



EUROPEAN COMMISSION

Brussels, 23.11.2011
SEC(2011) 1406 final

COMMISSION STAFF WORKING PAPER

Summary of the Impact Assessment

Accompanying the document

**Proposal for a Regulation of the European Parliament and of the Council
on a mechanism for monitoring and reporting greenhouse gas emissions and for
reporting other information at national and Union level relevant to climate change**

{COM(2011) 789 final}
{SEC(2011) 1407 final}

1. Problem definition

Because of concerns with the growing threat of global climate change from increasing concentration of greenhouse gases (GHG) in the atmosphere, the EU has been implementing and planning a series of mitigation policies and actions. The establishment of solid monitoring, evaluation, reporting, and verification framework is an important component of this process as it enables the EU among other to more effectively develop and implement future policies and to assess and demonstrate that it is delivering on its commitments.

Decision 280/2004/EC¹ ("Monitoring Mechanism" Decision- "MMD") concerning a mechanism for monitoring EU greenhouse gas emissions and for implementing the Kyoto Protocol and its implementing provisions (Decision 2005/166/EC)² are the main monitoring, reporting, and verification instruments with regard to GHG emissions. They set out the details for reporting of anthropogenic GHG emissions by sources and removals by sinks and for providing information as regards national programmes to reduce emissions, greenhouse gas emission projections, and policies and measures in accordance with the United Nations Framework Convention on Climate Change (UNFCCC).

The six years of experience with the implementation of Decision 280/2004 and its implementing provisions Decision 2005/166 as well as the additional experience gained through the international negotiations and the implementation of various UNFCCC requirements have shown that there are a number of areas where significant improvements could be made. In addition, the need to enhance our mitigations actions and to fulfil our new or upcoming international and domestic commitments, including the Europe 2020 strategy, requires an enhanced monitoring and reporting system to be put in place.

Specifically the problems that the revision of the Monitoring Mechanism Decision will attempt to address are the following:

- The existing monitoring and reporting system is not adequate to implement new requirements resulting from new legislation.

The climate change and energy package as agreed between the Council and the European Parliament and as adopted by the European Parliament on 17 December 2008 introduced new requirements as regards monitoring and reporting for MS, which need to be incorporated in a revision of Decision 280/2004/EC to enter into effect.

- There is not adequate data available at the EU level to support future policy development and implementation

In a number of areas/sectors of great significance in reducing GHG emissions and taking action at the EU level, there is currently not adequate data or not accurate enough data collected to enable and support effective policy design and implementation. Such areas are: a) maritime transport, b) aviation, c) Land-use, land-use change and forestry (LULUCF) and c) adaptation.

- The current monitoring and reporting system does not take into consideration the most recent international developments under the UNFCCC and is not adequate to ensure compliance with new international commitments

¹ OJ L 49, 19.2.2004, p.1

² Commission Decision 2005/166/EC of 10 February 2005 laying down rules implementing Decision No 280/2004/EC of the European Parliament and of the Council concerning a mechanism for monitoring Community greenhouse gas emissions and for implementing the Kyoto Protocol (OJ L 55, 1.3.2005, p. 57)

The EU committed internationally to provide significant fast-start and long-term climate financing and technological support to developing countries. Transparency and comprehensiveness on the type and amount of support provided is key to ensure the EU's visibility, efficient delivery and credibility vis-à-vis our international partners. The problems identified above have often led to severe criticism by other countries that the EU and its MS are not fulfilling their commitments and need to be resolved.

- Additional data and information are needed to monitor the progress towards the emissions limitation target, in particular under the Europe 2020 strategy.

The Europe 2020 strategy, the new integrated economic policy strategy for growth and jobs, includes the European and national emissions limitation targets as headline targets.

- There is an observed lack of transparency, timeliness, consistency, completeness, comparability of the information currently reported under the Monitoring mechanism Decision

The relatively high rate of non-compliance cases over the last years indicates that the transparency, accuracy, consistency and efficiency of the existing monitoring and reporting system could be improved.

