



# Integrating national reality into the 2030 Governance system

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*An assessment of experience with existing climate and energy planning and reporting obligations in select EU Member States*

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## Executive summary

For the achievement of the EU'S 2030 targets on energy and climate policy, a new system of planning and reporting (P&R) is meant to be put in place, a key vehicle being national plans that will replace several existing obligations to prepare information on these issues. In the context of the introduction of these so-called National Energy and Climate Plans (NECPs), this paper explores the experience at the national level with existing P&R requirements to identify relevant lessons to be taken into account in the design of the new system. It is based on desk research and a set of interviews with national experts from a set of EU Member States, looking into two specific examples of existing P&R obligations, namely National Energy Efficiency Action Plans (NEEAPs) and list of policies and resulting greenhouse gas emission projections (under Articles 13&14 of the MMR).

Key insights gained from the exercise are:

- **EU level P&R obligations** often **function as an activating impulse** for national policy-making, and thus generate added value towards the achievement of climate and energy goals.
- The introduction of a new system will require significant retooling of the institutional set-ups involved, especially due to the broader scope of NECPs. Specifically, **intensified exchange among different Ministries** will become necessary and overall lead responsibility might shift to Energy or Economics Ministries.
- **Capacity is not a key obstacle** at present, although a significant part of the detailed technical work does not reside inside governments but tends to come from external contractors. The broader and integrated scope of NECPs might change this; at the very least, capacity requirements might shift.
- External **stakeholder input is not currently sought** by national governments regularly in their preparation of P&R submissions – at least in the case studies chosen for this report.
- **Interaction between MS and the EU** institutions that submissions are made to is currently **very limited**, which may well serve the interests of national governments to limit EU level intervention. However, it also limits the potential benefits of the exercise, for both national and EU policy, as it reduces the quality of the data gathered via the submissions.

Based on the information gained we draw the following lessons

- Lesson 1: The process must be designed so that EU level requirements remain an activating impulse for national policy
- Lesson 2: NECPs will require a new level of inter-agency coordination – and resources. National administrations (and the Commission) need to prepare for this.
- Lesson 3: For effective plan design and comparable data, support should be provided for Member States on data inputs and methodologies to be applied.
- Lesson 4: Stakeholder involvement should be established explicitly in the NECP processes at the national level, for more buy-in and accountability
- Lesson 5: NECPs should include a dedicated long-term dimension beyond 2030 to avoid taking actions incompatible with long-term (2050) emission cuts
- Lesson 6: Plans should combine projections with back-casting from future targets for maximum insight into possible trajectories and necessary policy action
- Lesson 7: Follow-up is crucial – dedicated progress monitoring of plans must be installed via mandatory regular and detailed reporting requirements – providing transparent data and a clear process of interaction between Member States and EU institutions

# Table of Contents

- Executive summary ..... 2**
- 1. Background and Methodology ..... 4**
- 2. National experience with reporting and planning ..... 7**
  - The role of planning in policy-making ..... 7
  - Institutional set-up, coordination and capacity ..... 10
  - Technical details..... 11
  - Stakeholder involvement ..... 12
  - Interaction with the Commission and other Member States ..... 13
- 3. Lessons learned: implications for a future P&R system ..... 14**
  - Lesson 1: EU level requirements must remain an activating impulse for national policy..... 15
  - Lesson 2: NECPs will require a new level of inter-agency coordination – and resources ..... 16
  - Lesson 3: Support for Member States on methodologies needed..... 16
  - Lesson 4: Stakeholder involvement should be established explicitly in the NECP processes ..... 17
  - Lesson 5: Including a dedicated long-term dimension beyond 2030 ..... 18
  - Lesson 6: Combine projections with back-casting for maximum insight ..... 19
  - Lesson 7: Follow-up is crucial – dedicated progress monitoring of plans via reporting..... 19

## 1. Background and Methodology

In October 2014, the Council of the European Union agreed on a new framework for climate and energy policy for the period 2021-2030.<sup>1</sup> Many elements of the 2020 package are to be continued: it contains new quantitative EU objectives for greenhouse gases, renewable energy and energy efficiency, and explicitly extends and amends the Emissions Trading System (ETS). However the new framework includes a few significant changes. Specifically, for renewable energy sources (RES) it does no longer set binding targets for individual Member States – but maintains for a legally binding RES target for the EU level. Instead, each country will be asked to propose national targets as a contribution to the EU-targets in a bottom-up process. To ensure that the overall EU goal is met nevertheless, the Council agreed to establish a **new governance system**, building on and integrating existing planning and reporting (P&R) obligations.<sup>2</sup> The challenge is to establish a system that, on the one hand, provides the necessary flexibility to Member States – reflecting the concerns of some of them – while on the other hand, safeguards overall EU ambition. The European Commission is expected to present a legislative proposal for the governance system in late November of 2016.

So-called **National energy and climate plans** (NECPs) will be at the core of the new governance system. These NECPs are meant to replace similar sectoral plans currently in place for renewables and efficiency respectively, and integrate all energy and climate objectives in one document.

The European Commission already issued guidance to Member States on its perspective on the development of these plans<sup>3</sup>, including their main elements, processes and timelines, and established a technical working group to support and discuss the preparation of the plans. Although the respective EU legislation is still to be adopted, MS are expected to already start internal preparations based on the Commission's guidance so as to deliver the plans by 2018.

What is new about these plans (according to the Commission's guidance)?

- Integration and streamlining: integrate reporting and planning, and integrate climate and energy, replacing numerous existing P&R requirements by one single process
- National targets: Establish national targets as a contribution to the EU-wide targets
- Include a long-term perspective up to 2050
- Target-oriented planning: Set out policies and quantitative scenarios to achieve the national targets
- Coherence: Assess interactions between the sectoral targets and the policies
- Regional perspective: Conduct regional consultations in preparing the plans
- Stakeholder involvement: Conduct national stakeholder consultations
- Feedback: Commission will provide recommendations on draft plans which should be incorporated into final plans

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<sup>1</sup> European Council (23 and 24 October 2014) Conclusions, EUCO 169/14

<sup>2</sup> Council Conclusions of November 2015

<sup>3</sup> Guidance To Member States On National Energy And Climate Plans As Part Of The Energy Union Governance To The Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee, The Committee Of The Regions And The European Investment Bank. State of the Energy Union, 18.11.2015, COM(2015) 572 final

The guidance provided by the Commission in its November 2015 document is not binding. It remains to be negotiated which parts of this guidance will be a recommendation and which parts might be integrated into the legal instrument still to be proposed – which could then become binding on Member States in the future.

