

2025/0524 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**amending Regulation (EU) 2021/1119 establishing the framework for achieving climate
neutrality**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular
Article 192(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Acting in accordance with the ordinary legislative procedure,

Whereas:

¹ OJ C , , p. .

² OJ C , , p. .

- (1) The outcome of the first global stocktake³ under the Paris Agreement⁴, concluded at the United Nations Climate Change Conference at the end of 2023, found that parties are putting increasingly effective climate policies in place, but that urgent additional action is needed to put the world fully on track for achieving the goals of the Paris Agreement.
- (2) Through the adoption of Regulation (EU) 2021/1119 of the European Parliament and of the Council⁵, the Union has enshrined in legislation a binding objective of economy-wide climate neutrality by 2050, thus reducing **greenhouse gas** emissions to net zero by that date, and the aim of achieving negative emissions thereafter. ***That Regulation also*** established a binding Union 2030 intermediate climate target and ***requires*** the setting of a Union-wide intermediate climate target for 2040.
- (3) Taking into account the scientific advice by the European Scientific Advisory Board on Climate Change (***the Advisory Board***) and based on a detailed Impact Assessment, the Commission presented a recommended target of a 90% net greenhouse gas emission reduction compared to 1990 levels for 2040 in its Communication of 6 February 2024 on Securing our future: Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society⁶.

³ Decision 1/CMA.5.

⁴ OJ L 282, 19.10.2016, p. 4.

⁵ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/1119/oj>).

⁶ COM(2024) 63 final.

- (4) In order to propose the Union 2040 climate target, the Commission considered the best available and most recent scientific evidence, including the latest reports of the Intergovernmental Panel on Climate Change (IPCC) and the Advisory Board; the social, economic and environmental impacts, including the costs of inaction; the need to ensure a just and socially fair transition for all; cost-effectiveness and economic efficiency; competitiveness of the Union's economy, in particular small and medium-sized enterprises and sectors most exposed to carbon leakage; best available cost-effective, safe and scalable technologies; energy efficiency *including* the 'energy efficiency first' principle, energy affordability and security of supply *for all Member States*; fairness and solidarity between and within Member States; the need to ensure environmental effectiveness and progression over time; the need to maintain, manage and enhance natural sinks in the long term and protect and restore biodiversity, including in the marine environment; investment needs and opportunities; international developments and efforts undertaken to achieve the long-term objectives of the Paris Agreement and the ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC); existing information on the projected indicative Union greenhouse gas budget for the 2030-2050 period.

- (5) In order to achieve the 2040 climate target it is essential to, inter alia, fully implement the agreed 2030 *policy* framework, ensure and provide support to *enhance and bolster* the competitiveness and resilience of the European industry, *ensure sustainable food systems as well as the resilience of rural communities and food security through a sustainable and robust European agricultural sector*, ensure transition pathways based on best available cost-effective, safe and scalable technologies, *and* set a greater focus on a just transition *for affected regions, sectors and vulnerable households* that leaves no one behind, *for example through support from the Social Climate Fund in the transition to climate neutrality. Further, it is essential to* ensure fair competition with international partners, *and to make effective use of all EU economic instruments to deter and counter unfair trade practices*, decarbonise the energy system with *a technologically neutral approach that includes* all zero and low carbon energy solutions (including renewables, nuclear, energy efficiency, storage, CCS, CCU, carbon removals, geothermal and hydro-energy, *sustainable bioenergy* and all other current and future net-zero energy technologies), *reduce import dependencies and diversify the EU's sources of critical raw materials*, and organise a strategic dialogue on the post-2030 framework with all relevant sectors ■ , including ■ industry *and transport*.

