



REPUBLIC OF ESTONIA  
PRIME MINISTER



Prime Minister of the Republic of Latvia

Prime Minister  
Ingrida Šimonytė



GOVERNMENT  
OF THE REPUBLIC  
OF LITHUANIA

4th February 2022

H.E. Charles Michel  
President of the European Council

H.E. Emmanuel Macron  
President of the French Republic

H.E. Roberta Metsola  
President of the European Parliament

H.E. Ursula von der Leyen  
President of the European Commission

Dear Excellencies,

We are honoured to present to you enclosed with this letter a joint position paper by Estonia, Latvia and Lithuania on the “Fit for 55” legislative package.

Yours sincerely,

**Kaja Kallas**

Prime Minister of the  
Republic of Estonia

**Krišjānis Kariņš**

Prime Minister of the  
Republic of Latvia

**Ingrida Šimonytė**

Prime Minister of the  
Republic of Lithuania

## Joint position paper of Baltic States on Fit for 55 package

Climate change remains one of the most pressing challenges of our time requiring transformation of our economies and societies that has already started in the EU with a clear goal to reach climate neutrality by 2050. In this context, the EU took an **essential** step forward by agreeing on a binding EU target to **reduce greenhouse gas emissions at least 55%** by 2030 compared to 1990.

**Estonia, Latvia and Lithuania** are among the EU Member States that **have reduced their greenhouse gas emissions the most**, compared to 1990 (57%-72%). Whilst this has had a significant socio-economic cost, it has also provided an opportunity to transform our economies and set ourselves on a course towards climate neutrality by 2050. The **Fit for 55 package** presented by the Commission will be **an essential part** of raising our ambition and fulfilling the updated 2030 targets. It will be both **a great challenge and a great opportunity for our economies and societies**, if we manage to find solutions that are realistic and fair. As the EU Member States and regions vary significantly, we should work on **finding solutions that recognise national and regional differences**. Economic and social structures of Member States, different starting points in terms of emissions and renewables, emission reduction potential, as well as the efforts made to date have to be taken into account and allow for tailored solutions to be implemented, leading to the achievement of climate neutrality by 2050.

Estonia, Latvia and Lithuania agree that **all Member States and sectors need to contribute to achieving 2030 targets** and thus, we support revising the national ESR targets. Having said that, the increase of **the proposed targets for the Baltic States are proportionally among the highest** in the EU and would therefore be a great challenge to meet by 2030. Greenhouse gas emission reduction targets must not violate the principle of "leaving no one behind" and must **not shift the burden of responsibility to the Member States facing the greatest transformational challenges**. In view of the updated targets, the increase of the Modernisation Fund will be crucial in order to ensure the necessary investments.

We agree that both road transport and buildings sector encompass potential to contribute to emission reduction in 2030 perspective. However, **we remain cautious that the extension of the EU ETS to buildings and road transport** sectors under the proposed conditions would be the best fit for all the Member States. A one size fits all policy instead of targeted national measures **could result in higher negative impact for Member States with lower than average GDP**, sparse population density (the Baltic States are among 5 Member States with lowest population density), older car fleet (the average age of passenger cars is one of the oldest in the Baltic States (14-16 years), remote regions without sufficient energy and transport connections and higher share of energy poverty. If such a system is to be created, **it is important that the revenues generated are directed back to the Member States as much as possible** in order to undertake investments in those sectors.

Taking into account the global nature of **maritime sector**, we need to maintain equal treatment in maritime ETS, independent of the flag state of the ship and to **ensure the competitiveness** of EU **harbors situated close to third countries**, like those of the three Baltic States in order to avoid carbon leakage.

**The EU Emissions Trading System** has proven to be an efficient way of reducing emissions in the most polluting sectors. Therefore, we support the increase of ambition for the sectors covered by the EU ETS in order to align it with overall ambition. Having said that, we are concerned about the **skyrocketing of the carbon (ETS emission allowances) price in 2021** and about the fact that **it could potentially continue to climb**. The impact assessment prepared by the Commission for the EU ETS revision projected the carbon prices in the year 2030 ranging between €50 and €85. These prices were already exceeded in early December in 2021. We need to **find ways to mitigate risks regarding the price peaks** and review the current carbon price fluctuation mechanism for reacting

to sudden price increases respectively with the objective to mitigate severe impacts on the people and economy. The ETS needs to provide predictable carbon price for companies.

We generally support the proposed EU wide ambition **in the LULUCF sector**, but the **proposed targets for the Baltic States are not proportional compared to our current and potential future carbon sequestration levels and should be much more balanced**. The forest and other land use sectors need to be managed in a sustainable way to help us reach the climate neutrality by 2050, instead of focusing only on the 2030 target. We are ready to work on a calculation method for Member States' targets that would take into account national long-term trends, such as forest age structure and cover, area of organic soils in order for the targets to be achievable. The proposal to merge LULUCF sector with the non-CO<sub>2</sub> emissions from agriculture sector into single "land sector" from 2031 and to set the EU climate-neutrality target by 2035 requires further analysis and discussion.

We **support the introduction of the Carbon Border Adjustment Mechanism (CBAM)** as a climate measure that must prevent carbon leakage and support the EU's increased ambition on climate mitigation, while analysing the list of included products further. **WTO compatibility and a level playing field for producers that respect climate and environment goals must be ensured**.

We are also reviewing the recently published EU **own resource proposal**, but it should be emphasized that our position is highly dependent of negotiations and the outcome of the elements of the Fit for 55 package. We see the rationale for a new own resource based on CBAM. According to our preliminary analysis, however, **we would not be ready to accept ETS as a new EU own resource in the currently proposed modalities**.

**Alternative Fuels Infrastructure Regulation** is an important piece of the package, which will allow the swift uptake of clean vehicles. However, **well-balanced flexibilities are needed for the sparsely populated areas with low traffic density**. As the speed of the market uptake and other circumstances vary greatly across different Member States, we need to ensure the positive cost-benefit of all the investments and avoid stranded assets.

We welcome the focus in the "Fit for 55" package on the **need to mitigate socio-economic consequences of the transition** in order for it to be fair for everybody. The current energy price crisis has demonstrated very clearly that **vulnerable households are severely affected by the high energy prices**. Our collective lessons learned is that we have not been quick enough to bring affordable green energy for all – the best kind of social policy. In order to speed up the strategic change in the energy sector and mitigate the socio-economic impact, **additional resources into infrastructure investments are needed**. To that end, we should consider topping up the already functioning instruments and funds that serve this purpose, instead of creating new ones.

The long-term economic impact of Fit for 55 is probably not comparable with anything the EU has ever agreed on before, which is why **the leaders should have the possibility to discuss the package as a whole at the European Council** as soon as the main discussion points are clear, preferably at the June meeting the latest. We should not rush into quick agreements on individual elements before strategic building blocks of the package have been agreed on during in-depth and balanced negotiations.

The Baltic States are already working on the implementation of the Fit for 55 package for our citizens today and for the future generations. Therefore, it should remain our focus, how to build the future climate architecture in a way that is just while also fostering sustainable growth, jobs and competitiveness.