The Commission’s intention is for the NECPs to respond to MS’ call for flexibility and streamlining and are meant to help overcome the difficulty of ensuring EU target fulfilment in a bottom-up process; to enhance transparency and policy coherence, and to reduce the administrative burden by streamlining previously separated and partly redundant obligations– improving national climate governance in the process.<sup>4</sup>

Accordingly, in designing the new planning and reporting scheme, lessons can be drawn from the **benefits and drawbacks of existing procedures and set-ups at EU and Member State level**. To get at potential lessons, this report, produced jointly by Ecologic Institute and IDDRI, analyses MS’ experience with relevant P&R obligations currently in place.

To generate relevant insights from the national experience, we defined five areas of inquiry:

- How successfully is planning used as a **policy instrument** in MS?
- Which **institutional arrangements** work well or less well?
- How successfully are **independent experts** and stakeholders involved in the processes?
- Which **technical details of the P&R process** prove important for driving climate and energy policy?
- How do MS **interact with the EU**, and what could be improved?

‘Planning’ denotes “forward-looking strategies that specify how one or several policy objectives or targets are expected to be achieved.”<sup>5</sup> When we refer to ‘Reporting’, we speak of a mostly backward-looking “monitoring exercise that takes stock of achieved implementation and tracks current progress towards the target or objective.”<sup>6</sup> Reporting can also cover projections on the expected future development and “proposals for corrective measures where progress is insufficient”.<sup>7</sup>

As examples for P&R in the ambit of climate and energy policy we have chosen the following two obligations, representing the two main dimensions of a) planning and b) reporting

- National Energy Efficiency Action **Plans** (NEEAPs) under the 2012 Energy Efficiency Directive.<sup>8</sup>
- **Reporting** on greenhouse gas projections and policies under Articles 13 and 14 of the GHG Monitoring Mechanism Regulation (MMR)<sup>9</sup>

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<sup>4</sup> For an overview of duplications in the existing planning and reporting regime up to 2020 see Umpfenbach, K. (2015): Streamlining planning and reporting requirements in the EU Energy Union framework. An opportunity for building consistent and transparent strategies. Ecologic Institute, Berlin.

<sup>5</sup> Umpfenbach, K. (2015) p. 10

<sup>6</sup> ibid

<sup>7</sup> ibid

<sup>8</sup> Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC

<sup>9</sup> Regulation (EU) No 525/2013 of the European Parliament and of the Council of 21 May 2013 on a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other information at national and Union level relevant to climate change and repealing Decision No 280/2004/EC Text with EEA relevance

Planning: The **NEEAPS** are strategies that MS are obliged to prepare to outline energy efficiency improvement measures and expected and/or achieved energy savings, “in view of achieving the national energy efficiency targets”.<sup>10</sup> The plans are submitted every three years and evaluated by the Commission. NEEAPs are a clear example of ‘planning’.

Reporting: The **MMR** was first published in 2004, and amended in 2013, aiming (1) to respond to international reporting obligations in the context of the United Nations Framework Convention on Climate Change, and (2) to monitor progress towards national climate targets. Article 13 obliges MS to report on their existing mitigation policies and measures and their low-carbon development strategies. Under Article 14, MS provide projections of GHG emissions, based on a scenario with existing measures and one with additional measures. This obligation helps MS to track progress towards their national GHG target and would thus fall under ‘reporting’ – although it can also be the basis for long-term planning. The reports are submitted every two years to the Commission via the Central Data Repository of the European Environment Agency<sup>11</sup>.

In the first part of this report, we assess MS’ experience with reporting under the MMR and the NEEAPs planning, based on desk research and interviews we conducted in five MS with different characteristics in size, administrative structure and political climate interest. These include Germany (DE), Czech Republic (CZ), France (FR), Poland (PL), and the United Kingdom (UK). The interviewees preferred to stay anonymous.

The second part of this report draws lessons from the insights generated for the future design of NECPs and the overall 2030 governance framework.

Note that this report has been developed jointly alongside another paper that looks specifically at the development of 2050 decarbonisation strategies in the same EU member states (Cf. IDDRI and Ecologic, 2016b). For this reason we focus specifically on issues related to the NECP process and the planning horizon to 2030 – but make the connection to the longer term where necessary.

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<sup>10</sup> Article 24(2) EED

<sup>11</sup> Specifically, see the system’s website at <http://cdr.eionet.europa.eu/>

## 2. National experience with reporting and planning

### The role of planning in policy-making

#### Historical context

Planning has a complicated but ingrained place in 20<sup>th</sup> century European politics. It was integral to the planned economies implemented under the Warsaw Pact by countries in Eastern Europe. However, long-term strategic planning was also in use on the other side of the Iron Curtain, e.g. in the form of the Marshall Plan, which provided financial and institutional support after the war to rebuild Germany and other Western European powers.

More recently, since the 1980s, **strategic environmental policy planning** has spread rapidly in EU member states. This was partly triggered by international policy developments such as the adoption of the Brundtland Report or the Agenda 21, which called on states to prepare sustainable development strategies. Moreover, key pieces of EU environmental legislation, such as *inter alia* the Water Framework Directive and Soil Protection Framework Directive, mandated the creation and implementation of planning at the MS level, thereby institutionalising environmental planning for both strategic and participatory ends.<sup>12</sup> In both examples, EU targets (e.g. a 'good status' for water quality by 2015) must be taken on at the MS level through an iterative planning process, which not only allows for flexibility depending on the context and circumstances in each country but also fosters active engagement by stakeholders and cross-border cooperation. As in the case of the WFD, similar to the MMR, the EU provides guidance on how to draft these documents.

