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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

{SWD(2025) 524 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

As confirmed in the Competitiveness Compass¹, Europe has set out an ambitious framework to become a decarbonised economy by 2050. It will stay the course, with a Clean Industrial Deal, aimed at securing the EU as an attractive location for manufacturing, including for energy intensive industries, and promoting clean tech and new circular business models, in order to meet its agreed decarbonisation objectives. Their implementation will also strengthen the EU's energy independence from imported fossil fuels. As highlighted in the Draghi Report on the Future of European Competitiveness², decarbonisation is not only crucial for the planet, but also a key driver of economic growth when integrated with industrial, competition, and trade policies.

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).

Article 4(3) of the European Climate Law requires an intermediate 2040 climate target to set the pace for EU-wide reductions of net GHG emissions. Setting a 2040 target will provide investors and EU businesses with predictability and a clear indication of the transition pathway needed, to drive business decisions and unlock private investment.

On 6 February 2024, the Commission published a Communication on the Union's climate target for 2040³, setting a path from the already-agreed intermediate 2030 target to climate neutrality by 2050. 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 budget⁴, the Communication presented a 90% net GHG emission reduction compared to 1990 levels as the recommended target for 2040.

A 90% target puts the EU on the pathway which provides the greatest overall benefits in terms of competitiveness, resilience, independence, autonomy, a just transition and ensuring that the EU meets its commitments under the Paris Agreement.

The EU recognises climate change as an existential threat closely linked to global security, peace and sustainable development. With the 2040 target the EU stays the course on its climate action while continuing to diplomatically engage partner countries to reduce global emissions and reach climate neutrality.

• Consistency with existing policy provisions in the policy area

The EU has been pursuing an ambitious decarbonisation agenda. The 'Fit for 55' package of legislation set the EU on a path to reach its climate targets in a fair, cost-effective and competitive way. Full implementation of the legislative framework in place for meeting the 2030 climate and energy targets is a precondition for the EU to stay on course to the 2040 target on the way to climate neutrality in 2050.

¹ COM(2025) 30 final.

² The Draghi report on EU competitiveness.

³ COM(2024) 63 final.

⁴ SWD(2024) 63 final.

The impact assessment⁵ accompanying the 2040 climate target communication shows that achieving a 2040 climate target would imply greenhouse gas emission reduction efforts by all sectors, and enhancement of removals, which need to be enabled by various policies. All zero and low carbon energy solutions (including renewables, nuclear, energy efficiency, storage, CCS, CCU, carbon removals, geothermal and hydro-energy, and all other current and future net-zero energy technologies) are necessary to decarbonise the energy system by 2040. Following the setting of the target for 2040, and in line with the foreseen reviews, the Commission will prepare a policy architecture beyond 2030 taking into account fairness, technological neutrality and cost-efficiency, strengthening EU competitiveness, ensuring a just transition and enhancing environmental sustainability.

In designing such future architecture, the Commission will examine how simplification and flexibilities across sectors could facilitate the achievement of the 2040 target, fostering convergence while taking into account Member States specificities. New technological developments, including space technology, should also be taken into account. The future architecture should also reflect the necessary investment needs and opportunities, in order to address social, economic and environmental impacts of the transition. Policies to implement the 2040 climate target will be guided by solidarity and fairness to ensure a just transition for all Member States and their citizens.

In designing the policy architecture beyond 2030, the Commission envisages to include a role for the limited use of high-quality international credits under Article 6 of the Paris Agreement in the second part of the 2030-2040 decade. Their specific role and deployment would need to be based on a thorough impact assessment and subject to the development of Union law setting robust and high integrity criteria and standards, and conditions on origin, timing and use of such credits. The Commission should analyse in the impact assessments on the post-2030 framework the possible limited use of international credits, so that 3% of 1990 EU net emissions could be counted towards the 2040 target. Should the post-2030 package, as adopted by the co-legislators, include a different percentage of credits, the Commission could propose to amend the Climate Law in the context of the review set out in Article 11. These international credits should not play a role for compliance in the EU carbon market. These international credits should be accounted on the basis of a linear trajectory and they should come from credible and transformative activities, and support third countries with net emission reduction trajectories that are 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 while enabling and supporting the creation of net-zero supply chains. In line with Article 6 of the Paris Agreement, the EU should agree with the concerned third countries on the sharing of the mitigation benefits.

