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**NOTE**

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From:	General Secretariat of the Council
To:	Delegations
Subject:	<p>Proposal for a Regulation of the European Parliament and of the Council on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 for a resilient Energy Union and to meet commitments under the Paris Agreement and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change</p> <p>- Explanatory note from the Presidency on the amendments to Recital 9 and Annex IV</p>

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Delegations will find attached the explanatory note from the Presidency distributed during the meeting of the Council (Environment) on 13 October 2017 in the context of discussions on the Effort Sharing proposal.

**Proposal for a Regulation of the European Parliament and of the Council on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 for a resilient Energy Union and to meet commitments under the Paris Agreement and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change**

**- Explanatory note from the Presidency on the amendments to Recital 9 and Annex IV**

This explanatory note intends to clarify the adjustment to allocations for Member States in exceptional circumstances, which would be additional to the adjustment provided for under Annex IV in the Commission proposal.

Among the Member States with a positive limit under Decision 406/2009/EC (ESD):

- Latvia is the Member State with the highest share of GHG emissions from sectors covered by that Decision compared to total GHG emissions, and therefore has comparatively limited access to revenues generated from the auctioning of EU ETS allowances to mitigate its emissions in the sectors covered by this Regulation.
- Malta, which has the lowest GHG emissions per capita under ESD, and therefore a limited potential for further emission reductions, has also the steepest reduction trajectory from 2013 to 2030 among the lower income Member States.

To maintain the incentives for further reductions, the proposed additional adjustment only covers 50% of the emission reductions needed in the period 2021 to 2029 calculated on the basis of a 2020 to 2030 trajectory starting from the latest verified emissions and ending with the target expressed in Annex I, calculated based on 2005 base year values consistent with the reviewed data used in Commission Decision (EU) 2017/1471. The calculation also takes into account the use of the existing Annex IV adjustment and domestic flexibilities including ETS flexibility and 50% of the LULUCF flexibility provided for under this Regulation.