POSITION PAPER

Post-2030 Climate Policy Framework

June 2026

EXECUTIVE SUMMARY: MAIN ASKS FOR THE POST-2030 CLIMATE POLICY FRAMEWORK

CAN Europe continues to argue that to align with the 1.5°C temperature limit and equity, the EU needs to step up its climate ambition both pre- and post-2030, to achieve domestic net zero emissions by 2040 at the latest. Continuing implementation of climate action so as to achieve (or preferably overachieve) the binding 2030 targets is critical for the EU's energy and climate security, social and economic resilience, including avoiding the most severe impacts on economies and people across Europe and the rest of the world, and it will also benefit the EU's pathways towards 2040.

Unfortunately, the lack of political ambition in Europe did not allow to establish adequate post-2030 targets, with the EU agreeing on a binding 90% net emission reduction target for 2040, with the possible inclusion of up to 5% international credits. This makes it even more important that the policy architecture for achieving that goal post-2030 provides predictability, credibility and environmental integrity.

In this context, the post-2030 policy package needs to be designed to achieve at least 90% net domestic emission reductions. Integrating international carbon credits into the climate policy framework is extremely risky and would only delay EU domestic decarbonisation. Any potential review of the EU 2040 climate target should aim at increasing its domestic ambition.

The post-2030 policy framework must have social justice at its core; policies should be carefully designed to account for potential social impacts and diverse realities across Europe, based on effective civil society participation, lessons learned from measures and policies implemented so far, robust gender-disaggregated data collection and socio-economic impact assessments.

National targets and flexibility

- The EU should maintain binding national climate targets in the post-2030 framework, ensuring separation between gross emission reduction targets, biogenic sequestration, and permanent industrial removals targets, with no flexibility between those. Provided these conditions, continuing with the current scope approach (ESR and LULUCF), and/or adopting economy-wide targets could be considered:

    - CAN Europe's preference lies in continuing with the current scope approach (ESR target and LULUCF target). Any permanent industrial removals need to be treated outside of the two.
    - If economy-wide targets are adopted, they must ensure separation between a gross emission reduction target, a biogenic sequestration target, and permanent industrial removals.

- The above-mentioned overarching targets should be complemented by sector-specific roadmaps to ensure structural decarbonisation across all sectors, at the EU and national level, through socially-just pathways. In the case of agriculture, an EU-level binding gross emission reduction target for non-CO2 emissions should be adopted, underpinned by policies to support a just transition in agriculture.

- National targets and sectoral roadmaps must be underpinned by effective participatory processes and distributional impact assessments, ensuring policies are designed to avoid or mitigate potential adverse impacts on citizens and workers, and wherever possible to deliver additional socio-economic benefits, including for vulnerable groups. Those roadmaps must ensure availability of affordable alternatives to polluting practices.

- Flexibilities must not undermine integrity and accountability for achieving national targets.

- If any flexibility has to be integrated within national climate targets, CAN Europe considers short (2 years) multi-year average/budget compliance approach, trading of emission reductions or removals between Member States (provided the two are kept separate) as acceptable compromises, as they do not reduce the overall emission reduction ambition level.

- No flexibility between emission reductions and removals should be allowed, as it undermines the environmental integrity of EU decarbonisation efforts.

- CAN Europe continues to reject any integration of international credits into the post-2030 framework, as it would undermine the already insufficient EU domestic climate efforts, carry significant risks for environmental integrity and human rights, delay and increase the cost of the transformation of the EU economy.

- Compliance should be incentivised by retaining and strengthening the current compliance mechanisms to address insufficient progress; establishing financial penalties for Member States that fail to meet, or sufficiently plan and take action to achieve, their national targets; initiate systematic infringement mechanisms for failures to comply with EU climate and environmental law.

- Progress monitoring should be ensured by:

    - Maintaining annual reporting obligations on greenhouse gas emissions and removals under the Governance Regulation;
    - Strengthening reporting on the implementation of NECPs. Key Performance Indicators (KPIs) – which must not replace binding national climate targets nor water down other existing compliance mechanisms – could be an option for streamlining NECPs planning and reporting, including on the social dimension of climate action.

ETS 1

- The current cap trajectory and linear reduction factor should be preserved at least until 2036. Discussions about additional flexibility should concern only the period thereafter, when limited liquidity risks might need to be addressed.

- The phase-out of free allocations must continue. Conditionalities attached to any remaining free allocations should be strengthened in order to force additional investments in industrial transformation and deep emission cuts.

- Third, ETS revenues must be used strategically. This means investing in clean industrial technologies, infrastructure and deployment of renewables, while also helping households and workers cope with the costs of the transition, both within Europe and internationally.

- The integrity of the ETS must be protected. Carbon removals and international credit should remain outside the system. Introducing them into the ETS would weaken the carbon price, reduce incentives for real emission cuts in European industry and risk undermining confidence in the system.

