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NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council
Subject: Commission Communication on Europe's 2040 climate target
- Policy debate

1. To guide the policy debate on the abovementioned topic at the meeting of the Council (Environment) on 17 June 2024, the Presidency has prepared the attached note and questions for Ministers.
2. The Permanent Representatives Committee is invited to take note of the Presidency note and questions and forward them to the Council for the policy debate.

Commission Communication on Europe's 2040 climate target

- Policy debate -

Introduction

On 6 February 2024, the Commission published its Communication entitled ‘*Securing our future - Europe’s 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society*’¹ (‘2040 Climate Target Communication’). The Communication presents a vision beyond 2030 in the context of intensifying climate change and its accelerating real-life costs. It sets out a vision for Europe as a continent with a strong industrial ecosystem, clean, low-carbon, affordable energy and sustainable food and materials, that will deliver for EU citizens and make the EU resilient against future crises.

¹ Doc. 6291/24 + ADD 1-6

Based on a thorough impact assessment, the Communication recommends a target of 90% reduction in net greenhouse gas (GHG) emissions by 2040, compared to 1990, to keep the EU firmly on a path to its target of achieving climate neutrality by 2050 which was set out in the European Climate Law. The recommended target is in line with scientific advice and with commitments under the Paris Agreement. The 2040 target, once agreed, will form the basis of the EU's new Nationally Determined Contribution (NDC) under the Paris Agreement, to be communicated to the UNFCCC well ahead of COP30. The Communication states that in order to achieve a reduction of net GHG emissions of 90%, the EU's level of remaining GHG emissions in 2040 should be less than 850 MtCO₂-eq and carbon removals should reach up to 400 MtCO₂. To complement land-based removals that sequester carbon in biomass and soils, industrial carbon removals from biogenic and atmospheric sources will be needed in order to achieve the 2040 target, as well as to reach net-zero by 2050 and absolute negative emissions thereafter. These will include the deployment of carbon capture, utilisation and storage solutions to abate and compensate hard-to-abate GHG emissions in some industry sectors, aviation or maritime. Therefore, alongside the Communication on a 2040 climate target, the Commission published a Communication entitled '*Towards an ambitious Industrial Carbon Management for the EU*'² which sets out a strategy for the development of a common and comprehensive policy and investment framework for industrial carbon management in the EU that provides regulatory certainty and incentives for investment in carbon capture, storage, use and carbon removals such as Bio-CCS and DACCS.

The Communication on the 2040 climate target also sets out a number of enabling conditions for achieving the recommended target, in particular the full implementation of the agreed 2030 climate and energy framework, ensuring the competitiveness of European industry, a greater focus on a just transition that leaves no one behind, a level playing field with international partners, and a strategic dialogue on the post-2030 framework, including with industry and the agricultural sector.

² Doc. 6306/24

In the Council, detailed examination of the Communication and the accompanying impact assessment which began in the Working Party on the Environment (WPE) on 12 February 2024. The Council (Environment) on 25 March 2024 initiated a first debate on the Commission's Communication. General support for setting a 2040 climate target emerged, and the enabling conditions referred to in the Communication were considered as relevant.

State of play

In view of the cross-sectoral nature of the Communication on the 2040 climate target, the Presidency has actively associated other relevant Council formations at technical level in the discussions of the 2040 Climate Target Communication and its impact assessment, including energy, industry, transport, agriculture, and financial affairs. In addition, dedicated sessions have been held to allow the Commission to provide answers and clarifications in response to the numerous questions posed by delegations. Different Council formations have recognised the need to take into account climate change in their respective sectors and to develop policies and measures in line with the EU's climate neutrality goal, thereby providing a way forward for the transition.³

³ See for example: Council conclusions on the Future of EU Digital Policy of 21 May 2024 (doc. 9957/24); Council conclusions on 'Strengthening Europe's competitiveness through space' of 23 May 2024 (doc. 10142/24); Council conclusions on 'Strengthening knowledge valorisation as a tool for a resilient and competitive industry and for strategic autonomy in an open economy in Europe' of 23 May 2024 (doc. 10182/24); Council conclusions on the European Court of Auditors' Special Report 28/2023: 'Public Procurement in the EU: Less Competition for Contracts Awarded for Works, Goods, and Services in the 10 Years up to 2021', approved on 23 May 2024 (doc. 10358/24); Council conclusions on 'A competitive European industry driving our green, digital and resilient future' of 24 May 2024 (doc. 10127/24); Council conclusions on 'A Single Market for the benefit of all' of 24 May 2024 (doc. 10298/24) and Council conclusions on 'Advancing Sustainable Electricity Grid Infrastructure' of 30 May 2024. It should also be noted that the La Hulpe Declaration on the Future of Social Europe made during the High-Level Conference on the European Pillar of Social Rights organised by the Belgian Presidency on 15-16 April 2024, highlighted the aim of fostering a just and fair transition to climate-neutrality.

