



LAW 1/2024 on ENERGY TRANSITION AND CLIMATE CHANGE Main implications for COMPANIES

1. WHY DOES THE BASQUE COUNTRY NEED THIS LAW ON ENERGY TRANSITION AND CLIMATE CHANGE?

The earth's atmosphere is warming, with serious consequences for our environment and societies. To **limit the rise in global temperature to 1.5°C above pre-industrial times** and reduce the negative effects of climate change, the planet needs to rapidly reduce its emissions of climate-warming greenhouse gases (GHGs) in order to reach a level of net zero CO₂ emissions by 2050.

In the light of scientific evidence, it is clear that **further measures** on both climate mitigation and adaptation **are urgently needed**, given the increasingly evident, severe negative effects of climate change and public demands for more decisive action.

Europe has set ambitious climate standards and has started to transform the economy in line with climate targets. In line with Europe, the Basque Country has adopted Law 1/2024 to set a target of net zero greenhouse gas emissions by 2050, and will make the efforts required to achieve this climate neutrality by 2045.

2. WHAT ARE THE OBJECTIVES OF THE LAW?

The main objectives set out in the Law are:

- To achieve climate neutrality in the Basque Country by 2050 at the latest, making the efforts required to reach this goal by 2045
- To reduce GHG emissions by 45% by 2030 compared to 2005
- To save at least 12% in final energy consumption by 2030 compared to 2021
- To achieve a share of renewable energies in final energy consumption of at least 32% by 2030



- To increase the resilience of the region to climate change

3. HOW CAN THE BASQUE COUNTRY ACHIEVE THE OBJECTIVE OF DECARBONISING ITS ECONOMY?

The Law will drive the decarbonisation process by means of the energy transition in all of the socio-economic sectors in the Basque Country. **It will promote decarbonisation by increasing economic activity, business competitiveness, the quality of employment and the well-being of society**, within the framework of an environmentally, socially and economically sustainable development model.

This decarbonisation process will need to move **towards a circular economy** by taking advantage of the business opportunities created **to boost the competitiveness** of Basque companies based on technological and industrial development.

In short, this **Law represents a firm, voluntary commitment that will allow companies to accelerate mitigation policies** through reducing emissions, the energy transition and fostering the circular economy.

4. WHY IS THE LAW PUSHING THE CARBON FOOTPRINT AND CIRCULAR ECONOMY IN BASQUE COMPANIES?

Direct emissions of greenhouse gases from the industrial sector, together with those associated with electricity, represent 30% of total emissions, and since 2005 the sector has managed to reduce its emissions by more than 35%.

Encouraging the circular economy in industrial processes will lead to a reduction in energy consumption, a reduction in the use of new raw materials and, in short, a reduction in the environmental footprint. **Circular economy measures** adopted by companies **have contributed to a reduction in raw material consumption of more than 7% and a reduction of 30-50% in GHG emissions**.

Article 32 of the Law **requires industrial installations to calculate their carbon footprint and draw up a plan** aimed at reducing it. Regulations will set out the installations affected by this obligation, the scope of the carbon footprint calculation, the minimum content of the plan, the deadline by which it must be drawn up and the frequency with which it will need to be updated.



Ihobe, the Basque Government's public environmental management company, will provide Basque companies with a [simplified tool that will make it easier to calculate this carbon footprint.](#)



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5. WHY IS IT IMPORTANT FOR COMPANIES TO CALCULATE THEIR CARBON FOOTPRINT?

The new Law stipulates that the Basque administration will promote measures aimed at decarbonising industrial processes, such as: promoting energy efficiency, electrification, green hydrogen and the use of alternative energy sources; incorporating the circular economy into its processes, aimed at reducing energy consumption and reducing the use of raw materials and their carbon footprint; promoting environmental certifications, specifically **the carbon footprint for organisations, and the environmental footprint for products and services.**

The carbon footprint calculates the total greenhouse gas emissions associated with an organisation and the life cycle of products and services. Calculating the carbon footprint makes it possible to draw up an emissions reduction plan, thereby contributing to mitigating climate change and reducing negative environmental impacts. It also provides a competitive advantage by improving efficiency, strengthening brand reputation and facilitating regulatory compliance and adaptation to a business environment that is moving towards sustainability.

6. WHAT IS THE BASQUE REGISTER OF ENERGY TRANSITION AND CLIMATE CHANGE INITIATIVES?

The law sets out the creation of this Register where public or private business owners will be registered free of charge, in order to **publicly record their commitments to adopting climate action measures.** It will be voluntary, except for those activities stipulated in the corresponding regulations.



Among others, the register will contain sections for registering carbon footprint offsetting actions through absorption by registered organisations or for actions taken in the field of adapting to climate change.

7. NEW OBLIGATION FOR COMPANIES THAT ENTER INTO CONTRACTS WITH THE ADMINISTRATION

The contracting bodies of **Basque public administrations** and other public sector entities **will include the obligation to provide the carbon footprint of products, services and supplies** in the administrative clauses and technical specifications of their contracts, provided that this obligation is linked to the purpose of the contract.

In addition, the **bidding company** for the public administration **may justify the provision of the carbon footprint of products, services and supplies** by accrediting its **registration in the Basque Register of Energy Transition and Climate Change Initiatives**.

This obligation shall enter into force on a date to be set by regulation.

8. THE LAW PROMOTES ENERGY-CLIMATE TAXATION - WHAT DOES THAT CONSIST OF?

Article 59 of the Law stipulates that Basque public administrations will look at taxation related to the field of energy transition and climate change. To this end, on the one hand, **there will be tax incentives for actions that mitigate, reduce and absorb emissions, and adapt to climate change**, e.g. by promoting and fostering **tax deductions for clean processes and technologies**. On the other, imposing taxes on certain actions that increase greenhouse gas emissions will be considered.

This energy-climate taxation system will be aimed at promoting renewable energies, decentralising networks and energy self-consumption, energy-efficient buildings and housing, sustainable mobility, methods for saving water, more efficient equipment, changing production processes, promoting circular economy models, preventing the creation of waste and valorising waste, and sustainable forestry and agricultural management.



9. A LAW WITH A POSITIVE IMPACT ON THE BASQUE ECONOMY AND COMPANIES

The Basque Country is leading this energy-climate transition and is becoming a **lever for transformation** towards a more competitive and climate-neutral economy. **International reports on a carbon neutral economy put the positive impact on GDP in 2050 at between 1.5 and 2.9%.**

It is true that the Law has set new obligations for companies, such as calculating their carbon footprint and drawing up a plan to minimise it, but in order to make progress in the process of decarbonising the economy, **Basque public administrations will support the generation of alternative fuels from renewable sources and promote measures to mitigate the impact of investment needs and high increases in the cost of energy.**

The transition to climate neutrality provides **opportunities** in terms of **developing strategic industrial sectors such as renewable energies, green hydrogen and energy storage** across the entire **value chain**.

In short, although the energy and climate transition entails risks, it will give way to significant opportunities to **increase the competitiveness of Basque companies** through transformation based on technological development and innovation in order to create new business and economic activities with **high added value**.

10. WHERE CAN I FIND OUT ABOUT EXISTING SUPPORT FOR DECARBONISATION?



<https://www.eve.eus/Programa-de-ayudas/2020.aspx>



<https://www.spri.eus/es/ayudas/>



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Find out more about the text of Law 1/2024 of February 8 on Energy Transition and Climate Change.

<https://www.euskadi.eus/web01-bopv/es/bopv2/datos/2024/02/2400901a.pdf>