ETS 2

- Operationalise the ETS2 in 2028, with no further delays or increased carbon budget;

- Implement strong complementary measures to both decrease emissions in the buildings and transport sectors and mitigate the risk of excessive carbon prices;

- The Social Climate Fund must be strengthened and extended beyond 2032 to address potential social impacts of ETS2;

- Ensure broad transparency and public participation in national ETS2 investments.

Agriculture

- An EU-level binding gross non-CO2 emission targets for agriculture should be established, complemented by EU and national sectoral roadmaps.

- An effective implementation support and incentive system for a just transition in agriculture will be critical. The Common Agriculture Policy (CAP) should be reformed to support climate, environmental and social goals, including phasing out harmful subsidies and better targeting small farmers in need of transition support. Efforts to reduce intensive livestock farming should also be undertaken, and fiscal tools and socially-just carbon pricing be explored to promote sustainable food consumption.

INTRODUCTION

The climate crisis continues to unfold, with global temperatures hitting new records, year after year. Climate impacts such as extreme heat, floods, droughts and ecosystem loss are increasingly felt in both the EU and the rest of the world. For the EU, the fastest-warming continent in the world, it is evident that urgently ramping up climate action to continue and strengthen the trajectory that has been initiated through the European Green Deal also in the post-2030 period is not only a moral imperative, but also a strategic investment to avoid massive economic and financial costs in the future, on the top of increasingly adverse impacts on public health, and avoidable deaths. As highlighted by the European Climate Risk Assessment,[1] weakening or delaying climate action now will only dramatically increase the costs for the economy and society, while further exposing Europe to fossil fuel price volatility and shocks, as demonstrated by the most recent fossil fuel crises, triggered by Russia's full-scale invasion of Ukraine and the US and Israeli attacks on Iran. On the contrary, acting timely and decisively on climate change will bring a wide range of benefits: by increasing its ambition, the EU could gain at least €1 trillion already by 2030[2], while strengthening energy security and economic resilience.

In view of the current discussions on the design of the post-2030 framework and legislative proposals expected from the European Commission later this year, the EU has the opportunity to design an ambitious and robust policy architecture that paves the way to a fast and socially just transition, including to achieve and preferably overachieve the agreed emission reduction targets. Towards this end, this paper provides CAN Europe's recommendations on the different elements of the post-2030 climate policy architecture, including national targets and flexibility, the EU Emission Trading System (ETS), and specifically for the agriculture sector. It complements CAN Europe's positioning on post-2030 energy matters, whereas the accelerated shift to a highly efficient renewable energy based system is a critical pathway for achieving emission reductions and climate neutrality.[3] Resource and material use reduction, adopting sustainable production and consumption models also remain essential elements towards achieving climate neutrality and the economy of tomorrow[4].

CAN Europe has repeatedly argued that, to align with the 1.5°C temperature limit and equity, the EU should achieve domestic net zero emissions by 2040 at the latest, based on at least 92% gross reductions compared to 1990 levels[5]. This should also be based on the EU achieving at least 65% gross (at least 76% net) emission reductions by 2030, and at least 82% gross (at least 94% net) domestic emission reductions relative to 1990. On top of this domestic ambition level, the EU should also significantly increase support to Global South countries for mitigation, adaptation and loss and damage, including through international climate finance (which should not be confused with and replaced by international carbon credits transactions under Article 6 of the Paris Agreement) to fulfil the New Collective Quantified Goal (NCQG) $300 billion target.

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[1] EEA (2024). European Climate Risk Assessment. https://www.eea.europa.eu/en/analysis/publications/european-climate-risk-assessment

[2] CAN Europe & The Together For 1.5 project (2024). Paris Pact Payoff: Speeding up the green transition for socio-economic co-benefits. https://caneurope.org/content/uploads/2024/01/CAN-Europe-co-benefits-of-climate-action_REPORT.pdf

[3] CAN Europe's position paper on the revision of the Governance Regulation: support for an ambitious and solid post-2030 energy framework https://old.caneurope.org/content/uploads/2026/03/Governance-regulation-Position-PAPER-energy-March-2026.pdf

[4] CAN Europe's https://old.caneurope.org/content/uploads/2024/06/Economy-of-Tomorrow_June-2024.pdf

[5] CAN Europe's position on climate targets and an equitable greenhouse gas emission budget for the EU: https://caneurope.org/content/uploads/2024/02/2024.09.24-Updated-Position-Paper-on-EU-climate-targets-and- equitable-GHG-budget.docx.pdf

Unfortunately, the lack of political ambition in Europe did not allow for an adequate 2040 target and 2035 NDC[6]. This makes it even more important that the policy architecture for achieving those post-2030 goals provides predictability, credibility and environmental integrity. Any potential review of the EU 2040 climate target, as provided by the European Climate Law, should aim at increasing its domestic ambition.