Discussions at technical level on the 2040 climate target have addressed a wide variety of topics. In general, delegations share the view that all sectors should contribute to the transition, although taking into consideration their specificities and different circumstances in Member States, as well as the need to ensure a just transition and its concrete implementation. The specific points underlined during the discussions are summarised in the following sections.

Preserving the competitiveness of European industry and the role of the Single Market

Delegations are strongly of the view that it is vital to protect the competitiveness of European industry and ensure a level playing field, both globally and within the EU. Active climate diplomacy is essential to encourage enhanced global mitigation efforts. The EU should make use of the first-mover advantage in markets for new technologies and use the Single Market to its fullest extent. The Critical Raw Materials Act and Net-Zero Industry Act can help to increase opportunities for the development and scale-up of new technologies. At the same time, it is necessary to invest in training, skilling and reskilling of workers, to ensure that the Union's workforce is able to respond to the needs of the transition and to changes in the job market.

Need for further investments and enhanced coordination in the context of infrastructure developments

The need for more investments, including in clean tech and infrastructure for energy and transport, is generally recognised, as well as the need to remove barriers to accelerate the roll-out of cross-border infrastructure. A reliable and predictable framework for these investments is important but at the same time overregulation and red tape should be avoided. The Connecting Europe Facility and the Innovation Fund are key tools and should be implemented effectively. The main bottleneck is the permitting process which should be streamlined and shortened. It is important to build administrative capacity and to share guidelines, information, and common data, possibly with the help of thematic platforms. There is a general call for the efficient use of EU funds and recognition of the important role of the European Investment Bank. However, it is also acknowledged that more private capital is needed, including for research, development and innovation. Investment-related risks should be mitigated, for example through regulatory support or risk-sharing mechanisms. Other suggestions made by delegations include fostering of private/public partnerships and promotion of cross-border projects and cooperation, including on funding. Some delegations have also pointed to the need to target state aid to avoid distortion of competition.

Synergies and coherence between the circular economy and climate policies

The importance of the circular economy and resource efficiency are widely recognised as means to reduce greenhouse gas emissions and the costs to society, as well as import dependency. Several delegations suggested the inclusion of circular economy approaches in climate policy. Circular economy policies, aimed at reducing lifecycle emissions, such as ecodesign, should be pursued. Sustainable consumption patterns should be encouraged by providing sustainable and affordable alternatives for consumers as well as through information and awareness-raising.

2040 climate target and contribution of land-based and technological carbon removals

While most delegations have not yet adopted a position on the precise level of the future 2040 climate target, several delegations agree that the EU needs to set an ambitious target in time. Several other delegations have asked for greater clarity on the social and economic impacts of the recommended target. The need for increased carbon removals in the future is broadly acknowledged but some delegations have cautioned against relying too heavily on removals, whether technological or nature-based, when designing the target, because of various uncertainties. Some delegations have also highlighted the need to take into account the issue of public acceptance. Several delegations stress the role of renewables as the cornerstone of the energy transition while several others highlight the need to respect the principle of technological neutrality. Several delegations have also underlined the importance for the EU to decide on a domestic target so as to be able to communicate an updated NDC well in advance of COP30, in line with the Paris Agreement.

Need for a holistic approach for the agricultural sector

Considering the importance of ensuring food security as its primary function, the agricultural sector would need a holistic approach in order to stimulate sustainable food production, including a balance between food production and consumption, alongside new opportunities, including to supply the bioeconomy and generate carbon removals. An integrated approach of this kind should include both risk management and mitigation measures and take account of the need to ensure the competitiveness of the sector and a fair income for farmers. Policies should improve the resilience of the sector and provide incentives for reducing emissions while taking account of the socio-economic impact on farmers.

Questions for Ministers:

- *How should the EU 2040 climate target and the post-2030 framework be designed, taking into account the Union's commitment to a competitive transition towards climate neutrality, while offering opportunities for building industrial leadership and fostering a just and fair transition?*
 - *How can demand-side measures be best mobilised in the context of the post-2030 framework, including more circular use of materials and sharing economy and mobility, to complement technological reduction options, thereby reducing investment needs and costs to society?*
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