

## Annex to the letter to Climate and Environment Ministers ahead of the 17 December Environment Council: Input for discussions on enabling conditions for the EU 2040 climate target

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### Planning for Fit for 55 implementation

- Despite some improvements from the 2019 NECPs, [the current level of ambition of the latest available NECP updates is insufficient](#) not only to align with the Paris Agreement commitments, but even to meet EU climate targets (set through the ESR and LULUCF Regulation, energy efficiency contributions as per the EED and renewables contributions outlined in the RED). **Member States must significantly improve their targets and measures (including financing) to implement NECPs** in line with the Paris Agreement and to be on track to climate neutrality. The need to fill the ambition gaps is also recognized in the [State of the Energy Union](#) and the [European Environmental Agency “Trends and Projections”](#) reports and by the [European Scientific Advisory Board for Climate Change](#). In addition to climate science and warnings, socio-economic arguments also point towards the need to speed up the transition process until 2030. The EU could [save up to 1 Trillion Euros](#) by 2030 by following an ambitious energy transition scenario.

### Energy

- **Member States need - as a minimum - correctly transpose the 2023 Energy Efficiency Directive** into national law by Oct 2025 and overshoot the 2030 energy efficiency target to be in line with the Paris Agreement. The planning gap to reach the EU energy efficiency contributions needs to be closed with the submission of the final NECPs by Member States and through their implementation.
- **A robust and timely implementation at national level of the Renewable Energy Directive (RED III) is essential** to achieve at least the updated Union’s 2030 renewable energy target of 42,5% aiming at 45%. This necessitates accelerating the deployment of renewable energy projects, focusing on wind and solar, while fully integrating their various co-benefits through a people- and nature-inclusive approach. The acceleration of sustainable renewable energy deployment should include enhancing grids, increasing storage capacity, demand-side flexibility and improving system flexibility.
- **Implementation of the Energy Performance of Buildings Directive needs to be strengthened** across Member States and transposition completed by May 2026. EPBD requirements and provisions remain flexible hence commitment from Member States in overshooting EPBD’s requirements will be crucial. Address gaps and shortcomings coming from the previous National

Long-term Renovation Strategies to ensure that via the new [National Building Renovation Plans](#), Member States set ambitious and fair decarbonisation pathways that will ensure the EU building sector contributes to the achievement of the 2030 energy and climate targets and beyond. Focus will need to be kept on worst-performing buildings (especially homes), the usage of regulatory tools (i.e. Minimum Energy Performance Standards) and the design of a strong and accessible enabling framework to ensure deep renovations rates triple by 2030 and stabilise in the next decade. In view of the upcoming implementation of the Emissions Trading System covering GHG emissions for buildings and road transport (EU-ETS2), alignment between National Building Renovation Plans and Social Climate Plans will support Member States in channelling renovation efforts (and funds) in the worst-performing building stock. This will [support](#) keeping the most vulnerable and energy poor households at the centre of the transition in the built environment.

- **A clear framework for a socially just phase out of all Fossil Fuels is needed**, and especially fossil gas to ensure that [gas demand is reduced progressively and steeply](#), on the basis of Council Regulation EU 2022/1369, for an Action Plan leading to [gas phase out by 2035](#). Fossil fuel infrastructure will need to be decommissioned; in that respect, Member States need to implement the Network Decommissioning Plans by August 2026 at the latest as required by directive (EU) 2024/1788. In parallel, a stronger and faster implementation of the EU Methane Regulation needs to be secured, especially on the definition and setting up of the methane import standard. Tackling methane emissions is the low hanging fruit of short term climate action and clear cuts in upstream methane emissions from oil and gas operation will be key to reach the 2040 climate target;
- **No need for EU funds for nuclear energy.** [New nuclear energy is too slow, expensive and unreliable](#) to make any meaningful contribution to decarbonisation - this includes the so-called Small Modular Reactors (SMRs). Money should be spent in a cost-efficient manner on existing technologies such as renewables, grids, storage and flexibility.