At the same time, the post-2030 policy framework must have equity at its core. While climate action is inherently benefitting the whole of society by protecting our common environment, it is also important to make sure that the costs and benefits of the transition are fairly distributed, avoiding regressive impacts on vulnerable groups and disproportionate gains for the wealthiest. Policy design must be informed by effective participatory processes and impact assessments accounting for distributional costs and benefits (including from avoided climate impacts), ensuring measures are put in place to secure additional socio-economic benefits for vulnerable groups and workers, ensuring there are no regressive effects, and addressing different realities across Europe. Improved and transparent dialogue between policy-makers and civil society, trade-unions, businesses, local authorities etc, is crucial to capture needs and concerns, taking into account the existing vulnerabilities and intersecting forms of discrimination, and improve policy effectiveness and acceptance in times of dis- and mis-information.

Furthermore, the EU will also have to step up its efforts to adapt to the unfolding climate impacts and be able to respond to the associated losses and damages, and needs to adopt an ambitious new integrated framework “European climate resilience and risk management” which the European Commission intends to propose by the end of the year. Detailed positioning on this is beyond the scope of this particular position paper, but CAN Europe’s views on key parameters have been submitted to the Commission’s public consultation.[7]

[6] Ibid.

[7] https://caneurope.org/can-europe-priorities-for-the-european-climate-resilience-and-risk-management-integrated-framework/

NATIONAL TARGETS AND FLEXIBILITY

The 2030 climate policy framework provides binding EU and national-level climate targets, separating gross emissions in the sectors of road transport, buildings, non-CO2 agriculture emissions, small industry and waste (Effort Sharing Regulation - ESR) from net sinks in the land sector (Land use, land use change, and forestry (LULUCF) Regulation). As the design of the post-2030 framework is currently discussed and the European Commission is scheduled to publish a legislative proposal in late 2026, various aspects of the current approach are under scrutiny, including the binding nature of targets, their scope, and the integration of flexibility options.

Target bindingness and scope

National binding targets need to be maintained in the post-2030 framework

Binding national climate targets are key to ensuring Member States' responsibility and accountability to deliver collectively on the EU climate targets, while accounting for equity and solidarity in effort sharing, ensuring progress monitoring and promoting national investment and planning. For this reason, **national binding targets need to be maintained in the post-2030 framework**. Any alternative option that considers non-binding targets or a non-binding component/level of national targets would be a significant backward step in the governance of the EU climate policy framework and would jeopardise the achievement of the EU-level climate targets.

Target scope and separation for emission reductions, biogenic sequestration, and permanent industrial removals

The post-2030 framework should ensure **separation between gross emission reductions, biogenic sequestration, and permanent industrial removals targets,** with no flexibility between them to preserve environmental integrity and prioritise rapid, deep, and sustained emissions cuts. **Provided these conditions, maintaining the current scope of the ESR and LULUCF and[8]/or moving towards economy-wide national targets can be considered**. Maintaining the current scope of ESR and LULUCF targets builds on an established system and has the benefit of providing targeted pressure on those sectors that are lagging behind[9] (e.g. agriculture, buildings and transport). On the other hand, an economy-wide approach (provided the separation between gross emission reduction target, biogenic removal target, and permanent removals) would increase political visibility and accountability for the overall national climate target (and encourage more coherent whole-economy transition planning across sectors). While ideally the two approaches could be combined, when it comes to selecting one, CAN Europe's preference lies in maintaining the current ESR scope for national gross emission targets, which also has the benefit of building on an established system.

By contrast, further options considered (e.g. in the Commission's public consultation on this matter) such as reducing the scope of the ESR that would weaken accountability for the buildings and transport sector, or creating an AFOLU[10] sector that allows offsetting of agricultural emissions with temporary biogenic removals, would disincentivise decarbonisation efforts in agriculture and undermine environmental integrity, should not be pursued.

[8] Economy-wide gross emissions targets and ESR targets are not mutually exclusive.
[9] EEA (2026).Trends in EU GHG emissions by sector. https://www.eea.europa.eu/en/analysis/publications/key-trends-and-drivers-in-ghg-emissions-in-the-eu/trends-ghg-emissions-sector
[10] Agriculture, Forestry and Other Land-Use

No flexibility or fungibility between different types of targets

Ensuring that there is **no flexibility or fungibility between** gross emission reductions, biogenic sequestration, and permanent industrial removals targets is essential to prioritise rapid and deep emission reductions, ensure appropriate action on all three fronts, and safeguard environmental integrity. On the contrary, allowing removals to offset ongoing emissions would risk mitigation deterrence, delay necessary structural transformation, and undermine the credibility of the EU's climate framework. Differentiating biogenic sequestration and permanent industrial removals is also essential. The European Scientific Advisory Board on Climate Change (ESABCC), in its recent CDR report[11], also highlighted the importance of separating permanent removals from temporary biogenic natural sequestration. The CRCF Regulation also endorses this separation.

