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**NOTE**

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To: Permanent Representatives Committee/Council

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Subject: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Securing our future Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society  
- Exchange of views

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1. To guide the exchange of views on the abovementioned topic at the meeting of the Council (Environment) on 17 December 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 exchange of views.

**Communication from the Commission to the European Parliament, the Council,  
the European Economic and Social Committee and the Committee of the Regions  
Securing our future Europe's 2040 climate target and path to climate neutrality by 2050  
building a sustainable, just and prosperous society**

**- Exchange of views -**

**Introduction**

On 6 February 2024, the Commission published its Communication ‘Securing our future - Europe’s 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society’<sup>1</sup>, which recommends a target of 90% reduction in net greenhouse gas (GHG) emissions by 2040 compared to 1990. 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 Commission is expected to submit a legislative proposal in early 2025 to include a climate target for 2040 in the European Climate Law and to propose relevant sectoral measures in due course. The latest evidence shows that the costs of climate change and of inaction are all the more evident as are the benefits of action, including energy security benefits, with broad and significant benefits of reduction in our dependence on fossil fuels.

The examination of the Commission’s Communication and the accompanying impact assessment began in the Working Party on the Environment (WPE) on 12 February 2024. On 25 March 2024, the Council (Environment) held a first debate on the Communication. The discussion indicated that there was general support for setting a 2040 climate target and that delegations broadly agreed with the enabling conditions identified in the Communication as necessary for achieving such a target.

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<sup>1</sup> Doc. 6291/24 + ADD 1-6

During the debate at the Council (Environment) on 17 June, ministers highlighted the implementation of the agreed 2030 climate and energy framework, safeguarding the EU's competitiveness and ensuring a just transition as key enabling conditions. They also underlined the need to ensure predictability and a stable implementation trajectory towards climate neutrality together with a favourable regulatory and investment framework. The debate indicated that setting a 2040 climate target for the EU requires a comprehensive, cross-sectoral and balanced approach, with enhanced consistency between climate, energy, industrial and other relevant policies to take account of their interactions and interdependencies. Ministers stressed that to ensure the EU's industrial competitiveness, it needs inter alia a level playing field both globally and within the EU and decarbonisation of the power sector with strengthened investment in innovative clean technologies.

Similar considerations are identified in the joint decarbonisation and competitiveness plan proposed by Mario Draghi in his report 'The future of European competitiveness' (September 2024) to help face the challenges, and capture the opportunities, of decarbonisation. An integrated approach to decarbonisation and competitiveness is also reflected in the Commission President's mission letters to Commissioners-designate. Both the Draghi report and the report by Enrico Letta 'Much more than a market' (April 2024) underline the urgent need for the EU to accelerate innovation and the green transformation to meet its 2030 targets and the overarching goal of climate neutrality, the energy transformation and integration of the Single Market.

Following on from the previous Council debates on the Commission's Communication, during the Hungarian Presidency the discussion at technical level has focused on the three enabling conditions highlighted by ministers at the June Environment Council. The main points raised during the discussions are summarised below.

## **Implementation of the agreed 2030 climate and energy framework**

Delegations agree that the implementation of the “Fit for 55” package is a precondition for achieving an ambitious 2040 climate target. Transport, agriculture, buildings, and land use, land-use change and forestry (LULUCF) seem to be the sectors where most Member States are currently facing the biggest implementation challenges, including when it comes to addressing the needs of the most vulnerable and securing the necessary financial resources. The decarbonisation of the electricity and industry sectors will also require significant investment, including from the private sector. Some delegations considered that a regulatory framework is needed for mobilising private investment.

A number of delegations considered the deadlines for transposition and implementation of the legislation under the “Fit for 55” package to be very tight and highlighted the administrative burden resulting from the new requirements. Several delegations also mentioned the challenges of deploying carbon removal and storage technologies, including when it comes to securing the necessary funding. Regarding lessons learnt, while delegations generally advocated for continuing with a “package” approach in the design of the post-2030 framework and agreed that all sectors need to contribute to the decarbonisation efforts, several called for more flexibility in the design of the sectoral targets taking into account Member States’ specificities.

