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From: General Secretariat of the Council
To: Permanent Representatives Committee

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Subject: PREPARATION FOR THE COUNCIL (ENVIRONMENT) ON 18
SEPTEMBER 2025
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’². Taking into account the scientific advice by the European Scientific Advisory Board on Climate Change and based on a detailed impact assessment and report on the carbon budget, the Communication recommended a 90% net greenhouse gas emission reduction compared to 1990 levels as the target for 2040.
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, as well as amendments to the list of elements in Article 4 of the existing Regulation, including three flexibilities to help in achieving the EU target. The Commission shall ensure that these elements are appropriately reflected in the future legislative proposals on the post-2030 climate policy framework. Moreover, according to the proposal, 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. The Commission presented its proposal to the Permanent Representatives Committee on 2 July 2025. The Committee provided guidance for further work on 16 July
5. The Working Party on the Environment (WPE) examined the proposal at its meetings on 3, 7, 14 and 22 July as well as 2 September 2025. Following the latest discussions, the Presidency has tabled a new compromise proposal, as set out in the annex to this note.⁴
6. In the European Parliament, Mr Ondřej KNOTEK (Pfe, CZ) has been appointed as rapporteur for the proposal on behalf of the ENVI Committee. The ENVI Committee vote is scheduled on 23 September and the vote in plenary on 6-9 October.

² 6291/24

³ 11184/25 + ADD 1

⁴ New Presidency suggestions compared to the previous compromise text (11685/1/REV 1) are marked as **bold and underlined**. Deletions are indicated by ~~double strikethrough~~. Previous changes to the initial Commission proposal are indicated in the present text as underlined and ~~strikethrough~~.

7. The Economic and Social Committee and the Committee of the Regions have been consulted for opinion.

II. LATEST PRESIDENCY COMPROMISE PROPOSALS

8. Considerable progress has been made in the discussions. However, the file is complex and politically sensitive, in particular when it comes to issues around the proposed flexibilities and the enabling framework. In the new compromise proposal, the Presidency has done its utmost to accommodate as many of the delegations' requests as possible based on the discussions held so far. The latest Presidency compromise proposals are summarised below:

- a) Recital 4 and Article 4(5) point (m) – elements to be reflected in legislative proposals:

The reference to the 'energy efficiency first' principle has been slightly reformulated and reinserted in both places.

- b) Recitals 5, 5a, 5b and 7a – enablers of the achievement of the 2040 target and the clean transition:

Recital 5 has been split into two sentences for readability and the following references have been added:

- Sustainable food systems, the resilience of rural communities and food security through a sustainable and robust European agricultural sector
- The Social Climate Fund as an example of support in the transition
- Sustainable bioenergy among other examples of zero and low carbon energy solutions
- The reduction of import dependencies in the context of the achievement of the 2040 target.

The previous recital 5a has been divided into two recitals (5a and 5b) to improve readability, and the following additions have been made:

- The aim of ensuring a cost-effective, just, and socially balanced transition towards climate neutrality (recital 5a)
- Further details on the aims of the Clean Industrial Deal concerning improvements to the Carbon Border Adjustment Mechanism (recital 5b)

c) Recital 7 and Article 5(4)(p) – Natural sinks

- In the recital, a reference has been added both to the proportion of organic soils and to uncertainties related to changes in methodologies as examples of characteristics of natural removals to be taken into account in the development of the post-2030 policy package.
- The recital also includes a new reference to the potential of the LULUCF sector to provide long-term environmental benefits alongside climate benefits.
- In Art. 5(4)(p), the words “as appropriate” have been inserted in line with language from the Paris Agreement.

d) Recital 7a and corresponding change in Article 4, second subparagraph – Enabling framework

- The same modification has been made in both places to clarify the sentence setting out the obligation for the Commission with regard to the enabling framework.

e) Recital 8 – Content of impact assessments

The Presidency proposes to add the following to the aspects to be taken into account in the upcoming impact assessments:

- The geopolitical situation
- Impacts on energy intensive industries
- Impacts on energy costs and investment needs across Member States

f) Recital 8a and Article 4(5) (a), (b) and (c) – Flexibilities

The changes proposed concern the following:

