



→ POSITION PAPER ON THE EU'S POST-2030 CLIMATE FRAMEWORK

# The Road to Net Zero: For an Independent, Free and Liveable Europe

## Introduction

The geopolitical situation demands a clear EU climate plan. In recent years, energy price shocks caused by wars have laid painfully bare the EU's dependence on fossil energy imports. By taking resolute strides towards net zero, the EU can become more independent, resilient and competitive. But above all, achieving net zero by 2050 will improve quality of life and secure a liveable future for the EU's more than 450 million citizens.

The Fit for 55 package has set the course up until 2030. It is crucial that this package be implemented swiftly and in full to put us on the right path towards net zero, independence and economic prosperity in the 2030s. We are now coming to the next stage: the EU must provide the legal basis for us to reliably achieve the 2040 target and steadily drive down emissions. European legislators now have the opportunity to learn from the current crises and pass forward-looking climate legislation that sets the course for an independent, liveable and economically strong Europe. The EU must resolutely embrace renewable energy as a guarantor of security and freedom, ramp up energy efficiency and reduce energy and resource consumption. It can achieve that by strengthening the key pillars of its climate architecture and gearing them towards a 90 percent reduction in emissions by 2040, supplemented by well-designed measures. It is imperative that successful existing instruments, including the Effort Sharing Regulation (ESR), EU Emissions Trading System (ETS) and sectoral directives such as the Renewable Energy Directive (RED) and Energy Efficiency Directive (EED) be extended, building on the following cornerstone principles:

- ➔ **A clear, binding and socially just phase-out of fossil energy.** *The EU must comprehensively implement the energy transition, without any loopholes or pseudo-solutions. Renewables combined with energy efficiency, increased electrification efforts, economical use of resources and a reduction in absolute energy consumption will provide the foundation for energy sovereignty and a sustainable economy.*
- ➔ **Stability and continuity in carbon pricing.** *A predictable, reliably rising price signal from emissions trading (ETS I and II) will facilitate planning, encourage future-proof investments and reward innovation. Decarbonisation of buildings and transport must be accompanied by socially staggered compensation measures.*
- ➔ **A binding emission reduction target by 2040.** *National reduction targets must be clearly defined, geared towards a 90 percent reduction of emissions within the EU and implemented without loopholes. The key elements of the Fit for 55 package must be strengthened, and supplemented with a coherent policy package.*

The success of EU climate policy depends crucially on the necessary investment. See [here](#) for a detailed position paper by environmental organisations on the EU budget (in German).

# Ten core measures to build a strong EU climate framework post-2030

- 1. Fossil phase-out:** The EU should agree a clear, binding and socially just pathway to phase out fossil gas, crude oil and coal by no later than 2040 in line with its global responsibility to remain within the 1.5-degree limit. *(see p. 5)*
- 2. 90 percent emission reduction in the EU by 2040:** The EU should design the post-2030 package and all accompanying measures to achieve a 90 percent reduction in emissions within the EU by 2040. Article 6 credits should serve merely as a safety net. *(see p. 13)*
- 3. Emissions Trading System I (ETS I):** The EU should adhere to the cap on annual emissions and end free allowances in all sectors covered by the ETS I by introducing a reliable carbon border adjustment mechanism (CBAM) by no later than 2034. *(see p. 10)*
- 4. Effort Sharing Regulation (ESR):** The EU should extend the ESR, maintaining its current scope, and set binding national emissions targets. Improved enforcement measures should ensure remedies are quickly and automatically put in place if targets are missed. *(see p. 12)*
- 5. Renewable energy deployment:** The EU should set clear, binding renewable targets and electricity production pathways for the deployment of renewable energy, so as to create the basis for 100 percent renewable energy across the entire European energy sector by 2040. This deployment must be carried out in a way that minimises impact on land and nature. The EU should not provide incentives for low-carbon fossil fuels or non-renewable energy sources such as nuclear. *(see p. 7)*
- 6. Electrification:** The EU should develop an electrification strategy based on renewable energy, with a target of 60 percent electrification by 2040 and 70 percent by 2050, in order to phase out fossil energy in buildings, transport and industry. *(see p. 5)*
- 7. Energy efficiency:** The EU should set binding energy efficiency targets for 2040 at EU and national level. It should reduce primary and final energy consumption and embed the energy-efficiency-first principle across all policy domains. *(see p. 9)*
- 8. Natural sinks:** The EU should ambitiously implement environmental laws and conservation standards and where necessary strengthen them to achieve existing targets in the land use, land-use change and forestry (LULUCF) sector. It should set binding, science-based LULUCF targets for post-2030 and put sanction mechanisms in place for missed targets. No offsetting between sectors must be allowed. *(see p. 14)*
- 9. Emissions Trading System II for buildings and transport (ETS II):** The ETS II must be launched without further delay or watering-down. The EU should ensure prices remain at reasonable levels over the longer term through a policy mix that includes maintaining current CO<sub>2</sub> emission standards for cars and vans and strengthening the Energy Performance of Buildings Directive (EPBD). It should strategically deploy revenues to reduce inequalities. *(see p. 11)*
- 10. Electrifying transport:** The EU should drive forward electrification of vehicles and transport infrastructure. Transport infrastructure investment should be prioritised according to energy efficiency and conservation needs. *(see p. 5)*