- Experience has shown that an increased need for simplification and streamlining of the current reporting requirements is needed.

Experience with the implementation of the monitoring mechanism decision has shown that certain reporting requirements did not deliver as expected or the information was not used as anticipated. It has also shown that some linkages among various reporting instruments could be strengthened.

2. Analysis on subsidiarity

The legal basis for the legislative proposal is Article 192(1) TFEU. The legislative proposal pursues a legitimate objective within the scope of Article 191(1) TFEU, namely, combating climate change (mitigation and adaptation). The purpose of the legislative proposal is to improve the availability of information for Union policy and decision making and the coordination and consistency of EU and Member States' reporting under the UNFCCC. This objective pursued cannot be achieved by less restrictive means than the legislative proposal. Action at the national level would not allow the compliance against the internationally agreed commitments and would also not suffice in the fulfilment of the objectives and the achievement of the targets set under the Effort Sharing Decision (406/2009/EC). It is therefore necessary that the Union creates the enabling framework, establishing a harmonised reporting framework, to the extent feasible, so as to address the specific international and EU requirements. Action at EU level would also produce clear benefits compared with action at the national level by reason of its effectiveness.

3. Objectives of EU initiative

The general objective is, through *timely, and transparent, accurate, complete, consistent, comparable (TACCC)* reporting at EU and MS level, to:

- (a) support the EU and the MS in meeting their commitments under the UNFCCC,
- (b) support the EU and the MS in meeting their domestic mitigation and adaptation commitments,
- (c) support the effective development and implementation of EU policies.

3.1 Specific and operational objectives

- *Implement the monitoring and reporting requirements of the Effort Sharing Decision(ESD) and the revised EU Emissions Trading System (EU ETS) Directive*
 - Operational objectives:
 - Establish a review and compliance cycle under the Effort Sharing Decision;
 - Incorporate the reporting requirements for the use of auctioning revenues as stipulated in the revised ETS Directive;
- *Enhance the current monitoring and reporting framework so as to meet the needs of future EU and international legislation*
 - Operational objectives:
 - Establish monitoring and reporting requirements for maritime transport;
 - Establish reporting requirements for non-CO₂ climate impacts from aviation;
 - Establish reporting requirements on climate change adaptation;
 - Establish additional reporting requirements on LULUCF;
- *Enhance EU and MS reporting on financial and technology support provided to developing countries ensuring adherence to international commitments under the UNFCCC*
 - Operational objective: Specify reporting requirements on financial and technical support provided to developing countries;
- *Enhance consistency of reporting under the MMD with the reporting under other legal instruments in the EU that address air pollutants*
 - Operational objective: Establish links with the reporting of GHG emissions under the EU ETS, the reported information under the E-PRTR, the NEC Directive and the F-Gas Regulation;
- *Enhance reporting taking into account lessons learned from past implementation*
 - Operational objectives
 - Improve reporting on projections, policies and measures;
 - Improve the preparation of the national inventory report;

4. Policy options and assessment of impacts

The revision of the MMD is supporting the implementation of adopted EU policies and commitments, in particular the EU's commitments under the UNFCCC, the targets and legislative instruments under the Climate and Energy package, and the implementation of the Europe 2020 strategy. Specific environmental, social and economic impacts have already been assessed for many of the areas in question when the Climate and Energy Package which included specific targets and policies was adopted³. The revision of the MMD and the implementing provisions contribute to the environmental benefits identified in the impact assessments of these instruments by ensuring the appropriate monitoring of the achievement of the targets.

Environmental impacts

The MMD is being revised to increase the EU's environmental performance:

- a) through ensuring the availability of better quality and more complete data and information (data quality/completeness),

³ The impact assessment is contained in the Commission staff working document on the impact assessment document "accompanying the Package of Implementation measures for the EU's objectives on climate change and renewable energy for 2020" (SEC (2008) 85/3) and its annex SEC (2008)85) Vol II.

