



The Commission proposal on an EU 2040 climate target

Online webinar

Jakob Graichen, Lambert Schneider & Hannes Böttcher | 4 July 2025

Today's speakers



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Content

1. Scope and level of the proposed target
2. Use of international carbon credits under Article 6
3. Carbon Dioxide Removal (CDR)
4. National targets post-2030
5. Flexibilities between sectors



Scope and level of the proposed target

The 2040 target and the EU's remaining emissions

Targets for 2030, 2040 and 2050

2050: Art. 2(1) remains unchanged:

„Union-wide greenhouse gas emissions and removals regulated in Union law shall be balanced within the Union at the latest by 2050 [...].”

2030: Art. 4(1) remains unchanged:

“In order to reach the climate-neutrality objective set out in Article 2(1), the binding Union 2030 climate target shall be a domestic reduction of net greenhouse gas emissions (emissions after deduction of removals) by at least 55% [...].”

2040: New Art.4(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% [...].”

Key considerations

2050 target is without use of international offsets („*balanced within the Union*“)

- No international credits for achieving climate neutrality

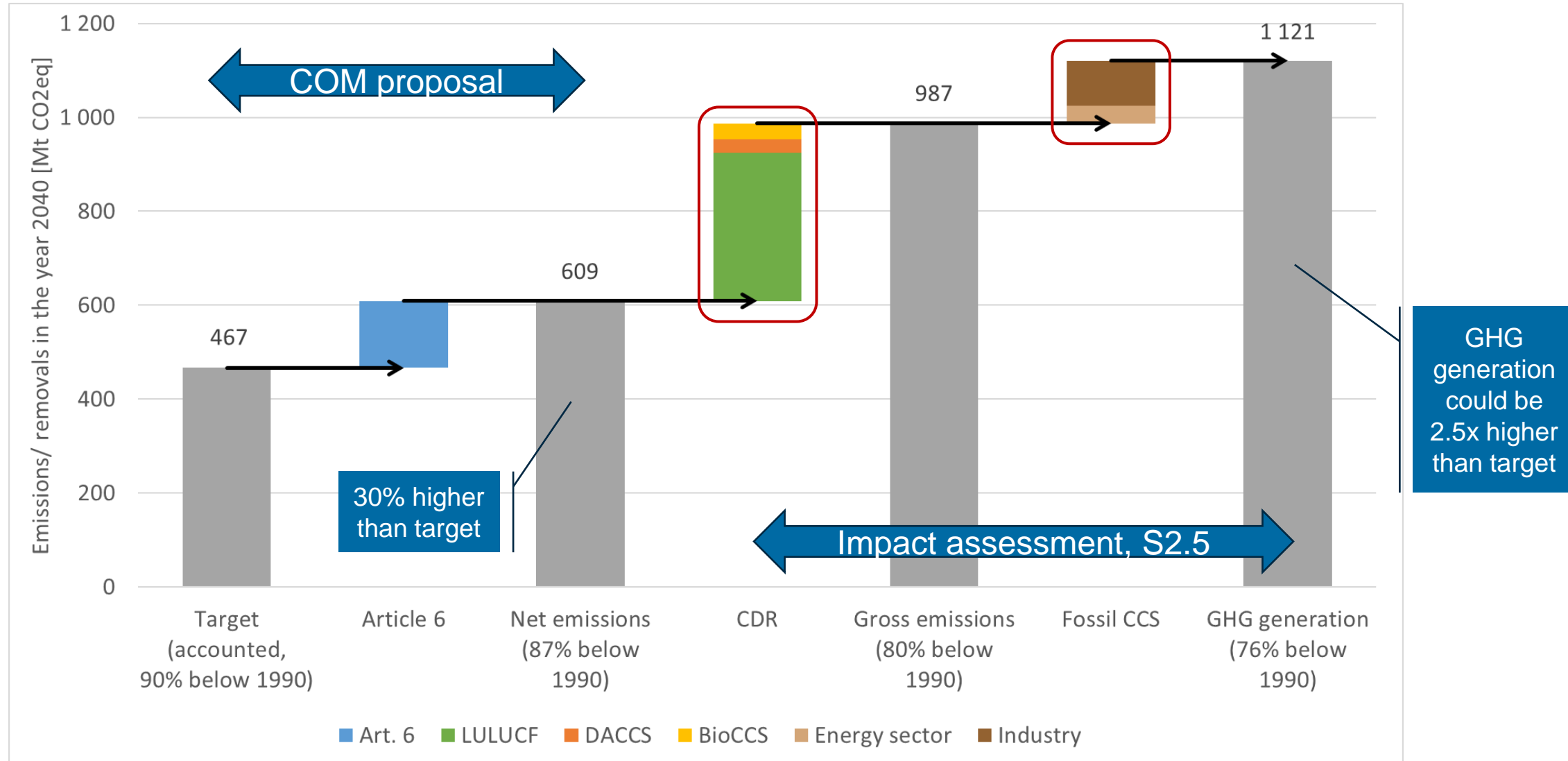
2040 target includes international aviation and shipping in the scope of the ETS