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# 1. A rapid, targeted and socially just European energy transition

## Bolstering Europe's independence by phasing out fossil energy

*Europe is in an energy crisis. Price shocks and geopolitical dependencies are taking a heavy toll on the continent. It is estimated that every euro the EU spends on oil creates 37 cents of additional costs due to geopolitical risks.<sup>1</sup> And the climate crisis is making things worse: tipping points are approaching and the consequences for humans and nature are becoming more severe. The EU needs to act now. It needs a binding plan to phase out all fossil energy. It already affirmed this ambition at COP28. The International Conference on Transitioning Away from Fossil Fuels, held in Santa Marta in April 2026, showed that there is no politically or socially viable alternative to phasing out fossil fuels. The current situation makes clear that an exit pathway is both an environmental and a social imperative. Fossil energy sources are expensive and unpredictable. They also make Europe vulnerable to global crises, the costs of which are borne by its citizens. Unless there is a full transition, politicians risk low-income households getting stuck in a fossil fuel cost trap: over 20 years, heating with oil and gas costs more than twice as much as running a heat pump.<sup>2</sup> The energy transition therefore needs to be not just fast but also socially just.*

- The EU must agree a **clear, binding and socially just pathway to phase out fossil gas, crude oil and coal by no later than 2040** with no loopholes or pseudo-solutions like nuclear. Reforms to the Governance Regulation (*see p. 17*) and the EU framework for energy supply security should incorporate a fossil fuel exit pathway.
- The Electrification Action Plan must serve as an **EU-wide electrification strategy** for the transition away from fossil fuels in the building, transport and industrial sectors and towards renewables-based electrification. Interim and final targets for electricity as a proportion of final energy consumption must be set.
- Fossil subsidies distort prices, support structures that are harmful to the climate and make it harder to transition to an independent, sustainable energy system. EU members must therefore develop and implement binding timelines for a **complete abolition of fossil subsidies**. At EU level, a binding and harmonised framework must be created that requires the abolition of existing fossil subsidies and bars new ones within the Governance Regulation (*see p. 17*), the EU budget, the EU State Aid Framework and the Energy Tax Directive. Instead, subsidy programmes must be strategically designed to support a socially just transition away from fossil fuels.
- As things currently stand, the EU needs a **coherent package to bolster its energy independence**, transition away from fossil fuels and reduce and end import dependencies on geopolitically risky supplying countries as quickly as possible. The AccelerateEU package provides strong impetus towards this goal. Its measures must now be resolutely implemented and further fleshed out.
- To drive forward **electrification**, it is especially important to implement corresponding regulatory measures. For example: no weakening of CO<sub>2</sub> emission standards for cars and vans, and having a strong EPBD that ensures the transition away from fossil-based heating systems. At the same time, successful renewables-based electrification requires the current EU energy architecture, including renewable energy and energy efficiency targets, to be extended past 2030. Additionally, an electrification target of at least 60 percent of final energy consumption by 2040 and 70 percent by 2050 should be set and enshrined in the Governance Regulation. Electrification can only succeed if there is enough

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1 [https://www.kielinstitut.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/4df70b78-b746-4737-80bf-ea30d6a225da-KWP\\_2283.pdf](https://www.kielinstitut.de/fileadmin/Dateiverwaltung/IfW-Publications/fis-import/4df70b78-b746-4737-80bf-ea30d6a225da-KWP_2283.pdf)

2 <https://www.co2online.de/news/neue-prognose-gas-und-oelheizungen-verursachen-30000-eur-mehrkosten/>

investment. It is estimated that an additional 24 to 88 billion euros of additional investment in distribution grids within the EU will be needed every year until 2050. A further 59 billion euros per year will be needed for expansion of energy generation capacities.<sup>3</sup>