- b) through enabling better compliance with domestic and international targets, commitments and requirements (compliance with domestic and/or international commitments), and
- c) through enabling further future policy actions in this field to be designed, developed and implemented (further policy development/implementation).

The environmental impacts have been assessed for each of the proposed options based on a combination of the three criteria above as applicable (ratings used: + or – is used to denote positive or negative impacts respectively. = signifies no impact, +/- low impact, ++/--, medium impact, +++/--- high impact).

The aspects of compliance and simplification were also specifically assessed. (Ratings used with regard to compliance: LL: low likelihood, ML: medium likelihood, HL: high likelihood).

Economic impacts

The MMD is an instrument through which domestic and international reporting requirements are implemented. These requirements are at the national level, hence the main economic impacts linked to the revision of the MMD relate to the administrative burden that public authorities at the MS level would incur once these changes were implemented.

Other impacts (social, employment, industry, SMEs)

The proposed options will have minor social impacts related to the provision of information to the public, these have not been specifically addressed in the impact assessment.

No direct or indirect reporting requirements are imposed on SMEs or industry through the MMD and the MMD is not likely to have any impacts on employment either, thus such impacts were not further assessed.

4.1 Establishment of an EU review and compliance cycle under the Effort Sharing Decision

Option 1: No internal review at EU level. Rely on current UNFCCC review. ("no policy change"). (This sub-option was discarded at an early stage.)

Option 2: An internal inventory review at the European level is implemented for target setting purposes (initial review) while the EU continues to rely on the inventory review under the UNFCCC, as in the current MMD, for the annual compliance cycle under the ESD. (This sub-option was discarded at an early stage.)

Option 3: Establish a "light" EU-level annual review and compliance cycle for the implementation of the ESD and a comprehensive initial review. (The annual review would be performed in a shorter time frame with mostly automatic checking routines supplemented by an analysis of the previous UNFCCC review reports, building on existing checks and procedures currently carried out by the European Environment Agency (EEA) under the MMD). ("Light review")

Option 4: Establish a comprehensive EU annual review process and compliance cycle for the implementation of the ESD along with a comprehensive initial review. This review would be mirrored after the UNFCCC review but in a shorter time-frame to allow for a compliance assessment during the calendar year. ("Comprehensive review")

	Environmental Impacts⁴	Administrative burden
Option 3:Light review	+	€15,000-30,000

⁴ Ratings used: + or – is used to denote positive or negative impacts respectively. = signifies no impact, +/- low impact, ++/--, medium impact, +++/--- high impact

	Environmental Impacts⁴	Administrative burden
Option 4: Comprehensive review	+++	€50,000-100,000

Suboptions related to the treatment of recalculations resulting from a) the business as usual annual methodological or data improvements in the greenhouse gas inventories (case 1), and b) from a change in the reporting rules at the international level (case 2), in the annual reporting, review and compliance cycle were also considered.

4.2 Incorporate the reporting requirements for the use of auctioning revenues under the revised ETS Directive

The revised ETS Directive has clearly specified that the additional reporting requirements related to the use of revenues from auctioning of allowances shall be reported in the reports submitted under Decision No 280/2004/EC⁵.

4.3 Establish monitoring and reporting requirements for emissions from international maritime transport

Option 1: Continue with current monitoring and reporting of GHG emissions from domestic and international maritime transport in GHG inventories without establishing the basis for improved underlying data. ("no policy change")

Option 2: Establish detailed monitoring and reporting requirements for Member States. (This option would include defining the basis for monitoring, the criteria for the allocation of emissions to MS and the administrative details related to reporting. ("Detailed reporting requirements now"))

Option 3: Establish the basis for new monitoring and reporting guidelines allowing for the detailed provisions to be adopted in future legislation through comitology once a measure has been adopted by the International Maritime Organization or the EU. ("Framework now, details later")

	Environmental Impacts	Compliance	Administrative burden
Option 1: no policy change	- -	na	na
Option 2: Detailed reporting requirements now	+	ML	- - -
Option 3: Framework now, details later	+++	HL	-

