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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 - General approach

I. INTRODUCTION

1. The EU has set its climate targets for 2030 and 2050 in Regulation (EU) 2021/1119 establishing the framework for achieving climate neutrality (“the European Climate Law”).¹ Article 4(3) of the European Climate Law requires an intermediate 2040 climate target to be set with a view to achieving the climate-neutrality objective.

¹ 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).

2. On 6 February 2024, the Commission published a Communication titled “Securing our future - Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society”, in which it recommended a 90% net greenhouse gas emission reduction compared to 1990 levels as the target for 2040.²
3. On 2 July 2025, the Commission published a proposal³ to amend the European Climate Law (“the ECL amendment”) by including therein the 90% target referred to above. The amendments to the existing Regulation also include three proposed flexibilities to help in achieving the EU target as well as a provision whereby the Commission shall aim to accelerate and strengthen the enabling framework to ensure that conditions are in place to support European industry and citizens throughout the transition.
4. In the European Parliament, Mr Ondřej KNOTEK (PřE, CZ) has been appointed as rapporteur for the proposal on behalf of the Committee on the Environment, Climate and Food Safety (ENVI).
5. The Economic and Social Committee adopted its opinion on 18 September 2025.⁴ The Committee of the Regions decided not to issue an opinion.

II. STATE OF PLAY

6. The Commission presented its proposal to the Permanent Representatives Committee (Coreper) on 2 July 2025.

² 6291/24.

³ 11184/25 + ADD 1.

⁴ 13492/25.

7. Following examination by the Working Party on the Environment (WPE) at five meetings during July and September and guidance for further work by Coreper on 16 July, on 18 September 2025, the Council (Environment) took note of a progress report prepared by the Presidency and held a policy debate with a view to providing further guidance for the work ahead.⁵
8. At its meeting on 23 October, in the context of a competitive green transition, the European Council held a strategic discussion on how to support the achievement of the EU's intermediate climate target for 2040.⁶ Following the guidance provided by the European Council, the Presidency confirmed its aim to continue discussions in the Council with a view to reaching a general approach at its meeting on 4 November.
10. On 29 October, Coreper discussed a new compromise text prepared by the Presidency reflecting the guidance provided by the European Council in its conclusions of 23 October and taking into account the latest discussions in the Council on 18 September.⁷ Coreper continued its discussions on 31 October based on a revised version of the text.⁸
11. Following the discussion at Coreper on 31 October, the Presidency prepared a revised compromise text containing a limited number of further compromise suggestions as a basis for discussion between Ministers at the Environment Council on 4 November with a view to agreement on a general approach. The latest compromise text is set out in the Annex, with the latest Presidency suggestions marked as **bold and underlined**. Previous changes to the Commission proposal are underlined or marked with [...] (deletions).

⁵ 12790/25.

⁶ EUCO 18/25.

⁷ 14320/25 + COR 1.

⁸ 14320/1/25 REV 1.

III. MAIN ELEMENTS OF THE PRESIDENCY COMPROMISE

12. The Presidency compromise text seeks to maintain the main aims and elements of the Commission proposal while addressing the positions of delegations expressed on various issues. To that end, the text aims to strike a balance between an ambitious climate target for 2040 and providing sufficient flexibility for Member States in their efforts to achieve that target.
13. The main changes to the initial Commission proposal in successive Presidency compromise proposals are summarised below, with references to the relevant articles and recitals. In addition, the recitals incorporate several elements based on the guidance provided by the European Council in its conclusions of 23 October 2025. The latest Presidency suggestions are highlighted **in bold**.

a) Flexibilities

- Integrating guidance by the European Council on the contribution of international credits, namely that the contribution should be adequate as well as both ambitious and cost-efficient. Given that the European Council did not provide specific guidance on the percentage of the contribution nor its starting year, these aspects need to be discussed at the Council and remain in brackets in the present compromise text. It is specified in the compromise text that the international credits should not play a role for compliance in the EU ETS (Art. 4(5)(a), recital 8a).
- Clarifying that domestic permanent removals should compensate for residual hard-to-abate emissions rather than for emissions from hard-to-abate sectors (Art. 4(5)(b), recital 7).