## LULUCF and Nature

- **The EU LULUCF sink has been declining** abruptly and, as outlined by the [Report on the operation of the LULUCF regulation](#), is off-track to meet the 2030 target (i.e. 310MtCO<sub>2e</sub>) **primarily due to [poor management](#) of the EU's ecosystems, [especially forests](#)**. Therefore, the EU needs to:
  - [Improve forest management](#) (e.g. shifting towards close-to-nature forest management) **and [strictly protect old-growth forests](#)** to reduce emissions and increase carbon sink;
  - **Grasp [synergies](#) with the Nature Restoration Law** to increase and improve forest and wetlands by scaling up ecosystem restoration;
  - Follow the [ESABCC recommendations](#) and ensure **EU policies on agriculture and biomass better reflect the need to maintain and expand the area of forests and wetlands** having climate and biodiversity goals in mind;
  - **Work towards [a robust Forest Monitoring Law](#)** (FML). The FML can standardise forest data collection, clearly defining the necessary information and ensuring it is gathered in a consistent and comparable manner across the EU. This will provide reliable data to support effective measures for restoring forest ecosystems, and reverse the EU's carbon sink trend.

## Industry, circularity, competitiveness

- **The best way [to preserve the EU's long-term competitiveness is a green industrial strategy centred around the European Green Deal and its targets](#)**, stimulating the production of net-zero technologies, ending our fossil fuel dependence and reducing our energy and material demand. Europe's heavy reliance on imported energy and raw materials in a turbulent geopolitical context creates economic and political dependencies and is responsible for high energy price levels.
- **Implement and swiftly adopt ambitious secondary legislation** regarding the industry files aiming at streamlining processes for industry decarbonisation projects and manufacturing of enabling net-zero technologies: the Net Zero Industry Act and the Industrial Emissions Directive. This also includes ecodesign requirements for intermediary products to leverage product policy as an additional driver for industrial transformation through the Ecodesign Regulation secondary

legislation. This will contribute to strengthening regulatory certainty for businesses and provide the necessary long-term vision to unlock private investments in the transition.

- **Ensure new initiatives are addressing the potential to tap into circular economy measures** (e.g. via the Circular Economy Act and Clean Industrial Deal) following the waste treatment hierarchy (refuse, reduce, reuse, repair and then recycle). This means measures supporting the climate targets (such as greater emphasis on material efficiency and overall reduction in resource use) for more circular industries (e.g. secondary manufacturing), which in turn will support competitiveness by lowering dependencies for imported raw materials.
- **Adopt a strategic approach in the further support to technologies and techniques** necessary to carry out the industrial transformation. This means prioritising available technologies that are rapidly scalable and actively phasing out fossil fuels to avoid a lock-in of fossil fuels based technologies, as well as demand side measures that can reduce the need for energy and primary raw materials linked with the development of breakthrough technologies.

## Finance

- **Starting with the 2028-34 Multiannual Financial Framework (MFF), the European budget should be permanently increased to at least 2% of EU GDP**, ensuring that there is no funding cliff after the end of Next Generation EU in 2026. Half of the EU budget should be dedicated to [financing a European Social and Green Investment Plan](#) notably providing a significant contribution to meeting additional public climate investment needs (around 1.7% to 2% of EU GDP up to 2030 and for 2030-2040 according to the European Commission), closing the funding gap for the achievement of the 2030 biodiversity strategy (ca. €19 billion per year from 2021 to 2030), and reinforcing just transition finance to ensure that investments are creating opportunities for workers, households, regions, and communities throughout the transition.
- **New taxation resources need to be raised across the EU** in order to finance both an expansion of the EU budget and additional mobilisation of Member States' resources to fill the climate spending gap. These should be based on [progressive taxation](#) while abiding to the "polluter pays principle". The social and environmental costs of delaying the transition are [far greater](#) than the costs of mobilising additional resources today.
- **Fully phase out fossil fuel subsidies in national budgets and exclude any support for fossil infrastructure under all EU funding streams**, starting with the next 2028-34 MFF. CAN Europe has made [6 detailed recommendations](#) for EU Member States to phase out fossil fuel subsidies in a socially just manner in line with the 2025 fossil fuel subsidy phaseout commitment.
- **The European Semester should be substantially improved** by providing incentives for Member States to mobilise additional national expenditures for financing climate and the just transition - among others through the adoption of green budgeting, the elimination of fossil fuel and other environmentally harmful subsidies, and by raising resources through [progressive taxation](#).
- **Align industrial policies with ambitious 2040 targets** through [harmonised environmental and social conditionalities](#) to companies receiving all forms of public finance (from state aid to public procurement, EU funds or national subsidies) and rigorously monitor compliance. Making access to public finance conditional on achieving specific sectoral objectives vis-a-vis decarbonisation, energy and resource efficiency and other social and environmental objectives is the only way to ensure that industrial policy delivers the goal of complete industry decarbonisation by 2040.

