

Political agreement on a new Danish Climate Act

Introduction

On 6 December 2019 eight out of the ten parties in the Danish Parliament signed an agreement to adopt a new Danish Climate Act during the first half of 2020. The agreement was heralded as a ground breaking achievement. However it primarily confirms what the political parties had already committed themselves to during the most recent general election campaign and subsequent government formation and political discussions.

The hard parts remain. These are in particular:

- Identifying what must be done, and how it can be done (technology, investment, resources etc.), and
- Finding sufficient financing.

Basic provisions of the political agreement (and the coming Climate Act)

The coming Climate Act aims to ensure that Denmark works to reduce its carbon emissions by 70 percent in 2030 compared to 1990 levels and towards net-zero by 2050. The emissions are calculated in accordance with the UN accounting rules.

The Climate Act will contain a mechanism for setting milestone targets. Every five years the government must set a legally binding target with a ten-year perspective. During the government's forthcoming Climate Action Plan in 2020, an indicative milestone target will be set for 2025.

The Danish Government will develop annual Climate Action Plans that will outline concrete policies to reduce emissions for all sectors: energy, housing, industry, transportation, energy efficiency, agriculture, and land use change and forestry.

The Danish Council on Climate Change will present their professional assessment of whether the initiatives in the Climate Action Plan is sufficient to reduce emissions.

The Danish Council on Climate Change provides recommendations on climate initiatives. The council's budget will be more than doubled and more experts are added to the council. According to the parties, the council's political independence is strengthened as it can elect its own chairperson and members.

However in a footnote to the agreement it is stated that for "formal" reasons the chairperson, vice-chair and all members must be approved by the Minister. In the footnote it is also stated that "the Minister can only exceptionally refuse to follow the Council's attitude. In this case, the Minister informs the Danish Parliament's Climate, Energy and Supply Committee on this and gives reasons to the committee, why the Minister will not follow the Council's recommendation."

The Climate Act commits the Government to separately report on Denmark's impact on international emissions, including those pertaining to international shipping and aviation. Reductions from electricity produced from renewable sources and the effects of Denmark's bilateral energy cooperation – currently with 15 countries - can be taken into account. Furthermore, the Climate Act commits the Government to "form a yearly global climate strategy to ensure that Denmark keeps on its ambitious work at the global scene".

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Assessment

As stated above the parties to the agreement still need to work out exact, practical action plans to achieve the goals. This will obviously be extremely challenging, not least since there is little appetite to achieve the goals at the cost of equality, the welfare system, employment or growth.

The signatories state that “the fulfilment of Denmark's climate goals must be as cost-effective as possible, taking into account both the long-term green transition, sustainable business development and Danish competitiveness, sound public finances and employment”.

They emphasize that “Danish business must be developed and not wound up. Denmark must show that we can make a green transition while maintaining a strong welfare society where coherence and social balance are ensured. The actions we need to take to reducing greenhouse gas emissions must lead to real domestic reductions, but we must also ensure that Danish measures do not simply move the entire greenhouse gas emission outside Denmark's borders.”

It is expected that the Bill for the new Climate Act will be brought before Parliament in February 2020 and that action plan discussions will start immediately after the adoption of the Act.

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For questions or comments to this newsletter or energy and offshore in general, please contact Bo Sandroos on +45 4088 5422 or bos@wsco.dk.

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