The future architecture should also include incentives, e.g. on the occasion of the review of the ETS Directive in 2026, to build a business case for domestic permanent carbon removals (for example Biogenic emissions Capture with Carbon Storage (BioCCS) and Direct Air Capture with Carbon Storage (DACCS)) to compensate for residual emissions from hard to abate sectors.

As a next step, the Commission will work with the Council Presidency to finalise the communication of the NDC, which will also include an indicative figure for 2035, to the UNFCCC ahead of COP 30.

⁵ SWD(2024) 63 final.

The Commission has also assessed the consistency of the initiative with the European Climate Law's objectives, as required by Article 6(4) of the European Climate Law, in the impact assessment accompanying the 2040 climate target Communication.

- **Consistency with other Union policies**

The initiative is linked to many other policy areas, as all EU actions and policies should foster EU competitiveness, and a just transition towards climate neutrality and a sustainable future. With the Competitiveness Compass and the Clean Industrial Deal, the Commission has set the course to reignite economic dynamism in the EU with a growth and prosperity strategy bringing together climate and competitiveness. The Clean Industrial Deal for competitive industries and quality jobs sets out the workplan to support and create the right conditions for companies to reach common decarbonisation goals and to benefit from the rapidly expanding global market for net-zero technologies, which is projected to triple to an annual worth of around EUR 600 billion globally by 2030.⁶ To achieve the long-term competitiveness of EU industry as it transitions to climate neutrality, the Clean Industrial Deal envisages several measures, including a new Clean Industrial Deal State Aid Framework, the establishment of an Industrial Decarbonisation Bank aiming to mobilise up to €100 billion in funding for innovative decarbonisation projects, a revised public procurement framework to support the development of lead markets for clean technologies and products. The Clean Industrial Deal also envisages initiatives to improve access to critical materials, to promote circular production methods and to ensure a level playing field for the EU industry. Innovation plays a central role across all these efforts, driving the development and deployment of breakthrough technologies, accelerating industrial transformation, and enabling EU companies to lead in the global net-zero economy. The Union aims to increase sustainable and resilient production in Europe and should create the right conditions to crowd in private and public investment across the value chain. These efforts will help the EU's industrial renewal while reducing its environmental footprint and strengthening the resilience of its supply chains.

The new Clean Industrial Deal State Aid framework was published on 25 June and further simplifies the process for Member States to grant aid to energy-intensive industries and clean-tech sectors, without creating undue competitive distortions. Moreover, the Commission is on track to launch a pilot for the upcoming Industrial Decarbonisation Bank already in 2025. This pilot will be an auction with a budget of EUR 1 billion aimed at decarbonising industrial process heat and will benefit companies across various industrial sectors.

Securing affordable energy is a key condition for the competitiveness of our industry. As highlighted in the Draghi Report and the Clean Industrial Deal, Europe's dependence on imported fossil fuels is one of the main causes of high and volatile energy prices. The implementation of the Affordable Energy Action Plan⁷, which envisages immediate concerted action to lower energy costs, has advanced, notably with the establishment of the Energy Union Task Force. Grids and interconnections are crucial for the well-functioning of the EU electricity market and accelerating the roll-out of clean energy. The European Investment Bank (EIB), in collaboration with the Commission, developed new products to offer counter-guarantees to scale up manufacturing of grid components and to boost Power Purchase Agreements. In 2025, the Commission will also put forward a legislative proposal for an Industrial Decarbonisation Accelerator Act (IDAA), with the aim to foster competitive, sustainable and resilient production in energy-intensive industries in the EU.

⁶ COM(2024) 163 final.

⁷ COM(2025) 79 final.