(5a) *In its conclusions of 23 October 2025, the European Council stated that enhancing the Union's competitiveness, bolstering its resilience, and advancing the green transition are mutually reinforcing objectives that must be pursued together, and called for an urgent stepping up of efforts to secure the supply of affordable and clean energy and build a genuine Energy Union before 2030, including by leveraging the new Energy Union Task Force, as well as for accelerating work aimed at lowering energy prices and supporting sustainable energy production domestically in the Union. With a view to ensuring a cost-effective, fair and just, pragmatic and socially balanced transition towards climate neutrality, taking into account different national circumstances, both private and public sector investment, including through Union funding, will be a key enabler for the clean transition, for example by supporting and accelerating the deployment and commercialisation of innovative technologies across Member States, supporting access to industrial renewal and decarbonisation, clean tech manufacturing and the modernisation of energy systems as well as providing affordable solutions across the economy and for citizens throughout the Union. The Clean Industrial Deal is putting in place the conditions for a successful transition, focussing on both decarbonisation and industrial renewal, which will contribute to boosting demand for 'made in Europe', and support mechanisms for European industry, including the Industrial Decarbonisation Bank and the new simplified state aid framework.*

- (5aa) *Furthermore, the European Council also recalled in its conclusions of 23 October 2025 the urgent need to intensify collective efforts to ensure Europe's industrial renewal, modernisation and decarbonisation in a technologically neutral manner. It underlined in this context that particular attention should be paid to traditional industries, notably the automotive, shipping, and aviation industries as well as energy-intensive industries, such as steel and metals, chemicals, cement, glass and ceramics, and pulp and paper, so that they remain resilient and competitive in a global market and a challenging geopolitical environment. In this regard, it welcomed the recent Commission proposal to protect the European steel sector from unfair impacts of global overcapacity. It also welcomed the Commission's intention to take forward the review foreseen under the Regulation on CO2 emissions performance standards for cars and vans, and it called for the swift presentation of this proposal, taking into account technological neutrality and European content. In this context, the European Council also welcomed the recent letter from the President of the Commission on climate and competitiveness.*
- (5b) *The Clean Industrial Deal also focuses on better access to public and private finance, an integrated and interconnected Union energy market ensuring energy security, promotion of circular economy, a global level playing field including through the effective implementation and extension of CBAM to downstream goods, introducing anti-circumvention measures and action to address export carbon leakage, and clear enabling conditions such as streamlined permitting and the uptake and scaling of clean technologies, in order to strengthen the Union's competitive edge and industrial competitiveness as well as innovation in the EU taking into account the challenging geopolitical environment.*

- (6) In light of the 2050 climate-neutrality objective, by 2040 greenhouse gas emissions should be reduced and removals enhanced, to ensure that the net greenhouse gas emissions, that is emissions after deduction of removals, are reduced economy-wide by 90 % by 2040 compared to 1990 levels.
- (7) Priority should be given to domestic reductions in greenhouse gas emissions, complementing it by increased removals, including through both natural and technological solutions. In the development of the post-2030 policy package, due attention should be paid to the contribution of gross emission reductions versus natural and technological removals. ***Natural removals have characteristics that should be taken into account, such as forest age structure, proportion of organic soils, natural variability, and uncertainties related to the impacts of climate change, to natural disturbances and to changes in methodologies. Natural and industrial removals play an increasing role in the Union’s economy in the next decades, in view of the need to balance greenhouse gas emissions and removals at the latest by 2050 and negative emissions thereafter. Incentives will be developed in the context of the review of Directive 2003/87/EC of the European Parliament and of the Council⁷ in 2026, where the Commission envisages to provide for the inclusion of domestic permanent carbon removals in the EU emissions trading system (‘EU ETS’) to compensate for residual hard to abate emissions. The land use, land use change and forestry sector has a central role in a sustainable and circular bioeconomy and has the potential to provide long-term climate and environmental benefits contributing to the clean transition of the EU economy and reducing dependencies by substituting fossil-based materials.***
- (7a) ***While some enabling policies have already been implemented and their impact is already visible, this is not yet the case for all. The Commission should continue to strengthen the initiatives concerning the enabling framework and aim to accelerate their adoption to ensure that conditions are in place to support European industry and citizens throughout the transition, in full respect of Union law.***

⁷ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32, ELI: <http://data.europa.eu/eli/dir/2003/87/oj>).