- The level, timing and conditions of the contribution of international carbon credits to the 2040 target, require political discussion and therefore such references have been put in square brackets in both the recital and operative part. Any potential changes to the above would be balanced by the proposed new sentence in Article 4(5)(a), which also remains in brackets, on ensuring the environmental integrity and cost-effectiveness of the credits while promoting the EU's technological leadership.
- Inclusion of a reference to strategic EU partnerships in the context of the operationalisation of the use of international credits
- Addition of a reference to the revision of the ETS trajectory in the upcoming review of the ETS Directive
- Addition of a reference to the possibility to store CO₂ outside the Union
- Clarification that international credits will not play a role for compliance under the EU ETS, mirroring the text already in the operative part of the text.
- Further clarifications of the examples concerning the flexibility across and within sectors, also highlighting the need for accessibility of the flexibilities for Member States.

- g) Article 4(5)(d) – Islands and outermost regions
- A reference to the specificities of islands and outermost regions has been added similar to that included in recital 8a.
- h) Article 4(5)(f) – Social, economic and environmental impacts
- The proposed change specifies that social, economic and environmental impacts across Member States should be appropriately reflected in the upcoming legislative proposals.
- i) i) Article 4(5)(h) and Art. 4(5) (o) Just and socially fair transition
- In point (h), a reference has been added to small and medium-sized enterprises, and in point (o) references have been included to safeguarding of social cohesion and ensuring a just transition.
- j) Article 4(5)(k) – Carbon leakage
- The proposed change strengthens and clarifies the language on the need to reduce the risk of carbon leakage
- k) Article 4(5)(q) – Investment needs and opportunities
- The proposed change adds a reference to support for innovation and access to innovative technologies across Member States.
- l) Review – Article 11
- The Presidency proposes to strengthen the existing review clause of the European Climate Law by adding the competitiveness of European industries as well as technological progress and deployment of innovative technologies across Member States and sectors as new elements to be taken into account in the reports that are submitted after each global stocktake.
 - In addition, it is suggested that the report may be accompanied by additional measures to strengthen the initiatives concerning the enabling framework.

III. CONCLUSION

9. The Permanent Representatives Committee is invited to:
- examine the compromise text in the Annex; and
 - forward it to the Council (Environment) for discussion at its meeting on 18 September 2025, with a view to reaching a general approach.
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Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
amending Regulation (EU) 2021/1119 establishing the framework for achieving climate
neutrality**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 192(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee⁵,

Having regard to the opinion of the Committee of the Regions⁶,

Acting in accordance with the ordinary legislative procedure,

⁵ OJ C , , p. .

⁶ OJ C , , p. .

Whereas:

- (1) The outcome of the first global stocktake⁷ under the Paris Agreement⁸, 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 Council⁹, the Union has enshrined in legislation a binding objective of economy-wide climate neutrality by 2050, thus reducing greenhouse gas emissions to net zero by that date, and the aim of achieving negative emissions thereafter. That Regulation also established a binding Union 2030 intermediate climate target and ~~provided for~~ requires the setting of a Union-wide intermediate climate target for 2040.
- (3) Taking into account the scientific advice by the European Scientific Advisory Board on Climate Change (‘the Advisory Board’) and based on a detailed Impact Assessment, the Commission presented a recommended target of a 90% net greenhouse gas emission reduction compared to 1990 levels for 2040 in its Communication of 6 February 2024 on Securing our future: Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society¹⁰.

⁷ Decision 1/CMA.5.

⁸ OJ L 282, 19.10.2016, p. 4.

⁹ 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>).

¹⁰ 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** and the ~~'energy efficiency first' principle~~, energy affordability and security of supply for all Member States; fairness and solidarity between and within Member States; the need to ensure environmental effectiveness and progression over time; the need to maintain, manage and enhance natural sinks in the long term and protect and restore biodiversity, including in the marine environment; investment needs and opportunities; international developments and efforts undertaken to achieve the long-term objectives of the Paris Agreement and the ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC); existing information on the projected indicative Union greenhouse gas budget for the 2030-2050 period.
- (5) In order to achieve the 2040 climate target it is essential to, inter alia, fully implement the agreed 2030 policy framework, ensure and provide support to strengthen and protect the competitiveness and resilience of the European industry, **ensure sustainable food systems, 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, set a greater focus on a just transition for affected regions, and sectors and vulnerable households that leaves no one behind, for example through support from the Social Climate Fund in the transition to climate neutrality. **Further, it is essential to** ensure fair competition with international partners, decarbonise the energy system with a technologically neutral approach that includes all zero and low carbon energy solutions (including renewables, nuclear, energy efficiency, storage, CCS, CCU, carbon removals, geothermal and hydro-energy, sustainable bioenergy and all other current and future net-zero energy technologies), **reduce import dependencies** and organise a strategic dialogue on the post-2030 framework with all relevant sectors, including industry and transport.

