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Our reference
DGKE-K / **Fout! Onbekende naam voor documenteigenschap.**

Annex(es)
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Date 28 June 2019
Subject Draft Climate Agreement

Dear Madam President,

The climate is changing. In the Netherlands, we take responsibility for doing everything we can to combat climate change, to ensure our country remains habitable for future generations. As well as having environmental benefits, an ambitious climate policy also provides opportunities for our economy, our prosperity and our earning capacity. Starting earlier will give us a head start compared to other countries. This gives us more time to develop new ideas and technologies, which can subsequently be exported. At the same time, we will work on creating a more attractive business climate. As a prosperous and innovative nation, the Netherlands is perfectly positioned to succeed in ensuring that prosperity increases while greenhouse gas emissions decrease.

With this in mind, the government set an ambitious climate target in the Coalition Agreement. We will implement measures that put us on track for a 49% reduction of greenhouse gas emissions by 2030 compared to 1990. On a European level, the government is advocating a 55% reduction of greenhouse gas emissions by 2030. Should such a target prove unfeasible within the EU, the Netherlands will strive to achieve more ambitious agreements with like-minded North-Western European countries than the allocation assigned to countries by the EU. Because the outcome of the international talks is not yet certain, the goal ultimately established for 2030 may differ from the 49% the government currently has in mind.

Climate change goes beyond national borders. Climate policy is therefore a field that would particularly benefit from a coordinated European approach. The ETS system, source-based policy and European mobility standards are examples of areas in which European agreements are vital and constitute the government's preferred option. A significant first step for the long-term was taken by the European Council on 20 June 2019, with a large majority of Member States endorsing the goal of climate neutrality for 2050. The EU will determine its long-term course before the end of 2019.

In the Coalition Agreement, the Dutch government announced measures to achieve the national reduction target. A commitment was also made to realise a Climate Agreement. In the past year, more than 100 parties have jointly worked on a cohesive set of proposals with the aim of achieving the carbon reduction target in 2030. The result was the publication of a draft Climate Agreement on 21 December 2018 (Parliamentary Paper 32813, No 263). This could not have been achieved without the efforts and commitment of all parties involved. The government is therefore grateful to all participants and chairs of the sectoral platforms and task forces for their considerable commitment and contributions. The government is also grateful to the Social and Economic Council in the Netherlands (SER) for facilitating the process.

The calculations of the effects of the draft Climate Agreement by the Netherlands Environmental Assessment Agency (PBL) and the Netherlands Bureau for Economic Policy Analysis (CPB) show that the 49% reduction target is feasible. In order to get to this point, the government has made a number of political decisions. On 13 March 2019 (Parliamentary Paper 32813, No 307) the government presented five guiding decisions as its initial response to the PBL and CPB's analyses of the effects. The government announced that it would (i) significantly reduce tax on household energy bills by increasing the Surcharge for Sustainable Energy (ODE) for companies, (ii) develop a reasonable carbon levy for industry, (iii) limit the application of CCS, (iv) work on an electric transport approach with a greater focus on current market developments and the second-hand market for electric vehicles and (v) encourage sustainable and strong circular agriculture. The government announced it would work out its proposals in more detail and realise a draft Climate Agreement. To this end, the government has taken a number of additional decisions.

On behalf of the Minister of the Interior and Kingdom Relations, the Minister of Agriculture, Nature and Food Quality, and the State Secretary for Infrastructure and Water Management, I will expound on the draft Climate Agreement in this letter. The draft Climate Agreement contains a package of measures which has the broadest possible base of societal support, which has the active support of as many contributing parties as possible and which will achieve the political reduction target of 49% in 2030. This letter and the accompanying package of measures together constitute the draft Climate Agreement. The package incorporates both the guiding decisions adopted on 13 March 2019 as well as the government's more detailed proposals. In addition to measures that the government itself will take or actively facilitate, the package also includes agreements reached between parties. These agreements will play an important role in achieving our common goal, but the parties themselves are responsible for their implementation. The government presents this package to Parliament with confidence and based on the conviction that we can all work together to make the Netherlands economically stronger and more sustainable for the benefit of all.

1. Priorities for the government

The government launched talks on a Climate Agreement on 23 February 2018 (Parliamentary Paper 32813, No 163), while simultaneously defining the political frameworks with which the Climate Agreement must comply. The government's priority is to achieve the 49% reduction target in a way that is feasible and affordable for everyone. This means ensuring the lowest possible impact on the household budget and a fair distribution of burdens between households and businesses, while maintaining a level playing field for our business sector. We will make the most of the time we have in the run-up to 2030 and 2050. Moreover, we will opt for the most cost-effective and future-proof approach. At the same time, we will work to establish an attractive business climate in which we encourage companies to invest in sustainable innovative activities in the Netherlands. An ambitious climate policy can also provide opportunities for our economy, our prosperity and our earning capacity.

Affordable
We will fulfil our task in the most cost-efficient way possible to ensure the transition remains affordable. The present Climate Agreement will achieve this goal. The annual additional costs for the Netherlands associated with the Climate Agreement are significantly lower than the 0.5% of GDP in 2030 estimated by the PBL at the start of the Climate Agreement. As a society, we should therefore be able to afford this transition.

This does not automatically mean that the transition is also affordable at the individual level. In its calculation of the effects on 13 March 2019, the CPB found that the draft Climate Agreement will have a limited effect on household incomes. The measures to be implemented by the government are designed to reduce the impact on household incomes and to ensure that households at the lower end of the income scale are least affected. Our main objective with the package of measures is therefore to facilitate a net zero effect in terms of living costs for more and more households while the fixed costs of owning a car that runs on fossil fuels remain unchanged, to ensure that the promotion of electric cars is not at the expense of the household budget of those who cannot yet afford an electric car. The priority for the government is that all households, including those on low incomes, will be able to take part in the transition, whether they own or rent a home. The government also aims to spare the household budget as much as possible. The government is significantly reducing tax on household energy bills. For households with an average energy consumption level,[1] the tax component of the energy bill will fall by €100 in 2020, not increase in 2021, and rise only to a limited extent after 2021. We will implement this in a way that benefits the lowest and middle income groups the most. The precise impact on the energy bill will depend on individual household consumption levels and market energy prices.

The costs of the transition
The government has one central goal, which is to reduce carbon emissions by 49% by 2030 compared to 1990. This will allow our society to choose from the best possible and most cost-effective combination of measures and technologies, thereby minimising costs.

From the very start of the consultations, the government has set carbon emissions and cost effectiveness as key focal points. The government has distributed the overall reduction target across sectors based on cost effectiveness. By limiting the total costs as much as possible, we can keep the transition affordable. Our allocation of the tonnes to be reduced explicitly takes into account measures that

[1] 1,170 m^3 of natural gas and 2,581 kWh of electricity. The impact on individual households will depend on their gas and electricity consumption.

are currently still relatively expensive, but that fit in the most cost-effective trajectory up to 2050. We can see this already in the built environment, where it can be opportune to upgrade homes to match 2050 goals when renovating anyway, rather than first preparing for 2030 and later for 2050.