- Transport services and propulsion systems must be fully electrified. **Transport infrastructure** investment must prioritise energy efficiency and conservation needs. The post-2030 architecture should also consider the demand side (reducing reliance on private cars; shifting passenger and goods traffic to rail).
- In **road transport**, the EU's current CO<sub>2</sub> emission standards for cars and vans must be retained as minimum standards, and ambitious regulations on electrifying company fleets introduced as proposed by the Commission.
- Europe-wide expansion of local and long-distance public transport, especially **rail**, is central to this goal. That requires incentives for people to make the transition, such as simpler, consumer-friendly ticketing, reliable passenger rights and comprehensive, nature-friendly expansion of trans-European corridors. The European Union Agency for Railways should be given greater powers to coordinate these improvements and oversee their implementation.
- The current situation has revealed the physical dependencies and cost risks in the kerosene supply for **aviation**. To ensure long-term supply security, overall kerosene demand must be minimised. That requires the EU and its member states to provide more and better rail services (high-speed and sleeper trains within a Europe-wide regular-interval timetable). The EU must also resolutely support the rollout of climate-neutral non-fossil-based kerosene and primarily renewables-based e-sustainable aviation fuel (eSAF) – first and foremost through ReFuel EU Aviation, supported by industrial policy measures and by reliably limiting the number of ETS I credits (*see p. 10*). Long-term partnerships with third countries need to be established now. It is also important to reduce aviation's non-CO<sub>2</sub> impacts, which are more damaging to the climate than its carbon emissions. This can be achieved through contrail avoidance and kerosene purification – two highly effective and relatively inexpensive climate change mitigation measures.
- A **solidarity levy on all windfall profits made off the climate crisis by fossil fuel companies** should be introduced across the EU. The revenues generated by the levy should be reallocated for social and environmental purposes, such as targeted support for households in need or investment in energy efficiency, renewables and electricity-based technologies. In conjunction with the levy, a permanent tax on fossil fuel company profits should be introduced. The EU should push for such a tax to be adopted internationally too.
- In order to be able to more credibly champion greater climate action on the world stage, the EU should also follow the UK's example and commit to **stop issuing new oil and gas licences**. Additionally, EU member states must end all international public finance for fossil fuel projects in line with the Glasgow Statement.
- **Strict rules on methane emissions** along the entire supply chain must be retained and enhanced. All attempts to deregulate the EU Methane Regulation must cease and comprehensive implementation of the regulation ensured in all member states.

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3 [https://www.eurelectric.org/wp-content/uploads/2024/06/extended-full-report\\_decarbonisation-speedways.pdf](https://www.eurelectric.org/wp-content/uploads/2024/06/extended-full-report_decarbonisation-speedways.pdf)

## Bolstering European resilience: transitioning to 100 percent renewables by 2040

*Only setting a clear course towards renewable energy and economical use of resources can keep energy prices stable, boost crisis resilience and secure long-term prosperity. Achieving the EU 2040 climate target therefore requires coherent energy targets: the European energy transition must be implemented in a resolute, nature-positive, socially just manner, with support only permitted for safe and climate-friendly technologies. We must reject electricity from nuclear, oil, natural gas and coal. Biomass is also an ecologically risky pseudo-solution, as it is difficult to keep it within sustainable limits, requires a lot of land and places strain on valuable ecosystems. It is clear that increasing renewables will pay off. By 2050, a renewables-based energy system could save Europe at least 487 billion euros.<sup>4</sup> In Germany alone, around 3.4 million people are currently employed in the green tech sector, and the gross value added of the renewable energy sector has been growing by more than 8 percent annually for years.<sup>5</sup>*

- Within the framework of the Renewable Energy Directive (RED), **clear, binding renewable targets and electricity production pathways** for the deployment of renewable energy must be set for the post-2030 period at both EU and member state level, so as to guarantee planning and investment certainty and create the basis for 100 percent renewable energy across the entire European energy sector by 2040.
- The RED must only be used to **support genuinely renewable energy sources**. The post-2030 renewables framework must therefore not provide any incentives for low-carbon fossil fuels or non-renewable energy sources such as nuclear.
- Support for **bioenergy** under the RED must be limited to genuinely sustainable bioenergy. Only rapidly decomposing waste and residues put to cascading material use should be classified as a renewable energy source. The amended RED must allow all incentives for wood-burning to expire and prohibit any subsidies or incentives for biofuels and other energy crops requiring use of land for that specific purpose.
- **More effective and efficient cooperation in infrastructure and land-use planning** will facilitate completion of the Energy Union. That includes improving international energy grid infrastructure and storage systems/interconnectors for electricity and hydrogen. Marine spatial planning for European seas should be jointly implemented following an ecosystems approach, with the option to use sites outside a country's exclusive economic zone if that would allow highly ecologically sensitive sites to be protected. It must be ensured that this does not lead to double counting of installed capacity/generated electricity. International electricity trading capacities must be increased.
- At the same time, the **impact of increasing renewables on land use must be kept to a minimum**. There is already a high level of land competition in many member states, which is set to further intensify in future as the deployment progresses and as a result of other transformation projects (e.g. hydrogen infrastructure, electricity grids). Increased emphasis should therefore be placed on selecting the low-impact sites. Renewable energy projects should also be designed with a stronger focus on minimising land use and protecting nature so as to ensure acceptance and compliance with environmental obligations; examples of this approach include peatland solar parks and biodiversity PV.
- One cornerstone of the Energy Union is **renewables-based electrification of all demand sectors**, which must be advanced and coordinated across the EU (e.g. through an EU-wide electrification strategy, *see p. 5*).