Achieving the 2040 climate target will require a number of enablers, such as ensuring the competitiveness of the European industry, including through simplification; a greater focus on a just transition that leaves no one behind; and a level playing field with international partners, as shown in the 2040 climate target Communication. On the basis of active engagement with business leaders, social partners and civil society, since the beginning of 2025 the Commission launched a number of sectorial strategic dialogues with industry. As one of the outcomes of the Strategic Dialogue on the Future of the European Automotive Industry, the co-legislators have reached an agreement on a targeted amendment to the regulation on CO₂ standards for new passenger cars and vans, that aims to provide car manufacturers with flexibility to meet their emissions target for 2025 and preserve their investment capacity on the path to zero-emission mobility. The Commission will also put forward a proposal for clean corporate fleets at the end of 2025⁸. To support the decarbonisation of transport while fostering industrial development in Europe, the Commission will also put forward a Sustainable Transport Investment Plan later this year, which will notably aim at de-risking investment for the production and uptake of sustainable alternative fuels in hard-to-abate sectors, including aviation and waterborne transport. In order to preserve the competitiveness of the EU's steel and metals industry, the Commission has adopted the European Steel and Metals Action Plan with measures aimed at ensuring access to clean and affordable energy, preventing carbon leakage, protecting European industrial capacities, and promoting circularity for metals.

The clean transition has to be accompanied by appropriate funding opportunities, that will combine existing supporting mechanisms with new and innovative sources of funding. The new Clean Industrial Deal State Aid Framework will reduce investment risks for decarbonization projects and crowd in private finance. The Recovery and Resilience Facility, with a total of EUR 648 billion, continues to be an important tool for financing the transition with an average of 42% of the total budget dedicated to green measures across all Member States. Since 2013, the EU's Emissions Trading System generated more than EUR 230 billion of revenues to be reinvested in climate and energy measures, including to address social aspects in lower- and middle-income households. From 2026 onwards, the newly established Social Climate Fund (SCF) will make available EUR 86.7 billion to support vulnerable individuals and micro-enterprises in the energy and transport transitions. The upcoming proposal on the Multiannual Financial Framework will provide further clarity on the public financing available for the transition, as well as necessary synergies with private investments and innovative financial tools.

A true level playing field for businesses in Europe and globally is created when other countries adopt carbon pricing of their own, which would also contribute to an increase of global climate ambition. The Commission's Task Force for International Carbon Pricing and Markets Diplomacy continues to engage with and support partner countries to set up carbon markets and develop a global approach to carbon pricing. After the current transitional phase, the Carbon Border Adjustment Mechanism (CBAM) will apply in its definitive regime from 2026. By confirming that a price has been paid for the embedded carbon emissions generated in the production of certain goods imported into the EU, the CBAM will ensure the carbon price of imports is equivalent to the carbon price of domestic production, and that the EU's climate objectives are not undermined. Moreover, the Communication "Delivering on the Clean Industrial Deal" of 2 July announced additional measures which will reduce the risk of carbon leakage for European exporters of CBAM goods.

⁸ COM(2025) 96 final.

The objectives of the Clean Industrial Deal to strengthen EU's resilience and competitiveness are further reinforced by four Simplification Omnibus packages aimed at reducing the administrative burden for companies, especially SMEs. In particular, the agreement between the European Parliament and Council on the CBAM simplification proposal includes a new de minimis threshold which will exempt 90% of importers from CBAM rules, while maintaining environmental ambition, with 99% of total CO₂ emissions still covered by the CBAM.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The legal basis for the proposal is Article 192(1) of the Treaty on the Functioning of the European Union (TFEU). In accordance with Articles 191 and 192(1) TFEU, the European Union shall contribute to the pursuit, inter alia, of the following objectives: preserving, protecting and improving the quality of the environment, promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate change.

• Subsidiarity (for non-exclusive competence)

Climate change is a trans-boundary problem. For trans-boundary problems, individual action by Member States is unlikely to lead to optimal outcomes. Instead, coordinated EU action can effectively supplement and reinforce national and local action. Coordination at the European level enhances the effectiveness of climate action.

A Union-wide climate target for 2040 will have implications across the entire EU economy. It is needed to guide a wide range of EU policies and will require EU level policy responses, beyond climate policy. Through coordinated action it will be possible to take into account the different capabilities of Member States and regions to act and to use the power of the EU single market as a driver for cost-efficient change. Moreover, coordinated climate action at EU level is of importance for international climate action, in particular in view of determining the EU's Nationally Determined Contribution under the Paris Agreement to be communicated in autumn 2025.