Sector-specific trajectories

All economic sectors must be subject to adequate decarbonisation policies, as they all must contribute to their full potential to the EU's decarbonisation efforts. A broader scope for sectoral national targets positively allows and incentivises Member States to regulate emissions across a broader scope of sectors. At the same time, it is important to maintain targeted pressure, clear direction and transparency on individual sectors – especially those where emissions are stagnating or increasing, such as agriculture, buildings and transport[12]. For these reasons, the binding national targets above should be complemented by **sector-specific roadmaps at EU and national level**. **For the agriculture sector**, which is currently not subject to effective decarbonisation measures and where emission reductions have been stagnating, **an EU-level binding gross non-CO2 emission targets also needs to be established[13]**, and complemented by an effective support and incentive system (see also the below chapter on agriculture).

Ensuring socially just pathways

In order to **operationalise a socially just transition across sectors and the economy**, national targets and sectoral roadmaps should be underpinned by effective participatory processes, involving civil society organisations representing the interest of marginalised groups, people at risk of poverty, social justice organisations, workers' unions, etc. Sectoral roadmaps should be informed by distributional impact assessments, take into account existing vulnerabilities and intersecting forms of discrimination, and use gender-disaggregated data. Policies should be designed to avoid or mitigate potential adverse impacts on citizens and workers, and wherever possible to deliver additional socio-economic benefits, including for vulnerable groups. Social dialogue and collective bargaining should play a central role in the transition process for workers impacted by the transformation of the economy towards climate neutrality. The sectoral roadmaps must notably ensure availability of affordable alternatives to polluting practices. National targets and sectoral roadmaps should also be underpinned by ambitious investment plans.

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[11] European Scientific Advisory Board on Climate Change: Scaling up carbon dioxide removals https://climate-advisory-board.europa.eu/news/new-report-from-the-eus-climate-advisory-board-outlines-recommendations-to-scale-up-carbon-dioxide-removals-while-addressing-opportunities-and-risks

[12] EEA (2026).Trends in EU GHG emissions by sector https://www.eea.europa.eu/en/analysis/publications/key-trends-and-drivers-in-ghg-emissions-in-the-eu/trends-ghg-emissions-sector

[13] CAN Europe's position paper on CAN Europe on the "Vision for Agriculture and Food". https://old.caneurope.org/content/uploads/2025/04/CAN-Europe-2025-Agriculture-vision-position.pdf

Compliance and flexibility options

Flexibility must not substitute transformative action on climate. Allowing more flexibility within and across targets and sectors does not prompt timely and early reduction efforts and, most importantly, risks weakening incentives for progress in key sectors like transport, buildings, or agriculture, undermining the core logic of a truly economy-wide decarbonisation. In the context of the EU 2040 target, where policy-makers are looking for increased flexibility,[14] it is important to distinguish between flexibility options that undermine the environmental integrity and overall ambition of EU decarbonisation efforts, and those that can be accommodated with some safeguards without weakening the EU's decarbonisation. Below, we analyse the options currently discussed.

Article 6 credits must be kept out of the EU's climate policy framework

CAN Europe continues to reject the inclusion of international carbon credits (Article 6 of the Paris Agreement) within the EU climate policy framework, as it would severely undermine the ambition and environmental integrity of the EU contribution, as well as pose serious reputational risks. The EU has the means and the potential to achieve its 2040 climate target domestically, as highlighted by the European Commission Impact Assessment on the 2040 target[15] and the European Scientific Advisory Board on Climate Change (ESABCC)[16], with the latter clearly stating that any mitigation measures outside the EU should be additional to the recommended domestic 90-95% net target level. CAN Europe is supporting the EU developing strategic climate and energy partnerships with other countries including in the Global South, and the EU is obliged to continue to enhance the provision of public finance for climate measures in such countries. But the buying of international carbon credits to substitute domestic action is the wrong approach, as it decreases domestic action while risking replacing genuine climate finance, jeopardising the achievement of the New Collective Quantified Goal (NCQG) $300 billion target. **Assessments[17] show weak environmental integrity of international carbon credits**, which in most cases do not reflect actual emission reductions or removals, as well as cause negative impacts locally including the risk of human rights abuses[18]. Thus, any reliance

[14] See the adopted 2040 target amendment to the European Climate Law: https://data.consilium.europa.eu/doc/document/PE-5-2026-INIT/en/pdf

[15] European Commission (2024).Commission Staff Working Document. Impact Assessment Report. Accompanying the document 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 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52024SC0063

[16] ESABCC (2023). Scientific advice for the determination of an EU-wide 2040 climate target and a greenhouse gas budget for 2030–2050. https://climate-advisory-board.europa.eu/reports-and-publications/scientific-advice-for-the-determination-of-an-eu-wide-2040/scientific-advice-for-the-determination-of-an-eu-wide-2040-climate-target-and-a-greenhouse-gas-budget-for-2030-2050.pdf/@@display-file/file