In the late 1980s and early 1990s many European countries established overarching national environmental plans – e.g. Denmark, Sweden, Norway, France, UK, Netherlands. Countries learned from one another during the process. The 1989 Dutch Environmental Policy Plan, for instance, served as an example for the development of similar plans in other member states.<sup>13</sup> In years since, these plans have been updated and expanded to incorporate emerging environmental concerns and changing political landscapes.

Environmental policy plans or strategies are usually documents presenting governmental objectives and actions that are adopted by the cabinet and/or parliament. They are generally not established as law but rather represent a **declaration of intent** by a government. While there are variations in content, specificity and process, they are usually meant to set long-term policy goals and to integrate all relevant policy areas. Often such environmental strategies are drawn up – at least under ideal circumstances – based on a public participation process and are designed so as to involve all agents in the problem-solving.<sup>14</sup> Sometimes the strategies include measurable targets and respective

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<sup>12</sup> Jens Newig & Tomas M. Koontz. (2014). Multi-level Governance, Policy Implementation and Participation: The EU's Mandated Participatory Planning Approach to Implementing Environmental Policy. *Journal of European Public Policy* 21(2): 248-267.

<sup>13</sup> Kerstin Tews Per-Olof Busch Helge Jörgens (2002): The Diffusion of New Environmental Policy Instruments

<sup>14</sup> Kerstin Tews Per-Olof Busch Helge Jörgens (2002): The Diffusion of New Environmental Policy Instruments; Jänicke, M. & Jörgens, H. (2000). Strategic Environmental Planning and Uncertainty: A Cross-National Comparison of Green Plans in Industrialised Countries, *Policy Studies Journal* 28(3): 612-632.

monitoring schemes, list specific policies and funding plans; other strategies might only provide a more general vision.

Regardless of their content, planning can be employed to manage the uncertainties that are inherent to long-term environmental policymaking – these include political uncertainty regarding inter-temporal decision-making as well as the risks and uncertainties pertaining to environmental changes.<sup>15</sup> Accordingly, robust environmental “strategies” or “plans” – terms often used interchangeably – tend to account for the need for flexibility, participation, learning and reflexive goal-setting in the national policymaking context.

### Insights gathered

Against this context, we sought answers to the following questions: What role does planning as an instrument play in general in EU MS – how does the political governance culture perceive the use of plans? Is it commonly used, and if so, with what purpose? Is it an instrument used for climate and energy policy, and what role does the EU play in this context?

The interviews revealed that planning in general is seen as an **important policy instrument** in CZ, FR, DE and UK. In CZ, planning is a common instrument across policy areas, including renewable energy or agriculture. In DE, FR, DK and UK, at least for energy policy, plans are instrumental in driving policy making. In PL, interviewees were more cautious in assigning a strong role to plans as a driver of policy. While some planning instruments were seen as having a positive role in guiding policy, interviewees were also critical of successive government’s willingness to be guided by a common long term strategy, especially one that they themselves did not develop. In this respect, one interviewee noted that decision-making on energy policy in Poland seems to be “more tactical than strategic”. In other words, plans are produced ad hoc based on current political priorities, but there are not necessarily sufficient structures to keep governments to their content over long time horizons. This was said to reflect an absence of a culture of planning and long-term strategy use in the government in general, and the desire of the government to leave their political options open.

To be fair, some of these concerns are not unique to Poland. In particular, the question of how well national energy and climate plans are followed in practice was also raised by several interviewees (from other countries). In general, one could say that planning was not necessarily seen as equivalent to the a-politicisation of climate or energy policy, and a plan was nowhere seen as a substitute for political will. However, this did not mean that planning was not seen as valuable.

Moreover, certain factors tended to play a role in determining the likelihood that plans would be followed. For instance, EU or national legislation, clear targets, a dedicated monitoring process, the level of stakeholder participation in the development of plans, the role of independent (non-partisan) bodies in advising short-term government decisions on implementation.

Interviewees named the following strategies as those most relevant in the area of climate and energy policy:

- PL: 2008 Polish Energy Strategy (2030 perspective); 2015 Polish Energy Strategy (2050 perspective)

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<sup>15</sup> Jänicke, M. & Jörgens, H. (2000). Strategic Environmental Planning and Uncertainty

- CZ: 2015 State energy policy (2040 perspective); forthcoming long-term climate strategy (2030 perspective with indicative 2050 outlook)
- DE: 2010 Energy Concept (targets until 2050); forthcoming 2050 Climate Plan
- UK: 2008 Climate Act including carbon budgeting approach (2050 perspective); 2011 Carbon Plan (2027 perspective with 2050 outlook)
- FR: 2016 Pluri-annual Energy Plan (2023 perspective); 2015 National Low Carbon Strategy (2028 perspective with 2050 outlook)

Interviewees across MS highlighted that planning was helpful for a **forward-looking policy, identifying key priorities and providing a bird's-eye perspective** across different sectors. Planning also helps identifying gaps and risks to implementation, and can drive target-oriented policymaking – often action plans are developed to achieve the objectives of strategies. A Polish stakeholder also highlighted that plans (particularly those backed by an EU oversight process) may also deliver greater policy consistency over time – if the strategies are followed through - avoiding continued policy reversal by changing governments, guiding stakeholders and providing an outlook for investors.

It should also be noted that several of the member states studied have more than one planning instrument. These instruments can occupy different roles in the government's overall approach to managing its set of policies and targets. This can mean that some planning documents can make some documents less important for "planning" as such and more important for monitoring. For instance, in France, the PPE, National Low Carbon Strategy (which implement the Law for Energy Transition) are very important for setting the key targets and direction of travel for specific sectors and investments. Consequently, the documents like the NEEAP tends to take on a less important role in "planning" and to become more of a technical reporting and reference document for energy efficiency policies, progress and projections.