- (8) The Union has in place a regulatory framework to achieve the 2030 climate target. The legislation implementing that target consists, inter alia, of Directive 2003/87/EC, which establishes the EU ETS, Regulation (EU) 2018/842 of the European Parliament and of the Council⁸, which introduced national targets for reduction of greenhouse gas emissions by 2030, and Regulation (EU) 2018/841 of the European Parliament and of the Council⁹, which sets net carbon removal targets for the land use sector. ***In order to ensure a smooth transition to the ETS2, the operation of emissions trading for buildings, road transport and additional sectors set out in Chapter IVa of Directive 2003/87 should be postponed by one year and the rules set out in Article 30k(2) letters (a) to (e) of Directive 2003/87/EC should apply.*** The Commission should assess how the relevant Union legislation would need to be amended in order to achieve the 2040 climate target, ***also taking into account declining natural sink capacity.*** When designing the ***post-2030 framework***, the Commission should prepare detailed impact assessments, ***taking into account its analysis of the integrated national energy and climate plans, the geopolitical environment, including the need to ensure the Union's and its Member States' capacity to rapidly increase and strengthen their defensive capacity by addressing possible burdens while maintaining incentives for industrial decarbonisation, the impacts on competitiveness, on small and medium-sized enterprises and energy intensive industries, and impacts on energy costs and investment needs across Member States***, and consider taking necessary measures, including legislative proposals as appropriate. ■

⁸ Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26, ELI: <http://data.europa.eu/eli/reg/2018/842/oj>).

⁹ Regulation (EU) 2018/841 of the European Parliament and of the Council of 30 May 2018 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework, and amending Regulation (EU) No 525/2013 and Decision No 529/2013/EU (OJ L 156, 19.6.2018, p. 1, ELI: <http://data.europa.eu/eli/reg/2018/841/oj>).

(8a) *A number of elements to facilitate the achievement of the 2040 climate target should be appropriately reflected, including an adequate contribution towards the 2040 climate target of high-quality international credits under Article 6 of the Paris Agreement in the second part of the 2031-2040 decade, in a way that is both ambitious and cost-efficient and in line with accounting rules of the Paris Agreement, including a pilot period to initiate a high-quality and high-integrity international credit market for the period 2031-2035; the role of domestic permanent removals (such as Biogenic emissions Capture with Carbon Storage (BioCCS) and Direct Air Capture with Carbon Storage (DACCS)) in the EU ETS while ensuring the environmental integrity of the EU ETS, including the possibility to store CO₂ outside the Union, as appropriate, subject to the existence of international agreements and providing for conditions equivalent to those laid out in Union law; and enhanced and accessible flexibility across and within sectors and instruments to support a cost-effective approach whereby for example Member States' achievements in one sector can balance gaps in others in a cost-efficient way while ensuring that each sector contributes to the efforts and ensuring that possible shortfalls in one sector would not be at the expense of other economic sectors, without prejudice to each Member State's possibility to make use of the flexibilities. In operationalising the use of international credits, the Commission should take into account the need to ensure a level playing field across Member States and the opportunity to support strategic EU partnerships in line with the interests of the Union. The current EU ETS trajectory should be revised in the upcoming review of the ETS Directive to take into account the agreed 2040 target in a manner that would allow for a limited amount of emissions after 2039. The Commission should timely consider a slower phase-out pathway for free allocation of allowances from 2028 onwards to support decarbonisation, investment and employment in Europe, including through the Industrial Decarbonisation Bank and a review of the Market Stability Reserve, while minimising the risk of carbon leakage. In order to assess the social, economic and environmental impacts, the post-2030 framework should be based on robust impact assessments. The post-2030 framework should also foster convergence while taking into account fairness and Member States' national circumstances and specificities, including those of islands, island Member States and outermost regions.*

- (9) Since the objective of this Regulation, namely to set a Union-wide climate target for 2040, cannot be sufficiently achieved by the Member States but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.
- (10) Regulation (EU) 2021/1119 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

Article 1

Amendments to Regulation (EU) 2021/1119

Regulation (EU) 2021/1119 is amended as follows:

- (1) in Article 1, second paragraph, the following sentence is added:
‘This Regulation also sets out a binding Union target for 2040.’
- (2) in Article 4, paragraphs 3, 4 and 5 are replaced by the following:
‘3. In order to reach the climate-neutrality objective set out in Article 2(1), the binding Union 2040 climate target shall be a reduction of net greenhouse gas emissions (emissions after deduction of removals) by 90 % compared to 1990 levels by 2040.