4.4 Establish reporting requirements related to the non-CO₂ impacts of aviation on the global climate

Option 1: Continue with current reporting of GHG emissions from domestic and international aviation in GHG inventories limited to CO₂ emissions. ("no policy change")

Option 2: Require that Member States report on the non-CO₂ climate impacts of aviation by multiplying the CO₂ impacts by a pre-defined factor. (This factor would be changed by the Climate Change Committee to reflect the latest scientific results.) ("Multiplier Approach")

Option 3: Require that Member States report the non-CO₂ climate effects of aviation based on detailed models. ("Modelling approach")

Option 4: Adopt new reporting requirements for the non-CO₂ effects of aviation for MS based on a two-tiered system. (Under this option, those Members States which reported more than

⁵ The use of the reports submitted under Decision No 280/2004/EC for the reporting of the auctioning revenues is not specifically provided for the "aviation" allowances in Article 3d(4), nevertheless, for consistency will be implemented accordingly.

3% of the total EU CO₂ emissions from aviation would report the non-CO₂ effects of aviation based on detailed models. (Currently, this would apply to France, Germany, Italy, the Netherlands, Spain and UK which are jointly responsible for approx. 80% of the CO₂ emissions.) All other MS could report using detailed models but, if not feasible, they could use the multiplier approach instead. ("Tiered approach")

	Environmental impacts	Compliance	Administrative burden
Option 1: no policy change	-	=	=
Option 2: Multiplier Approach	+	HL	€24,000
Option 3: Modelling approach	++	LL	€6.75 million
Option 4: Tiered approach	+++	ML	€1.52 million

4.5 Establish reporting requirements on climate change adaptation

Option 1: Continue with current reporting on climate change impacts, vulnerability and adaptation in Member States' national communications under the UNFCCC and use this information for EU purposes. ("no policy change")

Option 2: Require that MS comprehensively report on an annual basis on their climate change impacts, vulnerability and adaptation actions. (This option would cover among other the observed and projected impacts per sector, the assessment of key vulnerabilities per region and per sector, the existing national and/or regional adaptation strategy and implemented and planned measures, information on strategies and on bilateral and multilateral projects on adaptation and the respective budget allocated). ("Comprehensive reporting")

Option 3: Require that MS report on an annual basis on their implemented and planned climate change national adaptation actions. In this option an indicative list of information to be reported would be provided. ("Reporting on actions")

	Environmental impacts	Compliance	Administrative burden
Option 1: no policy change	-	=	=
Option 2: Comprehensive reporting	+++	LL	€1 to 2.24 million
Option 3: Reporting on actions	++	HL	€120,000

4.6 Establish additional reporting requirements on LULUCF

Option 1: Continue with current reporting on land use, land use change and forestry. ("no policy change")

Option 2: Establish revised reporting requirements for LULUCF activities, based on information from the ongoing international negotiations (and in addition to existing reporting requirements), in the following areas ("Detailed requirements now"):⁶

- Estimate and report emissions and removals from forest management activity on a mandatory basis
- Estimate and report data on emissions from the harvested wood products pool (mandatory)
- Estimate and report emissions and removals from rewetting and drainage⁷ (voluntary)

⁶ The detailed elements are based on a draft decision under the Kyoto Protocol

⁷ Rewetting and drainage" is a system of practices for rewetting and draining on land with organic soil that covers a minimum area of 1 hectare. The activity applies to all lands that have been drained and/or rewetted since 1990 and that are not accounted for under any other activity as defined in this annex, where drainage is the direct human induced lowering of the soil water table and rewetting is the direct human-induced partial or total reversal of drainage;

- Estimate and report emissions and removals subject to “force majeure”⁸ (voluntary)
- Updating of forest management reference level values based on new data or methodological improvements

Option 3: Establish the basis for new reporting guidelines allowing for the detailed provisions to be adopted in future legislation once relevant measures have been adopted at the EU level or internationally. (Effectively, this means that the scope of reporting would be determined through the co-decision procedure of legislating on the role of LULUCF in the EU's GHG emission reduction commitment whilst the technical details would be established through delegated acts ("comitology") within the framework agreed by the European Parliament and Council.) ("Framework now, details later")