While planning is generally seen as an effective tool to initiate debate about long-term policy priorities, long-term energy and climate plans have a mixed track record in implementation, measured by how they **influence day-to-day national policy-making**. The real significance of the plans varies between MS but also between plans. Success factors include e.g. perceived coherence (by implementing governments) with other high priority domestic policy objectives, like energy independence, but also cases in which institutions have been established around the strategies (e.g. FR, UK, DE).

The importance of the **EU policy** for the development of national energy and climate related plans certainly differs between Member States. It is seen to be quite fundamental for **driving national strategies** in some countries, like CZ and PL. In PL, for instance, stakeholders assess that strategies tend to be more consistently followed when they are linked to EU requirements, although other factors can also be important (e.g. energy security priorities, economic development goals). Stakeholders noted that EU requirements were helping to change the policy-making culture in PL and that the government was increasingly internalising a strategic approach. It was also suggested that in PL EU obligations changed the approach to the use of planning as a tool, inducing the government to become more transparent. For CZ, interviewees noted that EU policies have been decisive for the development of climate strategies, while they have been less important for energy strategies that seem to be more driven by national interests.

In DE, UK and FR, national targets and strategies for implementation tended to be developed before EU-level targets or planning requirements were fully in place. In these MS, interviewees suggested

that their national climate policy was sometimes one step ahead of EU policy. Indeed, some actors in the UK even perceive EU policy as potentially obstructing UK climate ambition, giving ministers an excuse to water down national policies and targets to the minimum requirements of the EU. In FR, the EU plans, whether NEEAPs or NECPs or reporting under the MMR, are generally perceived as being more or less subordinate “reporting requirements” where the country details its actions as developed under independent planning and policy making processes.

That said, in these countries, EU level targets, and associated planning and reporting requirements, did still seem to matter. Firstly, the EU level targets themselves sometimes serve as an additional incentive for member states *to implement* their own targets. For instance, interviewees in the UK noted that, despite the likelihood that it will fall slightly short, the Cameron government had tended to support the fulfilment of the UK’s 2020 obligations under the EU’s renewable energy directive in part because there was a legally binding commitment to do so with the EU. Secondly, EU planning and reporting obligations (such as the NEEAPs) have still acted as driver for additional governmental action in some of these member states, especially in terms of stabling a robust process of data gathering, policy evaluation and response. This was true in France for the NEEAPs. It was also true in Germany where projections developed under the MMR have historically been an important driver of national debates on domestic policy adequacy.

Thirdly, the fact that the EU is expected to require member states to set targets and develop plans to meet them may actually incentivize some member states to develop their own targets and plans in anticipation. There was little direct evidence of this in the interviews. However, it is a well-known fact that officials in many EU member states are nervous about EU “interference” in their domestic energy policy, including some of those interviewed – it is possible that moving ahead of the EU in the development of national targets and plans may therefore hold a certain political attractiveness. . Having said which, in this very function,

## Institutional set-up, coordination and capacity

The institutional setup and available capacities are vital for developing plans and delivering effective reporting, in particular if the plans address several sectors and thus require coordination among different ministries. The key questions we posed were: How do MS organize these processes and which bodies are involved? Is coordination across ministries working well? Do MS face capacity constraints that make it hard for them to deliver on the existing obligations?

The **institutional setup** differs across MS – and within countries responsibility varies depending on topical responsibility. For reporting under the MMR, a distinct climate policy issue, for example, the Environment Ministry is in the lead in DE and CZ, while in PL the Energy Ministry fills this role. Responsibility for the German NEEAP, for example, lies, however, with the Economics Ministry (which is in charge of all energy issues). In FR, and until recently also in UK, the Energy and Environment ministry are one and the same, meaning that climate and energy related P&R is all done inside one Ministry already.

The leading ministry usually consults with other ministries, but this is done to varying degrees, depending on the issues at stake, as interviews showed. In DE, for example, an interministerial working group decides on the selection of policies to be analysed and on the key parameters to be used in the projections, and also comments on the final report. The Environment Ministry thus

involves other ministries systematically at different steps of the reporting process. In another Member State, interviewees revealed that the Environment Ministry (together with an external sub-agency as support body for the reporting) selects the policies for the PAMs on its own. While they do try to consult with other ministries on the projections, they usually do not receive much input from them, either due to a lack of data, capacity or interest. Several interviewees in different MS indicated as well that coordination among ministries was often cumbersome. In DE, there are sometimes discussions on the selection of the “additional measures”, interviewees said. Generally, this choice should be based on those policies well established as “to be established” in the current political debate. However, in some cases the Finance Ministry has been wary of including them if measures have not yet been budgeted for.

In several cases, the technical work of producing underlying analysis is assigned to a **sub-ordinate agency**, while the lead ministry stays responsible for coordination with other ministries. In DE, for instance, the Federal Environment Agency (Umweltbundesamt) takes on this role; in CZ it is the Hydrometeorological Institute; in France it’s the Agency for Environment and Energy Management (ADEME); etc. These agencies in turn often outsource quantitative analysis, e.g. the development of projections, to **external contractors**, or have them take on other tasks, even the completion of the reporting templates on Eionet. In Germany, one external contractor is tasked with the projections for all sectors, while CZ assigns contracts to different institutes for each sector. PL, in turn, does not have a tradition of outsourcing tasks and accessing independent expertise.

**Only very few interviewees identified capacity constraints** as a significant obstacle to delivering on P&R obligations towards the EU. Interviewees in one MS acknowledged that the quality of projections could be improved but that this would require additional budget. They highlighted that modelling capacities exist in principle but that the ministry would need a higher budget to access them. It was also mentioned in one case that the Ministry of Environment only received limited input from other ministries partly due to capacity constraints at these other ministries, which do not have a dedicated budget for input to these processes.