A cost-effective approach will keep the transition affordable. The PBL notes that the national annual additional costs of the draft Climate Agreement's proposals will be €1.6 to €1.9 billion in 2030, which is less than 0.5% of the GDP.[2]

In addition to the costs for society as a whole, the transition will also have an impact on government expenditure. The government has stated from the start of the process of arriving at a Climate Agreement that the government cannot and will not pay for the entire transition. Nevertheless, the realisation of the reduction target will have an impact on the central government budget. A complete overview of the consequences for the national budget will be provided in the Budget Memorandum.

Fair
The transition must be handled in a just manner. The government recognises that a fair distribution of the financial burden is crucial for support in society. This Climate Agreement ensures a fair distribution of both the targets and the costs. We will shift the financial burden from households to the business sector by changing the distribution of the Surcharge for Sustainable Energy from 50/50 to one third/two thirds in favour of households, whereby the shift in the surcharge will reduce the impact on SMEs with relatively low consumption levels that fall within the 1st and 2nd brackets as much as possible. As a result, industry will contribute more than €5 billion in total to the Surcharge for Sustainable Energy up to and including 2030. In the same period, the industry is expected to receive more than €3 billion from the SDE++ scheme in order to achieve its target of a 14.3-Mt CO_2 reduction.

As the biggest emitters, the electricity and industry sectors will make the biggest contribution towards the target. A minimum carbon price will be introduced in the electricity sector, while the government plans to introduce a reasonable carbon levy for industry. The levy on industry will encourage industrial enterprises to reduce their carbon emissions, without driving business activity and jobs out of the country. We will encourage industrial enterprises to invest in carbon reduction technologies by eliminating part of the operating shortfall. In this way, industry will be able to become the most carbon-efficient in Europe and thereby obtaining a competitive advantage in the long term.

Feasible
We have 31 years in which to achieve the transition towards 2050 and we will make the most of this time. In the next few years, we will support people via the

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[2] With this, the government is implementing the motion from Yesilgöz-Zegerius and Agnes Mulder (Parliamentary Paper 32 813 No 241) to make cost-effectiveness an important factor when selecting measures for the Climate Agreement.

neighbourhood approach and encourage people at natural moments to invest in insulating their homes and more environmentally friendly cars.

Everyone must be able to take part in the energy transition. To make life easier for owners and residents, the government will introduce a heating fund and provide access to a number of financing arrangements. The government endorses the conclusion drawn by the SER that measures need to be taken to ensure sufficient financial resources for efforts to improve sustainability. The government will work with the parties to further define and implement the provisions set out in the agreement, and together with these parties will remain alert to any gaps in these provisions.

The additional tax liability for electric company cars will rise in stages, but private individuals will benefit from greater support when purchasing an electric vehicle, either new or second-hand, without this resulting in higher fixed costs for those who are not yet able to make the switch. We also have time to learn and to adjust our plans and allow for new innovations over the next ten years.

The measures will also be phased in over time. For instance, we will be discontinuing the subsidy for renewable electricity production in the electricity sector after 2025, whilst increasing our efforts to encourage sustainable industry and intensifying CO_2reduction measures for circular agriculture.

How will the Climate Agreement affect people's lives?
The Climate Agreement will have an impact on everyone, but in many cases not overnight. The transition will be a 31-year process to ensure that the changes are feasible for everyone and that it is clear what needs to happen now and what can wait until later. No-one will need to adapt their home immediately, for example. However, those who already have plans to do so will be encouraged to opt for sustainable solutions and will be supported in doing so. In the transition to a natural gas-free built environment, households will be supported by their municipalities, will be able to provide input on plans in their community and will receive funding opportunities tailored to their individual situation in order to make the transition in a way that results in neutral housing costs. Homeowners who want to improve the sustainability of their properties this year will soon be able to take advantage of a subsidy scheme for insulation measures. The government plans to introduce a heating fund for owner-occupiers and to facilitate building-related funding. The netting scheme for solar panels has also been extended, which means that it is still financially attractive for households and SMEs to invest in solar panels on roofs. To guarantee the success of the larger-scale renewable energy projects in the energy transition, the ambition is also to ensure that 50% of renewable electricity production on land is owned by local stakeholders.

We will give those who are already able and willing to switch to e-mobility the opportunity to do so. Private individuals can apply for a subsidy to purchase a new electric car. Those who are not currently able or willing to make the switch will not cover the costs of this incentive. People will be encouraged, not compelled.

Through the stimulus to the second-hand market in electric cars, more and more people will be able to afford an electric vehicle.

The government will work with local and regional authorities to ensure broad and active involvement of all citizens. The neighbourhood approach and the regional energy strategies will enable everyone to contribute towards and participate in making plans for the transition process. This is important, as support is crucial when changing in the living environment. People only want to participate if they have a say.

To better understand citizens' needs, concerns and expectations, the Netherlands Institute for Social Research (SCP) will shed light on citizens' behaviour with regard to the sustainability transition. In the Climate Agreement, the central government has committed to the development of the SCP's Sustainable Society Citizen Monitor.[3] We will track the development of support and civic participation during the progress of the Climate Agreement based on this monitor. The insights of the SCP will continuously improve the quality of the implementation of the Climate Agreement.

2. Measures to be adopted per sector

The analysis of effects by the PBL shows that we can achieve a 49% reduction in greenhouse gases by 2030, but that measures need to be made more concrete and tightened. The government has therefore submitted proposals for tightening up the measures to the parties. The most important measures from the draft Climate Agreement are elaborated on for each sector below.[4] [5]

Built environment

Homes and other buildings, such as offices and schools, will become more sustainable over the next 30 years. This will be a gradual process that will start in those neighbourhoods where the natural gas network needs to be replaced, or where natural gas can already be replaced by sustainable heating, electricity or sustainable gas in a cost-effective manner. Where possible, this will be combined with other measures to improve homes and the quality of life in the neighbourhood. Municipalities will be in charge. At the same time, we will encourage individual owner-occupiers, landlords and owners of non-residential buildings to adopt energy-efficiency measures like insulation and more sustainable

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[3] The sounding board group will also include behaviour experts, fulfilling the commitment to member Moorlag (PvdA) to involve the SCP as well as specialists such as behavioural scientists in the development of the energy transition in the context of support (8 November 2018).

[4] Enforceability by the Dutch Tax and Customs Administration (*Belastingdienst*) will be assessed via an implementation test, which will in principle take place at the stage when the draft legislation is ready and will last eight weeks.

[5] Regional implementation of the commitments made in the Climate Agreement may lead to additional implementation costs for provinces, municipalities and water authorities. An agreement has been reached with the Association of Netherlands Municipalities (VNG), the Association of Provincial Authorities (IPO) and the Association of Regional Water Authorities (UvW) that the Council for Public Administration (*Raad van Openbaar Bestuur*) will be asked to conduct an inquiry into these additional implementation costs. The inquiry will include the agreements on all sector platforms. The inquiry must be completed by 2021. The Council for Public Administration will issue a recommendation based on the outcome. The results of the inquiry will be taken up both by the national government and by the local and regional authorities.

heating options at natural moments of refurbishments or when replacing central heating boilers.