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4 <https://windeurope.org/news/a-renewables-based-energy-system-will-save-europe-1-6-trillion/>

5 <https://www.umweltbundesamt.de/en/topics/economics-consumption/greentech-atlas-2025>

- To achieve more efficient grid expansion and more cost-effective operations, it will be necessary to harness **supply- and demand-side flexibility potential** in the EU. That requires creating more conducive conditions for integrating renewables into the energy system.
- In the renewable energy sector and related infrastructure (storage systems, electricity grids, digital solutions), it is necessary to build **resilient supply chains and value creation** within the EU.
- **A standardised tender design for offshore wind energy is needed**, especially with a view to integrating non-price criteria focused on socio-ecological or resilience factors.
- More focus is needed on **community energy**: there needs to be a clear, coherent legal framework for establishing energy communities, with specific policies and binding targets, dedicated financial support programmes and targeted measures to ensure inclusion of low-income and energy-poverty-affected households. Regulatory and administrative barriers to smaller players and citizen-led energy communities must be eliminated.
- The building of new data centres, or extension of existing ones, must be strictly regulated due to their high energy and resource consumption. The electricity demand from **data centre** expansion must be factored into the EU's energy scenarios from an early stage, and that demand must exclusively be met by additional renewable energy. High energy efficiency and environmental standards (e.g. on the use of land and water) must be applied to data centres. Expansion and operation of data centres must serve to stabilise the electricity system.
- For the foreseeable future, **renewable and low-carbon hydrogen** will be expensive and only available in very limited quantities. Hydrogen can therefore only be used in non-electrifiable processes, primarily in the cement, steel and chemicals industries, and for seasonal storage in the electricity system; later, it will also be possible to use it in shipping and aviation. The use of fossil hydrogen, whether low-carbon or not, is unacceptable for reasons of climate protection and must be reduced to zero by 2040.
- The current **target for the use of renewable fuels of non-biological origin (RFNBOs) in industry** will efficiently reduce emissions. Retaining a binding, ambitious RFNBO target supported by funding and incentive instruments for industry post-2030 is important to provide planning certainty, promote the rollout of hydrogen and protect Europe as an industrial location. However, in order to meet climate targets, the greenhouse gas limit for RFNBOs (currently -70 percent compared to the reference fossil fuel) must be lowered over the medium term.
- At the international level, the EU must **confidently defend the Green Deal and the energy transition pathway against violations** of individual EU laws by countries such as the USA and Qatar.

## Energy efficiency as security booster

*Unless more is done to reduce energy use and increase energy efficiency, we will need far more renewable energy. That will drive up land and resource requirements and delay decarbonisation, as there are limits to how quickly we can expand renewables production. Each kilowatt-hour of electricity that is saved is one that does not need to be generated or imported. Energy efficiency is therefore crucial to Europe's energy security and sovereignty.*

- The Energy Efficiency Directive (EED) must set **binding energy efficiency targets for 2040 at EU and national level**, covering both primary and final energy consumption.
- The **energy-efficiency-first principle** must be retained, and it must be ensured the principle is embedded in EU legislation and across different policy domains.
- Specific and effective **energy saving obligations** must be introduced for member states. This can be achieved by increasing the annual savings rate. The implementation of energy saving obligations should primarily be driven by forward-looking technologies, with a view to achieving the EU climate targets; no funding should be allocated to fossil-fuel-based measures and technologies to meet those obligations.
- **The Energy Performance of Buildings Directive (EPBD) must be tightened up in the upcoming 2028 review.** As well as setting 2040 as the unambiguous phase-out date for fossil fuels, minimum efficiency standards are needed in the residential building sector too, including a requirement to implement target-specific and coordinated funding programmes for transitioning away from fossil infrastructure and preventing cost traps. Furthermore, binding targets to reduce public-sector energy demand and refurbishment obligations for all public buildings are needed.

## 2. Stability and continuity for the EU Emissions

### Trading System

#### A reliable ETS I for innovation and long-term sustainability

*Electricity sector emissions have been falling sharply for 20 years thanks to emissions trading. In the next decade, carbon pricing needs to be allowed to take full effect in industry too, with the instrument's stability and continuity being crucial factors. Only a clear, predictable price signal can provide planning certainty, channel investments into future-ready business models and promote innovation. However, the constant calls to water down the ETS I are already greatly undermining this reliability.*

- For a reliable reduction pathway that enables long-term investment certainty, the **cap on annual emissions must be retained**.
- The polluter-pays principle must be applied in full by introducing a reliable Carbon Border Adjustment Mechanism (CBAM) that ends the **free allowances** in all sectors covered by the ETS I as quickly as possible – no later than 2034 – and organising the transition to 100 percent auctioning of emission allowances. For as long as free allowances are still being granted, the benchmarks must be ambitiously updated and the financial benefits of the free allowances directly translated into investment in decarbonisation in Europe. Additionally, the CBAM's function in preventing carbon leakage should be further developed, especially in the chemicals industry; among other things, it should be extended to include plastic products.
- **The ETS Market Stability Reserve's (MSR) invalidation clause should be retained** to preserve a market-based price signal for carbon emissions that promotes investment and innovation while also guaranteeing ecological integrity. Even moderately raising the cut-off limit would give the MSR sufficient means to stabilise the carbon price, should this prove necessary towards the end of the 2030s.
- **Revenues** from the ETS I have become a central funding source for member states' and EU climate policies. Given growing need for investment, they play a crucial role in funding the transition to net zero. This funding needs to be targeted, used for specific earmarked purposes and supplementary to existing climate budgets. Every euro from the ETS I should directly contribute to reducing emissions and facilitating a just transition. As the free allowances are phased out, member states should ensure that more of the revenues go towards decarbonising industry. Revenues must not under any circumstances be used to perpetuate fossil dependencies.
- Reducing domestic greenhouse gas emissions must remain the instrument's central focus. **Permanent carbon removals should not be directly incorporated into the ETS I at the present point in time**, as this would weaken or even nullify the cap; transitioning away from fossil energy sources would no longer be the goal. Carbon removals must not be used as an alternative to cost-effective emission reductions. There is also the risk that they could further incentivise the use of biomass, to the detriment of the already-shrinking LULUCF sink in the EU and internationally. One possible option to deal with technically and socially unavoidable residual emissions would be a separate Removal Trading System that is linked to a carbon removal target and operates separately from emission reduction and carbon credit schemes.
- To ensure a clear price signal and retain investment in Europe, the upcoming review must **not permit recognition of international credits** in the ETS I (See p. 13).
- Without strict criteria, carbon capture and usage (CCU) risks becoming a loophole in the ETS I. We therefore **oppose recognition of carbon temporarily captured by CCU products**, if the relevant processes can be decarbonised by other means.

