

Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (Text with EEA relevance)

Article 1

Subject matter

This Regulation lays down obligations on Member States with respect to their minimum contributions for the period from 2021 to 2030 to fulfilling the Union's target of reducing its greenhouse gas emissions by 30 % below 2005 levels in 2030 in the sectors covered by Article 2 of this Regulation and contributes to achieving the objectives of the Paris Agreement. This Regulation also lays down rules on determining annual emission allocations and for the evaluation of Member States' progress towards meeting their minimum contributions.

Article 2

Scope

1 This Regulation applies to the greenhouse gas emissions from IPCC source categories of energy, industrial processes and product use, agriculture and waste as determined pursuant to Regulation (EU) No 525/2013, excluding greenhouse gas emissions from the activities listed in Annex I to Directive 2003/87/EC.

2 Without prejudice to Article 7 and Article 9(2) of this Regulation, this Regulation does not apply to greenhouse gas emissions and removals covered by Regulation (EU) 2018/841.

3 For the purposes of this Regulation, CO₂ emissions from IPCC source category '1.A.3.A civil aviation' shall be treated as zero.

Article 3

Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) 'Greenhouse gas emissions' means emissions in terms of tonnes of CO₂ equivalent of carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), nitrogen trifluoride (NF₃) and sulphur hexafluoride (SF₆) determined pursuant to Regulation (EU) No 525/2013 and falling within the scope of this Regulation;
- (2) 'Annual emission allocations' means the maximum allowed greenhouse gas emissions for each year between 2021 and 2030 determined pursuant to Article 4(3) and Article 10;
- (3) 'EU ETS allowance' means an 'allowance' as defined in point (a) of Article 3 of Directive 2003/87/EC.

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Article 4

Annual emission levels for the period from 2021 to 2030

1 Each Member State shall, in 2030, limit its greenhouse gas emissions at least by the percentage set for that Member State in Annex I in relation to its greenhouse gas emissions in 2005, determined pursuant to paragraph 3 of this Article.

2 Subject to the flexibilities provided for in Articles 5, 6 and 7 of this Regulation, to the adjustment pursuant to Article 10(2) of this Regulation and taking into account any deduction resulting from the application of Article 7 of Decision No 406/2009/EC, each Member State shall ensure that its greenhouse gas emissions in each year between 2021 and 2029 do not exceed the limit defined by a linear trajectory, starting on the average of its greenhouse gas emissions during 2016, 2017 and 2018 determined pursuant to paragraph 3 of this Article and ending in 2030 on the limit set for that Member State in Annex I to this Regulation. The linear trajectory of a Member State shall start either at five-twelfths of the distance from 2019 to 2020 or in 2020, whichever results in a lower allocation for that Member State.

3 The Commission shall adopt implementing acts setting out the annual emission allocations for the years from 2021 to 2030 in terms of tonnes of CO₂ equivalent as specified in paragraphs 1 and 2 of this Article. For the purposes of those implementing acts, the Commission shall carry out a comprehensive review of the most recent national inventory data for the years 2005 and 2016 to 2018 submitted by Member States pursuant to Article 7 of Regulation (EU) No 525/2013.

Those implementing acts shall indicate the value for the 2005 greenhouse gas emissions of each Member State used to determine the annual emission allocations specified in paragraphs 1 and 2.

4 Those implementing acts shall also specify, based on the percentages notified by Member States under Article 6(3), the total quantities that may be taken into account for a Member State's compliance under Article 9 between 2021 and 2030. If the sum of all Member States' total quantities were to exceed the collective total of 100 million, the total quantities for each Member State shall be reduced on a pro rata basis so that the collective total is not exceeded.

5 Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 14.

Article 5

Flexibilities by means of borrowing, banking and transfer

1 In respect of the years 2021 to 2025, a Member State may borrow a quantity of up to 10 % from its annual emission allocation for the following year.