## **Ensuring the competitiveness of European industry**

Delegations considered predictability, regulatory stability and a coherent policy framework as key factors promoting European competitiveness. Some delegations underlined that decarbonisation is a driver of competitiveness with the potential to promote growth, resilience and future-proof jobs. Several delegations highlighted the great potential for enhancing competitiveness that lies in the energy sector: some stressed the central role of renewable energy combined with storage, while others emphasised the principle of technology neutrality, recognising the role of nuclear energy in the transition. Delegations underlined the need to ensure access to clean and affordable energy, including by improvement of infrastructure, grid modernisation and development of interconnections, as well as the need to remove obstacles to innovation, to cut red tape and simplify procedures such as for permitting. In addition, several delegations pointed to the potential of carbon removal technologies and to the need to speed up their deployment while giving careful consideration to the manner in which removals are included in the climate policy framework. Several delegations highlighted that there is great untapped potential in the circular economy.

Delegations stressed the crucial role of investment in research and innovation and of funding for clean tech from both public and private sources. Several delegations highlighted the role of EU funding instruments, in particular the Innovation Fund, in supporting innovation. In addition, some delegations drew attention to the importance of effective rules on state aid or public procurement. In the context of ensuring fair competition and a level playing field internationally, several delegations stressed the importance of the Carbon Border Adjustment Mechanism (CBAM) and suggested that consideration should be given to improving it while ensuring its compatibility with relevant international rules. Some delegations underlined the need for global climate action and in this context called for strengthening of the EU's climate diplomacy in particular as regards outreach and support on carbon pricing.

## **Ensuring a just transition**

Delegations agreed that it is essential to involve citizens, businesses, workers and all stakeholders as well as to cooperate with industry to ensure that they are on board in the green transition. They underlined the important role of cooperation between universities and research centres, of education and lifelong training, as well of as re-skilling and upskilling to equip the labour force for the green transition. In addition, they stressed the importance of awareness raising and transparent communication with citizens and of providing science-based information to the public.

It was also suggested to assess the impact of decarbonisation measures on vulnerable parts of the society. There was recognition of the need to support the most affected vulnerable groups in the green transition, and several delegations considered that funding through the Social Climate Fund (SCF) has potential to improve social fairness and should be maintained. It was recalled that support can be provided through cohesion policy and other EU funds, such as the Just Transition Fund and the European Social Fund but that there is room to improve the availability of information about those possibilities. In addition, measures aimed at providing technical support and the sharing of best practices were considered as useful.

## **Decarbonisation tools**

Delegations also discussed the role of decarbonisation tools and the role of carbon pricing in the decarbonisation of industry in the period after 2030. Most delegations considered that the EU Emissions Trading System (ETS) should continue as the cornerstone of climate policy in the period until 2050, many of them recalling the need to combine it with an effective CBAM. Several delegations underlined that when it comes to ETS 2 (buildings, road transport and additional sectors), careful attention needs to be paid to the effective use of the Social Climate Fund through the Social Climate Plans so as to shield vulnerable households from excessive prices. Some delegations advocated for extending the ETS to further additional sectors such as agriculture, waste incineration or smaller maritime vessels while some others were not in favour of its further extension.

It was pointed out, however, that there is no single solution to decarbonise the European economy, and to complement carbon pricing mechanisms, delegations suggested for example the expansion of renewables, the development of green hydrogen and other low-carbon technologies, and further measures to increase energy efficiency. Several delegations also recalled that there will be growing need for technological carbon removals in the future and that incentives should be put in place to support their deployment.

### **Questions for Ministers:**

Against this background, Ministers are invited to exchange views based on the following questions:

- 1. To address the challenges faced by administrations and businesses in relation to the requirements arising from the “Fit for 55” package for its successful implementation, by what means and in which particular sectors under the “Fit for 55” package could the administrative burden be reduced, or requirements be simplified or streamlined?*
- 2. What kind of regulatory and investment framework would be required in the period after 2030 to provide the necessary predictability and policy coherence to promote the competitiveness of European industries, while keeping on the pathway to reach climate neutrality by 2050? What enabling measures would be needed to ensure a just transition?*