[17] Probst et al. (2024). Systematic assessment of the achieved emission reductions of carbon crediting projects. https://www.nature.com/articles/s41467-024-53645-z
Carbon Market Watch (2025). First wave of Article 6 carbon credits misfire spectacularly. https://carbonmarketwatch.org/2025/04/10/first-wave-of-article-6-carbon-credits-misfire-spectacularly/
Alliance Sud (2023). New electric buses in Bangkok – no substitute for climate protection in Switzerland. https://www.alliancesud.ch/en/new-electric-buses-bangkok-no-substitute-climate-protection-switzerland
Alliance Sud (2024). Switzerland in the dense fog of carbon offsetting. https://www.alliancesud.ch/en/schweizer-CO2-Kompensation-in-Ghana
Carbon market Watch (2024): Hot air carbon credits cannot offset polluting planes. https://carbonmarketwatch.org/2024/03/27/corsia-hot-air-carbon-credits-cannot-offset-polluting-planes/

[18] Kubitza, C. Art, G. Gradeler, M. et al. Trading carbon credits for human rights: Does Article 6.4 of the Paris Agreement protect indigenous peoples and local communities? Carbon Market Watch & Land Matrix (2026). https://carbonmarketwatch.org/publications/trading-carbon-credits-for-human-rights/
Berner, D. Switzerland in the dense fog of carbon offsetting. Alliance Sud (2024).

on international credits to achieve the EU 2040 target would gravely endanger integrity and entail serious social and reputational concerns of EU climate action.

Integrating international credits in the EU 2040 climate target would not benefit the EU; on the contrary, it **would only delay and increase the costs of the transition of the EU economy, harming investment certainty, competitiveness and posing serious financial risks**. Each year, to buy international credits, the EU would need to pay up to tens of billions of Euros, locking its financial resources in recurring payments; in contrast, those financial resources would have more effectively been invested in domestic decarbonisation, accompanying social measures and genuine international climate finance, raising important questions regarding the acceptability of this operation to the general public. The long-term costs of the decarbonisation of the Union would only increase as an unclear climate policy signal risks locking in investment in technologies that will become stranded assets in a climate-neutral European economy. These risks would even be exacerbated if Article 6 credits were to be integrated into the EU Emissions Trading System (ETS), which would impair the correct functioning of this key EU climate policy; the EU's previous attempt to integrate international carbon credits into its ETS proved costly, depressing carbon prices for years, weakening domestic climate action, and costing Member States billions in lost revenues.

Flexibility options that can be considered with safeguards: trading emissions and compliance approach

As mentioned above, CAN Europe stresses that flexibilities must not undermine integrity and accountability for achieving national targets. Flexibility options should be kept to a minimum and only made available to Member States provided they do not reduce the overall EU climate ambition level.

In this light, potential less risky options include the **trading of efforts between Member States**, as far as emission reductions, biogenic sequestration and permanent removals are kept separate. While remaining a sub-optimal solution, as it does not promote timely planning of reduction efforts, it nevertheless guarantees the same overall EU climate ambition level. As it is currently provided in the ESR, Member States should be temporarily prohibited from accessing trading until they comply with their national targets.

Furthermore, **a more flexible compliance approach** could be considered. The best option to guarantee compliance towards climate targets is by maintaining binding decarbonisation trajectories, with annual checkpoints enabling timely course correction, as in the current framework for sectors under the ESR. A multi-year budget (or averaging) approach could be considered to provide limited flexibility; however, it carries significant risks. In particular, it may obscure delays in emission reductions, mask declines in the LULUCF sink, and enable an overreliance on uncertain future reductions and removals, while weakening transparency and monitoring. It also fails to account for the timing of emissions, as earlier emissions remain in the atmosphere longer and contribute more to cumulative warming. Therefore, if applied, it would need to be designed with two-year budgets (or averaging) and be combined with an abatement factor (excess multiplier of 1.08). By contrast, a final-year compliance approach, where only end-point emissions levels (e.g. in 2040) are assessed, would be the most harmful option, as it fails to constrain cumulative emissions and allows for substantial delays in action.