An issue raised in this context was whether the institutional arrangements in member states were always adequate for ensuring that there was an appropriate match between targets and overall strategy, on the one hand, and the specific design of individual policies and measures on the other. This becomes particularly important if one considers that, as some interviewees noted, the energy transition to 2030 needs to start to focus more on underlying structural transformations of the capital stock, technological innovations, infrastructure, etc. This implies that a simple matching of emissions projections to policies and measures (as done, e.g., under the PAMs) may fulfil requirements under the MMR, but they can also potentially give a misleading impression of policy adequacy in some cases. An interviewee in one member state therefore noted that it can be important to ensure that responsibility is clearly allocated for overseeing the adequacy of policy settings to drive the desired structural transformations that are consistent with the national strategy.

## Technical details

The quality of the underlying data, the methodologies used and the level of detail included in national submissions to EU P&R obligations crucially decide their respective utility and effectiveness. Inputs from interviewees focused on the added value of the EU level requirements to existing

systems and processes at national level – and occasional inconsistencies in the outcomes produced by them.

MMR: One interviewee revealed that sometimes there was an overlap between the PAMs listed. For instance, the NEEAP itself was counted as a policy, while also measures contained in the NEEAP were listed as separate policies. This kind of overlap contains the risk of leading to double-counting of mitigation potentials.

Interviewees from DE and FR highlighted the important function of the **projections**. They were seen as an important vehicle to identify policy gaps – and not necessarily to define a trajectory for direct target achievement. DE's 2013 report, for instance, revealed a significant gap towards the 2020 GHG target. This led to the development of DE's 2020 Action Plan. One interviewee stressed that PAMs and projections should be kept as a distinct element of the new governance system to maintain this function. Having said which, other interviewees also pointed to a deficiency in the current use of the projections as a scenario working into the future from the status quo, rather than a back-casting exercise that aims to draw a (reverse engineered) path between a specific future goal and the status quo. Not having the back-casting element can lead to policy recommendations that do not pave the way for long-term sectoral transformation, but focus on incremental change towards and interim milestone (which requires a different kind of policy action). This points to a need for having both elements included in the future system – long-term back-casting and forward projections from the status quo.

NEEAPs: Different MS consider different **aspects of the NEEAPs** particularly relevant. Interviewees from FR, for example, stressed the details contained in the plans but also the cross-sectoral overview they provide. The planning requirements forced the government to gather bottom-up data and indicators, providing a very good data basis that the government might not maintain without the push from the EU level. Moreover, the NEEAPs process was considered by interviewees as one of the few times the government actually takes an overview of existing policies and their effectiveness.

For interviewees in some member states, having the obligation to set targets and develop pathways in the NEEAP are particularly important EU requirements in that they advance available data and national policy. In the UK, in contrast, the annual reviews of the UK Climate Change Committee are thought to present a very good data basis, targets and pathways. The EU obligation is therefore not perceived as an added value. In France, the NEEAPs themselves are seen more as a reporting tool than an important strategic document. However, the NEEAP is still viewed as extremely useful for developing a detailed and complete picture of the set of policies, targets and progress across different levers of energy efficiency in the economy.

## Stakeholder involvement

Plan-making can also serve a socio-political function. By engaging stakeholders directly in the process of scenario and strategy development, consensus and ownership of the ultimate political strategy can arguably be improved. The additional information may enhance the quality of the plan. Stakeholder engagement is also likely to improve acceptability of the resulting policy strategy. The interviews revealed that stakeholders were usually engaged neither in the MMR nor in the NEEAP preparation process. Some interviewees mentioned, however, that in the preparation of national strategies (e.g. 2050 Climate Plan in DE; National Low-carbon Strategy in FR; National Climate

Strategy in CZ) dedicated stakeholder engagement processes had been established and thus that the content of planning and reporting under the MMR or NEEAPs were consulted on indirectly as part of the process of developing these overarching strategies.

## Interaction with the Commission and other Member States

In the end, requirements to produce national level plans or reports, agreed as part of EU level policy, take on significance because they need to be delivered to the European Commission or other EU level institutions, such as the EEA. While the process of producing these submissions and the information contained in them can have value for the respective national institutions, other functions can only be realized by an external evaluation and use of the information for further purposes. Thus, the key question is what happens with inputs from the national level – and what is the resulting interaction between MS and the Commission. Do MS receive feedback from the Commission and other MS? Are MS interested in more interaction?

Interviewees state that reporting under the **MMR is currently a one-way exercise**: MS submit their reports to the Commission but do not receive substantial feedback. An exemption is the feedback from the EEA that is, however, of purely technical nature. (E.g. checking methodological accuracy, such as the Global Warming Potential values). The EEA is also available for supporting MS in completing the templates. One interviewee expressed the desire for more technical feedback from the Commission on completeness, for example if EU-wide policies were missing in the PAM list. It was also suggested that the Commission could give more guidance on methodologies (e.g. LULUCF), as well as provide access to data and capacity building.

Foreseeably, most Members are wary of intervention by the EU in its affairs – they are not keen on committing themselves to delivery of ambitious actions and being subject to Commission scrutiny and enforcement. To some extent, the change in the nature of the national renewable energy targets is an expression of this sentiment – and it will have an impact on the negotiations on the governance system. However, some interviewees suggested that the new review and progress-monitoring processes envisaged for the NECPs could have positive impacts in their national governance arrangements. One benefit of the establishment of one integrated plan could be a galvanizing effect on national policies, which (due to their number and the different internal responsibilities) can be disjointed and not necessarily goal oriented. Another effect of the new system could be the empowerment of national stakeholders with information through the EU level “key indicator” system showing progress on where a country stands. Some stakeholders interviewed believed that this could generate awareness and facilitate national dialogues on implementation beyond the relevant ministry. However, to be most effective, it was suggested that these indicators would need to be able to be compared to a benchmark or target of some sort. Otherwise, it would not necessarily be clear to stakeholders whether the result was good, bad or indifferent and what the implications were.

An additional dimension of exchange that the Commission foresees for the NECPs is a consultation among Member States. At present, there does not seem to be a meaningful **exchange between MS** on, for example, their MMR reporting. One interviewee stressed that exchanging information and methodologies could improve the quality of reporting, but also cautioned that MS might fear such transparency. Similar concerns will very likely have to be addressed for the NECPs, which will involve a much larger set of sectors and related policies.