4. With a view to the period after 2030, the Commission shall review relevant Union legislation in order to enable the achievement of the target set out in paragraph 3 of this Article and the climate-neutrality objective set out in Article 2(1) and consider taking the necessary measures as appropriate and based on detailed impact assessment, in accordance with the Treaties.

■ The Commission shall *continue to* strengthen *the initiatives concerning* the enabling framework *and aim to accelerate their adoption and implementation* to ensure that conditions are in place to support *affected legal and natural persons, such as* European industry and citizens throughout the transition, *towards the targets set out in paragraphs 1 and 3 of this Article, the objective set out in Article 2(1) and a climate-neutral economy.*

5. Within the framework of the review referred to in the first subparagraph of *paragraph 4*, in order to facilitate the achievement of the target set out in paragraph 3 of this Article, the Commission shall ensure that the following elements are appropriately reflected in the legislative proposals:

- (a) starting from 2036, *an adequate* contribution towards the 2040 *climate* target of high-quality international credits under Article 6 of the Paris Agreement of *up to 5%* of 1990 EU net emissions, *corresponding to a domestic reduction of net greenhouse gas emissions by 85% compared to 1990 levels by 2040, in a way that is both ambitious and cost-efficient*, supporting the EU and third countries in achieving net greenhouse gas reduction trajectories compatible with the Paris Agreement objective to hold the increase in the global average temperature to well below 2 °C and pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels *ensuring the environmental integrity of these credits, while promoting the EU's technological leadership; a pilot period to initiate a high-quality and high-integrity international credit market may be considered for the period 2031-2035*; the origin, quality criteria and other conditions concerning the acquisition and use of any such credits shall be regulated in Union law *to ensure that they are based on credible and transformative activities in partner countries with the aim of achieving climate targets and policies compatible with the long-term temperature goal in the Paris Agreement and are subject to robust safeguards, including ensuring integrity, avoidance of double counting, additionality, permanence, transparent governance, strong monitoring, reporting and verification methodologies, as well as economic, social and environmental co-benefits and human rights safeguards, and high ambition for the share of proceeds for adaptation and sharing of mitigation benefits with concerned countries; when establishing the quality criteria, the Commission shall consider where appropriate complementing the criteria laid down under Article 6.4 of the Paris Agreement to ensure the respect of these safeguards and the highest quality of international credits, in particular with regard to permanence and human rights*;

- (b) the role of domestic permanent removals under the greenhouse gas emission allowance trading system within the Union ('EU ETS') to compensate for residual *hard-to-abate* emissions ■ ;
- (c) enhanced flexibility *within and* across sectors *and instruments*, to support the achievement of targets in a *simple and* cost-effective way;
- (ca) *the realistic contribution of carbon removals to the overall emission reduction effort, while taking into account the uncertainties of natural removals and ensuring that possible shortfalls would not be at the expense of other economic sectors, without prejudice to the possibility for Member States to use surplus natural removals to compensate their emissions in other sectors;*
- (cb) *the need to maintain, manage and enhance, as appropriate, natural sinks in the long term and protect and restore biodiversity, to promote sustainable and circular bioeconomy, as well as take into account the effects of differences in forest age structure, natural variability and uncertainties notably those linked to the impacts of climate change and natural disturbances in the land use, land use change and forestry sector;*
- (d) Member States post-2030 targets and efforts should reflect cost-efficiency and solidarity, *taking into account different* national circumstances *and specificities, including those of islands and outermost regions*;
- (e) the best available and most recent scientific evidence, including the latest reports of the IPCC and the Advisory Board;
- (f) the social, economic and environmental impacts *across Member States including in relation to the objectives of decarbonisation and competitiveness for European industry*;
- (g) the costs of inaction and the benefits of action over mid-term to long-term;