2 In respect of the years 2026 to 2029, a Member State may borrow a quantity of up to 5 % from its annual emission allocation for the following year.

3 A Member State whose greenhouse gas emissions for a given year are below its annual emission allocation for that year, taking into account the use of flexibilities pursuant to this Article and Article 6, may:

- a in respect of the year 2021, bank that excess part of its annual emission allocation to subsequent years until 2030; and

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- b in respect of the years 2022 to 2029, bank the excess part of its annual emission allocation up to a level of 30 % of its annual emission allocations up to that year to subsequent years until 2030.

4 A Member State may transfer up to 5 % of its annual emission allocation for a given year to other Member States in respect of the years 2021 to 2025, and up to 10 % in respect of the years 2026 to 2030. The receiving Member State may use that quantity for compliance under Article 9 for the given year or for subsequent years until 2030.

5 A Member State whose reviewed greenhouse gas emissions for a given year are below its annual emission allocation for that year, taking into account the use of flexibilities pursuant to paragraphs 1 to 4 of this Article and Article 6, may transfer that excess part of its annual emission allocation to other Member States. The receiving Member State may use that quantity for compliance under Article 9 for that year or for subsequent years until 2030.

6 Member States may use revenues generated by transfers of annual emission allocations pursuant to paragraphs 4 and 5 to tackle climate change in the Union or in third countries. Member States shall inform the Commission of any actions taken pursuant to this paragraph.

7 Any transfer of annual emission allocations pursuant to paragraphs 4 and 5 may be the result of a greenhouse gas mitigation project or programme carried out in the selling Member State and remunerated by the receiving Member State, provided that double counting is avoided and traceability is ensured.

8 Member States may use credits from projects issued pursuant to Article 24a(1) of Directive 2003/87/EC for compliance under Article 9 of this Regulation without any quantitative limit, provided that double counting is avoided.

Article 6

Flexibility for certain Member States following reduction of EU ETS allowances

1 The Member States listed in Annex II to this Regulation may have a limited cancellation of up to a maximum of 100 million EU ETS allowances collectively taken into account for their compliance under this Regulation. Such cancellation shall be made from the auctioning volumes of the Member State concerned pursuant to Article 10 of Directive 2003/87/EC.

2 The EU ETS allowances taken into account under paragraph 1 of this Article shall be considered as EU ETS allowances in circulation for the purposes of Article 1(4) of Decision (EU) 2015/1814.

In its first review pursuant to Article 3 of that Decision, the Commission shall consider whether to maintain the accounting set out in the first subparagraph of this paragraph.

3 The Member States listed in Annex II shall notify the Commission by 31 December 2019 of any intention to make use of the limited cancellation of EU ETS allowances referred to in paragraph 1 of this Article, up to the percentage listed in Annex II for each year of the period from 2021 to 2030 for each Member State concerned, for its compliance under Article 9.

The Member States listed in Annex II may decide to revise the notified percentage downwards once in 2024 and once in 2027. In such case, the Member State concerned shall notify the Commission thereof by 31 December 2024 or by 31 December 2027, respectively.

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4 At a Member State's request, the Central Administrator designated pursuant to Article 20(1) of Directive 2003/87/EC ('the Central Administrator') shall take into account an amount up to the total quantity determined pursuant to Article 4(4) of this Regulation for that Member States' compliance under Article 9 of this Regulation. One-tenth of the total quantity of EU ETS allowances determined pursuant to Article 4(4) of this Regulation shall be cancelled pursuant to Article 12(4) of Directive 2003/87/EC for each year from 2021 to 2030 for that Member State.

5 Where a Member State, in accordance with paragraph 3 of this Article, has notified the Commission of its decision to revise the previously notified percentage downwards, a correspondingly lower quantity of EU ETS allowances shall be cancelled for that Member State in respect of each year from 2026 to 2030 or from 2028 to 2030, respectively.