### 3. Lessons learned: implications for a future P&R system

The research into the experience with the existing P&R obligations at Member State level has generated interesting insights (despite the small sample size) that are worthwhile to consider for the implementation of the new 2030 system. Key elements distilled from the information gathered include the following:

- **EU level P&R obligations often function as an activating impulse** for national policy-making, although in different ways (e.g. triggering a strategic approach, improving coherence of national policies, developing robust data gathering and monitoring tools, implementing additional policies) and thus generate added value at the national level towards the achievement of climate and energy goals.
- The institutional set-ups chosen are (naturally) geared towards the specific obligation they deliver on – and as such the introduction of a new system will require significant retooling in some cases, especially since the broader scope of NECPs implies a greater range of governmental departments involved in the process. In countries where energy and climate issues are not administrated under one Ministry, the **NECPs will require intensified exchange among different Ministries**. The stronger focus on energy issues will likely put those Energy or Economics Ministries in the lead – also on elements that presently are delivered by Environment Ministries.
- **Capacity is not a key obstacle** at present, although a significant part of the detailed technical work does not reside inside governments but tends to come from external contractors. The broader and integrated scope of NECPs might change this, as it may well increase the demand for information from a broader range of governmental units. However, the streamlining effect might still result in an overall reduction of effort required – depending on the specific requirements of the new system (compared to the existing one). At the very least, capacity requirements might shift (as different Ministries are in charge – or a lead department has to take on overall coordination).
- External **stakeholder input is not sought** by national governments regularly in their preparation of P&R submissions – at least in the case studies chosen for this report. Especially in the context of a merging a range of existing obligations into the NECPs, with more processes and targets integrated, allowing for distinct input from stakeholder could become important to get useful additional information to be included – and to allow buy in on the governmental plan and reporting.
- **Interaction between MS and the EU** institutions that submissions are made to is currently **very limited**, which may well serve the interests of national governments to limit EU level intervention. However, it also limits the potential benefits of the exercise, for both national and EU policy. Evidence from other reporting duties (e.g. the use of auctioning revenues under MMR Article XX)<sup>18</sup> suggests that this lack of dedicated quality check and follow-up has impacts: it reduces the quality of the data gathered via the submissions - and not having a

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<sup>18</sup> Velten, Duwe, Zelljadt (2016): Analysis of Member State reports on their use of ETS auctioning revenues (forthcoming)

concrete purposes or tool for publication of the information reduces the usefulness of gathering the data in the first place.

Based on this summary and other underlying work on the 2030 governance system<sup>19</sup> we derive the following lessons for the design of the P&R system for the future energy and climate targets.

### *Lesson 1: EU level requirements must remain an activating impulse for national policy*

The positive impulse that P&R obligations can play in many Member States must be retained going forward. For this to work, the obligations and much of the specifics for how to produce plans and reports must be a legally binding obligation. Even those Member States with greater capacity and ambition to developing their national energy and climate policies seem to have benefited from the need to formulate coherent strategies and having to be accountable towards an external institution for them. As member states go further along the pathway of their national low carbon transitions, some increased role for “bottom-up” approaches to setting specific strategic objectives will be necessary. However, this recognition also comes with the caveat that concrete implementation of such strategies becomes both easier and more likely if they are backed by a strong framework for ensuring sufficient collective action at EU level.

At the same time, the new process must not stifle additional ambition or activity by those MS that want to go further than their EU policy obligations. Some MS have quite successfully developed their own national targets and climate strategies and surrounding institutions. In some cases, this has led to the adoption of ambition levels that are beyond the minimum requirements of the EU. Notably, this also tends to be the case when short term policy targets are linked to a serious evaluation of what is needed to achieve 2050 climate and energy goals (Cf. IDDRI and Ecologic, 2016b). The EU should seek to encourage similar developments in other Member States.

One way it can do this is by requiring Member States to developed detailed and concrete 2050 decarbonisation strategies (see Lesson 5 below), since by themselves such strategies tend to reveal short-comings of short term plans relatively quickly. Another is to signal (correctly) that the EU 2030 targets – although a very significant contribution – are not sufficient and will need to be revisited. To be sure, this may require a nuanced exercise in political communication for the Commission during the final stages of negotiation of said 2030 targets. At the same time, however, an inherent principle of the Paris Agreement is that the current level of action of all parties is not consistent with agreed long term climate objectives and hence 5-yearly “ambition cycles” will be needed.<sup>20</sup>

Moreover, detailed EU planning and reporting requirements could often prove very important to developing highly quality data gathering and monitoring procedures, even in larger and richer member states. It is therefore important that the value of the details of some of these obligations,

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<sup>19</sup> Inter alia: Umpfenbach, K. (2015): Streamlining planning and reporting requirements in the EU Energy Union framework. An opportunity for building consistent and transparent strategies. Online at <http://ecologic.eu/12445> / Duwe & Velten (2016): Lessons from the European Semester for Effective 2030 Governance for Energy and Climate. Online at <http://ecologic.eu/14238> / Sartor et al (2015) Designing planning and reporting for good governance of the EU’s post-2020 climate and energy goals. Online at <http://www.iddri.org/Publications/Designing-planning-and-reporting-for-good-governance-of-the-EU-s-post-2020-climate-and-energy-goals>

<sup>20</sup> See for example Bodle, Donat, Duwe (2016): The Paris Agreement: Rebooting Climate Cooperation · The Paris Agreement: Analysis, Assessment and Outlook. Carbon & Climate Law Review, Volume 10 (2016), Issue 1, Pages 5 - 22

such as the NEEAPs or MMR is not lost in an unsophisticated effort at “streamlining” planning and reporting for climate and energy.

### *Lesson 2: NECPs will require a new level of inter-agency coordination – and resources*

Integrating climate and energy reporting and planning in one document could enhance the consistency of planning across sectors and ministries. In some MS this might also raise the profile of climate policy targets. However, this integration will require enhanced cooperation among and commitment of different ministries, some of which might not have been engaged in these processes before. This also could mean that some ministries do not have the capacity yet, nor the necessary budget to provide their necessary contribution to the process. The coordination with an increased number of actors could also significantly slow-down the development of NECPs. A shift of responsibility from Environment Ministries to Energy Ministries could also result in a struggle for competences, derailing the necessary cooperation in the development of NECPs.