- To encourage companies to take environmental responsibility, **municipal waste incinerators should be fully included in the ETS I.**
- For **more comprehensive inclusion of aviation**, the scope should be extended to all flights departing from the EU and UK, which make up 70 percent of aviation emissions.
- The ETS I must be embedded in an **effective regulatory environment** that supports climate technologies, strengthens the business case for green production and resolutely advances the deployment of renewable energy.

## Keeping the Emissions Trading System II on track

*The Emissions Trading System for buildings and transport (ETS II) is intended to accelerate decarbonisation in these sectors. The energy price crisis proves that this is the right approach over the longer term. Particularly in view of rising energy costs, the ETS II must be part of a balanced and targeted instrument mix. Only if regulatory law, investment and socially staggered funding promote decarbonisation of the building sector and road transport will the long-term price trends in the ETS II remain within reasonable limits.*

- In order to ensure comprehensive decarbonisation in the building and transport sectors, the ETS II must be launched **without any further delays or watering-down.**
- **Regulatory instruments in the transport and building sectors must therefore be strengthened** to moderate price trends in the ETS II and keep them within reasonable limits. Existing European instruments (such as the EPBD, CO<sub>2</sub> emission standards for cars and vans, ESR, EED and RED) must not be weakened. The threatened deregulation weakens the basis for a socially just reduction of price pressure in the ETS II, with detrimental effects for the instrument's acceptance and feasibility.
- **Any measures that weaken the ETS II, for instance changes to the MSR,** must not lead to higher emissions in the transport and building sectors and consequently to the 90 percent target not being met. Moreover, price action triggers are needed to enable targeted responses to market disruptions. In the event of MSR interventions, EU countries should therefore set out additional measures, such as new funding programmes for net-zero mobility, accelerated building refurbishment or specific infrastructure projects. In the absence of such measures, the real ETS II price will not fall, regardless of the number of allowances.
- It must be ensured that the ETS II revenues are used in a targeted, transparent way to enable as many people as possible, especially those who are less affluent, to access clean mobility and heating. To achieve that, the **Social Climate Fund (SCF) must be strengthened.** Its volume must grow proportionally to the carbon price, without any cap. A fixed minimum amount of at least 65 billion euros should be allocated. Additionally, the SCF should be extended beyond 2032 to ensure fair implementation of the ETS II across the whole EU and provide long-term solutions for energy and transport poverty.
- EU member states with higher purchasing power, especially Germany as the largest emitter, should introduce **national minimum prices** based on the national targets stipulated by the ESR. That would contribute to reduced ETS II prices, help member states achieve their sectoral targets in the building and transport sectors and provide planning certainty, including on the revenue side.

## 3. Climate policy architecture: a strong framework for genuine emission reductions across all areas

### Binding national emission reduction targets and extension of the Effort Sharing Regulation (ESR)

*National targets are a cornerstone of EU climate policy: they provide legally binding goals for member states and ensure they meet their responsibilities under the Paris Agreement. At the same time, they foster solidarity within the union. They make it easier to transparently review progress, while giving states flexibility to adapt measures to their specific circumstances. So that all countries contribute, it is essential to have stronger corrective mechanisms that automatically kick in if there is a risk of missing targets.*