• Proportionality

The proposal aims to provide a direction by further defining the path to climate neutrality. It does not prescribe specific policies, technologies or measures, leaving Member States flexibility, taking into account the regulatory framework to achieve greenhouse gas emission reduction targets. The impact assessment report accompanying the 2040 climate target Communication⁹ found that a reduction of 90-95% (option 3) was the most proportionate to bring the EU economy to climate neutrality by 2050 and for the EU to contribute to global climate action in accordance with the Paris Agreement temperature goals of limiting the temperature increase to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1,5°C above pre-industrial levels.

• Choice of the instrument

The aim of this initiative is to set an intermediate Union-wide climate target for 2040 with a view to achieving the climate-neutrality objective by 2050, as required by Article 4(3) of the European Climate Law. Therefore, the objective of the proposal is best pursued through a Regulation, following the form of the existing legislative instrument.

⁹ SWD(2024) 63 final.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Stakeholder consultations**

The initiative is informed by the broad debate following the 2040 climate target Communication. Both in the European Parliament and in the Council, discussions have taken place on the Communication. In preparation for the 2040 climate target Communication and the accompanying impact assessment, the Commission carried out a public consultation, running from 31 March 2023 to 23 June 2023. The initiative is also informed by the advice of the European Scientific Advisory Board on Climate Change (ESABCC). In June 2023, the Advisory Board published advice recommending a 2040 target for the EU to reduce net GHG emissions in the range of 90-95% compared to 1990¹⁰. The Advisory Board also adopted a report in which it assessed progress and policy consistency¹¹. In June 2025, the Advisory Board adopted a report revisiting its 2023 recommendation in light of the evolving context, reaffirming its earlier recommendation¹².

- **Impact assessment**

In the context of the 2040 climate target Communication, the Commission carried out a detailed impact assessment, providing a detailed analysis of different levels of net GHG emissions in 2040 and the associated sectoral pathways bridging 2030 to climate neutrality by 2050. The Commission also published a report on the projected indicative Union greenhouse gas budget for the 2030-2050 period, as required under the European Climate Law.

The analysis in the impact assessment covers all sectors in which action is needed for the EU to reach its 2050 climate-neutrality objective. It is based on the Green Deal legislation and the REPowerEU actions to address the energy crisis.

The impact assessment looked in detail at the implications of three target options for 2040.

The main difference among the options is in the pace of the transition. The impact assessment found that option 3 is the most effective in bringing the EU to climate neutrality by 2050, with a greater reduction in net greenhouse gas emissions ahead of 2040. As a consequence, it will imply less additional effort after 2040 to reach net zero emissions by 2050. Option 3 also leads to the lowest GHG cumulative emissions (the ‘GHG budget’) for the EU, making it the best option in terms of the EU’s contribution to limiting climate change and providing the most credible push to the EU’s partners worldwide to accelerate climate action. The Commission’s recommended target of 90% is the lower end of option 3 and the upper end of option 2.

The Regulatory Scrutiny Board issued a positive opinion with reservations on 22 December 2023¹³, with recommendations for improvement. The impact assessment was amended accordingly.

¹⁰ European Scientific Advisory Board on Climate Change, Scientific advice for the determination of an EU-wide 2040 climate target and a greenhouse gas budget for 2030-2050, DOI: 10.2800/609405.

¹¹ European Scientific Advisory Board on Climate Change, Towards EU climate neutrality: progress, policy gaps and opportunities, Assessment Report 2024, DOI:10.2800/216446.

¹² European Scientific Advisory Board on Climate Change, Scientific advice for amending the European Climate Law – Setting climate goals to strengthen EU strategic priorities, DOI: 10.2800/1978453.

¹³ SEC(2024) 64 final.

In addition, in May 2024, the Commission published a report on the operation of the European Climate Law¹⁴. It details the actions taken since the European Climate Law's entry into force to speed up the transition to climate neutrality.

- **Fundamental rights**

The proposal respects the fundamental rights and observes the principles recognised in particular by the Charter of Fundamental Rights of the European Union. In particular, it contributes to the objective of a high level of environmental protection in accordance with the principle of sustainable development as laid down in Article 37 of the Charter of Fundamental Rights of the European Union¹⁵.

