Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (Text with EEA relevance)

REGULATION (EU) 2018/1999 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 11 December 2018

on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 192(1) and Article 194(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[(1)],

Having regard to the opinion of the Committee of the Regions[(2)],

Acting in accordance with the ordinary legislative procedure[(3)],

Whereas:

(1) This Regulation sets out the necessary legislative foundation for reliable, inclusive, cost-efficient, transparent and predictable governance of the Energy Union and Climate Action (governance mechanism), which ensures the achievement of the 2030 and long-term objectives and targets of the Energy Union in line with the 2015 Paris Agreement on climate change following the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (the 'Paris Agreement'), through complementary, coherent and ambitious efforts by the Union and its Member States, while limiting administrative complexity.

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(2) The Energy Union should cover five dimensions: energy security; the internal energy market; energy efficiency; decarbonisation; and research, innovation and competitiveness.

(3) The goal of a resilient Energy Union with an ambitious climate policy at its core is to give Union consumers, including households and businesses, secure, sustainable, competitive and affordable energy, and to foster research and innovation by means of attracting investment, which requires a fundamental transformation of Europe's energy system. Such a transformation is also closely linked to the need to preserve, protect and improve the quality of the environment and to promote the prudent and rational utilisation of natural resources, in particular through the promotion of energy efficiency and energy savings and the development of new and renewable forms of energy. That goal can be achieved only through coordinated action, combining both legislative and non-legislative acts at Union, regional, national and local level.

(4) A fully functional and resilient Energy Union would convert the Union into a leading region for innovation, investment, growth and social and economic development, in turn providing a good example of how pursuing high ambitions in terms of climate change mitigation is intertwined with measures to foster innovation, investment and growth.

(5) Parallel to this Regulation, the Commission has developed and adopted a series of initiatives in sectoral energy policy, in particular with regard to renewable energy, energy efficiency, including on the energy performance of buildings, and market design. Those initiatives form a package under the overarching theme of energy efficiency first, the Union's global leadership in renewables, and a fair deal for energy consumers, including by addressing energy poverty and promoting fair competition in the internal market.

(6) In its conclusions of 23 and 24 October 2014, the European Council endorsed a 2030 Framework for Energy and Climate for the Union based on four key Union-level targets: a reduction of at least 40 % in economy-wide greenhouse gas (GHG) emissions, an indicative target of improvement in energy efficiency of at least 27 %, to be reviewed by 2020 with a view to increasing the level to 30 %, a share of renewable energy consumed in the Union of at least 27 %, and electricity interconnection of at least 15 %. It specified that the target for renewable energy is binding at Union level and that it will be fulfilled through Member States' contributions guided by the need to deliver collectively the Union target. A recast of Directive 2009/28/EC of the European Parliament and of the Council[(4)] has introduced a new, binding, renewable energy target for the Union for 2030 of at least 32 %, including a provision for a review with a view to increasing the Union-level target by 2023. Amendments to Directive 2012/27/EU of the European Parliament and of the Council[(5)] have set the Union-level target for improvements in energy efficiency in 2030 to at least 32,5 %, including a provision for a review with a view to increasing the Union-level targets.

(7) The binding target of at least a 40 % domestic reduction in economy-wide GHG emissions by 2030 compared to 1990 was formally approved as the Intended Nationally Determined Contribution of the Union and its Member States to the Paris Agreement at the Environment Council meeting on 6 March 2015. The Paris Agreement was ratified

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by the Union on 5 October 2016[6] and entered into force on 4 November 2016. It replaces the approach taken under the 1997 Kyoto Protocol, which was approved by the Union by Council Decision 2002/358/EC[7] and which will not be continued beyond 2020. The Union's system for monitoring and reporting emissions and removals should be updated accordingly.

(8) The Paris Agreement increased the level of global ambition on climate change mitigation and sets out a long-term goal in line with the objective to keep the global average temperature increase to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels.

(9) In pursuit of the temperature goals in the Paris Agreement, the Union should aim to achieve a balance between anthropogenic GHG emissions by sources and removals by sinks as early as possible and, as appropriate, achieve negative emissions thereafter.

(10) For the climate system the cumulative total anthropogenic emissions over time are relevant for the total concentration of GHGs in the atmosphere. Various scenarios for the Union's contribution to long-term objectives, inter alia a scenario on achieving net zero GHG emissions in the Union by 2050 and negative emissions thereafter, and the implications of those scenarios on the remaining global and Union carbon budget should be analysed by the Commission. The Commission should prepare an analysis for the purposes of a long-term Union strategy for the Union's contribution to the commitments of the Paris Agreement of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels, including various scenarios, inter alia a scenario on achieving net zero GHG emissions within the Union by 2050 and negative emissions thereafter and their implications on the global and Union carbon budget.

(11) Although the Union pledged to deliver ambitious cuts in GHG emissions by 2030, the threat of climate change is a global issue. The Union and its Member States should therefore work with their international partners in order to ensure a high level of ambition by all Parties in line with the long-term goals of the Paris Agreement.

(12) In its conclusions of 23 and 24 October 2014, the European Council also agreed that a reliable and transparent governance mechanism without any unnecessary administrative burden and with sufficient flexibility for Member States should be developed to help ensure that the Union meets its energy policy goals, while fully respecting Member States' freedom to determine their energy mix. It emphasised that such a governance mechanism should build on existing building blocks, such as national climate programmes, national plans for renewable energy and energy efficiency as well as the need to streamline and bring together separate planning and reporting strands. It also agreed to step up the role and rights of consumers, transparency and predictability for investors, inter alia by systematic monitoring of key indicators for an affordable, safe, competitive, secure and sustainable energy system and to facilitate coordination of national climate and energy policies and foster regional cooperation between Member States.