- Specifying that there should be enhanced flexibility both across and within sectors and instruments, whereby for example Member States’ achievements in one sector can balance gaps in others, and that this should be put in place in a simple and cost-effective way (Art. 4(5)(c), recital 8a).
 - Integrating guidance by the European Council on the contribution of carbon removals to the overall emission reduction effort, namely referring to a realistic contribution and ensuring that possible shortfalls would not be at the expense of other economic sectors. **In the latest Presidency text, it is specified that Member States’ surplus natural removals can be used to compensate for emissions in other sectors (Art. 4(5)(ca)).**
- b) Other elements that should be reflected in the proposals for the post-2030 framework:
- Strengthening the text on the land use, land use change and forestry sector, including by adding references to sustainable and circular bioeconomy as well as to considerations on differences in forest age structure, on natural variability and uncertainties related to natural disturbances (Art. 4(5)(cb), recital 7).
 - Reinforcing the text referring to the need to take into account different national circumstances and specificities (Art. 4(5)(d)) and the social, economic and environmental impacts across Member States, including on aspects of competitiveness (Art. 4(5)(f), recital 8a).
 - Strengthening the text on the need to ensure a fair and just transition, including by reflecting more closely the conclusions of the European Council of October 2025 and by inserting new elements relating to the need to pay particular attention to SME’s, farmers and vulnerable households, ensuring social cohesion, food security and a just transition. **The latest Presidency text suggests that particular attention also needs to be paid the impacts on consumer prices and energy and transport poverty (Art. 4(5)(h) and (o), recital 5, 5a).**

- Including a reference to the reduction of administrative burden (Art. 4(5)(i)), as well as highlighting the need to consider climate action from the aspect of increased competitiveness (Art. 4(5)(j)) and to **strengthen the resilience of the Union’s economy** and reduce the risk of carbon leakage, including in relations to exports (Art. 4(5)(k), recitals 5, 5b).
 - Strengthening the elements concerning energy, including on **availability and** energy security, electricity grids and interconnections **with a view to building a genuine Energy Union** (Art. 4(5)(m), recitals 4, 5a, 5b).
 - Specifying in relation to investment needs and opportunities that support for innovation and access to innovative technologies should apply across Member States (Art. 4(5)(q), recital 5a).
- c) Biennial assessment on the implementation of the intermediate targets
- The compromise proposal adds to the Commission proposal a requirement for the Commission to assess and report biennially on the implementation of the intermediate targets laid down in the ECL taking into account the latest scientific evidence, technological advances and evolving challenges to and opportunities for the EU’s global competitiveness (Art. 4(8)).
- d) Review and revision of the Regulation
- The text has been strengthened overall taking account of the guidance by the European Council, which underlined the need for a revision clause. The text also incorporates several requests made by delegations for additional elements to be included in the review, such as energy prices, global competitiveness, progress towards the intermediate targets and technological advances (Art. 11, first paragraph, points (ca) and (d)).

- **In the latest compromise text, it is specified that the global competitiveness challenges and opportunities of European industries need to be considered across Member States (point (c)).**
- The text has also been strengthened to ensure that in light of the uncertainties concerning the contribution of removals, in case the Commission finds significant divergences between their estimated level and the 2040 target, it shall propose, where appropriate, EU-level measures. **In the latest Presidency text, it is specified that this concerns only natural removals and that the shortfalls might be caused by natural disturbances. A provision has also been added clarifying that the measures could include an adjustment of the 2040 target corresponding to and within the limits of potential shortfalls (point (e)).**
- The text on the revision of the Regulation has been strengthened by introducing a requirement for the Commission to accompany, where appropriate, the review report by legislative proposals, including to revise the intermediate 2040 target and by additional measures to strengthen the enabling framework (Art. 11, second paragraph).

IV. **CONCLUSION**

14. The Council is invited to agree on a general approach based on the text set out in the Annex to this note. The General approach will constitute the Council's mandate for future negotiations with the European Parliament in the context of the ordinary legislative procedure.

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,

¹ OJ C , , p. .

² OJ C , , p. .

Whereas:

- (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**. 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.
- (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.

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 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.
- (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. 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 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 a possible 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; 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. International credits should not play a role for compliance in the EU ETS. 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. 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], a possible adequate [...] 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 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 [subject to ensuring the environmental integrity of these credits, while promoting the EU's technological leadership]; 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;
- (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, 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**;
- (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;
- (p) *[moved to new point (cb)]*
- (q) investment needs and opportunities, including access to public and private finance as well as support for innovation and access to innovative technologies across Member States;
- (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 this 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, including effects on employment;
- (ca) the evolution of energy prices and its impact on European industries and households;
- (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.

(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.

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

For the Council

The President

The President