- (h) the need to ensure *and support a fair and just, pragmatic, cost-effective* and socially *balanced* transition for all, *taking into account different national circumstances and paying particular attention to impacts on consumer prices, energy and transport poverty and to regions and sectors, including their investment capacity, small and medium-sized enterprises, farmers and vulnerable households affected by the transition to climate neutrality;*
- (i) simplification *and reduction of administrative burden*, technology neutrality, cost-effectiveness, economic efficiency, and economic security;
- (j) climate action as a driver for investment, innovation *and increased competitiveness;*
- (k) the need to strengthen the *resilience and* global competitiveness of the Union's economy *and reduce risk of carbon leakage*, in particular *for* small and medium-sized enterprises and industrial sectors *that are* most exposed to carbon leakage, *including in relation to exports*, so as to ensure fair competition;
- (l) best available cost-effective, safe and scalable technologies;
- (m) energy *availability and* affordability, security of supply, energy *security, energy* efficiency *including* the 'energy efficiency first' principle, *as well as strengthening of electricity grids and interconnections with a view to building a genuine Energy Union and promoting domestically produced energy;*
- (ma) *the role of zero-, low carbon and renewable fuels in the decarbonisation of transport, including road transport beyond 2030 and concrete measures to assist heavy duty vehicles manufacturers to reach their targets, taking into account European content;*
- (n) fairness and solidarity between and within Member States;

(o) the need to ensure environmental effectiveness and progression over time, *while also safeguarding social cohesion as well as ensuring food security and a just transition*;

■

(q) investment needs and opportunities, including access to public and private finance *as well as support for innovation and access to innovative technologies across all Member States, taking into account geographical balance*;

(r) international developments and efforts undertaken to achieve the long-term objectives of the Paris Agreement and the ultimate objective of the *United Nations Framework Convention on Climate Change* (UNFCCC), as well as the support of the Union to its partners in addressing climate change and its impacts.'

(2a) *in Article 4, the following paragraph is added:*

'8. Starting from [one year after the adoption of the amending Regulation], the Commission shall biennially assess and report on the implementation of the intermediate targets and decarbonisation trajectories set out in this Regulation, taking into account the latest scientific evidence, technological advances and evolving challenges to and opportunities for the EU's global competitiveness. The assessment may be accompanied, where appropriate, by legislative proposals.';

(3) *in Article 11, first paragraph, the following points are added:*

'(c) the evolving challenges to and opportunities for global competitiveness of European industries across Member States, in particular of energy-intensive industries and of small and medium-sized enterprises;

(ca) the evolution of energy prices and its impact on European industries and households;

- (cb) the socioeconomic impacts including the effects on employment;*
 - (d) technological advances and deployment across Member States and sectors of innovative technologies;*
 - (e) the estimated level of net removals at Union level in relation to the targets of this Regulation. If the Commission finds that the estimated level of net natural removals for 2040 is significantly diverging from what would be required to achieve the 2040 intermediate target, including where due to natural disturbances, the Commission shall propose, where appropriate, measures at Union level, including if necessary an adjustment of the 2040 intermediate target corresponding to and within the limits of the possible shortfalls, and ensure that possible shortfalls will not be at the expense of other economic sectors;*
 - (f) the progress towards the intermediate targets set out in this Regulation;*
 - (g) the flexibility for Member States to use high-quality international credits to fulfil up to 5% of their post-2030 targets and efforts.'*
- (4) In Article 11, the second paragraph is replaced by the following:*
- 'The Commission's report shall be accompanied, where appropriate, by legislative proposals to revise this Regulation, including the intermediate 2040 target, and by additional measures to strengthen the initiatives concerning the enabling framework supporting the continued effective implementation of this Regulation, in line with Article 4(5), and securing EU competitiveness, prosperity and social cohesion.'*

Article 1a

Postponement of the operation of emissions trading for buildings, road transport and additional sectors

The operation of emissions trading for buildings, road transport and additional sectors set out in Chapter IVa of Directive 2003/87 is postponed until 2028. The rules set out in Article 30(k)(2) letters (a) to (e) of Directive 2003/87 shall apply. The provisions of Article 10a(8b) of Directive 2003/87 shall apply also in 2026.

Article 2

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament

The President

For the Council

The President