Support for the approach is crucial. The government will therefore work to develop a proper neighbourhood approach and to deliver adequate support and provision for owner-occupiers who want to implement sustainability measures. The fundamental principle is that more and more households – buyers and tenants – will be able to recoup the costs of improving sustainability via lower energy bills. Cost reduction, affordable energy bills, subsidies and attractive financing will facilitate a net zero effect in terms of living costs.

Attractive financing and subsidies
The government will make a broad range of attractive funding options available to owner-occupiers, including building-related funding and a heating fund with advance funding for everyone (including those who currently have no funding options).[6] A total of €50-80 million in non-revolving funding will be made available for the heating fund each year up to and including 2030. Depending on how it is worked out, this fund may be supplemented with private funds to become a financing portfolio of more than €1 billion.

Subsidy funding for insulation will be available up until 2030. A subsidy scheme of €100 million per year will become available for investments in insulation and heating systems. The existing ISDE scheme will be broadened for this purpose, taking into account the ongoing evaluation. To enable owner-occupiers to take sustainable measures now, the SEEH subsidy scheme will be re-opened for the years 2019 and 2020, with a total funding allocation of €90 million. A programme will also be launched to encourage owner-occupiers to implement relatively easy energy efficiency measures and reduce their energy bills in the short term. A total of €93 million is available for this programme, aimed at providing owner-occupiers with advice and support.

Affordable energy bills
Changes will be made to the energy tax to create a stronger incentive to improve sustainability, by ensuring that sustainable investments are recouped within a shorter period of time. The government has opted for the budget-neutral version, which will see the energy tax rate for the first bracket for natural gas increase by 4 cents per m^3 in 2020 and +1 cent per m^3 in the following six years. All additional funds raised this way will be returned via the tax reduction and a lower energy tax rate for the first bracket for electricity. Households benefit more from this change than companies, thereby reducing the tax burden on households. This includes households that are not yet able or willing to invest in improving sustainability. A review is scheduled for 2023 to examine whether the proposed increase in energy tax on natural gas is still necessary to maintain the desired sustainability incentives, in view of the autonomous development of market prices.

[6] Responsible lending remains the guiding principle.

The government agreed an additional package on 13 March 2019, which will combine the above change with a change in the Surcharge for Sustainable Energy (ODE) in favour of households to achieve a fairer distribution of burdens between households and large companies. On top of these budget-neutral changes to energy tax and the ODE, the government will make funding available to reduce the tax component of the energy bills of households with an average consumption level by €100 in 2020, with no increase in 2021 and with only a limited increase after 2021. The government has earmarked €425 million on a structural basis for this purpose. This measure will benefit low and middle-income households the most. All households can further reduce their energy bills themselves by implementing energy efficiency measures, for which the costs can now be recouped within a shorter period of time. The precise impact on energy bills will depend on individual household consumption levels and the trend in market energy prices.

The need for cost reduction
To facilitate a net zero effect on living costs for more and more households and situations, cost reduction of sustainability is needed. In the coming years, the parties that have signed up to the Construction Agenda (*Bouwagenda*) will work to reduce these costs by between 20 and 40%. An ambitious innovation and scaling-up programme and the Building and Technology Innovation Centre (*Bouw Techniek en Innovatie Centrum*) have now been set up to support these efforts. The government will set aside an additional €25 million per year for innovation programmes aimed at more effective and less costly heat pumps, collective sustainable heating options and smart construction and renovation methods. The starter motor will get sustainability improvements off the ground, and will be supported in a variety of ways. A total of €50 million per year will be made available from 2020 to 2023 for landlords, including housing associations, from the budget for the Energy Investment Allowance scheme (*Energie Investeringsaftrek*). The renovation accelerator will kick off the scaling-up process, by achieving large-scale collaboration between commissioning parties and contractors in the context of improving sustainability. A sum of €130 million will be set aside for the renovation accelerator up to 2024. In 2019, the national government and Aedes will carry out a broad interdepartmental study of the development of the financial position of the housing association sector and the feasibility of long-term targets.

Built environment target within reach
Based on its analysis, the PBL has concluded that the package of measures can potentially reduce emissions by between 0.8 and 3.7 Mt, a range that includes the 3.4 Mt target. At the same time, the PBL has found that the spectrum is wide. That is why, alongside the additions to the heating fund and the shift in energy tax, agreements regarding the neighbourhood approach have been clarified and agreements regarding non-residential buildings have been tightened.

Transition vision for heat
The transition visions for heat are essential to achieving a low-carbon built environment. In order to make these transition visions a reality, homes and other buildings will be insulated and rendered natural gas-free or ready to become

natural gas-free in consultation with residents and building owners. In the context of the neighbourhood approach, the PBL has estimated that 1.07 million homes and other buildings can be rendered natural gas-free in the period up to 2030. To ensure that sufficient savings are made, municipalities are drawing up plans to improve the sustainability of 1.5 million homes and other buildings between 2022 and 2030 with a start-up period from 2019-2021. The parties have agreed a step-by-step approach in which insulation and other carbon reduction measures represent a key part of the neighbourhood approach, and are working together to remove any obstacles to achieving the transition visions for heat. Municipalities will be obliged to adopt a transition vision for heat, and further content requirements will be set. Central government and the VNG will also assess the required municipal powers and associated guarantees for consumers and building owners, as well as any necessary changes to legislation. Central government and the VNG will draw up an analysis, which the government will then submit to Parliament. Alongside funding of over €400 million for the test beds for natural gas-free districts up to 2030, an additional sum of €150 million will be set aside in this government's term for municipalities' additional responsibilities in relation to the energy transition in the next three years. A long-term task is to look at the financing of these additional responsibilities.

Non-residential buildings
The PBL has identified a wide spectrum in its target range for non-residential buildings and social real estate. In order to clarify this point, the passage in the draft Climate Agreement explains that the 2030 target focuses on measures that will achieve a 1 Mt reduction in CO_2 in the built environment. It also explains that, if insufficient progress has been achieved for existing non-residential buildings by 2025, an appropriate package of feasible and cost-effective measures will be included in legislation in consultation with the sectors to ensure that the 2030 reduction target of 1 Mt for existing non-residential buildings is still reached.

In the government's view, the above measures and additional agreements mean that a 3.4 Mt reduction in CO_2 by 2030 is within reach and that the transition to a sustainable built environment can get off to a balanced start that is both affordable and feasible.

Mobility
Citizens want to be able to travel from door to door safely, quickly and easily. Companies want their goods to reach their destination quickly and reliably. This will not change, but the modes of transportation will. Transport accounts for a quarter of all emissions. The ambition is for all new cars to be emission free by 2030. Hydrogen and electric cars produce zero greenhouse gas emissions, keep our air clean and cause less noise pollution. In the Netherlands, new cars have an average life of almost 18 years. The government's ambition is therefore for all new cars to be emission free by 2030 at the latest. The preconditions must also be in place. Charging your electric car must be as easy as charging your mobile phone. The same goes for hydrogen.