- Potential inclusion of (a share of) aviation emissions from/to third countries
- Potential inclusion of non-CO₂ effects from aviation

No separate targets for emissions and removals in 2040

- Only net target including all CDR
- Contribution of Article 6 is quantified but not its purpose

The 90% target and actual GHG emissions in 2040



2040 Policy package is incoming

The Commission

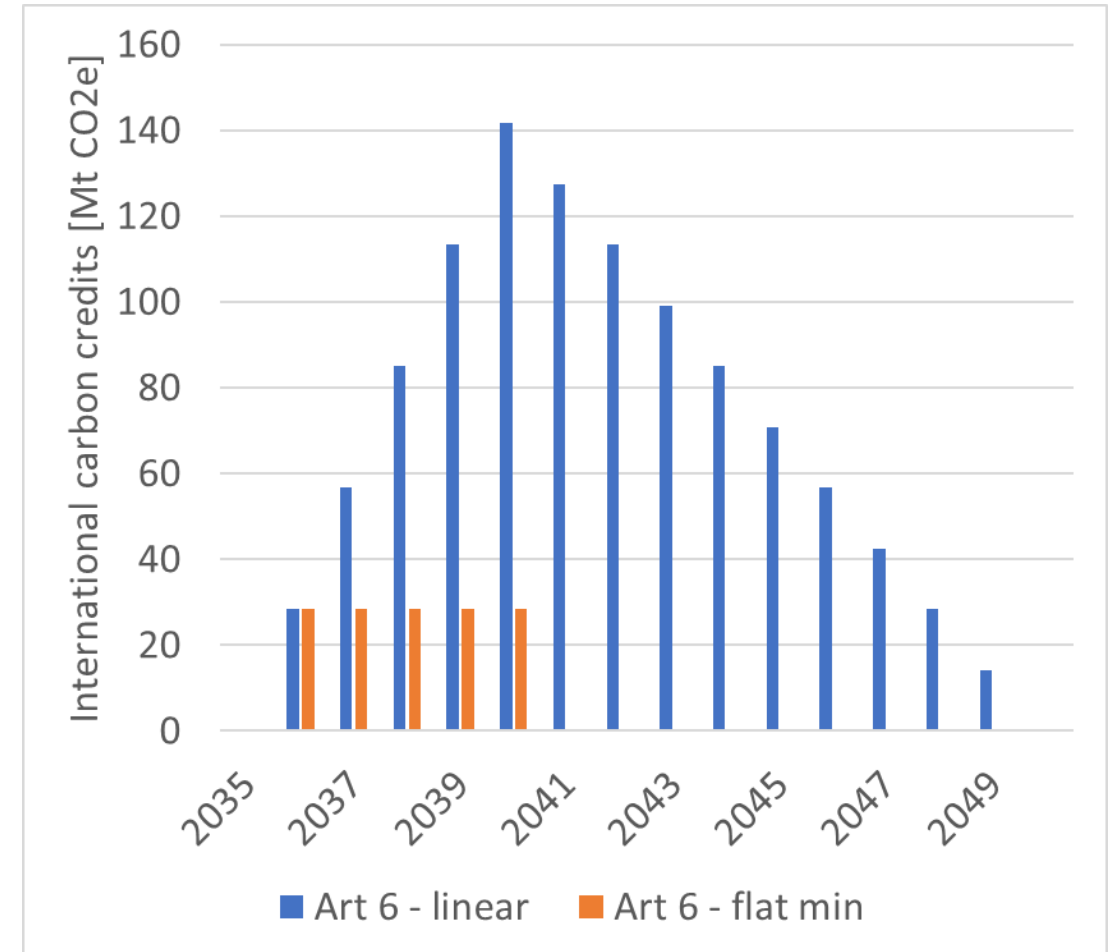
- „*Shall review relevant Union legislation in order to enable the achievement*” of the 2040 and 2050 targets
- “*Consider taking the necessary measures as appropriate and based on detailed impact assessment*”
- Shall “*reflect appropriately*” a list of eighteen issues in the “*legislative proposals*”



