Climate Action Network (CAN) Europe is Europe's leading NGO coalition fighting dangerous climate change. With 200 member organisations active in 40 European countries, representing over 1,700 NGOs and more than 40 million citizens, CAN Europe promotes sustainable climate, energy and development policies throughout Europe.

May 15, 2025

CAN Europe views on the EU 2040 climate target and discussed flexibilities

To:

President of the European Commission Ursula von der Leyen,

Executive Vice-President of the European Commission Teresa Ribera,

European Commissioner Wopke Hoekstra,

Environment and Climate Ministers of the EU Member States,

We are writing to you to call on your leadership to hold the line for ambitious climate action and build upon last year's European Commission Communication on the 2040 climate targets and the advice of the European Scientific Advisory Board on Climate Change (ESABCC). With this letter, on behalf of our more than 200 member organisations from a broad spectrum of civil society, CAN Europe would like to share concerns on the set of "flexibility" options for the EU 2040 climate target that, in our understanding, the Commission is consulting on with Member States and MEPs.

1. Concerns in relation to opening EU climate target to international credits

With regard to the option of opening up the EU climate target to international credits, overall, CAN Europe is absolutely convinced that the EU should continue with the practice of achieving its binding emission reductions domestically, as it has been enshrined in the EU Climate law, for the 2030 target as well as for the climate neutrality goal. Europe has the means and the potential to achieve its goals at home, as highlighted by the European Commission Impact Assessment and the ESABCC, and would benefit from it in economic, social, environmental and security terms (see CAN Europe's assessment). In our view, there are various critical enabling conditions that would allow the EU to achieve ambitious and science-aligned climate targets domestically, as highlighted in a recent policy brief.

A recent letter signed by **more than 20 business federations, regions and city groups and civil society networks** also clearly stresses the support for a domestic 2040 target of at least 90% net reductions, or even reaching climate neutrality by that year at the latest as is CAN Europe's position.[1] We also would like to underline that both the European Scientific Advisory Board on Climate Change (ESABCC) as well as the Commission's Impact Assessment Report recommend 90-95% net as a

[1] As communicated in the CAN Europe letter from 6 February 2025, CAN Europe recommends a target of net zero emissions and at least 92% gross emission reductions by 2040 at the latest; an EU 2035 climate target in the NDC of at least 94% net emission reductions by 2035 (including at least 82% gross emission reductions) and an enhanced 2030 target (at least 65% gross emission reductions, equating to 76% net emission reductions). https://caneurope.org/content/uploads/2025/02/To-Commission-President-Ursula-von-der-Leyen-Hoekstra.pdf

domestic target. The ESABCC clearly states that mitigation measures outside the EU should be additional to this domestic target level for a fair EU contribution.

Opening up the EU target to international credits would also open a Pandora's box of new political and bureaucratic issues and procedures as aspects to **negotiate and agree upon among EU Member States, the Parliament and the Commission**, for example in terms of how many credits would be allowed, under which conditions, of which quality and how this would be monitored, bearing additional reputational risk if credits allowed would turn out to be of poor quality as Article 6 rules only reflect lowest common denominator of Paris Agreement Parties, who would pay and how etc. **It is by far not the easy solution to achieve climate targets which it appears to be in the eyes of some proponents.**

More specifically we are concerned that opening up the EU target to international credits would:

Undermine EU leadership, investment certainty and competitiveness

- Further weaken the EU's level of domestic ambition which already lags behind its fair share, as highlighted by the ESABCC.
- Water down the 2040 climate target and price signals to businesses and financial markets to mobilise the needed investments to transform the EU economy to align it to the 1.5°C temperature limit.
- Increase the long-term costs for the domestic decarbonisation of the EU economy. An unclear climate policy signal risks locking in investment in technologies that will become stranded assets in a climate neutral European economy.
- Redirect elsewhere a part of the investments needed at EU level for its decarbonisation, by transferring money for buying credits to outside of the EU. Could the public accept the transfer of billions of EUR outside of the EU instead of investing those resources into domestic action including social measures accompanying emission reductions?
- Open up challenging issues such as who actually would purchase the credits and transfer the money: would it be up to Member States as part of the ESR targets? Would it be done centrally by the Commission? How can the environmental integrity of the credits and consequential EU reputation be ensured? How much would the EU have to pay to buy "high-quality" credits? If the EU was securing all the "high-quality" credits available, what will other countries be left with?
- Purchasing credits for the EU target and counting these payments as climate finance, as some voices seem to suggest, would be an unacceptable double-counting.