## Just transition

- Design policies and investments put in place to reach the 2040 targets in a way that ensures that the costs and benefits will be distributed fairly among individuals, households, communities, regions, and countries. They will therefore have to be preceded and followed by **distributional impact assessments** and underpinned by **impactful participatory processes** involving civil society organisations representing the interest of marginalised groups, people at risk of poverty, social justice organisations, etc. Likewise, limits are needed to end the disproportionate influence of corporate lobbies and their vested interests on those decision-making processes.
- **Adopt robust sectoral transition pathways** to underpin the achievement of the 2040 climate targets, with social and civil dialogues at their core. Such an approach, combined with the adoption of [a just transition directive](#) to anticipate and manage changes in the world of work, will allow to address the socio-economic impacts of the transition towards climate neutrality for workers and for

citizens more broadly. These sectoral pathways will have to tackle the root causes of inequalities in access to quality, carbon neutral and environmentally friendly housing, energy, mobility, etc. and provide accessible, affordable and sustainable alternatives to polluting practices.

- **Ensure that the European Semester encourages strengthening, rather than cutting spending, in social protection systems and public services** which are to play an irreplaceable role to protect people against the increasing disruptions caused by the climate crisis and to not leave them behind in the transformation towards climate neutrality. Fully implement and strengthen the **European Pillar of Social Rights**, making it binding, climate-proofed, and future-ready.
- In order to better align climate, environmental, economic, and social policies to ensure consistency, **regular meetings of environment and social/employment configurations of the Council should occur**, as well as joint meetings of the relevant committees in the European Parliament. Strengthen synergies and platforms for dialogue among various levels of governance – such as regions, cities, national governments, and the EU – and relevant stakeholders.

### Post-2030 policy architecture

- **The EU should align climate targets and policy planning with the 5-years common time frames agreed at UNFCCC-level**, ensuring in this way sufficient additional moments to review, ratchet up ambition and avoid lock-in into inadequate emission reduction pathways which otherwise lead to postponement of urgently needed deep emission cuts. This includes 5-years revision periods for climate policy instruments and [establishing a 2035 climate target](#) in the European Climate Law, in line with art 4.7 requirements.
- In order to ensure emission reductions are prioritised and environmental integrity is safeguarded, avoiding mitigation deterrence, **EU climate targets and policy instruments need to guarantee the separation of gross emission reductions, land-based net removals, and permanent industrial removals** based on a thorough impact assessment of their sustainable scale-up, taking into account risks, benefits and trade off. This entails establishing [three separate targets for these components, and separate and dedicated policy instruments ensuring no flexibility](#) with the sectors covered by the Emissions Trading System (ETS) and the Effort Sharing Regulation (ESR).
- **Binding National climate targets and the compliance structure need to be maintained**, including in the sectors where carbon pricing is introduced (ESR). Carbon pricing is a key pillar of EU climate policy but should be complementary to and work in synergy with other policies with a climate, environmental and social impact.
- **EU-level targets for energy savings and renewable energy need to be maintained post-2030** to be able to sustain and attain the 2040 climate goal. In particular, [the EU should cut in half energy demand and reach 100% renewable energy by 2040](#).
- **The Governance Regulation needs to continue providing a solid, actionable, and transparent framework** for the achievement of the 2030 and 2040 climate and energy targets. Elements relating to reporting, transparency, compliance and public participation should be improved.