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https://www.alliancesud.ch/en/schweizer-CO2-Kompensation-in-Ghana
Dunne, D. & Quiroz, Y. Mapped: The impacts of carbon-offset projects around the world. Carbon Brief (2023). https://interactive.carbonbrief.org/carbon-offsets-2023/mapped.html

Incentivising targets compliance and addressing insufficient progress

In the current framework, there are two mechanisms to address non-compliance in the ESR and LULUCF that need to be maintained and strengthened post-2030. First, the "**1.08 multiplier**" mechanism: if a Member State exceeds its annual limit in any year, taking into account the use of flexibilities, every five years the quantity of emissions in excess is multiplied by a factor of 1.08 and the result is added to the emissions of the subsequent year. This mechanism incentivises early action, which is crucial to reduce climate impacts: earlier emissions remain in the atmosphere contributing to warming for longer, meaning that delayed action leads to higher cumulative climate impacts. Second, Member States need to submit "**corrective action plans**" in case insufficient progress towards their national ESR target is identified at compliance checkpoints (in 2027 and 2032). This is key to ensuring accountability and adequate planning towards meeting the targets. Both mechanisms should be retained to incentivise compliance with post-2030 national climate targets.

At the same time, additional compliance and enforcement mechanisms should be envisaged. First, insufficient progress towards national binding targets should trigger clear **financial consequences** – i.e., in the form of direct fines filling a "climate action fund", or an increase in earmarking for climate action in future national spending plans (NRPPs). Such a fund should not be designed or used as an offsetting mechanism. Second, insufficient progress towards national climate targets should trigger **systematic corrective mechanisms**, which include, but are not limited to, infringement procedures.

Links with the Governance Regulation monitoring and reporting

In designing the post-2030 climate policy framework, the Commission will also update the Governance Regulation, which sets the planning, reporting and monitoring mechanisms that allow the EU and Member States to meet their climate and energy targets.[19]

Under the current Governance Regulation, Member States have two main reporting obligations. First, they have to report on greenhouse gas emissions inventories, on an annual basis (Article 26). These inventories are the primary data source to monitor compliance towards the LULUCF and ESR targets, as well as UNFCCC commitments. Second, they have to report on the implementation of the policies and measures described in their National Energy and Climate Plans (NECPs), via the NEC Progress Reports, or NECPRs (Articles 17-25). The NECPRs must include, among others, information on the progress of climate policies and measures and emissions projections (Article 18). In the update of the Governance Regulation, both reporting mechanisms must remain in place.

Reporting obligations on greenhouse gas emissions and removals should remain as they are, on an annual basis. This has proven to be a good practice and is key to guarantee transparency and access to information in line with the Aarhus Convention, as well as to strengthen the credibility of the EU 2040 climate target. Their annual iteration has provided and must keep providing the necessary data to effectively monitor compliance with the national climate target(s) and potentially intervene with corrective actions in a timely manner (see section above).

On the other hand, the **reporting on the implementation of NECPs policies and measures must remain in place, but should be revised to reduce administrative burden for Member States, as well as to enhance transparency and access to information**. Policies and

[19] CAN Europe has developed more detailed position papers on the Governance Regulation available here: https://caneurope.org/news/governance-regulation-revision/

measures in current NECPs rarely have clear implementation timelines and quantification of impacts, which results in poor monitoring and reporting – notably but not exclusively the areas of carbon removals (permanent and LULUCF), just transition and the phaseout of fossil fuels subsidies. Effective NECPs planning – which should be organised per sector, to provide an economy-wide picture of decarbonisation pathways – should be paired with an improved streamlining of current reporting mechanisms (i.e. by merging different existing reporting platforms) as well as the streamlining of planning and reporting processes.

The revision of the Governance Regulation and the NECPs process should also significantly strengthen the attention to equity in achieving the climate and energy targets[20]. This includes:

- Designing policies and measures in order to take into account the intersecting forms of discrimination and to deliver additional socio-economic benefits to people in Europe, including vulnerable groups;

- Ensuring meaningful participation, consultation, social dialogue - including collective bargaining which plays a central role in designing the transition processes, also for workers impacted by the transformation of the economy towards climate neutrality;

- The multi-level dialogue process (Art. 11 of the Governance Regulation) should be put into practice to ensure active engagement of all relevant stakeholders in the planning and revision of climate and energy policies;

- Ensuring availability of affordable alternatives to polluting practices, from effective public transport to affordable, healthy and energy-efficient building renovations, or making healthy and sustainable food affordable for all;

- Backing plans with adequate financial resources raised through progressive taxation.

The European Commission has recently suggested strengthening the post-2030 climate and energy architecture with a predefined set of Key Performance Indicators (KPIs), including for climate action. If applied consistently across NECPs planning and reporting, these **KPIs could be a valuable support for EU institutions and Member States to monitor and intervene on enabling conditions** – and relative implementation gaps, such as sector-specific bottlenecks – for accelerated climate action. KPIs could also improve monitoring and enforce compliance on just transition and social aspects (including the gender dimension of the NECPs, which most Member States have been ignoring so far) by setting definitions and mandatory objectives and by reinforcing engagement of underrepresented groups as well as of competent ministries/stakeholders in the planning process.

