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**NOTE**

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| From: | General Secretariat of the Council |
| To: | Delegations |
| Subject: | Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) 2021/1119 establishing the framework for achieving climate neutrality<br>- Revised Presidency compromise text |

With a view to the meeting of the Working Party on the Environment on 2 September 2025, delegations will find attached a revised Presidency compromise text.

New changes to the Commission proposal are marked in **bold and underlined** (added text) and ~~double strikethrough~~ (deleted text). Previous changes to the Commission proposal are underlined and marked with single ~~strikethrough~~.

**ANNEX**

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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 Committee[1],

Having regard to the opinion of the Committee of the Regions[2],

Acting in accordance with the ordinary legislative procedure,

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1 OJ C , , p. .
2 OJ C , , p. .

Whereas:

(1) The outcome of the first global stocktake[3] under the Paris Agreement[4], 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 Council[5], 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 ~~provided for~~ **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 society[6].

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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 ~~and 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 strengthen and protect the competitiveness and resilience of the European industry, ensure transition pathways based on best available cost-effective, safe and scalable technologies, set a greater focus on a just transition for affected regions**,** ~~and~~ sectors **and vulnerable households** that leaves no one behind, **for example through support in the transition to climate neutrality,** ensure fair competition with international partners, 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, and all other current and future net-zero energy technologies), and organise a strategic dialogue on the post-2030 framework with all relevant sectors**, including industry and transport.**

(**5a**) **Both private and public sector investment, including through Union funding, will also be a key enabler for the clean transition, for example by accelerating the deployment and commercialisation of innovative technologies, supporting access to industrial decarbonisation, clean tech manufacturing and the modernisation of energy systems.** ~~With t~~The Clean Industrial Deal~~, the EU~~ is putting in place the conditions for a successful transition, focussing on both decarbonisation and industrial renewal~~, including~~ **and** support mechanisms for European industry, including **the Industrial Decarbonisation Bank and the new simplified state aid framework** ~~through circular economy~~**. It 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 the effective implementation of CBAM and action to address export carbon leakage**, and clear enabling conditions ~~for~~ **such as streamlined permitting and** the uptake and scaling of clean technologies, in order to strengthen industrial competitiveness and innovation in the EU taking into account the changing geopolitical situation.

(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. ~~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 benefits.~~ 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 ~~are~~ **have** characteris**tics that should be taken into account, such as forest age structure,** natural variability **and uncertainties related to the impacts of climate change and natural disturbances** ~~that should be taken into account.~~ Natural~~e-based~~ 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 ~~on the occasion~~ **in the context** of the review of Directive 2003/87/EC of the European Parliament and of the Council[7] in 2026, where the Commission envisages to provide for **the inclusion of** domestic permanent carbon removals in the **EU emissions trading** system ~~for greenhouse gas emission allowance trading within the Union~~ ('EU ETS') to compensate for residual **hard-to-abate** emissions ~~from hard to abate sectors~~. **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 benefits contributing to the clean transition of the EU economy and reducing dependencies by substituting fossil-based materials.**

[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).

**(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 aim to accelerate and strengthen the implementation of the enabling framework to ensure that conditions are in place to support European industry and citizens throughout the transition, in full respect of Union law.**

(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 Council[8], which introduced national targets for reduction of greenhouse gas emissions by 2030, and Regulation (EU) 2018/841 of the European Parliament and of the Council[9], which sets net carbon removal targets for the land use sector. The Commission should assess how the relevant Union legislation would need to be amended in order to achieve the 2040 climate target. When designing the ~~future architecture~~ **post-2030 framework**, the Commission should prepare detailed impact assessments, **taking into account its analysis of the integrated national energy and climate plans and** including the impacts on competitiveness**,** ~~and~~ small and medium enterprises, **impacts on energy costs and investment needs** and consider taking necessary measures, including legislative proposals as appropriate.

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**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 a ~~potential~~ possible limited contribution towards the 2040 **climate** target of high-quality international credits under Article 6 of the Paris Agreement, in the second part of the 2030-2040 decade, in line with accounting rules of the Paris Agreement; 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; **and** enhanced flexibility across **and within** sectors **to support a cost-effective approach for example by balancing efforts between sectors**. In operationalising the use of international credits, the Commission should take into account the need to ensure a level playing field across Member States. In order to assess the social, economic and environmental impacts, the ~~future architecture~~ **post-2030 framework** should be based on robust impact assessments. The ~~future architecture~~ **post-2030 framework** should also foster convergence while taking into account fairness and Member States' national circumstances and specificities, including those of islands 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,

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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.

~~While some enabling policies have already been implemented and their impact is already visible, this is not yet the case for all.~~ The Commission shall aim to accelerate and strengthen the **implementation of the** enabling framework 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** ~~in full respect of EU law~~.

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5. Within the framework of the review referred to in the first subparagraph of ~~Article~~ **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) **s**tarting from 2036, a possible limited contribution towards the 2040 **climate** target of high-quality international credits under Article 6 of the Paris Agreement of 3% of 1990 EU net emissions 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**;** the origin, quality criteria and other conditions concerning the acquisition and use of any such credits shall be regulated in Union law**, and such credits shall not play a role for compliance in the EU ETS**;

(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 ~~from hard-to-abate sectors~~;

(c) enhanced flexibility within and across sectors, to support the achievement of targets in a **simple and** cost-effective way;

(d) Member States post-2030 targets and efforts should reflect cost-efficiency and solidarity, in light of national circumstances and specificities;

(e) the best available and most recent scientific evidence, including the latest reports of the IPCC and the Advisory Board;

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(f) the social, economic and environmental impacts **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 just and socially fair transition for all **paying particular attention to regions, sectors and vulnerable households affected by the transition to climate neutrality**;

(i) simplification, technology neutrality, cost-effectiveness, economic efficiency, and economic security;

(j) climate action as a driver for investment, ~~and~~ innovation and increased competitiveness;

(k) the need to strengthen the global competitiveness of the Union's economy, in particular small and medium-sized enterprises and industrial sectors most exposed to carbon leakage so as to ensure fair competition;

(l) best available cost-effective, safe and scalable technologies;

(m) energy affordability, security of supply**, energy security and** energy efficiency ~~and the 'energy efficiency first' principle~~, as well as strengthening of electricity grids and interconnections;

(n) fairness and solidarity between and within Member States;

(o) the need to ensure environmental effectiveness and progression over time;

(p) the need to maintain, manage and enhance 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;

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(q) investment needs and opportunities, including access to public and private finance;

(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.'.

*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,

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| *For the European Parliament* | *For the Council* |
| *The President* | *The President* |

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