4. BUDGETARY IMPLICATIONS

The indirect impacts on Member States' budgets will depend on their choice of national policies and measures for greenhouse gas emission reductions and other mitigation action, and will follow mostly from the possible complementary proposals to revise related instruments or propose new ones to deliver the additional greenhouse gas emission reductions necessary.

The implementation of this proposal will not require an increase in capacity from the services of the Commission, as set out in the attached legislative financial and digital statement.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

Transparent and regular reporting by Member States coupled with robust assessments by the Commission and mechanisms to ensure that progress is assessed are essential to ensure that the EU remains on track towards achieving the EU 2050 climate-neutrality objective. The initiative does not alter the arrangements for tracking progress towards achieving the European Climate Law's objectives.

- **Detailed explanation of the specific provisions of the proposal**

Article 1 contains all the proposed amendments to the European Climate Law, namely:

Article 1 on subject matter and scope: to include a reference to the 2040 climate target in relation to the scope of the European Climate Law.

Article 4 on intermediate Union climate targets: to set the Union-wide target for 2040, based on the detailed impact assessment accompanying the 2040 climate target Communication, and taking into account the scientific advice of the ESABCC. The Commission's EU-wide assessment of the final updated national energy and climate plans¹⁶ (NECPs) shows that the EU is currently on course to reduce net greenhouse gas emissions by around 54% by 2030, compared to 1990 levels, if Member States implement fully existing and planned national measures and EU policies. The EU is thus well on track to reach the EU 2030 target of reducing net greenhouse gas emissions by at least 55% compared to 1990. The Commission also took into account the conclusions of the progress assessments made in the 2023 Climate Action Progress Report, the outcomes of the global stocktake, and considered the elements set

¹⁴ COM(2024) 196 final.

¹⁵ OJ C 326, 26.10.2012, p. 391.

¹⁶ COM(2025) 274 final.

out in Article 4(5) and the report on the projected indicative Union greenhouse gas budget for the 2030-2050 period. The net greenhouse gas emissions covered by the target correspond to the Union-wide greenhouse gas emissions and removals regulated in Union law¹⁷. The amended provision replaces Article 4(3)-(5) which set out the process leading up to this amendment. Consistently with the EU 2030 climate target of at least 55% reduction of net greenhouse gases and its associated policy framework, with climate neutrality in 2050 and with the proposed 2040 target of a 90% reduction, the resulting indicative “GHG budget” for the EU over the 2030-2050 period is estimated at 16 GtCO₂-eq, as explained in Annex 14 to the impact assessment accompanying the 2040 climate target Communication. This GHG budget falls within the range analysed by the ESABCC from feasible scenarios compatible with a 1,5°C global warming.

¹⁷ As explained in the technical information accompanying the Report from the Commission to the European Parliament and the Council EU Climate Action Progress Report 2024, SWD(2024) 249 final, COM(2024) 498 final.

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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 Committee¹,
Having regard to the opinion of the Committee of the Regions²,
Acting in accordance with the ordinary legislative procedure,
Whereas:

- (1) The outcome of the first global stocktake³ under the Paris Agreement⁴, 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 Council⁵, the Union has enshrined in legislation a binding objective of economy-wide climate neutrality by 2050, thus reducing emissions to net zero by that date, and the aim of achieving negative emissions thereafter, established a binding Union 2030 intermediate climate target and provided for 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 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

¹ OJ C , , p. .

² OJ C , , p. .

³ Decision 1/CMA.5.

⁴ OJ L 282, 19.10.2016, p. 4.

⁵ 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>).

Securing our future: Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society⁶.