Article 7

Additional use of up to 280 million net removals from LULUCF

1 To the extent that a Member State's greenhouse gas emissions exceed its annual emission allocations for a given year, including any annual emission allocations banked pursuant to Article 5(3) of this Regulation, a quantity up to the sum of total net removals and total net emissions from the combined land accounting categories of afforested land, deforested land, managed cropland, managed grassland and, subject to the delegated acts adopted pursuant to paragraph 2 of this Article, managed forest land and managed wetland, as referred to in points (a) and (b) of Article 2(1) of Regulation (EU) 2018/841, may be taken into account for its compliance under Article 9 of this Regulation for that year, provided that:

- a the cumulative quantity taken into account for that Member State for all the years of the period from 2021 to 2030 does not exceed the maximum amount of total net removals set out in Annex III to this Regulation for that Member State;
- b such quantity is in excess of that Member State's requirements under Article 4 of Regulation (EU) 2018/841;
- c the Member State has not acquired more net removals under Regulation (EU) 2018/841 from other Member States than it has transferred;
- d the Member State has complied with Regulation (EU) 2018/841; and
- e the Member State has submitted a description of the intended use of the flexibility available under this paragraph pursuant to the second subparagraph of Article 7(1) of Regulation (EU) No 525/2013.

2 The Commission shall adopt delegated acts in accordance with Article 13 of this Regulation to amend the title of Annex III thereto in respect of the land accounting categories in order to:

- a reflect the contribution of the land accounting category managed forest land while respecting the maximum amount of total net removals for each Member State referred to in Annex III to this Regulation, when delegated acts laying down forest reference levels are adopted pursuant to Article 8(8) or (9) of Regulation (EU) 2018/841; and
- b reflect the contribution of the land accounting category managed wetland while respecting the maximum amount of total net removals for each Member State referred to in Annex III to this Regulation, when all Member States are required to account for this category under Regulation (EU) 2018/841.

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Article 8

Corrective action

1 If the Commission finds, in its annual assessment under Article 21 of Regulation (EU) No 525/2013 and taking into account the intended use of the flexibilities referred to in Articles 5, 6 and 7 of this Regulation, that a Member State is not making sufficient progress towards meeting its obligations under Article 4 of this Regulation, that Member State shall, within three months, submit to the Commission a corrective action plan that includes:

- a additional actions that the Member State shall implement in order to meet its specific obligations under Article 4 of this Regulation, through domestic policies and measures and the implementation of Union action;
- b a strict timetable for implementing such actions, which enables the assessment of annual progress in implementation.

2 In accordance with its annual work programme, the European Environment Agency shall assist the Commission in its work to assess any such corrective action plans.

3 The Commission may issue an opinion regarding the robustness of the corrective action plans submitted in accordance with paragraph 1 and shall in that case do so within four months of receipt of those plans. The Member State concerned shall take utmost account of the Commission's opinion and may revise its corrective action plan accordingly.

Article 9

Compliance check

1 In 2027 and 2032, if the reviewed greenhouse gas emissions of a Member State exceed its annual emission allocation for any specific year of the period, taking into account paragraph 2 of this Article and the flexibilities used pursuant to Articles 5, 6 and 7, the following measures shall apply:

- a an addition to the Member State's greenhouse gas emission figure of the following year equal to the amount in tonnes of CO₂ equivalent of the excess greenhouse gas emissions, multiplied by a factor of 1,08, in accordance with the measures adopted pursuant to Article 12; and
- b the Member State shall be temporarily prohibited from transferring any part of its annual emission allocation to another Member State until it is in compliance with Article 4.

The Central Administrator shall implement the prohibition referred to in point (b) of the first subparagraph in the Union Registry.

2 If the greenhouse gas emissions of a Member State in either the period from 2021 to 2025 or the period from 2026 to 2030 referred to in Article 4 of Regulation (EU) 2018/841 exceeded its removals, as determined in accordance with Article 12 of that Regulation, the Central Administrator shall deduct from that Member State's annual emission allocations an amount equal to those excess greenhouse gas emissions in tonnes of CO₂ equivalent for the relevant years.