- The ESR must continue to set **binding emission reduction targets** for individual EU member states in order to achieve the required emission reductions by 2035 and 2040 and net zero across the EU by no later than 2050. As before, these targets should set out a pathway with annual emission levels for member states, based on the greenhouse gas budget recommended by the European Scientific Advisory Board on Climate Change (ESABCC).
- To support the binding national targets, member states should set out **sectoral roadmaps** for the transport, building and agricultural sectors in their national energy and climate plans (NECPs) so as to ensure that all sectors contribute to decarbonisation (see the section on the Governance Regulation, [p. 17](#)).
- To achieve this cross-sectoral contribution, the **ESR – with its current scope** – and the LULUCF Regulation should be extended beyond 2030 ([see p. 14](#) for more on the design of the LULUCF Regulation).
- If **economy-wide targets** are proposed instead, these must likewise specify annual emission levels based on the ESABCC recommendations.
- In addition to legally binding targets as the most effective instrument for ensuring compliance with the greenhouse gas budget recommended by the ESABCC, **the enforcement and corrective action mechanisms** for the targets and other objectives must be significantly improved. There should be a trigger mechanism for applying corrective measures that kicks in automatically, independently of the EU Commission, in the event of inadequate performance by member states, non-compliance or violations of the ‘progression principle’. It must be transparent what additional measures member states are required to take if they do not meet the targets. Furthermore, greater financial incentives should be put in place to improve adherence. That includes more coordination with the EU’s economic dimensions – the medium-term fiscal-structural plans, the European Semester and the next Multiannual Financial Framework.
- To create a more effective and flexible system in future, the **rules governing interstate trade in annual emission allocation units (AEAs) should be made more transparent and binding**. Member states should publish annual reports on the price, quantity and quality of purchased credits and set out in their NECPs how they would respond if they were at risk of failing to meet targets ([see p. 17](#)).
- Regardless of whether the climate policy architecture is extended, it must be ensured that the **second compliance phase (2032) is included in the ESR** and that member states that have exceeded their budget and are unable to issue credits must continue to face sanctions.

## Climate targets must not be weakened with ‘flexibilities’

*‘Flexibilities’ in the achievement of targets (for example due to latitude between emission reduction and carbon removal targets, or as a result of savings being transferred between sectors) threaten to weaken incentives for progress in key areas such as transport, buildings and agriculture. That cannot be justified at the current stage of the climate crisis and given that the target that has been set corresponds to the lower end of the ESABCC recommendations for achieving net zero by 2050.*

- The signatory organisations are therefore **opposed to all ‘flexibilities’ and loopholes that would diminish the level of ambition**, dilute the targets and weaken decarbonisation of central sectors.
- Avoiding and reducing greenhouse gases must always be prioritised to meet the EU climate targets. This must be enshrined in climate protection legislation as a legally binding requirement. Carbon removals must only ever be a supplementary measure and must not diminish the ambition of the reduction targets. In addition to the net target for 2040 set in the EU Climate Law, separate **gross emission reduction targets should be introduced** at EU level and in the member states that can only be fulfilled by carbon reduction, not by carbon removals. Reduction and removal targets must not be interchangeable, nor must it be possible to offset one against the other (for more on the design of this measure, see the section on carbon removal on [p. 15](#)).
- For this reason, we are **opposed to the agricultural and LULUCF sectors being combined into a single agriculture, forestry and other land uses (AFOLU) target**. This would allow agricultural emissions to be offset against temporary land-based removals. However, climate policy measures for nature-based sinks must be closely harmonised with the agricultural sector (for more on the design of this measure, see the section on LULUCF on [p. 14](#)).
- To ensure that all sectors reduce emissions in line with climate targets, there must be no expansion of **offsetting between the sectors covered by the ESR and those covered by the ETS I or under the LULUCF Regulation**.
- Working towards certain **KPIs** can support the achievement of targets, if these indicators are based on existing strategies such as the Clean Industrial Deal and Affordable Energy Action Plan and provide incentives for early and ambitious action. However, the setting of KPIs must not be used to justify weakening binding targets nor serve as a substitute for meeting climate, renewable energy and energy efficiency targets.

## No false accounting: effective rules for international climate credits

*The amended EU Climate Law allows up to 5 percent of the climate target of a 90 percent emission reduction by 2040 to be met using international credits. This falls short of the requirements the EU Climate Law must meet. The ESABCC therefore recommends that international credits should not count towards the EU reduction target. Buying these credits could put the European economy off track to meet net zero and create competitive disadvantages. It is also unclear whether enough high-quality credits are available. Past experience shows that international carbon markets often have highly negative social and human rights impacts in the countries selling the credits.*

- The signatory organisations are therefore opposed to the **EU allowing international credits to count towards achieving the EU emission reduction target of 90 percent by 2040**. However, if international credits are used, it is essential to observe the following points.
- The EU climate architecture and measures to implement the EU 2040 target must be directed towards a **net 90 percent reduction in emissions within the EU** in order to guarantee an adequate reduction

in greenhouse gases in the event that not enough high-quality credits are available or member states decide not to use them. Reducing emissions within the EU must always take priority.

- The post-2030 EU climate architecture must **give member states the freedom not to use international credits** to fulfil their climate targets.
- The EU must set out **strict safeguards and quality criteria** for international credits that build on but go beyond the mechanism set out in the Paris Agreement (Article 6.4) and strengthen human rights, as required by the EU Climate Law.
- If the EU and its member states engage in cooperative approaches as per Article 6, these must serve to increase ambition and be developed within partnerships aimed at achieving the Paris climate targets.
- **The upcoming review must not integrate international credits into European emissions trading.** Combining the ETS with international credits would bring considerable risks. It would send an unclear price signal and nullify the cap on the number of credits, thus undermining the planning certainty necessary for companies and their decarbonisation efforts ('mitigation deterrence'). In the past, European companies were given too much scope to count international carbon credits that were often of dubious origin and effectiveness towards their emission reduction targets. That was one reason why the ETS was dysfunctional for many years.
- As well as achieving the necessary reductions in Europe, the EU should also **provide Global South countries with increased support** for climate change mitigation, climate adaptation and climate-related loss and damage, through measures such as international climate finance. This will allow the EU to reduce the justice gap, do its fair share in supporting global climate change mitigation efforts and meet its obligations under the Paris Agreement, as recently highlighted by the International Court of Justice. International credits that contribute to achieving the EU reduction target must not be counted as international climate finance.