(13) In its communication of 25 February 2015 on A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy, the Commission refers

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to the need for an integrated governance mechanism to ensure that energy-related actions at Union, regional, national and local level all contribute to the Energy Union's objectives, thereby broadening the scope of governance — beyond the 2030 Framework for Climate and Energy — to all five dimensions of the Energy Union.

(14) In its communication of 18 November 2015 on the State of the Energy Union, the Commission further specified that integrated national energy and climate plans, addressing all five dimensions of the Energy Union, are necessary tools for a more strategic energy and climate policy planning. As part of that communication, the Commission Guidance to Member States on integrated national energy and climate plans provided the basis for Member States to start developing national plans for the period 2021 to 2030 and set out the main pillars of the governance mechanism. The communication also specified that such governance should be anchored in law.

(15) In its conclusions of 26 November 2015 on the governance system of the Energy Union, the Council recognised that governance of the Energy Union will be an essential tool for the efficient and effective construction of the Energy Union and the achievement of its objectives. The Council underlined that the governance mechanism should be based on the principles of integration of strategic planning and reporting on the implementation of climate and energy policies and coordination between actors responsible for energy and climate policy, at Union, regional and national level. It also underlined that the governance mechanism should ensure that the agreed energy and climate targets for 2030 are met and should monitor the Union's collective progress towards the achievement of the policy objectives across the five dimensions of the Energy Union.

(16) The European Parliament's resolution of 15 December 2015 entitled ‘Towards a European Energy Union’ called for the governance mechanism of the Energy Union to be ambitious, reliable, transparent, democratic and fully inclusive of the European Parliament and to ensure that the 2030 climate and energy targets are achieved.

(17) The European Council has repeatedly stressed the need to take urgent measures in order to ensure the achievement of a minimum target of 10 % of electricity interconnections. In its conclusions of 23 and 24 October 2014, the European Council decided that the Commission supported by the Member States will take urgent measures in order to ensure the achievement of a minimum target of 10 % of electricity interconnections, as a matter of urgency, and no later than 2020 at least for Member States which have not yet attained a minimum level of integration in the internal energy market. The communication of the Commission of 23 November 2017 on strengthening Europe's energy networks assesses progress towards achieving the 10 % interconnection target and suggests ways in which to operationalise the 15 % interconnection target for 2030.

(18) The main objective of the governance mechanism should therefore be to enable the achievement of the objectives of the Energy Union and in particular the targets of the 2030 Framework for Climate and Energy, in the field of GHG emission reduction, energy from renewable sources and energy efficiency. Those objectives and targets stem from the Union policy on energy and from the need to preserve, protect and improve the quality of the environment and to promote the prudent and rational utilisation of

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natural resources, as provided for in the EU Treaties. None of those objectives, which are indissociably linked, can be regarded as secondary to the other. This Regulation is therefore linked to sectoral law implementing the 2030 targets for energy and climate. While Member States need flexibility to choose policies that are best-matched to their national energy mix and preferences, that flexibility should be compatible with further market integration, increased competition, the attainment of climate and energy objectives and the gradual shift towards a sustainable low-carbon economy.

(19) A socially acceptable and just transition to a sustainable low-carbon economy requires changes in investment behaviour, as regards both public and private investment, and incentives across the entire policy spectrum, taking into consideration citizens on whom and regions on which the transition to a low-carbon economy could have adverse impacts. Achieving GHG emission reductions requires a boost to efficiency and innovation in the European economy and in particular should also create sustainable jobs, including in high-tech sectors, and lead to improvements of air quality and public health.

(20) In view of the international commitments in the Paris Agreement, Member States should report on actions that they undertake to phase out energy subsidies, in particular for fossil fuels. When reporting, Member States may choose to base themselves on existing definitions for fossil fuel subsidies used internationally.

(21) As GHGs and air pollutants largely derive from common sources, policy designed to reduce GHGs can have co-benefits for public health and air quality, in particular in urban areas, that could offset the near-term costs of GHG mitigation. As data reported under Directive (EU) 2016/2284 of the European Parliament and of the Council[(8)] represent an important input for the compilation of the GHG inventory and the national plans, the importance of compilation and reporting of consistent data between Directive (EU) 2016/2284 and the GHG inventory should be recognised.

(22) The experience gained in implementing Regulation (EU) No 525/2013 of the European Parliament and the Council[(9)] indicated the need for synergies and coherence with reporting under other legal instruments, in particular with Directive 2003/87/EC of the European Parliament and of the Council[(10)], Regulation (EC) No 166/2006 of the European Parliament and of the Council[(11)], Regulation (EC) No 1099/2008 of the European Parliament and of the Council[(12)] and Regulation (EC) No 517/2014 of the European Parliament and of the Council[(13)]. The use of consistent data to report GHG emissions is essential to ensuring the quality of emissions reporting.

(23) In line with the Commission's strong commitment to better regulation and consistent with a policy that promotes research, innovation and investment, the governance mechanism should result in a significant reduction of administrative burden and complexity for the Member States and relevant stakeholders, the Commission and other Union institutions. It should also help to ensure coherence and adequacy of policies and measures at Union and national level with regard to the transformation of the energy system towards a sustainable low-carbon economy.

(24) The achievement of the Energy Union objectives and targets should be ensured through a combination of Union initiatives and coherent national policies set out in integrated