- (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 and the 'energy efficiency first' principle, energy affordability and security of supply; 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 framework, ensure and provide support to the competitiveness and resilience of the European industry, ensure transition pathways based on best available cost-effective, safe and scalable technologies, set a greater focus on a just transition that leaves no one behind, ensure fair competition with international partners, decarbonise the energy system with all zero and low carbon energy solutions (including renewables, nuclear, energy efficiency, storage, CCS, CCU, carbon removals, geothermal and hydro-energy, and all other current and future net-zero energy technologies), and organise a strategic dialogue on the post-2030 framework with all relevant sectors. 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 support mechanisms for European industry, better access to public and private finance, a global level playing field, and clear enabling conditions for the uptake and scaling of clean technologies, in order to strengthen industrial competitiveness and innovation in the EU.
- (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. 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. 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 of the review of Directive

⁶ COM(2024) 63 final.

2003/87/EC of the European Parliament and of the Council⁷ in 2026, where the Commission envisages to provide for domestic permanent carbon removals in the system for greenhouse gas emission allowance trading within the Union ('EU ETS') to compensate for residual emissions from hard to abate sectors.

- (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 Council⁸, which introduced national targets for reduction of greenhouse gas emissions by 2030, and Regulation (EU) 2018/841 of the European Parliament and of the Council⁹, 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, the Commission should prepare detailed impact assessments, including the impacts on competitiveness and small and medium enterprises, and consider taking necessary measures, including legislative proposals as appropriate. A number of elements to facilitate the achievement of the 2040 target should be appropriately reflected, including a potential limited contribution towards the 2040 target of high-quality international credits under Article 6 of the Paris Agreement, in the second part of the 2030-2040 decade, in line with accounting rules of the Paris Agreement; the role of domestic permanent removals (Biogenic emissions Capture with Carbon Storage (BioCCS) and Direct Air Capture with Carbon Storage (DACCS)) in the EU ETS; enhanced flexibility across sectors. In order to assess the social, economic and environmental impacts, the future architecture should be based on robust impact assessments. The future architecture should also foster convergence while taking into account fairness and Member States' 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,

⁷ 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>).

⁸ 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>).

⁹ 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>).

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 accelerate and strengthen the enabling framework to ensure that conditions are in place to support European industry and citizens throughout the transition, in full respect of EU law.

Within the framework of the review referred to in the first subparagraph, 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 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 - the origin, quality criteria and other conditions concerning the acquisition and use of any such credits shall be regulated in Union law;
- (b) the role of domestic permanent removals under the greenhouse gas emission allowance trading system within the Union (‘EU ETS’) to compensate for residual emissions from hard to abate sectors;
- (c) enhanced flexibility across sectors, to support the achievement of targets in a cost-effective way;
- (d) Member States post-2030 targets and efforts should reflect cost-efficiency and solidarity, in light of national circumstances;

- (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;
- (g) the costs of inaction and the benefits of action over mid-term to long-term;
- (h) the need to ensure a just and socially fair transition for all;
- (i) simplification, technology neutrality, cost-effectiveness, economic efficiency, and economic security;
- (j) climate action as a driver for investment and innovation;
- (k) the need to strengthen the global competitiveness of the Union's economy, in particular small and medium-sized enterprises and industrial sectors 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 efficiency and the 'energy efficiency first' principle;
- (n) fairness and solidarity between and within Member States;
- (o) the need to ensure environmental effectiveness and progression over time;
- (p) the need to maintain, manage and enhance natural sinks in the long term and protect and restore biodiversity, as well as take into account uncertainties notably those linked to the impacts of climate change in the land use sector;
- (q) investment needs and opportunities, including access to public and private finance;
- (r) international developments and efforts undertaken to achieve the long-term objectives of the Paris Agreement and the ultimate objective of the UNFCCC, as well as the support of the Union to its partners in addressing climate change and its impacts.'.

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

LEGISLATIVE FINANCIAL AND DIGITAL STATEMENT

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1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2021/1119 establishing the framework for achieving climate neutrality

1.2. Policy area(s) concerned

Climate Action
Heading 3 Natural resources and Environment
Title 9 – Environment and Climate Action

1.3. Objective(s)

1.3.1. General objective(s)

The proposal delivers on the Commission's obligation, set in Article 4(3) of the European Climate Law, to make a legislative proposal to amend the European Climate Law to include the Union 2040 climate target.

1.3.2. Specific objective(s)

Set the Union 2040 climate target

1.3.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The proposal sets a Union 2040 climate target, on the way to climate-neutrality by 2050. It will inform the preparation of the post-2030 framework. It does not propose new policy measures or set new sector-specific targets. The post-2030 framework will determine which stakeholders are affected.