In terms the existing vehicle fleet (including logistics), the government aims to reduce emissions through the use of innovative biofuels. Many biofuels are already produced from waste and residues. The increase in biofuels must be brought about largely from sustainable residual substances (including cascading). This is in line with the government's objective to apply biomass in the most sophisticated way as well as with the development of the circular economy. For that reason, parties have agreed that, to achieve this renewable energy target for transport (including the 27 PJ), no additional biofuels from food and feed crops in excess of 2020 levels will be used in the Netherlands.

In a broader framework, the government will initiate an integrated sustainability framework for all biomass in order to guarantee a consistent framework across the various sectors in which biomass is used.

Together with the logistics sector and municipalities, the government aims to reduce bus, lorry and delivery van emissions to zero in 30-40 of our city centres by around 2025. This will make a significant contribution towards the ongoing pursuit of cleaner air, in precisely those places where many people will benefit directly. The switch will also result in opportunities for businesses in the Netherlands. Dutch companies manufacture electric buses and are skilled at developing and installing charging points.

The government envisions a major future role for hydrogen as an energy carrier not only in passenger transport, but also in heavy transport, such as lorries, public transport buses and as a potential replacement for diesel trains. Hydrogen will also play a role as an energy carrier for sustainably generated energy. To this end, an ambitious agreement will be entered into with the sector in 2020 in order to achieve the targets set out in the Climate Agreement.

Efforts will be made in collaboration with employers and public transport parties to reduce carbon emissions from commuting, amongst others laying down concrete terms in the Environment and Planning Act (*Omgevingswet*) and by focusing more on easily accessible travel using shared cars, public transport and bicycles. This will lead to an increasing shortage of good bicycle parking facilities. The government will therefore set aside a further €75 million for the co-financing of bicycle parking, in addition to the Coalition Agreement funding.

The interests of SMEs will be taken into account in the abovementioned agreements.

We are making an irreversible transition to zero-emission transport. More and more attractive cars will come onto the market in the coming years and the government expects this process to accelerate, particularly in the second half of the next decade, due to falling battery prices, an increased supply of hydrogen and stronger competition.

The government aims to make electric vehicles attractive and affordable for everyone in the long term, in a way that also takes advantage of the market dynamics described above, which the government expects will reduce the need for a per-car incentive. However, in addition to incentive costs, the transition to zero-emission transport also means less income from excise duty.

Directorate-General for Climate and Energy
Climate Department

The current motor vehicle tax system consists of a combination of tax on ownership and tax according to fossil fuel use via excise duties. The concept of e-mobility is becoming more and more socially ingrained. This is one of the reasons why the motor vehicle tax system will require an overhaul in the long term, to avoid a situation in which an ever-dwindling number of people is generating the revenue.

The new system must also ensure that everyone who uses infrastructure makes a reasonable contribution towards the costs. According to the PBL, a pay-as-you-go system could help to reduce traffic congestion and emissions.

The government will therefore explore the pay-as-you-go options set out below, sketch out preparations and, where possible or necessary, make these preparations for when the next government is formed. The introduction of the new system will be included in the tax review that has already been proposed for 2025.

The following options will be detailed:

- a per-km pricing system for electric cars, with no changes to the existing system for cars that run on fossil fuels. This would lead to an overall reduction in total costs within the motor vehicle domain. This system would not involve any differentiation according to time or location and a rush hour charge would therefore not be considered;
- time and location-specific tax, with the exception of a rush hour charge for all vehicles;
- emissions, time and location-specific tax for all vehicles.

All options will take into account the perspective for action, and privacy remains a key concern as much as possible. The following aspects will also be covered when detailing each of the options:

- the desired encouragement of e-mobility, in line with the government's target of 100% zero-emissions new cars by 2030;
- the possibility of reducing overall costs within the motor vehicle domain;
- any impact on the national budget and ways of managing this.

Key stakeholders in this transition, such as the partners in the Formula E-Team, will be closely involved in the development process described above.

In the transition towards a new system, e-mobility will continue to be stimulated, albeit in a different way. This is in line with the government's desire to avoid oversubsidisation, take into account developments in the rapidly expanding market, tie in with the private motorist's radius of action and further the second-hand market in electric cars.

The government plans to maintain the current e-mobility incentive system up to and including 2025, with a phased rise in the additional tax liability to avoid oversubsidisation. The additional tax liability for commercial drivers will therefore be changed to 8% in 2020, and the ceiling above which this discount no longer applies to the remaining amount of the purchase price will be reduced. This measure is designed to ensure that the incentive focuses on the purchase of models that will also be attractive to the second-hand market at a later date.

The government will control the flow of incentive funding in both the first and second parts of the run-up to 2030. A commitment has been made in the draft Climate Agreement to conduct a full review around 2024. Based on the review as well as the latest developments in the vehicle market, policies and measures can be identified that are essential and desirable after 2025 to achieve the government's target of 100% zero-emission new cars. Furthermore, the incentive instruments will be calibrated annually in order to keep a "hand on the tap" and avoid over-incentivisation (see annex for further details). The extent of the adjustment will depend on the extent of deviation, meaning major overspending will result in a major rate adjustment and minor overspending will result in a minor adjustment. Both upward and downward adjustments are possible.

Lease cars are a key component of the Dutch second-hand market. By encouraging the business market to increase its focus on cars that will later be attractive to the Dutch market, the government aims to retain more of these cars in the Netherlands for longer. In order to foster a thriving second-hand market in electric cars for private individuals, the government will develop a scheme for the reimbursement of charge credit, purchase subsidies or battery guarantees. This will make it easier for private individuals to afford a second-hand electric car.

There will be no increase in the fixed costs of owning a passenger car that runs on fossil fuels: the motor vehicle tax for cars will remain unchanged. Just like the excise duty on petrol, the excise duty on diesel is to be increased, by 1 cent as of 2021 and again by 1 cent as of 2023.

Industry
In its letter of 13 March 2019 in response to the analyses of the draft Climate Agreement, the government announced a number of additional measures for industry, including a reasonable and objective carbon levy. With this levy the plan for a bonus-malus system is cancelled. In order to effectively work out the carbon levy, the government has asked the planning agencies to assess its financial implications and has asked PwC to analyse the effects at company level. The SER has also been asked to advise on ways of achieving sustainability goals whilst maintaining employment levels. These reports were shared with the House of Representatives on 18 July 2019 (Parliamentary Paper 32 813, No 337).

The target for 2050 is a thriving, circular, low-carbon and globally leading industry. This transition requires Dutch industry to make additional investments. The government would like industry to make these investments in the Netherlands, as industry offers many solutions that are important for our society and also help us abroad. In its recommendation entitled "*National climate approach for regional industrial frontrunners*", the SER states that the coherent use of various policy instruments is needed to achieve the carbon reduction target for industry and, at the same time, to keep the Netherlands attractive for investing in far-reaching greenhouse gas emission savings and circular production.

In this context, the SER emphasises the importance of a regional approach aimed at strengthening existing clusters and an enhanced labour market and training policy. The government endorses the SER's analysis. The policy package will consist of the following elements.