While individual solutions to this issue will need to be found in each Member State, early awareness and preparation for this changed assignment are important. In this context, two other sources of support should be considered. First, there is the **role of external expertise**, which is already helping fulfil some of the existing obligations. Some countries have good experience with using dedicated agencies to deliver technical work – and even dedicated new independent institutions (such as in the UK or DK) that provide technical assessments and proposals for policy-makers. Second, greater **intra-EU exchange on best practices** could be promoted. In addition, potential support on technical matters for MS who seek such support could be arranged (see also Lesson 3: Support for Member States on methodologies needed).

### *Lesson 3: Support for Member States on methodologies needed*

Calculations for different types of technical input do not currently follow standardized methodologies. The consequence of these different methodologies is also that projections are not directly comparable and cannot easily be added up. However, under the new governance model, the aggregation of national projections is a precondition for assessing progress towards the 2030 targets, which are so far only set at EU level.

The positive side of this is that there is a high level of ownership of MS with these projections. On the negative side, designing the methodology requires a lot of resources. Especially for smaller MS this might be disproportionate to their significance within the EU in term of GHG emissions – but it can also turn into a capacity issue. They might require dedicated support in the form of **access to technical resources**.

The Commission has already published a new EU reference scenario that is built on consistent assumptions across MS.<sup>21</sup> To enhance a feeling of ownership; MS are consulted throughout the development of this scenario. It will, however, be voluntary on MS whether they consider this scenario in the development of their national projections. Hence, the scenario might give MS some methodological inspiration, but it does not guarantee comparability across MS. Moreover, as such

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<sup>21</sup> See further details at the Commission’s website at <https://ec.europa.eu/energy/en/news/reference-scenario-energy>

the data in this scenario may not be sufficient support for MS with lower technical capacity. Another option to increase comparability across MS is also to **foster exchange between MS** on their methodologies and assumptions.

Another technical area where some MS expressed a need for support or close coordination with the EU was on the definition of which source data for calculating indicators and progress towards achieving specific targets. Differences between national and EU source data can be a potentially important source of confusion and misunderstanding between the EU and the MS when it comes to defining plans and monitoring progress.

Finally, while “a central projection”, based on harmonized assumptions, is essential for several reasons, the Commission should equally be cautious about any system of commitments and plans that depends too much on one specific set of assumptions. A striking lesson from even short term planning exercises under the EU’s 2020 Climate and Energy Package is that the future can be very different from initial expectations. This highlights the fact that in some ways the preparedness to confront new developments stemming from the planning process is as important than the details of plan itself. This raises the question of whether MS should be encouraged to consider more than just one scenario for some of their key assumptions in the development of their 2030 climate and energy plans. Such a dedicated robustness assessment of the ability of the strategy contained in the plans may also call for guidance and perhaps logistical support from the Commission in some cases.

#### *Lesson 4: Stakeholder involvement should be established explicitly in the NECP processes*

At least in some MS, the transparency requirements envisaged by the Commission could significantly improve the governments’ approaches to stakeholder involvement in climate planning and reporting processes. Some MS have already engaged stakeholders, more or less extensively, in the development of long-term climate strategies at least. However, this does not seem to be common practice yet.

By engaging stakeholders directly in the process of strategy development, consensus and ownership of the ultimate political strategy, and also of resulting policies, tends to be enhanced. Stakeholders might also contribute to an improved evidence-base for strategies.

On the other hand, existing experience from stakeholder engagement processes in the context of climate policy show that these processes requires investment of considerable time and resources to design a format that actually bears fruit.

The Commission’s guidance proposes for MS to start national stakeholder engagement on the NECPs, but leaves it open how to design the process. In view of different levels of existing planning practices and different circumstances in member states, it may be unwise for the Commission to require that MS follow very strict rules in implementing stakeholder engagement. However, it may nevertheless be a valuable process for the Commission to facilitate information sharing between MS on how their stakeholder consultation processes were conducted in their member states for pre-existing long term climate and energy plans. Moreover, given its crucial important, the Commission should hold MS to account on the quality of their stakeholder consultation processes, and insist that it be described in some detail in their NECPs.

### *Lesson 5: Including a dedicated long-term dimension beyond 2030*

Planning provides a direction for forward-looking climate policy, increases the chances of policy consistency across legislative periods, and can help to identify remaining gaps and risks. The NECPs will bring a new quality to EU's climate and energy P&R system, due to their broader scope (although they also may ultimately contain less information than the documents they replace)<sup>22</sup>. Rather than single-issue strategies (which cannot easily take an integrated perspective), they will look at developments in the economy as a whole, and the development of key energy and climate objectives in it – with all their interlinkages.

Another new quality they must possess is a view towards the long-term objective of transformation to a climate-friendly (net carbon neutral) society. Policy-making solely based on short to medium-term objectives, with a focus on filling an incremental gap towards meeting a target, runs the risk of creating lock-in effects and making the long-term effort harder and more expensive. This is because the inherent myopia of such plans means that they can fail to identify strategically important actions that contribute little to short term emissions levels, but much to longer term transformation potentials in individual sectors (e.g. deploying electric vehicle charging stations). The NECPs must, therefore, include a consideration of the long-term developments beyond the 2030 milestone and explicitly consider the impact of policy choices on deeper emission cuts afterwards.

However, the development of long-term national climate strategies has so far not been a watertight obligation under EU law although it was agreed to undertake those in the realm of the international climate negotiations. Article 4 MMR references these so-called Low Carbon Development Strategies (LCDS) and requires that MS report on their progress - but there is hardly any guidance and no process for checking compliance, which meant that most MS did not yet present a LCDS.