Article 6 (Crediting Mechanism) rules and environmental integrity

- The Paris Agreement Article 6 Rulebook finalized in Baku at COP29 lacks many of the environmental integrity safeguards and quality control measures the EU had pushed for during nearly a decade of UNFCCC negotiations, so there is no certainty that Article 6 credits would solve many of the quality challenges of the past regime. Carbon Market Watch has analysed the first CDM project to successfully transition to the Article 6.4 carbon market under the Paris Agreement, uncovering that it is set to account for **27x more carbon credits than what would reflect reality**.
- It would open the door to credits of a questionable quality, as Article 6 credits risk lacking environmental integrity and sustainable development benefits. For example, the Swiss government is piloting flawed and controversial Article 6 deals with Thailand and Ghana.

- It would not deliver emission reductions at global level, since carbon pollution in the EU - at best - would be compensated by emission reductions elsewhere. It is just a zero-sum game for the climate.
- Given the longstanding position of the EU not to use international credits, a change in approach would risk eroding the EU negotiating position and credibility on Art 6.

Further specific risks of international credits integration into the ETS

- Risks flooding the EU carbon market with cheap credits without environmental integrity: this happened already when the EU allowed 1.6 billion international credits into the EU ETS up to 2020, crashing the carbon price for almost a decade.
- Make EU domestic solutions less financially viable where technological frontrunners have banked on a stronger carbon price signal to make solutions economically viable, and where this price will be undermined by cheaper offset credits.
- EU industries would risk paying their competitors to buy Article 6 credits (as indicated here), it could even lead to carbon leakage for some energy-intensive sectors.
- Reduce Member States' incomes from ETS auctioning revenues (€43,6 billion in 2023, finance available to invest into the transition) if prices are lowered due to cheaper international credits.

2. Backloading emission cuts

Another flexibility option being discussed would slow emissions reductions in the early 2030s and concentrate action later in the decade. This not only delays progress, it increases overall emissions over time, especially at a time when early action is more effective and cheaper. A backloaded trajectory would also weaken the EU's next Nationally Determined Contribution (NDC) which must have a 2035 reduction target as its centrepiece. At a time when global climate diplomacy is faltering, the EU must strengthen, not erode, its leadership.

3. Shifting responsibility between sectors

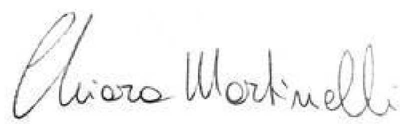
Another flexibility option considered in our understanding is to introduce more flexibility for Member States to meet sectoral targets, allowing underperformance in one area to be offset by over-performance in another. While some flexibility already exists in the EU's climate framework, expanding it further would weaken incentives for progress in key sectors like transport, buildings, or agriculture. This undermines the core logic of economy-wide decarbonisation and delays action where it is needed most.

4. Inflating the role of carbon removals

We hear that the European Commission is also considering increasing the share of carbon removals in the net target. In general, our view is that the EU should establish separate targets, trajectories and policies for a) greenhouse gas emission reductions, b) net sequestration in the LULUCF sector, and c) permanent industrial removals (based on a thorough and science-based impact assessment of their sustainable scale-up, taking into account risks, benefits and trade offs). Avoiding cutting gross emissions by hiding them behind removals cannot be the solution. Natural sinks, which need to be strongly enhanced, are temporary and vulnerable to disturbances. Technological removals are still unproven at scale and often face sustainability constraints. Using removals to mask continued emissions delays the structural transformation required across the economy.

The above aspects reflect CAN Europe's main concerns in relation to the possibility of opening up the EU's targets to international credits, and why we reject this idea, as well as capture the key issues with the other flexibility options under consideration.

At a time where the EU needs to step up its role in international climate negotiations, it cannot lead globally by outsourcing, delaying, or disguising its climate efforts. A 2040 target weakened by loopholes may be easier to negotiate, but it will be harder to justify to citizens, businesses, and the international community. The time for the EU to demonstrate global climate leadership by acting with clarity and resolve is now. The EU must align with science and equity, uphold its legal commitments, and reject options that undermine ambition and environmental integrity for accounting shortcuts. The EU to adopt ambitious 2040 and 2035 NDC climate targets is a fundamental concrete signal the world is waiting for from the EU in order to join forces to protect the credibility of the Paris Agreement and its urgently needed implementation, exactly ten years after its historical adoption.



Yours sincerely,

Chiara Martinelli, Director(CAN) Europe