Use of international carbon credits under Article 6

Quantifying the impact on emissions

- Provisions in the proposal:
 - Starting from **2036**, 3% of 1990 net emissions **towards** the 2040 target
 - **2050** climate neutrality **within the Union**
- Impact on net emissions within the EU (assuming linear phase-in and phase-out)
 - +30% in 2040
 - +18% in period 2036 to 2049
 - +8% in period 2031 to 2050 (1 Gt CO₂e)
- ESABCC: Domestic reduction of 90-95% achievable
=> Use Article 6 to go beyond this



Minimising integrity risks

COM Proposal	Oeko-Institut Policy Brief on using credits
<ul style="list-style-type: none"> • “<i>High-quality</i>” credits (law) and “<i>credible and transformative</i>” activities (accompanying text) • “<i>Supporting third countries in achieving net greenhouse gas reduction trajectories compatible with the Paris Agreement</i>” (law) • “<i>Sharing of mitigation benefits</i>” (accompanying text) • “<i>Linear trajectories as basis for accounting</i>” (accompanying text) • Not in the ETS (accompanying text) 	<ul style="list-style-type: none"> • Using the Paris Agreement Crediting Mechanism or standards with same quality • Strategic partnerships with partner countries (detailed recommendations) • Substantial share for partner countries (30%) • Adaptation Fund (10%) • Overall mitigation (10%) • Same recommendation • Governmental purchase facility • “Like-for-like” approach • Not counted towards climate finance

Possible negative impacts of using credits

- Despite safeguards uncertain quality of credits
- Cheaper target achievement unclear
 - High quality comes at a price
 - Share for host country, Adaptation Fund and benefit to the atmosphere
 - Compensation is a continuous effort with annual costs
- Higher dependency on fossil fuel imports
- Possible negative impacts for competitiveness achieving climate neutrality target in 2050



Carbon dioxide removals from natural and industrial sources

DACCS, BioCCS and LULUCF

LULUCF

*„Maintain, manage and enhance natural sinks **in the long term** and protect and restore biodiversity, as well as take into account the **uncertainties** notably those linked to **impacts of climate change** in the land use sector”*

- In the long term:
 - Missed chance to focus on short-term options?
 - Adaptation first (conversion/transformation of forests)?
- Uncertainties linked to impacts of climate change
 - Reflects observed decline of natural sinks in EU Member States over the last decade
 - Current flexibility rules around climate impact in LULUCF sector complex, conditional and limited
- No separate target for LULUCF, no quantity mentioned





Usage of CDR in the ETS

*„**Domestic permanent** removals under the EU ETS to compensate for residual emissions from **hard to abate** sectors”*

- Domestic only
(but potentially more CDR through Article 6)
- Permanent only
(only geological storage)
- Compensation for hard to abate sectors only
(no mitigation deterrence)
- No separate targets for removals, no quantity mentioned

A photograph of several flags of European Union member states flying on tall poles against a clear blue sky. The flags are arranged in a diagonal line from the bottom left towards the top right. From left to right, the visible flags are: the flag of Denmark (white cross on a red field), the flag of Sweden (yellow cross on a blue field), the flag of Hungary (horizontal stripes of red, white, and blue), and the flag of the European Union (blue field with twelve yellow stars in a circle).

Member States targets

National responsibility beyond 2030

National targets are key element beyond 2030

- ESR has been important driver for national legislation
- Subsidiarity principle
- Emissions outside ETS 1 often best addressed at (sub-)national level
- National targets allow for solidarity between Member States
- ETS-only approach ignores huge wealth differences across the EU

National targets

*“Member States **post-2030 targets** and efforts should reflect **cost-efficiency** and **solidarity**, in light of national circumstances”*

- Post-2030 targets for Member States
- Elements identical to current ESR
 - Solidarity
 - Cost-efficiency
 - National circumstances
- Scope of national target open (from non-ETS only to economy-wide)



Flexibility across sectors



Flexibility

“Enhanced flexibility across sectors, to support the achievement of targets in a cost-effective way”

- Current flexibilities across sectors:
 - ETS → ESR
 - LULUCF ↔ ESR
- Enhanced: higher limits or new type?
- Safeguards for flexibilities needed
 - ‘like-for-like’
 - No negative impact on 2050 target

Next steps

- Trilogue process
 - Amendment of European Climate Law
 - NDC 2035 in September ?
- Series of impact assessments resulting in 2040 policy package
- Legislative proposals will determine level of ambition
 - Separate targets
 - Quantity of international credits 2036-2049
 - ETS reform
 - ...