1.3.4. Indicators of performance

Specify the indicators for monitoring progress and achievements.

Level of reduction of greenhouse gas emissions in the EU (as reported under Regulation (EU) 2018/1999)

1.4. The proposal/initiative relates to:

- ☐ a new action
- ☐ a new action following a pilot project / preparatory action²⁷
- ☒ the extension of an existing action
- ☐ a merger or redirection of one or more actions towards another/a new action

²⁷

As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

Following the setting of the climate target for 2040, and in line with reviews foreseen in legislation, a climate policy architecture beyond 2030 will be prepared.

1.5.2. Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.

Climate Change is a trans-boundary challenge and cannot be solved by national or local action alone. Coordinated EU action can effectively supplement and reinforce national and local action and enhances climate action.

1.5.3. Lessons learned from similar experiences in the past

The EU has put in place a comprehensive framework of policies to reduce greenhouse gas emissions. It has already started to modernise and transform the economy with the aim of climate neutrality. In 2023 total net greenhouse gas emissions were 37% below their 1990 level, with GDP growing by 68% over the same period, as shown in the EU Climate Action Progress Report 2024 (COM(2024) 498).

1.5.4. Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments

The proposal aims to complement the existing policy framework by setting a 2040 climate target.

It is compatible with the multiannual financial framework 2021-2027.

1.5.5. Assessment of the different available financing options, including scope for redeployment

-

1.6. Duration of the proposal/initiative and of its financial impact

☐ limited duration

- ☐ in effect from [DD/MM]YYYY to [DD/MM]YYYY
- ☐ financial impact from YYYY to YYYY for commitment appropriations and from YYYY to YYYY for payment appropriations.

✓unlimited duration

- Implementation with a start-up period from 2025 to 2026,
- followed by full-scale operation.

1.7. Method(s) of budget implementation planned²⁸

✓Direct management by the Commission

- ✓by its departments, including by its staff in the Union delegations;
- ☐ by the executive agencies

☐ Shared management with the Member States

☐ Indirect management by entrusting budget implementation tasks to:

- ☐ third countries or the bodies they have designated
- ☐ international organisations and their agencies (to be specified)
- ☐ the European Investment Bank and the European Investment Fund
- ☐ bodies referred to in Articles 70 and 71 of the Financial Regulation
- ☐ public law bodies
- ☐ bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees
- ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees
- ☐ bodies or persons entrusted with the implementation of specific actions in the common foreign and security policy pursuant to Title V of the Treaty on European Union, and identified in the relevant basic act
- ☐ bodies established in a Member State, governed by the private law of a Member State or Union law and eligible to be entrusted, in accordance with sector-specific rules, with the implementation of Union funds or budgetary guarantees, to the extent that such bodies are controlled by public law bodies or by bodies governed by private law with a public service mission, and are provided with adequate financial guarantees in the form of joint and several liability by the controlling bodies or equivalent financial guarantees and which may be, for each action, limited to the maximum amount of the Union support.

Comments

²⁸ Details of budget implementation methods and references to the Financial Regulation may be found on the BUDGpedia site: <https://myintracomm.ec.europa.eu/corp/budget/financial-rules/budget-implementation/Pages/implementation-methods.aspx>.

The current team will continue managing the initiative. No additional staff required.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

The proposal continues the European Climate Law with the same assessments to be carried by the Commission as is already the case. The European Climate Law builds on the robust transparency framework for greenhouse gas emissions and other climate information of the Regulation on the Governance of the Energy Union and Climate Action, rather than establishing additional reporting streams by Member States.

2.2. Management and control system(s)

2.2.1. *Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

Not applicable. The proposal is not implementing a financial programme but designing a long-term policy. Management mode, funding implementation mechanisms, payment modalities and control strategy in relation to error rates are not applicable.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

Under the Climate Law, the Commission carries out regular assessment of progress with possible recommendations and additional measures.

