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Europe Unveils Plan to Shift From Fossil Fuels, Setting Up Potential Trade Spats

The proposal would impose tariffs on some imports from countries with looser environmental rules. It would also mean the end of sales in the European Union of new gas- and diesel-powered cars in just 14 years.

625

A photovoltaic energy farm near the town of Bogatynia, Poland. Maciek Nabrdalik for The New York Times

By Steven Erlanger and Somini Sengupta

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BRUSSELS — In what may be a seminal moment in the global effort to fight climate change, Europe on Wednesday challenged the rest of the world by laying out an ambitious blueprint to pivot away from fossil fuels over the next nine years, a plan that also has the potential to set off global trade disputes.

The most radical, and possibly contentious, proposal would impose tariffs on certain imports from countries with less stringent climate-protection rules. The proposals also include eliminating the sales of new gas- and diesel-powered cars in just 14 years, and raising the price of using fossil fuels.

“Our current fossil fuel economy has reached its limit,” the president of the European Commission, Ursula von der Leyen, said at a news conference in Brussels.

The effort, pushed by the European Commission, the E.U.’s bureaucracy, makes the 27-country bloc’s proposal the most aggressive and detailed plan in the world to reach a carbon-neutral economy by 2050, proposing big changes during this decade. To force the issue, Brussels has committed in law to reducing its emissions of greenhouse gases 55 percent by 2030 compared with 1990 levels.

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The negotiations over the legislative package will be closely scrutinized well beyond Europe as a glimpse into whether and how a diverse set of countries, with democratically elected leaders from across the political spectrum, can pivot an economy away from fossil fuels — and provide cushions for those most affected.

The European proposal, which some environmental activists say still does not go far enough, raises the bar for the United States and China. President Biden has said that he wants the United States to be a leader in efforts to address climate change.

A White House official said on Wednesday afternoon that it was reviewing the European Commission’s proposals and broadly welcomed the idea of a carbon border tax. Congressional Democrats took a preliminary step on Wednesday toward a similar tax, which they called a “polluter import fee” also intended to reduce emissions.

The United States has promised to reduce emissions 40 to 43 percent by 2030. Scientists have said the world needs to halve emissions by then, which would require history’s biggest polluters, namely the United States and Europe, to make the sharpest, swiftest cuts.

Britain, which will host COP-26, the international climate talks, in Glasgow in November, has pledged a 68 percent reduction. China, currently the world’s largest emitter of carbon, has said that it aims for emissions to peak by 2030, and it is under pressure to set a more ambitious target before the Glasgow talks.

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China announced it would launch on Friday a long-awaited national carbon market, which once implemented would be the world's largest by volume of emissions. Under the plan, power companies would be allotted a fixed quota of carbon emissions each year, which they could buy and sell depending on their needs.

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The detailed proposals from the European Union mark only the start of what promises to be a difficult and bruising two-year negotiation among industry, 27 countries and the European Parliament on how to reach the 55 percent reduction.

But coming before the talks in Glasgow, the proposals represent an effort by the European Union to assert global leadership in what must be a multilateral effort to reduce global emissions sufficiently to avert the worst effects of climate change.

"The E.U.'s policy package for stabilizing our climate is the most comprehensive of its kind to date," said Ottmar Edenhofer, director of the Potsdam Institute for Climate Impact Research in Germany. "Weather extremes around the world clearly illustrate that strong action is key now if we want to limit costs and risks, and secure a safe future for all."

At the heart of the European road map is increased prices for carbon. Nearly every sector of the economy would have to pay a price for the emissions it produces, affecting things like the cement used in construction and the fuel used by cruise ships. Proposed taxes on imports of goods made outside the European Union, in countries with less stringent climate policies, could potentially invite disputes at the World Trade Organization.

There are geopolitical implications. The cross-border carbon tax proposal could have the greatest impact on goods from Russia and Turkey, mainly iron, steel and aluminum, according to data analyzed by the Centre for European Reform. The impact on U.S. exports to Europe would be far smaller, according to the analysis.

IMPLICATIONS FOR BUSINESS The E.U. plan to cut emissions would touch almost every industry, with profound consequences for the economy.