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Article 10

Adjustments

- 1 The Commission shall adjust the annual emission allocations for each Member State under Article 4 of this Regulation in order to reflect:
 - a adjustments to the number of EU ETS allowances issued pursuant to Article 11 of Directive 2003/87/EC that resulted from a change in the coverage of sources under that Directive, in accordance with the Commission Decisions adopted pursuant to that Directive on the final approval of the national allocation plans for the period from 2008 to 2012;
 - b adjustments to the number of EU ETS allowances or credits, respectively, issued pursuant to Articles 24 and 24a of Directive 2003/87/EC in respect of greenhouse gas emission reductions in a Member State; and
 - c adjustments to the number of EU ETS allowances pertaining to greenhouse gas emissions from installations excluded from the EU ETS in accordance with Article 27 of Directive 2003/87/EC, for the time that they are excluded.
- 2 The amount contained in Annex IV shall be added to the annual emission allocation for the year 2021 for each Member State referred to in that Annex.
- 3 The Commission shall publish the figures resulting from such adjustments.

Article 11

Safety reserve

- 1 A safety reserve corresponding to a quantity of up to 105 million tonnes of CO₂ equivalent shall be established in the Union Registry, subject to the fulfilment of the Union target referred to in Article 1. The safety reserve shall be available in addition to the flexibilities provided for in Articles 5, 6 and 7.
- 2 A Member State may benefit from the safety reserve provided that all of the following conditions are fulfilled:
 - a its GDP per capita at market prices in 2013, as published by Eurostat in April 2016, was below the Union average;
 - b its cumulative greenhouse gas emissions for the years from 2013 to 2020 in the sectors covered by this Regulation are below its cumulative annual emission allocations for the years from 2013 to 2020; and
 - c its greenhouse gas emissions exceed its annual emission allocations in the period from 2026 to 2030, although it has:
 - (i) exhausted the flexibilities pursuant to Article 5(2) and (3);
 - (ii) made the maximum possible use of net removals according to Article 7, even if that quantity does not reach the level set in Annex III; and
 - (iii) made no net transfers to other Member States under Article 5.
- 3 A Member State, which meets the conditions set out in paragraph 2 of this Article, shall receive an additional quantity from the safety reserve up to its shortfall to be used for

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compliance under Article 9. That quantity shall not exceed 20 % of its overall overachievement in the period from 2013 to 2020.

If the resulting collective quantity to be received by all of the Member States which fulfil the conditions set out in paragraph 2 of this Article exceeds the limit referred to in paragraph 1 of this Article, the quantity to be received by each of those Member States shall be reduced on a pro rata basis.

4 Any amount remaining in the safety reserve after the distribution in accordance with the first subparagraph of paragraph 3 shall be distributed among the Member States referred to in that subparagraph proportionally to their remaining shortfall, but not exceeding it. For each of those Member States, that quantity may be additional to the percentage referred to in that subparagraph.

5 After the completion of the review referred to in Article 19 of Regulation (EU) No 525/2013 for the year 2020, the Commission shall, for each Member State that fulfils the conditions in points (a) and (b) of paragraph 2 of this Article, publish the amounts corresponding to 20 % of the overall overachievement in the period from 2013 to 2020 as referred to in the first subparagraph of paragraph 3 of this Article.

Article 12

Registry

1 The Commission shall adopt delegated acts in accordance with Article 13 to supplement this Regulation in order to ensure the accurate accounting under this Regulation through the Union Registry in respect of:

- a annual emission allocations;
- b flexibilities exercised under Articles 5, 6 and 7;
- c compliance checks under Article 9;
- d adjustments under Article 10; and
- e the safety reserve under Article 11.

2 The Central Administrator shall conduct an automated check on each transaction in the Union Registry that results from this Regulation and shall, where necessary, block transactions to ensure that there are no irregularities.