Encouraging innovation and the roll-out of carbon reduction technologies and a robust regional cluster-based approach
The government will help companies invest via an ambitious innovation programme aimed at reducing the cost of promising technologies and by providing SDE+ subsidies to accelerate the roll-out of carbon reduction technologies that are not yet cost effective. The government shares the SER's view that, in many cases, emission reduction in industry needs to take place in chains and clusters. With support from central government, a long-term industrial frontrunner programme will be developed in each of the five industrial regions that combines efficiency with more sustainable resource use and carbon reduction. The obvious course of action is to focus on building on existing regional initiatives and plans. The government is committed to providing companies with timely access to necessary permits and infrastructural facilities and will set up a Task Force to identify infrastructural requirements, particularly within the clusters, and advise on the conditions for meeting these requirements by the end of 2019.

Additional investment in green hydrogen
The Netherlands is a transit country with huge front and back doors. We function as a natural hub for raw and ancillary materials. We are located on the North Sea, which is increasingly becoming a source of sustainably generated electricity. We also have a strong base and petrochemicals cluster. In other words, the Netherlands is a prime location for the development of green hydrogen, as a fuel, as a storage medium and as a feedstock. All of these applications are crucial for the transition. Moreover, the development of hydrogen could open up economic opportunities in the Netherlands.

This development will not happen by itself. The government is therefore fully committed to ensuring that the Netherlands becomes a frontrunner in green hydrogen. This will include an ambitious hydrogen programme focusing on research, pilots and demonstration projects, infrastructure and the application of broad hydrogen. From the Climate Budget, the government is making additional funding available to the indicative sum of €40 million per year for pilots and demonstrations in relation to green hydrogen.

Reasonable and objective carbon levy
The year 2021 will see the introduction of a national carbon levy to ensure that the 14.3-Mt emissions reduction target compared to the PBL baseline trajectory is achieved by 2030. At the same time, this levy will prevent production moving abroad or the willingness to invest in the Netherlands to decrease. The carbon levy will be a government-established, objective levy based on verifiable measures that is as consistent as possible with the European ETS benchmarks currently applied by the Dutch Emissions Authority (NEa). In other words, a robust levy on avoidable tonnes. The PBL's analysis shows that the 14.3-Mt reduction target can be achieved with this levy. This means, according to current

insights based on the option assessed by the PBL, that the carbon levy will start at €30 per tonne emitted exceeding a fixed reduction path in 2021. The levy will see a linear increase to €125-150 per tonne in 2030 including the ETS price (according to current expectations, this would be approximately €75-100 per tonne in 2030 on top of the ETS price). It should be noted that, in calculating the impact of a carbon levy on the expected reduction, the PBL did not take into account subsidies available from the expanded SDE+ scheme. In 2020 and 2025, when the new European ETS benchmarks become available, the government will ask the PBL to once again conduct an objective and verifiable review of the required level of a carbon levy, within the specified preconditions. This means that the PBL will be asked in 2020 and 2025 what the starting level of the carbon levy should be and what the level of the levy in 2030 (and therefore also in the intervening years) should be in order to achieve the reduction target. The PBL will be asked to involve the available subsidies from the expanded SDE+ scheme in their analysis. An external party will then be asked to investigate the impact of the proposed levy on Dutch industry in the international playing field and business climate, after which the government will determine the price trajectory. These rates will be laid down by or pursuant to an Act of Parliament.

The PBL analysis suggests that this carbon levy option would result in the lowest leakage of businesses, production and investment abroad. However, PwC warns that this levy nonetheless carries a risk of leakage of employment and carbon emissions. The government will therefore take mitigating measures, which the PBL has taken into account in its analysis, namely a gradual increase in the levy base and levy rate and the option to transfer exempt emissions. When drafting the legislative proposal, we will look at ways to enable businesses to bring their CO_2 reduction measures closer in line with their investment cycles.

The purpose of the levy is not to generate revenue, but to encourage businesses to invest in the Netherlands. Any revenue generated by the levy will be channelled back into making industry greener.

Despite the fact that the government is taking various mitigating measures, some businesses could still experience problems due to the cumulation of measures (including the shift in the Surcharge for Sustainable Energy, the carbon levy and the end of the ETS indirect cost compensation scheme). Businesses at risk are those for which transition investments take time and are very expensive and/or where the necessary infrastructure is in danger of not becoming available on time.

The majority of the 300 major industrial companies are active in the five previously mentioned clusters of Rijnmond/Moerdijk, the North Sea Canal Area, the Northern Netherlands, Chemelot (Geleen region) and Zeeland. The government will actively monitor whether these risks are materialising and will take action if the effects mentioned lead to a threat of job losses in intrinsically healthy businesses. To this end, the government will develop a plan setting out how monitoring will take place, which method will be used to objectively assess whether there is a threat of job losses and what instruments the government can use to avert this threat. The Climate Policy Progress Monitor (*Voortgangsmonitor Klimaatbeleid*) will feature an annual report on the monitoring carried out. The government has initially set aside €125 million for these instruments in the coming period, in addition to the €75 million in compensation for losses incurred already available for the switch to low-calorific gas. This can in any event include earmarking funds for the roll-out of more costly CO_2-reducing potential needed by individual companies in order to avoid the levy, but for which they are probably unable to make a competitive bid within the expanded SDE+ scheme, support with infrastructure bottlenecks or compensation for the ETS indirect cost compensation scheme ending.

Limitation of CCS subsidies
Carbon Capture and Storage (CCS) is an important part of the combination of technical measures to render the climate target cost effective, but it must not be at the expense of technologies required for the long-term transition. At a carbon price of €46 per tonne of CO_2, as applied by the PBL, the anticipated expenditure on CCS in 2030 is expected to be less than half of the €550 million maximum for industrial applications (around 6% of the total SDE budget in 2030). Based on the PBL's recent estimates, more than half of the maximum industrial subsidy funding is expected to remain available for technologies other than CCS. To nonetheless ensure that funding also remains available for technologies that are essential to the long-term transition, the government will limit CCS subsidies in three ways. Firstly, only technologies, processes and sectors for which there is no cost-effective alternative to CCS for reducing emissions will be eligible for an SDE++ subsidy. The details of this will be determined each year based on independent advice. Secondly, a ceiling of 7.2 Mt will be established for industrial CCS subsidies as part of the reduction target for industry (14.3 Mt). Thirdly, no new SDE+ decisions will be issued on new CCS applications after 2035 (with the exception of negative emissions). This underlines the temporary nature of the subsidisation of CCS technology. The limitations will provide an incentive for both a cost reduction and the development of alternatives, while at the same time providing investment security up to and including 2035 for CCS projects that are needed in the short term to keep the costs of the transition as low as possible.

ODE/SDE – fair distribution of costs
The government believes that everyone should make a fair contribution towards the transition. To this end, the government will increase the share that businesses contribute towards the Surcharge for Sustainable Energy (ODE) from 1/2 to 2/3 with effect from 2020. The cost of this increase will be borne by major consumers, including those in industry. Industry will therefore pay €550 million in 2030.

According to PwC, the increase in the ODE rates will make the tax burden on energy use, particularly gas, higher in industry than is the case in other countries. Industry will contribute a total of €5 billion towards the ODE up to and including 2030. In the same period, industry is expected to receive more than 3 billion from the SDE++ scheme in order to achieve the 14.3-Mt carbon reduction target.

