investments to address the impact of carbon pricing on vulnerable households, micro enterprises and transport users. Measures providing temporary direct income support to vulnerable households and households with vulnerable transports users will be eligible too.

The overall envelope for the Social Climate Fund is set at EUR 72.2 billion with the resources expected to come from the revenues generated by the new ETS. The implementation of the fund should start one year before the entry into force of the ETS2. The SCF will run from 2026 to 2032 through two Multiannual Financial Frameworks (MFF) periods.

CPMR perspective

The CPMR has been closely following the legislative work over the Social Climate Fund since the onset. In September 2021 a letter signed by the CPMR president, Cees Loggen, was sent to the rapporteur of the proposal in the European Parliament, MEP Esther de Lange, highlighting a number of concerns from a regional standpoint. These partly mirror the CPMR position on the Recovery and Resilience Facility (RRF) given the similarities between the two instruments.

Furthermore, the CPMR General Secretariat is also concerned by some dispositions set in the European Commission’s proposal which might threatening the effectiveness, both under the technical and territorial dimension angles, of the logic implementation of the Social Climate Fund.

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Both the design and delivery mode of the Social Climate Fund point to a centralised governance. The proposal does not envision a structured role for local and regional authorities unless a Member State decides otherwise.

The proposal does not set a direct requirement for Member States to involve local and regional authorities in the preparation of the plans. It contents itself with requesting national governments to include an account of the consultation process with LRAs in the plans.

The experience of the RRF – which had a similar requirement – has shown that most Member States complied very loosely, if not at all. The CPMR supports a specific obligation whereby Member States shall consult local and regional authorities in accordance with the partnership principle.

The proposal makes reference to the importance of designing measures that reflect the territorial diversity across a country and draw on the specific knowledge of regional and local authorities. However, the instrument is designed to be essentially spatially blind. There is no specific requirement to direct funding to the most vulnerable areas or justify the territorial distribution of funds in the plans.

The proposal provides for the possibility of transferring resources from cohesion policy programmes to the Social Climate plans. The CPMR has voiced concern at a similar provision in the RRF, indicating that its rationale rests on shaky grounds.

The strand of the instrument supporting investment projects in the field of energy efficiency may overlap with the European Regional Development Fund (ERDF). Complementarity is therefore essential to avoid double funding. The proposal sets out that the Fund shall be additional and complementary to the other funds. In the similar vein of the RRF, it does not spell out how the Commission intends to monitor and act in case these two principles are not respected.

One upside of the proposal is that Member States can delegate the implementation of measures to managing authorities of cohesion policy programmes. This option in principle opens to the possibility of a direct involvement of regional authorities in the delivery of the plans.

The Social Climate Fund should also be seen in the broader context of the current and future MFF. The creation of additional instruments in the past years seems to be at odds with the Commission’s stated objective to simplify and streamline the EU budget and its spending programmes.

A new fund risks generating additional administrative burden on some Member States or lead to overlaps and conflicts with the panoply of existing spending programmes, which may have an impact on both its absorption capacity and quality of projects.

Moreover, the current configuration and implementation rules of the Price Control Mechanisms do not seem to be on track to meet the objective of limiting impacts of sudden medium increases of carbon pricing.