	Environmental impacts	Compliance	Administrative burden
Option 1: no policy change	- - -	=	=
Option 2: Detailed requirements now	++	ML	€610,000 to €710,000
Option 3: Framework now, details later	+++	HL	< €610,000 to €710,000

4.7 Establish reporting requirements on financial and technology support provided to developing countries

Option 1: Continue with current reporting of financial and technology support to developing countries through MS' national communications under the UNFCCC without separate reporting requirements at EU level. ("no policy change")

Option 2: Require MS to voluntarily report information on financial and technology support provided every 2 years based on the national communication guidelines. ("Voluntary reporting")

Option 3: Require that MS report on an annual basis through streamlined formats the financial and technical support provided to developing countries building on the existing national communication guidelines but requiring more comprehensive information on technology programmes and the use of methodologies developed within EU for reporting on financial support and indicators for financial flows of the OECD Development Assistance Committee (DAC). ("Comprehensive reporting")

	Environmental impacts	Compliance	Administrative burden
Option 1: no policy change	- - -	=	=
Option 2: Voluntary reporting	+	ML	€5,000
Option 3: Comprehensive reporting	+++	ML	€195,000

4.8 Enhance consistency with other legal instruments in the EU targeting air pollutants

Option 1: Deal with reporting requirements in the MMD and other legal instruments separately and do not streamline the reporting under different instruments. ("no policy change")

⁸ Events beyond the control and not materially influenced by the country including a demonstration that no land use change has occurred on lands subject to force majeure events, a demonstration that the occurrences were beyond the control of the Party, a demonstration of efforts taken to rehabilitate the lands subject to force majeure events, a demonstration that emissions associated with salvage logging were not excluded.

Option 2: Establish requirements to report on the consistency of information between the reporting under the MMD with the reporting under the EU ETS, the E-PRTR, the NEC Directive and the F-Gas Regulation and to report on the QA/QC checks conducted to ensure consistency across the different legal instruments (including share of ETS emissions). ("Report on consistency")

Option 3: Establish requirements that MS' existing inventory national systems are amended to allow access to data resulting from other reporting instruments (e.g., ETS, EPRTR, NEC) and consequently that inventory data is also being made available for reporting under other reporting instruments. ("Amend national system")

Option 4: Establish requirement to use the data reported via other instruments directly, such as EU ETS, EPRTR, F-Gas Regulation, NECD, by aligning reported pollutant data via reconciling the: disaggregation, contents, procedures, tools and formats they use/define.(This sub-option was discarded at an early stage.)

	Environmental impacts	Simplification	Compliance	Administrative burden
Option 1: no policy change	-	--	=	Potential costs if lack of QA/QC is raised by UNFCCC review
Option 2 :Report on consistency	++	++	HL	€525,000 (not including simplification benefits)
Option 3:Amend national system	+++	+++	HL	€380,000

4.9 Enhance reporting taking into account lessons learned from past implementation

Option 1: Keep existing reporting guidance under the MMD and the implementing provisions and rely on the methodological guidance specified under the UNFCCC. Pursue changes of the reporting guidance under the UNFCCC. ("no policy change")

Option 2: Require annual reporting and further specify type of information/data to be reported, and/or the relevant formats (" Streamline formats")

Option 3: Further specify methodological guidance for the effects of policies and measures and the preparation of GHG emission projections. ("Harmonize methodologies")

Option 4: Require the establishment of a national system for reporting on projections, policies and measures⁹ (along similar main principles as for that established for GHG inventories) ("Establish national system")

	Environmental impacts	Compliance	Simplification	Administrative burden
Option 1: no policy change	=	=	---	
Option 2: Streamline formats	++	HL	++	€980,000- €1.3million
Option 3:Harmonize methodologies	+++	LL	-	Higher than for option 2

⁹ The objective of the national system, as known under the Kyoto protocol is to guarantee the preparation of an annual greenhouse gas inventory, which complies with the quality criteria set for the inventories, and its reporting to the secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) and the Commission of the European Union. The national system produces the emission and background data of the inventory. Included are also the archiving of the data used in emission calculations, the publication of the results, participation in inventory investigations and the quality management of the inventory.