These measures will mean that the Netherlands provides an attractive and challenging business climate for frontrunners in the industrial transition, enabling the Netherlands to become a frontrunner itself in the development of sustainable production methods. Industry can thereby become the cleanest and most innovative in Europe, setting an example for the rest of the world.

Electricity
Where the electricity system is concerned, the long-term goal is to have a zero-CO_2, reliable, affordable and safe system by 2050. To achieve this, we need to switch from coal- and gas-based electricity production to zero- CO_2power generation. With this in mind, agreements have been formulated by the electricity sector platform with the aim of ensuring that more than 70% of electricity production will come from renewable sources by 2030. It will be possible to feed the electricity system with CO_2-free controllable production in a number of ways: with electricity from CO_2-free hydrogen or from other renewable sources, such as biomass and green gas, from nuclear power or from fossil sources for which CO_2 emissions are captured. As the government stated in its letter of 6 November 2018 (Parliamentary Paper 32 645, No 89), nuclear power is one of the options for the future energy mix. Various studies have shown nuclear power to be a potential, cost-effective option for 2050 and have shown that a positive business case may be possible in the long term. Given the turnaround times, additional nuclear power by 2030 in the Netherlands seems unlikely.

The transition will have an impact on our living environment. Municipalities and provinces will play an important role in this process due to the Regional Energy Strategies (RES) approach. The government supports the option for residents to take part in local energy projects.

A greater percentage of renewable electricity must not jeopardise the reliability of the electricity supply. For this reason, we will continue to monitor the security of energy supply and the development and application of new technologies, such as green hydrogen, storage and hybrid electrification. We are not alone in doing this, as the Dutch electricity market is closely linked to the markets in surrounding nations and, through them, to the rest of Europe. To reach the goal for our electricity supply while safeguarding its reliability and affordability, the government continues to focus on close collaboration with Member States in the North-West European electricity market for.

The indicative reduction target for 2030 is 20.2 Mt. Based on the PBL’s analysis, the indicative target is expected to be achieved with the selected measures. This is conditional, however, on an additional reduction of CO_2 emissions by partly changing the way that waste gases released during steel production are used. These waste gases are currently used to produce electricity. In its analysis, the PBL concludes that the expansion of the SDE+ scheme to include technologies such as CCS means that the application of CC(U)S to waste gases released during steel production may also be eligible for subsidies. Based on the PBL’s analysis, the government will work out how to support this option when developing the expanded SDE++ scheme. Any support for projects would be subject to the conditions i) that the resulting amount of eligible CCS is limited to 3 Mt per year and ii) that the subsidy is not part of the indicative sum of €550 million available for improving the sustainability of industry in 2030.

The PBL concludes in its additional analysis that the introduction of a carbon levy in industry is expected to lead to higher demand for electricity. The PBL states that the precise impact this would have on the electricity sector is not clear. However, the analysis does not immediately present bottlenecks. It will be decided in 2021 whether further scaling up of offshore wind energy and/or renewable energy on land is necessary in order to meet the target for 2030. The National Environmental Planning Strategy (NOVI) will provide direction for the integration of additional renewable energy on land. By that time, greater clarity is expected regarding the anticipated development of the demand for electricity.

The draft Climate Agreement also incorporates the decisions regarding the netting scheme follow-ups (Parliamentary Paper 31239, No 299) and the expanded SDE+ scheme (Parliamentary Paper 31239, No 300), which the House of Representatives has been informed about separately. With these adjustments to the Climate Agreement, the government anticipates that, through the combined efforts of all parties, it will be possible to achieve the indicative target of 20.2 Mt and to take positive steps for the purpose of the further transition.

Agriculture and land use

In the draft Climate Agreement, the sector platform for Agriculture and Land Use has stated that it expects to be able to reduce emissions by 6 Mt instead of the 3.5 Mt stipulated in the Coalition Agreement. This is an impressive ambition, particularly considering the sector has already made significant progress since 1990 in reducing emissions by 17% and is also implementing a number of emission-reducing measures (such as energy generation) that will not be taken into account in the sectoral targets. In its letter of 13 March 2019 in response to the analyses of the draft Climate Agreement, the government welcomed the additional ambition of the sector platform for Agriculture and Land Use.

The PBL’s analysis of the draft Climate Agreement demonstrated the areas in which the package of measures needs to be strengthened to make the 6-Mt emission reduction target attainable. The government has set out a number of the platform’s measures more concretely to remove the uncertainties identified by the PBL. Also, the financial aspects have been clarified. Moreover, a number of additional measures have been formulated, while seeking maximum synergy with other targets, as described in the Ministry of Agriculture, Nature and Food Quality’s vision "Valuable and Connected". This is crucial for entrepreneurs, since the different measures converge on the farm. An integrated approach increases the chance of success.

Besides the contribution from the Climate Budget, the government is setting aside additional funds to bring the ambition of Agriculture and Land Use within reach. The government has also increased the lending capacity of the Green Fund, and instruments such as the Common Agricultural Policy, the SDE++ scheme, MIA/Vamil and so on are available to co-finance the climate target.

In terms of content, the government is supplementing the approach proposed by the sector platform as follows.

Livestock farming is an important sector for the climate approach. The government has noted that the sector's proposals are in line with and build on mutual agreements between parties in the sector, such as the Committee on Land-based Activities (*Commissie Grondgebondenheid*), and regards these as mutual agreements between these parties. To improve emission reductions, the government has set out a concrete package of measures for an integrated feed- and animal-specific approach to methane and ammonia for the dairy sector. This way, the emission of these substances can be tackled in conjunction. In addition, the government is leading the development of schemes to stimulate innovations and investments in entirely sustainable and low-emissions animal housing systems that reduce emissions of greenhouse gases, ammonia, offensive odours and particulates at source. The government also aims to make optimum use of opportunities to enable farmers to finance the targets, including the climate target, and where possible add value to them. The government has set aside €252 million for this purpose.

The government sees significant potential in an integrated approach to peat meadow areas and areas around Natura 2000. With an area-specific approach that responds to the most urgent problems, the government wants to stimulate the peat meadow area. In some cases, this can involve supporting farmers in relocating or voluntarily closing their business, or switching to a less intensive form of agriculture (with compensation for loss of income). In other situations, there will be a greater emphasis on technical adjustments, such as drainage techniques. The government will also increase the number of pilot areas where a combination of measures will be explored. The measures must be tailored to farmers' future prospects, water management options and the type of peat soil. Based on the results of these pilots, a decision can be reached in a few years' time on the most suitable approach. The government has earmarked €100 million for the voluntary cessation scheme (including the buying of rights), will enter into a dialogue about additional funding for supporting policies with provinces, water boards and municipalities and has set aside €176 million in total for other measures up to 2030. With this, the government considers it possible to reduce emissions by 1 Mt from 2030, whereas, in its analysis, the PBL considered no more than 0.2 Mt to be realistic. The government wants to offer flexibility to the continuing agricultural businesses around Natura 2000 areas. There is an emphasis on voluntary participation in measures, to ensure that the reduction achieved via these measures helps to reinforce the ecological value in the Natura 2000 areas and half of developments in the livestock farming sector. Over the next few years, €100 million will be made available for this purpose.