3 The information referred to in points (a) to (e) of paragraph 1 and in paragraph 2 shall be accessible to the public.

Article 13

Exercise of the delegation

1 The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2 The power to adopt delegated acts referred to in Articles 7(2) and 12(1) shall be conferred on the Commission for a period of five years from 9 July 2018. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the five-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.

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3 The delegation of powers referred to in Articles 7(2) and 12(1) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4 Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.

5 As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6 A delegated act adopted pursuant to Articles 7(2) and 12(1) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and to the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 14

Committee procedure

1 The Commission shall be assisted by the Climate Change Committee established by Regulation (EU) No 525/2013. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2 Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 15

Review

1 This Regulation shall be kept under review taking into account, inter alia, evolving national circumstances, the manner in which all sectors of the economy contribute to the reduction of greenhouse gas emissions, international developments and efforts undertaken to achieve the long-term objectives of the Paris Agreement.

2 The Commission shall submit a report to the European Parliament and to the Council, within six months of each global stocktake agreed under Article 14 of the Paris Agreement, on the operation of this Regulation, including the balance between supply and demand for annual emission allocations, as well as on the contribution of this Regulation to the Union's overall 2030 greenhouse gas emission reduction target and its contribution to the goals of the Paris Agreement, in particular with regard to the need for additional Union policies and measures in view of the necessary greenhouse gas emission reductions by the Union and its Member States, including a post-2030 framework, and may make proposals if appropriate.

Those reports shall take into account the strategies prepared pursuant to Article 4 of Regulation (EU) No 525/2013 with a view to contributing to the formulation of a long-term Union strategy.

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Article 16

Amendments to Regulation (EU) No 525/2013

Regulation (EU) No 525/2013 is amended as follows:

- (1) in Article 7, paragraph 1 is amended as follows:
 - (a) the following point is inserted:
 - (aa) as of 2023, their anthropogenic emissions of greenhouse gases referred to in Article 2 of Regulation (EU) 2018/842 of the European Parliament and of the Council⁽¹⁾ for the year X-2, in accordance with UNFCCC reporting requirements;;
 - (b) the second subparagraph is replaced by the following:

In their reports, Member States shall annually inform the Commission of any intention to use the flexibilities set out in Article 5(4) and (5) and Article 7 of Regulation (EU) 2018/842, as well as of the use of revenues in accordance with Article 5(6) of that Regulation. Within three months of receiving such information from Member States, the Commission shall make the information available to the committee referred to in Article 26 of this Regulation.;
- (2) in point (c) of Article 13(1), the following point is added:
 - (ix) as of 2023, information on national policies and measures implemented towards meeting their obligations under Regulation (EU) 2018/842 and information on planned additional national policies and measures envisaged with a view to limiting greenhouse gas emissions beyond their commitments under that Regulation;;
- (3) in Article 14(1), the following point is added:
 - (f) as of 2023, total greenhouse gas projections and separate estimates for the projected greenhouse gas emissions for the emission sources covered by Regulation (EU) 2018/842 and by Directive 2003/87/EC.;
- (4) in Article 21(1), the following point is added:
 - (c) obligations under Article 4 of Regulation (EU) 2018/842. The evaluation shall take into account progress in Union policies and measures and information from Member States. Every two years, the evaluation shall also include the projected progress of the Union towards implementing its Nationally Determined Contribution to the Paris Agreement containing the Union's commitment to economy-wide greenhouse gas emission reductions and the projected progress of Member States towards fulfilling their obligations under that Regulation..

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Article 17

Entry into force

This Regulation shall enter into force on the twentieth day following its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Strasbourg, 30 May 2018.

For the European Parliament

The President

A. TAJANI

For the Council

The President

L. PAVLOVA

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- (1) Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).’;

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Changes and effects yet to be applied to :

- Regulation revoked by [S.I. 2021/519 Sch.](#)