The Paris Agreement (PA), which entered into force on November 4, 2016 renews this and stipulates that “All Parties should strive to formulate and communicate long-term low greenhouse gas emission development strategies, ...” (Article 4.19 PA) – and the preceding decision spells out 2020 as the requested submission date. The PA thus contains the demand for a development of long-term strategy – and in a time-frame similar to that of the NECP development. Whether the EU and its Member States decided to fully integrate this requirement or undertake a separate exercise on these long-term strategies, the NECPs cannot disregard the need to look beyond 2030. The legal basis for the NECPs should clearly make reference to the respective section of the PA.<sup>23</sup>

As explained in more detail in a related study to the present one, (Cf. IDDRI & Ecologic (2016b)), an important element of such 2050 strategies, where they already exist, is usually that they breakdown emissions reduction strategy for all of the key emitting sectors of the economy. For instance, sector specific pathways and “sub-strategies” are typically defined for the power sector, for energy use in buildings, for transport, for industry, for land-use and some residual sources. These sectoral strategies in turn, and in order to be systematic, tend to define actions that address the key drivers of emissions (energy intensity, emissions intensity of energy, activity levels, process emissions, etc). An interesting implication of these exercises is that for 2030 plans (NECPs) to decarbonisation to be consistent with 2050 decarbonisation goals, they will need to start to speak the same methodological

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<sup>22</sup> Umpfenbach (2015) Streamlining Planning and Reporting Requirements in the EU Energy Union Framework. An opportunity for building consistent and transparent strategies – available online at <http://ecologic.eu/12445>

<sup>23</sup> See also Sartor et al (IDDRI & Ecologic Institute) (2016) Analysis of experience with long term climate plans in select EU Member States. Forthcoming

language. An implication for the design of the NECPs may therefore be that, not only do they need to be informed by national 2050 decarbonisation strategies; but they may also need to start to apply similar methodological approaches. For instance, a sector by sector breakdown of the overall 2030 plan may be a good way to map 2050 strategies into “interim” 2030 plans and this has important implications for the design of the template and potentially also for the methodological approach to projections.

### ***Lesson 6: Combine projections with back-casting for maximum insight***

The MMR only required MS to report on their mitigation policies (existing and planned) and to project their mitigation impact. It did not require them, however, to relate these projections to a specific target, or to develop pathways towards their targets. The NECPs might be more focused on target-oriented pathways and this could potentially have very positive effects on climate policy in MS.

The Commission guidance on NECPs already sets out that the NECPs should include “at least one policy scenario reflecting the implementation of envisaged national objectives by additional policies and measures.” However, projections based on existing and planned measures do fulfil another important function and should not be lost. They provide a more bottom-up vision of what seems achievable (with existing or planned measures) and allow policy-makers to identify short- and medium-term policy gaps, as well as deviations from the longer-term pathways.

NECPs should thus contain both a forward looking projection, based on concrete policies and measures in place or envisaged AND a backcasting scenario to show how remaining gaps towards national contributions might be filled. Especially the latter must be connected with an assessment of the longer-term impact, see “Lesson 5: Including a dedicated long-term dimension beyond 2030” above

### ***Lesson 7: Follow-up is crucial – dedicated progress monitoring of plans via reporting***

A number of the current P&R obligations under the do not necessarily include strong follow-up processes to determine whether plans (such as the NEEAPs) are being delivered on – or if the policies in the list of PAMs do materialize in the manner envisaged for them to realize their assumed mitigation potential. This rather basic truth, that declared intentions (in the form of plans and other national submissions) need to be checked and verified as to their delivery, needs to be made an integral part of the new P&R system for it to be effective. The new system must, therefore, spell out a clear process for progress monitoring and hold Member States accountable in some form.<sup>24</sup> Transparency about this progress assessment is also important, to empower stakeholder other than national governments to use this information at the national level to argue for new or better policy.

The current P&R system on climate and energy does not foresee a lot of direct reaction from EU institutions to submissions mad by Member States. Under the MMR, MS currently receive no feedback from the Commission, apart from technical comments, nor from other MS. The NEEAPs are

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<sup>24</sup> See also Duwe, Velten (2016) Lessons from the European Semester for the 2030 governance system – available online at <http://ecologic.eu/14238>. And Meyer-Ohlendorff et al (2016) Compliance with EU 2030 Renewable Energy Targets: How to Fill a Gap – available online at <http://ecologic.eu/14052>

evaluated by the Commission, and the Commission may make recommendations to MS (Article 24(3) EED). However, MS are not required to take any action based on this feedback. Also in the case of NEEAPs no exchange between MS is foreseen.

The interviews highlighted that iterative rounds of feedback during the plan development process could induce MS to put more effort into realistic calculations and to improve the quality of their plans overall. This may even be desired by national stakeholders. Such feedback is also clearly important on overall performance in implementation, through progress monitoring – as highlighted in as highlighted in “Lesson 7: Follow-up is crucial – dedicated progress monitoring of plans via reporting” above.

The European Commission in its proposals on the 2030 governance system has always mentioned an iterative process for plan development, but the details of what this process could look like and to what extent it would include an obligation by Member States to respond and make amendments is unclear. This issue is also directly related to the process for agreeing national contributions to the EU objectives on renewables and efficiency – where the development of the NECPs could act as a “target identification process”. Regardless of how these processes are anchored in legislation – a mere “plan notification” procedure in which Member States only send in a final version without the possibility for feedback risks reduced accountability, data reliability and overall comparability of efforts – and ultimately the achievement of the EU targets.

In addition to a process of interaction on the plans with the Commission (or a supporting agency such as the EEA), the Commission has also frequently referenced the idea of having plans by consulted on by other Member States. How such regional consultation could look like is, however, unclear.<sup>25</sup> The experience with the existing P&R obligations suggests that Member States would benefit from opportunities for exchange on plans and underlying methodologies and choices made. Such an intra-EU dialogue on the NECPs seems to be a useful addition to the process of finalizing them.

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<sup>25</sup> See also Umpfenbach et al (2015) Regional Cooperation in the Context of the New 2030 Energy Governance– available online at <http://ecologic.eu/11776>