## Strong natural carbon stocks and sinks in the LULUCF sector

*We must protect and strengthen natural carbon stocks and sinks. They supplement emission reduction efforts in other sectors, but must not be used to compensate for a lack of ambition in those areas. We should combine and coordinate efforts to protect and strengthen these stocks and sinks with civil protection and water/biodiversity conservation measures. A coherent climate framework must jointly promote the protection and restoration of nature, future-ready agriculture, the conservation of permanent grassland, rewetting of peatland and enhancement of near-natural forests.*

- It is essential that **existing targets for the LULUCF sectors be maintained** in order to achieve European targets for climate adaptation and biodiversity/water conservation. Crucially, environmental legislation and conservation standards must not be weakened but rather comprehensively implemented, in particular the EU Nature Restoration Law and Biodiversity Strategy. At the same time, **coherence within the EU legal framework** must be ensured. Contradictions between EU regulations that are detrimental to natural carbon stocks and sinks or biodiversity must be rapidly addressed, especially in the Common Agricultural Policy (CAP, see the [statement by the Platform of Associations on CAP](#)), the RED (see [p. 7](#)) and the EU budget (see the [DNR position paper on MFR](#)).
- The EU must set **binding, fair and science-based LULUCF targets for member states for the post-2030 period** too. So that the LULUCF sector can make a relevant contribution to achieving the climate targets, sanction mechanisms for missed targets and measures to enhance carbon sink capacity should be legally enshrined. That would also include a strict separation of sectors, with no offsetting permitted between them (see also the sections on the ETS, [p. 10](#), and ESR, [p. 12](#)). The EU Commission

should also ensure that member states submit plans for biomass use that are compatible with the LULUCF target and biodiversity conservation. Furthermore, corrective action plans and the adjustment mechanism for budget overruns (multiplication factor 1.08) from the current LULUCF Regulation should be retained. The former sets out the obligation to develop specific plans for achieving LULUCF targets; the latter provides an incentive for early action, which is crucial to minimise the impacts of the climate crisis.

- To enhance the LULUCF sector's carbon sink capacity, the following measures are key levers that should be enshrined in law:
- **Emissions from the LULUCF sector, primarily from drained peatlands**, must be comprehensively reduced by means of a reliable transformation pathway. That requires permanent and expedited rewetting of peatlands, rapidly ending peat extraction and strongly supporting wet uses of peatlands (paludiculture) and the creation of new value chains. Environmentally harmful subsidies for drained peatland use under the CAP should be phased out. The legal framework for paludiculture must be improved and available funds allocated to rewetting and climate-friendly uses.
- To support the **development and retention of humus** in mineral soils under agricultural use, a reliable regulatory framework and improved funding are needed. That requires significant expansion of measures such as preserving permanent grassland, providing permanent soil cover through intercropping and undersowing, multi-year humus-producing cultures and varied crop rotations and agro-forestry systems.
- In order to achieve the targets of the LULUCF Regulation, the EU Biodiversity Strategy and the EU Restoration Law and make an important contribution to climate adaptation, it is necessary to **adopt the triad system**, which divides forests into zones serving different functions. This system combines sustainable use, a systematic increase in wood stock and strict conservation to increase a forest's carbon sink capacity. Specifically, this entails permanently placing at least 15 percent of a forest under strict legal protection, with no harvesting of timber allowed; near-natural forest management with no clear felling across the entire area, primarily following the continuous cover forestry principle (public forests must serve a model function); and an EU incentive programme for increasing forest cover, especially in areas with marginal yield. The triad model should be implemented with specific, quantitative pathways for increasing wood stock, binding carbon stock targets for long-lived wood products and an expansion of the harvested wood product pool, and included in the updated NECPs.
- Europe needs standardised, comparable data sets with information relevant to forest management. The **EU Forest Monitoring Law** is intended to enable objective, real-time monitoring of forests through remote sensing and should be adopted as soon as possible. In addition, Tier 3 methodology should be applied to representative areas to ensure a reliable basis for implementing feasible measures.

## Prioritising emissions reduction: a limited role for permanent industrial carbon removal

*The EU climate target for 2040 can only be reliably met if avoidance of greenhouse gases and the transition away from fossil fuels and fossil-based feedstocks are consistently prioritised. Permanent industrial carbon removal must not weaken or replace these efforts. It may only be used to offset narrowly defined, unavoidable residual emissions and achieve long-term net negative emissions. Non-permanent carbon removal measures should not be permitted.*

- The EU climate target for 2040 must be broken down into **three separate targets**: (1) reducing greenhouse gas emissions, (2) reduction and storage in the LULUCF sector (*see p. 14*) and (3) permanent (technology-based) atmospheric carbon removal.