The government will contribute towards the development and dissemination of knowledge to promote sustainable soil management for better carbon retention in agricultural soils. For example, ploughing grassland less frequently can lead to fewer carbon emissions. The ultimate goal of these activities is the sustainable management of all Dutch soils by 2030. The government has set aside €28 million for agricultural soils.

Trees, woodland and the natural environment also capture CO_2. The government will make funding available to combat deforestation, thus increasing carbon storage in the Netherlands. A forest strategy incorporating these elements will be ready by the end of 2019. A total of €51 million will be made available for this purpose.

Finally, efforts will be made in the greenhouse horticulture sector to further intensify the Greenhouse as a Source of Energy (*Kas als Energiebron*) programme. This will include demonstration projects and knowledge development to stimulate the electrification of assimilation lighting systems used in cultivation. The government will also increase the budget for the energy-efficient greenhouse horticulture (EG) scheme, to enable greenhouses to meet the requirements for Green Label Greenhouse (GLK) certification. The government will allocate additional budget to increase the capacity of the heat grid of the Trias2 geothermal energy project in the Westland region. General efforts are also being made to better utilise geothermal energy and residual heat. The sector is dependent on the supply of residual heat from industry. Ways in which the industry can supply CO_2 for greenhouse horticulture are being further investigated together with this sector. The government has set aside €250 million for this purpose.

4. Cross-sectoral themes
The Climate Agreement ensures not only the achievement of reduction targets within the sectors, but also coherence and cohesion between the sectors. After all, the transition requires intensive cross-sectoral cooperation on aspects such as systems integration, circular flows, the supply of CO_2 for crop growth in the greenhouse horticulture sector, residual heat and employment.

An ambitious commitment to the labour market and training is crucial for a fair climate transition, but also for other major transitions, such as digitisation and a circular economy. The transition could result in the disappearance of jobs in one sector while demand in other sectors increases. In addition, the nature of a large number of existing jobs will change, resulting in other skills and, consequently, future-oriented development being required. A coherent and future-oriented approach is therefore needed. A special committee of the SER will therefore be tasked with developing agreements regarding the labour market and training. This committee will identify the opportunities for and threats to employment associated with these transitions in conjunction and will be able to advise on seizing opportunities. In this context, the SER will promote and connect national, regional and sectoral initiatives and facilitate the development of sectoral training and labour market agendas. The SER will engage with existing regional consultation structures wherever possible. On 13 June 2019 (Parliamentary Paper 35167, No 7), the government also announced a provision to offset the impact of the energy transition on employment, in which €22 million has been reserved for work-to-work guidance, retraining and further training for workers who lose their jobs in the fossil fuel sectors.

The commitments in the Climate Agreement also have an impact on spatial planning and quality of life. The government will use the balancing principles and the spatial development of the energy transition set out in the NOVI as a framework for the implementation of the Climate Agreement. The NOVI states a preference for offshore wind energy, but there is also a need for the integration of renewable energy production on land. To this end, the NOVI provides direction for the Regional Energy Strategies, for instance by giving preference to large-scale clusters for renewable energy production, to avoid fragmentation across the landscape and to use the available space as efficiently as possible. Specifically with regard to the integration of solar energy, the government will respond to the motions by Dik-Faber et al. before summer (Parliamentary Paper 32 813, No 204 and 34 682, No 20). For the heating transition in the built environment, the choice for alternative heat supply depends on many aspects, including spatial planning. For this reason, heating grids need to be properly explored and explicitly weighed against other options. In order to achieve a supported RES in each of the various regions, the decision has been made to extend the deadline for producing a final RES from 12 months to 18 months.

With regard to the North Sea, we are preparing for the further development of offshore wind energy. In conjunction with the North Sea stakeholders and under the direction of independent chair Wallage, the North Sea Consultative Committee has analysed the future spatial claims in relation to energy, food generation and development of the natural environment, as well as the possibility of a transition fund. The Physical Living Environment Consultation Body (OFL) is due to submit a draft agreement to the government in the summer. The government will profoundly take this into account when reaching agreements with stakeholders on the sustainable use of the North Sea, the manner in which this aim will be achieved, the timeline and the availability of adequate and timely instruments and resources that are required to allow the necessary innovation, transition and mitigation for nature and fisheries – where necessary via a North Sea Transition Fund. Following this, the government will designate new areas in 2021.

More cascading, recycling and substitution of materials and less waste incineration will lead to a reduction in CO_2 emissions in both the short and long term. This is highlighted and detailed in multiple sectors of the Climate Agreement. As a result, the government will make additional investments in measures to promote a circular economy. The government also aims to develop a framework for sustainable biomass, to which end sustainability criteria will be introduced. Delivery of the sustainability framework is projected for the first quarter of 2020, after which the government will reach a decision.

The financial sector will play a major role in funding the transition. The sector takes its responsibilities for this. Each party in the financial sector will set its own climate target by 2022, in order to bring their portfolios in line with the targets set out in the Paris Agreement. To this end, they will measure the carbon footprint of relevant financing and investments and publicly report on this from the 2020 financial year.

Based on the motion tabled by members Yesilgöz-Zegerius and Jetten (Parliamentary Paper 30196, No 595), the government has embraced the theme of "statutory and regulatory barriers" as a cross-cutting issue. This was implemented during the formation of the Climate Agreement by discussing within the sector platforms what new or amended laws and regulations are needed to achieve the transition in the most efficient way possible. Cross-sector laws and regulations were also examined. Where necessary, changes to laws and regulations have been announced in the measures set out in the Climate Agreement, for example in the context of energy legislation and the Environment and Planning Act. In some cases, it has been announced that further research is needed first or that measures require an amendment to laws and regulations.

5. Governance of the Climate Agreement

Responsibility for achieving the reduction target is political. After all, the Climate Act (*Klimaatwet*) sets out a reduction target of 49% greenhouse gas emissions by 2030 and 95% greenhouse gas emissions by 2050 compared to 1990. The Climate Act also provides the legal framework that defines the governance. The Climate Agreement builds on the results of the Energy Agreement and is aimed at the period up to 2030 and beyond. The required continuity will be sufficiently guaranteed if the Energy Agreement targets for 2020 and 2023 are comprehensively included in the implementation and governance of the Climate Agreement.[7]

The further detailing and implementation of the agreements to achieve the target will be entrusted to the participating parties, including central government, as much as possible. In this way, the parties themselves bear primary responsibility for effective implementation of the agreements reached, and are jointly responsible for implementing their part of the Climate Agreement. Sector-specific implementation committees can be set up under the supervision of the relevant ministers, either building on existing structures or working within the new coalitions that have arisen during the Climate Agreement discussions. Based on his coordinating role, the Minister of Economic Affairs and Climate Policy will set up an overarching progress committee. This fulfils the commitment set out in the Coalition Agreement to ensure that the Climate Agreement creates a platform to maintain a constant dialogue and to respond to new technological developments. The composition, tasks and institutional framework for this platform will be determined in consultation with the parties involved.