Option 4: Establish national system	+++	ML	+++	290,000
--	-----	-----------	-----	----------------

5. Comparison of options

Main objective of the MMD is to support the EU and its MS in meeting their, domestic and international, commitments and goals, and future policy development, through ensuring transparent, accurate, consistent, comparable, complete reporting. The preferred scenario ensures that these objectives will be met in an efficient and effective way. The overall administrative burden linked to the preferred scenario is in the range of €4-5 million for the EU-27.

Given the uncertainties linked to a future climate regime, the preferred scenario foresees the establishment of an EU level review process of the GHG data submitted by the MS so as to ensure that compliance with the ESD targets is assessed in a comprehensive, transparent, credible and timely manner as foreseen in the Climate and Energy package. With regard to reporting on emissions from international maritime transport and the LULUCF sector where policy discussions, both domestically and internationally, are on-going a prudent approach is followed by ensuring that the MMD provides an adequate framework for establishing the detailed reporting requirements at a later stage when a concrete policy outcome is reached (either domestically or internationally). This way coherence with a future policy framework is ensured and duplication of efforts is avoided while it is also ensured that the EU is able to most efficiently implement the detailed requirements. With regard to the non-CO₂ climate impacts of aviation coherence is again ensured with existing domestic policy which requires that an effort be made to take into consideration its impacts. The proposal included in the draft Regulation on the non-CO₂ climate impacts of aviation, which requires that the Commission assess biennially those impacts on the basis of the latest available emission data and scientific advancements, differs from those explored in the impact assessment and reflects the useful input received by other Commission services during the interservice consultation process. This new proposal was included in the draft Regulation as it was deemed to ensure coherence with existing Union policy, and to achieve equivalent benefits at a significantly lower administrative burden. With regard to finance and technology support the preferred option of enhancing reporting based on common methods is again coherent with the EU's obligation to provide transparent and complete information on the financial and technology support it has been providing to developing countries and results in limited burden. With regard to adaptation, the annual reporting on adaptation actions will help further define an EU-wide adaptation strategy and will also support the EU Clearinghouse Mechanism. This is an efficient option as it is linked to limited administrative burden while it also ensures that the EU is better able to address its international reporting obligations. Finally, the preferred scenario also foresees the enhancement of the existing national system in the MS to also address reporting on projections and policies and measures, as well as consistency with other legal instruments targeting air pollutants. This is an efficient way forward as despite the related burden it leads in the long-run to better compliance, simplification of efforts and an eventual reduction of costs. The preferred scenario also foresees better QA/QC provisions and the introduction of streamlined reporting formats and guidance so as to increase the quality and completeness of the data provided and to simplify existing reporting requirements without imposing undue administrative burden.

6. Monitoring and evaluation

As all the policy options relate to monitoring and reporting requirements the completeness, transparency, and adherence of the resulting reports to the domestic and international

requirements will in itself demonstrate whether the objectives set have been achieved through the revised MMD.

A set of specific indicators corresponding to the general, specific and operational objectives set in this impact assessment will also be used to monitor and evaluate the performance of the MMD. These indicators will focus among other on the extent to which the resulting reports and data adhere to the established guidelines and/or guidance, their timeliness, completeness, and the identified cases of non-compliance.

The reports prepared under the MMD will continue to be assessed at the EU and/or the international level annually, every 2 years and/or every 4 years.

The actors that have been traditionally involved at the EU level in the monitoring and evaluation exercise, besides DG CLIMA, are the EEA, the JRC and Eurostat. These same actors will continue to assist in this exercise in the future.

The results of both the EU and the international assessment besides being used for compliance purposes will also continue to be used to most effectively direct improvement efforts and capacity building activities at the EU and the MS level.