- (5a) With a view to ensuring a cost-effective, just, and socially balanced transition towards climate neutrality, both private and public sector investment, including through Union funding, will also be a key enabler for the clean transition, for example by accelerating the deployment and commercialisation of innovative technologies, supporting access to industrial decarbonisation, clean tech manufacturing and the modernisation of energy systems. With the Clean Industrial Deal, the EU is putting in place the conditions for a successful transition, focussing on both decarbonisation and industrial renewal, including and support mechanisms for European industry, including the Industrial Decarbonisation Bank and the new simplified state aid framework through circular economy.
- (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 for such as streamlined permitting and the uptake and scaling of clean technologies, in order to strengthen industrial competitiveness and innovation in the EU taking into account the changing geopolitical situation.
- (6) In light of the 2050 climate-neutrality objective, by 2040 greenhouse gas emissions should be reduced and removals enhanced, to ensure that the net greenhouse gas emissions, that is emissions after deduction of removals, are reduced economy-wide by 90 % by 2040 compared to 1990 levels.

(7) Priority should be given to domestic reductions in greenhouse gas emissions, complementing it by increased removals, including through both natural and technological solutions. The land use, land use change and forestry sector has a central role in a sustainable and circular bioeconomy and has the potential to provide long-term climate benefits. In the development of the post-2030 policy package, due attention should be paid to the contribution of gross emission reductions versus natural and technological removals. Natural removals are have 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, and to natural disturbances and to changes in methodologies that should be taken into account. Nature-based and industrial removals play an increasing role in the Union's economy in the next decades, in view of the need to balance greenhouse gas emissions and removals at the latest by 2050 and negative emissions thereafter. Incentives will be developed on the occasion in the context of the review of Directive 2003/87/EC of the European Parliament and of the Council¹¹ in 2026, where the Commission envisages to provide for the inclusion of domestic permanent carbon removals in the EU emissions trading system for greenhouse gas emission allowance trading within the Union ('EU ETS') to compensate for residual hard-to-abate emissions from hard-to-abate sectors. The land use, land use change and forestry sector has a central role in a sustainable and circular bioeconomy and has the potential to provide long-term climate and **environmental** benefits contributing to the clean transition of the EU economy and reducing dependencies by substituting fossil-based materials.

¹¹ 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 aim to accelerate and strengthen the initiatives concerning implementation of the enabling framework and aim to ensure-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 Council¹², which introduced national targets for reduction of greenhouse gas emissions by 2030, and Regulation (EU) 2018/841 of the European Parliament and of the Council¹³, which sets net carbon removal targets for the land use sector. The Commission should assess how the relevant Union legislation would need to be amended in order to achieve the 2040 climate target. When designing the future architecture post-2030 framework, the Commission should prepare detailed impact assessments, taking into account its analysis of the integrated national energy and climate plans, the geopolitical situation, the impacts on competitiveness, and 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.

¹² 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>).

¹³ Regulation (EU) 2018/841 of the European Parliament and of the Council of 30 May 2018 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework, and amending Regulation (EU) No 525/2013 and Decision No 529/2013/EU (OJ L 156, 19.6.2018, p. 1, ELI: <http://data.europa.eu/eli/reg/2018/841/oj>).