Under the Climate Act, the government is required to write a Climate Plan setting out measures to ensure that the targets stipulated in the act are achieved.[8] In addition, every Member State of the European Union is required to submit an Integrated National Energy and Climate Plan (*NECP*) to the European Commission by the end of 2019. The Climate Agreement will be an essential part of the Climate Plan and the NECP. The government aims to submit the Climate Plan and the NECP to the House of Parliament by the end of this year so that they can be adopted before the year comes to a close (Parliamentary Paper 32813, No 324).

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[7] The recommendations from the review of the Energy Agreement were taken into account when shaping the quality control and governance of the Climate Agreement, fulfilling the commitment to member Agnes Mulder to critically review the Climate Agreement quality control and monitoring system against these recommendations (Parliamentary Paper 30196, No 479).
[8] The Climate Plan will be adopted for the first time in 2019 and will be readopted at least once every five years (Climate Act, Section 4). This implements the motion put forward by member Van Raan (Parliamentary Paper 32813, No 176), to ensure a certain degree of flexibility within the Climate Agreement in case adjustments are required to achieve the climate targets.

Directorate-General for Climate and Energy
Climate Department

6. Concurrence with implementation of the Urgenda judgment
The government has set itself an ambitious reduction target of 49% by 2030, but is meanwhile obliged to implement the court ruling in the Urgenda case to achieve a 25% reduction in greenhouse gas emissions by 2020. At the same time as submitting the draft Climate Agreement, the government will inform Parliament about the package of measures it is taking in the context of implementing the Urgenda judgment. The government will apply a number of specific criteria designed to ensure that the realisation of the 2020 target does not hinder the achievement of the 2030 and 2050 targets. These are the same as the general criteria applied by the government to the Climate Agreement: measures must be cost efficient, must enjoy public and political support and must not lead to major leakage effects. The measures must therefore reinforce the Climate Agreement. The package of measures the government is taking to implement of the Urgenda judgment support achievement of the 2030 target.

7. Follow-up process
The government submits the draft Climate Agreement to Parliament with confidence. The government hopes and expects that this proposal will be supported by a large number of parties. The Chair of the Climate Council asks the parties to present this proposal to their members to generate commitment to the Climate Agreement. Any concerns arising from the parties' membership consultations can be addressed in the further definition and implementation of the agreement.

In the Climate and Energy Report (KEV) of October 2019, the PBL will provide its annual forecast of carbon emissions for the year 2030. As the PBL usually sets 1 May as the deadline for implemented and proposed policy measures and the PBL does not consider it advisable to deviate from this norm, the PBL will not take the Climate Agreement fully into account in its calculations for the KEV 2019. The government has asked the PBL to analyse in conjunction with the KEV whether the tightened policy introduced in response to the PBL's analysis of the draft Climate Agreement leads to a more robust policy package that is more likely to achieve the 49% reduction in 2030 compared to the results in March of this year.

The recent decision by the Council of State regarding the Programme Tackling Nitrogen (PAS) could also have an impact on the measures taken in the context of the Climate Agreement and Urgenda. Projects may be delayed in the short term, despite these measures contributing towards reducing greenhouse gas and nitrogen emissions in the long term. In the implementation of the Climate Agreement, the government will keep close track of any problems arising from the Council of State's decision and will actively include the Climate Agreement targets when developing the new approach to tackling nitrogen.

The political decisions the government has taken in the draft Climate Agreement address the key uncertainties and concerns identified by the PBL and the CPB. At the same time, not all uncertainties have and can be resolved at this stage, since the transition will confront us with a wide range of decisions in the years to come. We will tackle this in the implementation of the Climate Agreement, in collaboration with the relevant parties and in consultation with the House of

Parliament. The implementation of the Climate Agreement will be an adaptive process in which we allow space for responding to relevant new developments. Further decisions will therefore need to be made during this process. However, with this Climate Agreement, the government looks forward to this process with confidence.

Eric Wiebes
Minister of Economic Affairs and Climate Policy

Directorate-General for Climate and Energy
Climate Department

Annex – "Hand on the Tap" for e-mobility

Monitoring and evaluation structure: what does "hand on the tap" mean?
A commitment is made in the draft Climate Agreement to conduct a full review around 2024. Further to the review, it will be possible based on the latest developments in the vehicle market to identify those policies and measures that are essential and desirable after 2025 to achieve the government's target of 100% zero-emission new cars. On top of this, the incentives will be calibrated annually in order to keep a "hand on the tap" and avoid over-incentivisation. The extent of adjustment will depend on the extent of deviation, meaning major overspending will result in a major rate adjustment and minor overspending will result in a minor adjustment. Both upward and downward adjustments are possible.

"Hand on the tap" principle during implementation of the integration trajectory agreed in the policy:
Financial control: if developments cause the situation to move at a faster or slower pace than the agreed financial framework, we will adjust the incentive package.

Hand on the tap in the case of non-tax incentives:
A subsidy ceiling ("when it's gone, it's gone") applies to the purchase subsidy for private individuals and the stimulus to the second-hand market (100 million). The annual financial ceiling therefore cannot be exceeded for these measures.

Hand on the tap in the case of tax incentives (additional tax liability, motor vehicle tax, private motor vehicle and motorcycle tax):

- If the number of electric vehicles sold is higher or lower than foreseen, this will lead to higher or lower losses than predicted that year. This situation can be adjusted in year t+1 if structural deviations from the trajectory are expected in the coming years. This works in two ways, both by preventing losses in subsequent years and by maintaining e-mobility sales (in the event of lower e-mobility sales than forecast). The extent of adjustment will depend on the extent of deviation, meaning major overspending will result in a major rate adjustment and minor overspending will result in a minor adjustment.
- The Ministry of Finance and the Ministry of Infrastructure and Water Management will monitor the effects of the incentive policy based on the following KPIs:
  - Budgetary costs based on the Central Government Annual Financial Report (*Financieel Jaarverslag van het Rijk*) and actual implementation;
  - Number of new vehicle sales (lease/business);
  - Number of new vehicle sales/private lease to private individuals;
  - Number of imports/exports (i.e. development in domestic vehicle fleet).
- The number of new vehicle sales to businesses/private individuals is monitored on a monthly basis; imports/exports are monitored on an annual basis
- Action can be taken if implementation deviates from the predicted numbers:

- Monthly monitoring: based on the first four months of year t, an initial forecast is made on the total development in year t and results in year t-1. If this forecast deviates from the projected pathway, a proposal can be formulated (emergency brake) to adjust the fiscal measures for the purpose of the Tax Plan for year t + 1, which is published in September of year t (input for this in June of year t).
- As part of the package, the option to make policy adjustments will be clearly communicated in the e-mobility incentive package. This will support a proper understanding of the hand on the tap principle.

Frequency of evaluations
In addition to the annual review, which will be submitted to the House, and any amendments, detailed evaluations will be carried out at the following times.

An evaluation will be carried out at the times set out below:
- 2022/2023 (interim evaluation);
- 2023/2024/2027/2028 (interim evaluation);
- 2030 (final evaluation of the climate agreement).