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Europe Announces "Fit for 55", Its Scheme for Carbon Neutrality by 2050

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The proposals include a comprehensive package of taxes, schemes and standards designed to accelerate the reduction of the EU's reliance on carbon-emitting fuels and to ensure that carbon-emitting sectors of the economy are financially responsible for the carbon pollution they emit. The "blueprint" encourages reliance on natural carbon reduction strategies and seeks to expand the use of renewable energy sources, such as solar and wind power, to at least 38.5 percent of all energy by 2030.

A significant portion of the package focuses on the transportation industry, including fostering the use of "green" or sustainable fuels and promoting the development of the infrastructural tools (e.g., charging and refueling stations) that will be needed as the use of alternative fuels and electric vehicles expands. For instance, the proposals intend to foster the development of clean automobiles and calls for the cessation of, and production and sale of, internal-combustion automobiles by 2035.

It also contemplates clean-energy options in the maritime and aviation industries with a renewed focus on the emissions content of fuels used in both sectors. It is worth noting that currently there is an inconsistent framework for measuring emissions on a global basis. As we have written previously, the lack of a consistent framework for measuring emissions is likely to present challenges to these industries as they transition to the use of sustainable fuels and demonstrating compliance with requirements to reduce the carbon intensity of fuels used in these sectors.

Among the more contentious proposals is the "Carbon Border Adjustment Mechanism," otherwise referred to as a carbon-adjustment tax. The proposal is designed to assure carbon intensive sectors in the EU, such as steel and cement producers, are not disadvantaged because of the cost of carbon under EU schemes relative those products produced in countries that have not adopted comparable carbon mitigation and pricing strategies.

The proposals, if adopted, would also result in altering the EU's "Emissions Trading Scheme," the EU's carbon-trading market in which producers of carbon pay for emissions, by expanding the market to emissions relative to heating buildings and road transportation (and certain other sectors). Historically, efforts to curtail emissions in these areas have been met with resistance due to the likely impacts on everyday consumers. Indeed, in a nod to those historical challenges, the proposals are mindful of the likely impact they will have on ordinary citizens and call for the establishment of a "Social Climate Fund" of roughly 70 billion Euros (or $83 billion) to address concerns that costs associated with the decarbonization plan will be borne by portions of the population that are both likely to bear the cost of, but unlikely to afford the anticipated financial burdens of, the plan.

We expect to post subsequent articles covering this legislative package in greater detail.

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