- (8a) A number of elements to facilitate the achievement of the 2040 climate target should be appropriately reflected, including a ~~potential~~ possible limited contribution towards the 2040 climate target of high-quality international credits under Article 6 of the Paris Agreement, in the ~~the~~ second part of the 2030-2040 decade, in line with accounting rules of the Paris Agreement; the role of domestic permanent removals (such as Biogenic emissions Capture with Carbon Storage (BioCCS) and Direct Air Capture with Carbon Storage (DACCS)) in the EU ETS while ensuring the environmental integrity of the EU ETS, **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 to support a cost-effective approach **whereby** for example ~~by balancing efforts between sectors~~ **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**. 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 order to assess the social, economic and environmental impacts, the ~~future architecture~~ post-2030 framework should be based on robust impact assessments. The ~~future architecture~~ post-2030 framework should also foster convergence while taking into account fairness and Member States' national circumstances and specificities, including those of islands and outermost regions.
- (9) Since the objective of this Regulation, namely to set a Union-wide climate target for 2040, cannot be sufficiently achieved by the Member States but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.
- (10) Regulation (EU) 2021/1119 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

Article 1

Amendments to Regulation (EU) 2021/1119

Regulation (EU) 2021/1119 is amended as follows:

(1) in Article 1, second paragraph, the following sentence is added:

‘This Regulation also sets out a binding Union target for 2040.’;

(2) in Article 4, paragraphs 3, 4 and 5 are replaced by the following:

‘3. In order to reach the climate-neutrality objective set out in Article 2(1), the binding Union 2040 climate target shall be a reduction of net greenhouse gas emissions (emissions after deduction of removals) by 90 % compared to 1990 levels by 2040.

4. With a view to the period after 2030, the Commission shall review relevant Union legislation in order to enable the achievement of the target set out in paragraph 3 of this Article and the climate-neutrality objective set out in Article 2(1) and consider taking the necessary measures as appropriate and based on detailed impact assessment, in accordance with the Treaties.

~~While some enabling policies have already been implemented and their impact is already visible, this is not yet the case for all. The Commission shall aim to~~ **continue to strengthen** ~~accelerate and strengthen~~ **the initiatives concerning the enabling framework and aim to accelerate their adoption and** ~~implementation of the enabling framework~~ **to ensure that conditions are in place to support affected legal and natural persons, such as European industry and citizens throughout the transition, towards the targets set out in paragraphs 1 and 3 of this Article, the objective set out in Article 2(1) and a climate-neutral economy in full respect of EU law.**

5. Within the framework of the review referred to in the first subparagraph of Article paragraph 4, in order to facilitate the achievement of the target set out in paragraph 3 of this Article, the Commission shall ensure that the following elements are appropriately reflected in the legislative proposals:

- (a) starting from [2036], a possible limited contribution towards the 2040 climate target of high-quality international credits under Article 6 of the Paris Agreement of [3]% of 1990 EU net emissions supporting the EU and third countries in achieving net greenhouse gas reduction trajectories compatible with the Paris Agreement objective to hold the increase in the global average temperature to well below 2 °C and pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels **[subject to ensuring the environmental integrity and cost-effectiveness 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 ~~from hard-to-abate sectors~~;
- (c) enhanced flexibility within and across sectors, to support the achievement of targets in a simple and cost-effective way;
- (d) Member States post-2030 targets and efforts should reflect cost-efficiency and solidarity, in light of national circumstances and specificities, **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 just and socially fair transition for all paying particular attention to regions, sectors, **small and medium-sized enterprises** and **vulnerable households affected by the transition to climate neutrality**;
- (i) simplification, technology neutrality, cost-effectiveness, economic efficiency, and economic security;
- (j) climate action as a driver for investment, ~~and~~ innovation and increased competitiveness;
- (k) the need to strengthen the global competitiveness of the Union's economy and **reduce risk of carbon leakage**, in particular for small and medium-sized enterprises and industrial sectors that are most exposed, ~~to carbon leakage~~ so as to ensure fair competition;
- (l) best available cost-effective, safe and scalable technologies;
- (m) energy affordability, security of supply, energy security, and energy efficiency including the 'energy efficiency first' principle, and the 'energy efficiency first' principle, as well as strengthening of electricity grids and interconnections;
- (n) fairness and solidarity between and within Member States;
- (o) the need to ensure environmental effectiveness and progression over time, while **also safeguarding social cohesion and ensuring a just transition**;

- (p) 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;
- (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.’.

(3) In Article 11, first paragraph, the following points are added:

- ‘(c) the competitiveness of European industries, in particular of energy-intensive industries and of small and medium-sized enterprises;**
- (d) technological progress and deployment across Member States and sectors of innovative technologies’.**

(4) In Article 11, the second paragraph is replaced by the following:

The Commission’s report may be accompanied, where appropriate, by legislative proposals to amend this Regulation 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
The President

For the Council
The President