The proposals, if passed, would see the last gasoline or diesel cars sold in the European Union by 2035; require that 38.5 percent of all energy be from renewables by 2030; increase the price charged for carbon emitted to make the use of fossil fuels increasingly expensive; and financially assist those most affected by potential price increases.

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The carbon border tax could not only shake up global trade and invite disputes over protectionism, but it could also create new diplomatic fault lines ahead of the Glasgow talks.

The gathering is an important moment for big polluting nations to show what they will do to address the emissions of greenhouse gases that have set the world on a path to dangerous warming. All eyes are on targets set by the United States and China, which currently produce the largest share of greenhouse gases.

Although the European Union produces only about 8 percent of current global carbon emissions, its cumulative emissions since the start of the industrial age are among the world's highest. But as a huge market, it also sees itself as an important regulatory power for the world and hopes to set an example, invent new technologies that it can sell, and provide new global standards that can lead to a carbon-neutral economy.

"Europe was the first continent to declare to be climate neutral in 2050, and now we are the very first ones to put a concrete road map on the table," Ms. von der Leyen said.

Some analysts said that while the carbon border tax would impose new tariffs on imports, the proposals did not do enough to help developing countries shift their economies away from fossil fuels. Others said that the proposed tax on jet fuel applies only to flights inside the European Union, and leaves 60 percent of fuel sales exempt.

Andrew Murphy, aviation director at the advocacy group Transport & Environment, said that "by not removing the tax exemption for flights outside of the E.U. it still lets the majority off the hook."

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The Commission's executive vice president, Frans Timmermans, who is in charge of the environment and Europe's "Green Deal," admits the difficulty of the challenge. "We're going to ask a lot of our citizens," he said. "We're also going to ask a lot of our industries, but we do it for good cause. We do it to give humanity a fighting chance."

The E.U. goal of 55 percent, increased by law in June from 40 percent, has prompted significant pushback from industry, lobbying groups and some member countries, especially in poorer Central Europe, that have been more traditionally reliant on fossil fuels. So the Commission has tried to build in gradual markers for industry, including free carbon credits for a decade and many millions of euros in financial aid.

An open-pit coal mine in Poland, one of several Central European countries that have traditionally been more reliant on fossil fuels. Maciek Nabrdalik for The New York Times

One of the key proposals announced on Wednesday is a revision of Europe's carbon market, known as the Emissions Trading Scheme, under which major carbon producers like steel, cement and power industries pay directly for their carbon emissions.

The hundreds of pages of proposed laws — which the Commission has called "Fit for 55," a slogan that some have joked would better suit a yoga studio — will be sharply debated and inevitably amended before becoming binding on the 27-member bloc.

There are concerns that the poor will pay an inequitable share of the cost of decarbonization and that it will be seen as an elite project, prompting more political backlash from populist parties and groups, like the 2018 "yellow vest" protests over a climate-related increase in French gasoline prices.

That was a warning echoed by Pascal Canfin, the French head of the Parliament's environment committee, who cautioned that extending the carbon market to heating and fuel could set off protests. "We experienced it in France," he said. "It gave us the yellow vests."

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But the proposals also include a Social Climate Fund, raised from these new taxes, that could provide up to 70 billion euros (about $83 billion) to help governments help the people who are most affected.

Wind turbines near an open-cast mining site and the coal-fired Neurath power station in western Germany. Ina Fassbender/Agence France-Presse — Getty Images

The European Union is “the first large economy in the world to start translating climate neutrality ambition into real-world policy action,” said Simone Tagliapietra of Bruegel, a Brussels-based economic think tank. “But if there is one principle that should be guiding the negotiations over the next two years, this certainly is the principle of climate justice.”

Mr. Timmermans said that “the onus is on the Commission to prove that this leads to solidarity and to fairness in this transition.”

He added: “If we can prove that, I think the resistance will be less. If we fail to prove that, I think the resistance will be massive.”

Steven Erlanger reported from Brussels, and Somini Sengupta from New York. Monika Pronczuk contributed reporting from Brussels, Jack Ewing from Frankfurt, Jim Tankersley and Katie Rogers from Washington and Vivian Wang from Hong Kong.

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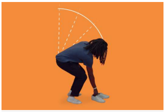

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