FOSSIL FUELS SUBSIDIES PHASE OUT IN THE DRAFT NECPS – WHERE ARE WE AT?

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Together for 1.5

ACCELERATE CLIMATE ACTION IN EUROPE

CAN
CLIMATE ACTION NETWORK
Europe

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Member States are required under the Governance regulation 2018/1999 to report all their **energy subsidies and the phasing out plans of all fossil fuel subsidies** in their respective National Energy and Climate Plans (NECPs). In particular the final NECPs should fulfill what is reported in section 3.1.3. (iv) of the regulation: *"Where applicable, national policies, timelines and measures planned to phase out energy subsidies, in particular for fossil fuels"* and in section 4.6 (iv) due to which plans are supposed to contain the " *(..) Description of energy subsidies, including for fossil fuels*".

The final plans are due to be submitted by the 30th June 2024 but we still see insufficient commitment to phase out fossil fuels subsidies and worrying support for continued use of fossil fuels in NECPs, that should be the umbrella and main implementation instrument of climate and energy plans at the Member States (MS) level up to 2030. NECPs are in fact the opportunity for MS to provide a transparent and comprehensive list of all fossil fuels subsidies (direct and indirect), and include a detailed and socially just fossil fuel subsidies phase out plan in order to eliminate them and re-allocate the resources towards objective and targets laid out in the NECPs.

The Togetherfor1.5 Project of CAN Europe, aiming to bring EU climate action on track to achieve the Paris Agreement objective, published an assessment of the draft NECPs in October 2023 and a more recent one highlighting urgent issues MS can still address before the June deadline. According to our analyses, the majority of MS addressed the urgent need to phase out fossil fuels subsidies poorly or not at all. Their plans present a worrying and substantial range of gaps and lack of information in this regard rather than concrete plans.

Based on our assessment of the available draft NECPs (with Austria 11 months late to submit their draft as of May 2024), Croatia, Hungary, Italy, Luxembourg, the Netherlands, Slovakia and Greece **did not make any list of fossil fuel subsidies available.** On the other hand, according to the preliminary assessment issued by the EC, as of today only 6 of the 27 EU Member States have expressed their intention to fully phase out fossil fuel subsidies in their national budgets, albeit with no concrete end dates.

The proper identification and reporting of subsidies is an important gap in the plans of France, Cyprus, Estonia, Czechia, Finland, Portugal, Slovenia and Germany where only a sub-lists of subsidies (tax concessions and financial aids) is reported and therefore can't be considered a comprehensive overview of them. The Danish NECP for example lacks the inclusion of subsidies that are reported by EEA, therefore also the corresponding timeline and plan to phase them out. The need to better define and make a full list of direct and indirect subsidies is the fundamental basis for drafting a detailed and effective plan to remove them.

Also, none of the drafts analyzed include an overall, comprehensive, detailed plan, timeline, policies, and measures for their effective phase-out. Some countries foresee a deadline to end subsidies for coal but deadlines for fossil gas are not outlined such as in the Spanish and Italian draft NECP plans. Portugal and Belgium intend to phase out fossil fuel subsidies by 2030, but they didn't include detailed plans, timelines and concrete targets to make it happen. Lithuania's phase-out plan, instead, only comprises some subsidies, and members of the Togetherfor1.5 consortium found a lack of clear policies and measures in the German, Hungarian, Irish, Italian, Slovenian and Spanish NECPs.

Some plans not only lack phase out dates (Croatia, Denmark, Greece, Italy) but they also include the **expansion of fossil fuel infrastructure and relative subsidies**, such as Hungary, which foresees the construction of 3 new fossil gas-power units with a total capacity of 1500 MW. Italy plans to support new long-term gas infrastructure and Croatia includes the expansion of the LNG terminal on Krk in the plan. **Measures allowing or even fostering the continuation of fossil gas and coal production, use and consumption are incompatible with the goals of the European Green Deal (EGD).**

Conclusion

This picture is worrying as the window to take action and contain dangerous climate change is closing and the time to act is now. **The commitment to end fossil fuel subsidies has been repeated by Member States at the EU and international level and the NECPs is the space where they should operationalise this promise.**

There is no time to lose to make alternatives available, accessible and affordable to households dependent on fossil fuels, as this will minimise the adverse social impact of and generate support for ending fossil fuel subsidies. Examples of virtuous practices include – but are not restricted to – supporting measures to boost energy efficiency, the uptake of clean and renewable energy, the electrification of vehicles, the promotion of alternatives to residential and tertiary gas use, improving the energy storage systems and addressing the main causes of energy and mobility poverty.

For this to happen, it's crucial to list all direct and indirect fossil fuel subsidies, draft a detailed time-bound phase out plan with phase in of alternatives, and ensure public budgets support policies and measures that are compatible with the EGD objectives and the delivery of EU climate and energy targets.

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