If **integrated within the EU economic governance**, they could also prove effective in linking implementation hurdles with technical support and EU financing sources. For instance, NRPPs could plan for investments and reforms based on KPIs performances, in order to target climate action bottlenecks more effectively. At the same time, persistent KPIs underperformance could be addressed via requests for targeted reforms and corrective actions in the NRPPs or in Country Specific Recommendations (European Semester).

While they should have a role in monitoring and accelerating implementation, **KPIs must not replace binding national climate targets nor water down the essential compliance mechanisms mentioned above**. More specifically, KPIs should remain limited to NECPs planning and reporting; they must not interfere with the existing greenhouse gas accounting instruments under the Governance Regulation, nor with existing target compliance mechanisms in the ESR and LULUCF regulations.

[20] In this regard, see also: FRA (2026). Fundamental rights and housing in the EU's climate and energy transition. https://fra.europa.eu/en/publication/2026/housing-energy-transition

EMISSION TRADING SYSTEM (ETS)

ETS1

For Climate Action Network (CAN) Europe, the EU Emissions Trading System (ETS) must remain the cornerstone of EU climate and industrial policy also for the period post-2030 and towards achieving the new 2040 target. This is not only a climate imperative, but a matter of economic resilience and energy security. Europe still spends nearly €400 billion each year on fossil fuel imports, exposing its economy to geopolitical risks, price volatility and supply disruptions. Recent events have once again shown how quickly these vulnerabilities translate into real economic costs.

Reducing this dependence requires accelerating the transition to clean, domestic energy and industrial transformation. A strong and credible carbon pricing mechanism is central to this effort. From 2026 to 2030, it is expected to generate between €120 and €150 billion in revenues[21], offering a unique opportunity to finance Europe's industrial transformation, invest in clean technologies and infrastructure, and support households and workers through the transition.

At a time of intensifying global competition for the clean industry, weakening the ETS would undermine investment certainty and risk pushing clean industrial projects outside the EU. The **upcoming ETS review** is therefore a critical moment to strengthen and not dilute the system, ensuring it delivers rapid decarbonisation while supporting prosperity and resilience.

CAN Europe's priorities for the next review are the following. For further details, see CAN Europe's position paper focusing on the ETS review post-2030[22].

First, **the current cap trajectory and linear reduction factor should be preserved at least until 2036**, providing the predictability needed for immediate long-term investments. Discussions about additional flexibility should concern only the period thereafter when limited liquidity risks might need to be addressed.

Second, **the phase-out of free allocations must continue**. In 2024 alone, free allocations still represented more than €30 billion in forgone auction revenues, while also weakening the carbon price signal for industry. Maintaining generous free allowances would only delay investment in cleaner production and undermine the effectiveness of the ETS. Conditionalities attached to any remaining free allocations should be strengthened in order to force additional investments in industrial transformation and deep emission cuts.

Third, **ETS revenues must be used strategically**. Auction revenues should support in the first place a just transition for citizens, while also speeding up the transformation of European industry. This means investing in clean industrial technologies, infrastructure and deployment of renewables, while also helping households and workers cope with the costs of the transition, both within Europe and internationally. Within Europe, there is also a need to continue allocating revenues specifically to those regions where transition costs are higher.

Finally, **the integrity of the ETS must be protected. International credits and carbon removals should remain outside the system**. Introducing them into the ETS would weaken the carbon price, reduce incentives for real emission cuts in European industry and risk undermining confidence in the system.

[21] Assuming an EUA price range of €75 to €95 see Carbon Market Watch report
[22] https://caneurope.org/app/uploads/2026/05/can-europe-ets-position-may-2026.pdf

ETS2

The Emission Trading System for buildings and road transport (ETS2) is a cornerstone of Europe's strategy to drive deep decarbonisation across the buildings and transport sectors while supporting a just transition for all segments of society, especially the most vulnerable through the Social Climate Fund (SCF). Its implementation must ensure that existing inequalities are not exacerbated but rather decreased through a well-targeted and transparent use of ETS 2 revenues.

The ETS2 must remain outside the scope of the upcoming ETS review and off the negotiating table until its scheduled 2028 revision.

The **timely operationalisation of ETS2** would also strengthen competitiveness and accelerate investments in clean technologies across small and medium-sized industries, buildings and road transport. The system will generate significant revenues that should be used to support vulnerable households and enterprises in the energy transition. This represents a historic opportunity to drive deep, structural transformation in the two sectors, allowing households and businesses to take advantage of the long-term benefits of a decarbonised energy system.

The **integrity and adequate resourcing of the Social Climate Fund must be strengthened and extended beyond 2032** to address potential social impacts of the mechanism. Social Climate Plans should provide long-term solutions to energy and transport poverty, ensuring continuous support for vulnerable groups, including with a gender lens.

To mitigate the risk of excessive carbon prices, **Member States should introduce strong complementary policies** to reduce the demand for emission allowances, facilitate investments and support lower-income groups. Complementary policies with a pre-2030 and long term impact are particularly important to provide a clear investment signal.