Recent publications

Key publications

Policy Brief: The proposed 2040 climate target for the EU

Policy Brief | 02.07.2025

Öko-Institut



The EU's 2040 climate target

Assessment of the proposal by the EU Commission

/// Jakob Graichen, Lambert Schneider, Hannes Böttcher

On 2 July 2025 the Commission published its proposal for the EU's climate target for 2040. This target and its implementation will determine the EU's climate ambition for the next decades. This policy brief assesses the proposal and compares it with the recommendations of both the previous Commission under President Von der Leyen and the European Scientific Advisory Board on Climate Change. This includes the provisions on international credits, natural and industrial carbon dioxide removals, flexibility between sectors and national targets.

Key findings


- The proposed target includes the usage of international carbon credits. These credits will increase net emissions in 2040 by 30%. Gross emissions, i.e. emissions without the accounting of removals, might only be 80% below 1990 levels.
- While the proposal includes important safeguards for using international carbon credits under Article 6 of the Paris Agreement, we recommend that international credits are only used to raise ambition beyond 90%, rather than deterring domestic climate action.
- Carbon Dioxide Removal might play a role in the ETS after 2035. Restricting CDRs in the ETS to permanent domestic removals as proposed by the Commission ensures that mitigation will remain the first priority for operators.
- Enhanced flexibility between sectors might reduce costs but could endanger the 2050 target. In addition, flexibility should only be allowed on a 'like-for-like' basis, i.e. not mix uncertain reductions or removals from land-use sectors with permanent CO₂ emissions.
- The proposal foresees national targets for Member States after 2030 based on solidarity and cost efficiency. This is a key building block for achieving the 2040 target.
- The overall ambition of the EU will strongly depend on the legislative proposals. Adopting the proposed 2040 target will only be the first step.

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Policy brief: Conditions for Using International Carbon Credits towards the EU's 2040 Climate Target

Policy Brief | 30.06.2025

Öko-Institut



Conditions for Using International Carbon Credits towards the EU's 2040 Climate Target

/// Lambert Schneider, Felix Fallasch, Anne Siemons, Sophia Lauer, Isabel Haase

On 2 July 2025, the European Commission is expected to make a proposal for an EU climate target for 2040. The proposal could involve the use of international carbon credits under Article 6 of the Paris Agreement. Based on our extensive research, including the [ACHIEVE](#) project, the [Oxford Principles for Responsible Engagement with Article 6](#) and our [Carbon Credit Quality Indicators](#), this policy brief outlines the conditions that should be met if any international carbon credits were to be used towards the EU's 2040 climate target. These proposed conditions aim to ensure that any use of international carbon credits enhances, rather than undermines, EU climate action and that the EU continues to adhere to the principles of the Paris Agreement.

Key recommendations

- Using international carbon credits only to enhance ambition beyond what is achievable domestically, i.e. beyond reducing emissions by 90-95% by 2040 compared to 1990.
- Establishing strategic partnerships with partner countries to promote integrity and ambition, including with regard to the ambition of Nationally Determined Contributions (NDCs), Article 6 engagement strategies, sectors and types of mitigation activity, authorisation arrangements and reporting.
- Implementing a fair sharing of emission reductions or removals between the partner country, the Adaptation Fund, global mitigation and the EU.
- Generating carbon credits through the Paris Agreement Crediting Mechanism (PACM) or standards with at least equivalent integrity.
- Implementing multi-year accounting approaches in the EU and in its partner countries.
- Implementing a 'like-for-like' approach for carbon credits subject to reversal risks.
- Not counting payments for international carbon credits as climate finance.
- Conducting a thorough impact assessment before using any international carbon credits, taking into account climate integrity, lock-in risks, and competitiveness.

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The EU ETS and the 2040 Climate Target

Öko-Institut
Cornelia Gräbner

The EU ETS and the 2040 Climate Target

Berlin, 16.06.2025

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LIFE Effect

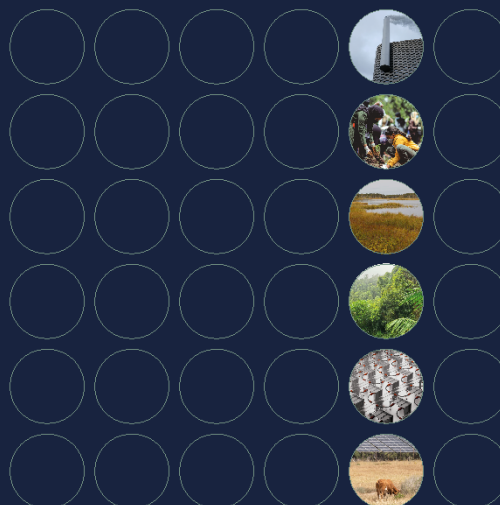
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Oxford Principles for Responsible Engagement with Article 6

Oxford Principles for Responsible Engagement with Article 6

June 2025

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And now: Questions and Discussion