- **Funding** for the required rollout of permanent and industrial carbon removals to offset unavoidable residual emissions should follow the polluter-pays principle, based on a carbon removal target. At the present point in time, carbon removals should not be directly integrated into the ETS I. It is unlikely that integration into the ETS will incentivise high-quality and permanent carbon removals (for more detail see the section on the ETS I, [p. 10](#)).
- In the rollout of industrial carbon sinks, **trade-offs and synergies** between sustainability and climate change mitigation criteria must be taken into account. For example, some industrial sinks have high heat and energy requirements that could conflict with electrification and heat supply targets. Moreover, industrial carbon removal competes with other future uses of climate-neutral carbon, e.g. in the chemicals industry and for synthetic aviation fuels. In particular when importing products or credits based on removed carbon, EU rules should therefore ensure minimum energy efficiency standards, rule out the possibility of serious side effects such as nature degradation, infringements of land rights or increased energy poverty and ensure that expansion of renewables capacity also benefits local supply.
- The **EU carbon removal certification scheme** (Carbon Removals and Carbon Farming (CRCF) Regulation) lacks comprehensive sustainability criteria, rules for the use of credits and key quality criteria for carbon removals. There is also no clear distinction between emission reductions and carbon storage. In the upcoming review of the CRCF Regulation, the EU should remedy these flaws to ensure that the parameters for certifying nature-based and industrial sinks in line with climate and biodiversity targets are based on the best available scientific knowledge.
- The **methodology for certifying permanent carbon removal** established by the CRCF delegated act is not sufficient to ensure that certified carbon removals comply with the do-no-significant-harm principle and that more carbon is stored than released. In order for permanent carbon removals using technical methods not to have a negative climate impact but instead genuinely contribute to tackling the climate crisis, the methods must be based on the best available scientific knowledge. Projects and their effects must be assessed in real-world settings and it must be guaranteed that harmful environmental impacts are, at a minimum, curbed in line with the precautionary and do-no-significant-harm principles. The EU urgently needs to strengthen these principles.
- Methodologies for forest management activities under the CRCF Regulation must be designed to ensure an integrated increase in wood stock (forest sink) and forest biodiversity.

## Providing clarity with the Governance Regulation

*As a central governance instrument, the Governance Regulation can contribute to meeting the EU's energy and climate targets. It can ensure greater coherence and clarity in energy policy across Europe. Many of the demands set out above must therefore also be integrated into the Governance Regulation. Only then can the regulation secure the path to a fossil-free, net-zero EU and drive forward implementation of national climate and energy policy.*

- Common binding **rules on climate and energy planning set by NECPs, long-term strategies** and reporting by member states should be retained and strengthened. Coherence between EU-wide targets and national implementation should be improved and coherence between short- and long-term plans enhanced.
- The Governance Regulation must set out a **clear EU-wide framework for the fossil fuel phase-out**, with specific targets, dates and timelines for ending the use of coal, gas and oil. It must also include reduction and phase-out targets for fossil imports. Member states should be required to set out specific phase-out strategies, timelines and quantified reduction targets in their NECPs. Moreover, member states must finally take seriously their obligation to disclose fossil subsidies in their NECPs and to gradually phase them out, while the EU Commission must ensure this obligation is enforced. Additionally, member states' obligation to end all international public finance for fossil fuel projects must likewise be integrated into the NECP process.
- All member states should set **national net-zero targets** as well as separate targets for gross emissions and carbon sinks for the next three decades in their long-term strategies. The EU Commission should check that these targets comply with the greenhouse gas budget recommended by the ES-ABCC and ensure that the EU does not exceed the budget overall.
- The member states must **incorporate sectoral roadmaps into their NECPs** to support implementation of binding national emission reduction targets (*see p. 12*) and ensure a socially equitable structural decarbonisation in all sectors.
- The Governance Regulation needs **better enforcement mechanisms**. Existing mechanisms, such as the one for closing implementation gaps, should be enhanced and new mechanisms introduced to ensure the 2040 targets are met.
- Member states' NECPs should set out how they would **achieve targets under the extended ESR** that they are at risk of missing and whether and if so how many AEAs they intend to acquire, including ones from joint projects with other member states.
- The current NECPs show that there is great need to more strongly incentivise member states to publish their **funding needs and sources** in order to ensure the measures in the NECPs are implemented. This could be achieved by integrating the NECPs more closely with the national and regional partnership plans (NRPPs) process, such that disbursement of NRPP funds (e.g. as part of the interim review) would be contingent on coherence with the NECPs.
- The current NECPs also show that the Governance Regulation's specifications on a just transition and social justice are too vague. **More precise reporting** indicators should therefore be introduced as part of the review, in particular ones measuring skills needs, energy poverty and the socioeconomic impact of planned measures. The work of the Just Transition Observatory could serve as a basis for uniform standards.
- The **triad system for sustainable forest management** should be supported by the EU and included as a governance instrument in the updated NECPs (*see section on LULUCF, p. 14*).

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