Finally, **ETS2 revenues should be transparently invested** into building renovations, zero-emission transportation, renewables, grids and flexibility, thus reducing the cost of the transition while safeguarding social fairness. Stakeholders, including businesses and civil society, must be thus included in the overall planning of how ETS2 revenues will be managed. This will ensure social buy-in and provide certainty for businesses on the path to decarbonisation.

For further details on CAN Europe's positions on the ETS2, please see the dedicated position paper.[23]

[23] CAN Europe views on ETS2
https://old.caneurope.org/content/uploads/2025/08/Position-paper-ETS2-CAN-Europe-August-2024.pdf

AGRICULTURE

The agriculture sector has a specific relevance for climate action. According to the ESABCC[24], "agricultural losses from extreme weather events currently amount to around EUR 28 billion per year on average and are projected to increase to around EUR 40 billion per year on average by mid-century." Furthermore, agriculture accounts for approximately 13% of total EU greenhouse gas emissions, with around two-thirds attributable to livestock farming for meat and milk production alone. Yet the sector has delivered only a 7% reduction in emissions between 2005 and 2023, compared to roughly one-third reductions economy-wide. Now that the 2040 intermediate climate target has been enshrined into law, it is time to elaborate on the quantitative contributions from various sectors, and the mechanisms for getting there. In the Vision for Agriculture and Food, the Commission also promised that it "will consider pathways for the contribution of the agricultural sector to the EU's 2040 climate target".

As the ESABCC has highlighted, "many solutions, such as practices that increase soil carbon, dietary shifts, food waste reductions, agroforestry and agrivoltaics, can deliver benefits for both climate adaptation and mitigation, as well as broader environmental and socio-economic goals." Bringing the agriculture sector in line with the climate targets would also reduce dependence on fertilizer (incl. fossil fuel based) and feed imports and therefore has the potential to increase Europe's strategic autonomy in agriculture.

The sections below briefly outline CAN Europe's view for an effective and fair decarbonisation of the agriculture sector. More details can be found at the specific position paper.[25]

Binding sectoral target at EU level and roadmaps

The ESABCC report highlights that "available scenarios suggest that a systemic transition could reduce agricultural non-CO2 emissions by more than a third by 2040 (compared to 2005)". This provides a basis for defining agriculture's role in achieving the 2040 target, with a focus on livestock emissions. CAN Europe **calls for a binding and ambitious EU sectoral gross non-CO2 emission reduction target for agriculture**, kept separate from the LULUCF sector, so that real emission cuts are not obscured and offset by temporary land-based carbon sinks accounting. Without a dedicated sectoral target, agriculture risks becoming a black hole in EU climate governance, with its emissions offset rather than reduced.

The EU level target should be complemented by **sector-specific roadmaps at EU and national level**, in order to ensure targeted frameworks to advance the sector's climate performance. The NECPs already provide a place for reporting implementation plans and emission relevant achievements.

Support and incentive system for a just transition in agriculture

As this position paper focuses on the broader architectural elements for post-2030, it is beyond its scope to detail the implementation support and incentive system here. However, the following parameters appear as critical elements.

[24] ESABCC (2026). Climate adaptation and mitigation in the agri-food system – Recommendations for coherent EU policies.
https://climate-advisory-board.europa.eu/reports-and-publications/climate-adaptation-and-mitigation-in-the-agri-food-system-recommendations-for-coherent-eu-policies

[25] CAN Europe position paper on the "Vision for Agriculture and Food"
https://old.caneurope.org/content/uploads/2025/04/CAN-Europe-2025-Agriculture-vision-position.pdf

The **Common Agricultural Policy (CAP)** has consistently failed to align public money with climate, environment and social objectives. CAN Europe views the current CAP as a missed opportunity, and if the current reforms (and the associated MFF budget discussions) are insufficient, reducing agriculture emissions appropriately may be doomed to fail. Key asks from CAN Europe include a) establishing dedicated agri-food just transition funding; b) phase out harmful subsidies, c) reform income support to target those farmers and rural communities most in need of transition support, d) incentivise and scale up agroecology.

Industrial livestock production is the single largest driver of agricultural emissions in the EU. Developing a **livestock just transition strategy** consistent with an ambitious implementation of the 2040 target is needed. Elements to be considered include aiming for herd size reductions in areas of intensive production, including support for farmers willing to transition through diversification, agroecological conversion, or buy-out schemes in ecologically sensitive zones.

Exploring fiscal tools to shift market dynamics will be critical. This could include differentiated VAT rates to help reorient consumption patterns. Targeted approaches of carbon pricing – as they are also examined in the ESABCC report – can support such market dynamics and raise revenues to contribute to financing the transition. Such measures must be carefully designed to protect lower-income households and small-scale farmers, ensuring benefits reach consumers rather than being absorbed by retailers.

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