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EU climate target for 2040: a necessary proposal, and the need to stay on course

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After months of waiting, the European Commission has presented its proposed amendment to the European climate law to set the 2040 target at a 90% reduction in net greenhouse gas emissions compared to 1990 levels. This proposal, whose proposed fast-track discussion schedule is the subject of heated debate, comes at a time when the political landscape has been transformed by the rise of issues such as EU industrial competitiveness, resilience, and security, as well as the consequences of the United States' renewed withdrawal from the Paris Climate Agreement. However, it reaffirms the EU's commitment to combating climate change at a pivotal moment in international negotiations on the issue. The groundwork has now been laid for the EU to agree on its 2035 contribution ahead of COP30 and sends a clear signal beyond its borders. The Commission's proposal also introduces the possible use of flexibilities, with certain limits: their implementation will need to be clarified to ensure the visibility of the decarbonization pathway for European economic actors, in particular for European industry, in the reform of the post-2030 legislative package, which will be debated following the amendment to the Climate Act.

A necessary proposal for the EU's international stance

The proposed amendment to the 2040 Climate Law, presented on Wednesday 2 July, six months behind schedule, completes a process provided for in the Climate Law ([IDDRI, 2024](#)) and a promise made by the second Von Der Leyen Commission to set a target for this deadline based on the scientific opinion of the European Scientific Advisory Board on Climate Change.¹ This signal is necessary to prepare the EU's contribution to the climate negotiations as time is running out, with the UNFCCC deadline for submitting updated nationally determined contributions (NDCs) already having been pushed back from February to September 2025.

In this context, the Commission's proposal sets the terms for the debate on the EU's climate change mitigation target for 2035 by demonstrating, as mentioned in the ESABCC opinion, the importance of going beyond a linear trajectory between the 2030 target enshrined in the overall -55% package and the 2050 climate neutrality target, which would result in a 66% reduction target for 2035. This is important in economic terms, as it recognizes that decarbonization efforts are not equivalent in terms of costs and timing and that they become more complex as the easiest or most immediate actions are undertaken. A lower target would risk delaying decarbonization in hard-to-abate sectors (industry, agriculture), even though they require long-term transformations; not transforming them now would therefore amount to giving up on the climate neutrality target or making these delayed transformations more expensive.

In order to be credible and successful, this transformation path must be accompanied by significant adjustments to the economic and regulatory framework, even though the scope for reform in this area has narrowed and internal EU debates are progressing slowly and being disrupted by geopolitical crises. Nevertheless, such deadlock is counterproductive, as a visible and clear signal of Europe's concrete commitment is crucial for multilateral momentum and in the interests of an EU whose decarbonization trajectory is key to its long-term security and competitiveness². In this respect, the Commission's proposal to introduce flexibilities, including international credits after 2035, both recognizes the context and ensures the conditions for rapid progress towards a European proposal for COP30.

Maintaining a clear direction for European economic actors in the post-2030 package

By proposing a target of -90% for 2040, the Commission is also launching a discussion on adapting the post-2030 regulatory framework, taking into account the arguments on the pace of decarbonization raised in the debate by certain economic actors, through the introduction of flexibilities. As the EU, and European industry in particular, is emerging from an energy crisis unprecedented in 40 years due to the invasion of Ukraine and is being buffeted by international competition and the reshaping of alliances, the pace of the transition for different sectors has become the focus of political debate. However, the amendment to the Climate Law can only provide building blocks as opposed to a comprehensive answer to this question, at the risk of sending a mixed signal to the European economy.

The main challenge lies in advancing measures to accelerate the transition under the Clean Industry Pact,³ the European transition financing framework and the various sectoral regulations that need to be revised. It is important to bear in mind that the success of decarbonization policies depends as much, if not more, on the emergence of new economic sectors, which are waiting for clear signals, as on support for industries of the past. In short, the EU must work towards a genuine industrial strategy, as called for in the Draghi report, but which is slow to take shape in concrete measures.

In this regard, the flexibilities proposed by the Commission must be assessed and fit into the broader European legislative framework that will be introduced at a later stage. The conditions set out by the Commission in the proposal will enable this debate to be held once the amendment to the Climate Law has been adopted. Specifically, these flexibilities are threefold: opening up the possibility of using international credits that could be counted towards the 2040 target up to a maximum of 3%, encouraging the elimination of atmospheric CO₂ in Europe, and introducing more flexibility in the contribution between economic sectors. The risk of opening these debates is that they could weaken the incentive for economic actors in Europe to reduce emissions. It is therefore necessary to quickly reconfirm the clear expectations for emissions reductions in Europe, which must remain the priority in order to secure investment in the low-carbon economy.

In the case of international credits, a political agreement on the distribution between domestic and international efforts will be necessary as part of the upcoming package of measures to confirm the Commission's cautious approach (starting in 2036 and 3% in 2040), but also the trajectory around this 3% that will influence the total amount of credits authorised by the EU. What share will be authorized between 2036 and 2039? As the 2050 climate neutrality target is very clearly established at domestic level, the contribution of credits can only be temporary. It is also important to remember that the contribution of international credits to the -90% target is contrary to the scientific opinion of the ESABCC, which, while recognizing the value of these credits, considers that they are a means for the EU to assume its historical responsibility for GHG emissions and that they should not be counted within the -90% target.

Another related issue is the quality of these credits, which is essential for the EU's environmental credibility, especially given the poor track record of credit use in Europe under the Kyoto Protocol. How can the additionality of these credits be guaranteed? The EU will need to open a debate on an institutional framework to ensure a commitment to accept only high-quality environmental credits and to define how they will be financed. A first step is to link this issue to climate diplomacy aimed at encouraging ambitious NDCs under the Paris Agreement, on the basis of which additionality would be assessed. In addition, ambitious environmental criteria could enable the use of credits to be a decisive building block in economic agreements on decarbonization between the EU and its partners, a vision developed in the proposal for Clean Trade and Investment Partnerships (CTIPs).⁴

As for the elimination of atmospheric CO₂, its inclusion in the Emissions Trading System (ETS) could facilitate the development of capture technologies, but here again, environmental quality will be central and implies a notion of permanence of capture and the consideration of sustainability thresholds (IDDRI, 2024): which CO₂ capture technologies will be authorized? Would there be flexibility between industrial emissions and the land use sector? The Commission's proposal opens a necessary debate on systemic impacts, for example through the availability of biomass and its use in a low-carbon Europe.

The principle of transferring contributions between economic sectors and of specific characteristics of Member States raises various questions about the evolution of the economic system: should the sectoral scope be changed or should ETSs be merged? Should national targets be retained, and if so, for which sectors? These are all issues that will need to be discussed once the conditions are in place to accelerate the decarbonization of the European economy starting today.

¹

https://commission.europa.eu/document/download/eab354d1-64d2-450f-8ed4-eb3d42661974_en?filename=mission-letter-hoekstra.pdf

²

https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en

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https://commission.europa.eu/topics/eu-competitiveness/clean-industrial-deal_en

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[https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2025\)769576](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2025)769576)

CLIMATE

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