Member States may become delayed in their planning and reporting obligations under the Regulation on the Governance of the Energy Union and Climate Action. Thanks to the already existing and well-established reporting systems on climate information (under the Monitoring Mechanism Regulation and integrated in the Governance Regulation), there are procedures in place for ensuring that reports on greenhouse gas emissions arrive on time, are quality controlled, that gaps can be addressed, and that Member States not fulfilling their reporting obligations can be assisted.

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure)*

This initiative does not bring about new significant controls/risks that would not be covered by an existing internal control framework. No specific measures beyond the application of the Financial Regulation have been envisaged.

2.3. Measures to prevent fraud and irregularities

No specific measures beyond the application of the Financial Regulation have been envisaged.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff. ²⁹	from EFTA countries ³⁰	from candidate countries and potential candidates ³¹	From other third countries	other assigned revenue
3	09 02 03 00	Diff.	YES	YES	NO	YES

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.	from EFTA countries	from candidate countries and potential candidates	from other third countries	other assigned revenue
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO

²⁹ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

³⁰ EFTA: European Free Trade Association.

³¹ Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

- ❖ The proposal/initiative does not require the use of operational appropriations
- ☐ The proposal/initiative requires the use of operational appropriations, as explained below

3.2.1.1. Appropriations from voted budget

EUR million (to three decimal places)

Heading of multiannual financial framework		Number					
DG: <.....>			Year	Year	Year	Year	TOTAL MFF 2021-2027
			2024	2025	2026	2027	
Operational appropriations							
Budget line	Commitments	(1a)					0.000
	Payments	(2a)					0.000
Budget line	Commitments	(1b)					0.000
	Payments	(2b)					0.000
Appropriations of an administrative nature financed from the envelope of specific programmes ³²							
Budget line		(3)					0.000
TOTAL appropriations for DG <.....>	Commitments	=1a+1b+3	0.000	0.000	0.000	0.000	0.000
	Payments	=2a+2b+3	0.000	0.000	0.000	0.000	0.000
			Year	Year	Year	Year	TOTAL MFF 2021-2027
			2024	2025	2026	2027	
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	0.000

³² Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

	Payments	(5)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes			(6)	0.000	0.000	0.000	0.000
TOTAL appropriations under HEADING <....> of the multiannual financial framework	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	0.000	0.000	0.000

			Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
• TOTAL operational appropriations (all operational headings)	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)			(6)	0.000	0.000	0.000	0.000
TOTAL appropriations Under Heading 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	0.000	0.000	0.000

Heading of multiannual financial framework	7	'Administrative expenditure' ³³				
DG: <.....>		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027
• Human resources		0.000	0.000	0.000	0.000	0.000
• Other administrative expenditure		0.000	0.000	0.000	0.000	0.000

³³

The necessary appropriations should be determined using the annual average cost figures available on the appropriate BUDGpedia webpage.

TOTAL DG <.....>	Appropriations	0.000	0.000	0.000	0.000	0.000
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DG: <.....>	Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027
• Human resources	0.000	0.000	0.000	0.000	0.000
• Other administrative expenditure	0.000	0.000	0.000	0.000	0.000
TOTAL DG <.....>	0.000	0.000	0.000	0.000	0.000

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	0.000	0.000	0.000	0.000	0.000
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EUR million (to three decimal places)

			Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
TOTAL appropriations under HEADINGS 1 to 7		Commitments	0.000	0.000	0.000	0.000	0.000
of the multiannual financial framework		Payments	0.000	0.000	0.000	0.000	0.000
			Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations under HEADING <....>	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000

of the multiannual financial framework	Payments	=5+6	0.000	0.000	0.000	0.000	0.000
			Year	Year	Year	Year	TOTAL MFF 2021-2027
			2024	2025	2026	2027	
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations under HEADING <....> of the multiannual financial framework	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	0.000	0.000	0.000
			Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
• TOTAL operational appropriations (all operational headings)	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations under Headings 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	0.000	0.000	0.000

Heading of multiannual financial framework	7	‘Administrative expenditure’³⁴
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EUR million (to three decimal places)

DG: <.....>		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027
• Human resources		0.000	0.000	0.000	0.000	0.000
• Other administrative expenditure		0.000	0.000	0.000	0.000	0.000
TOTAL DG <.....>	Appropriations	0.000	0.000	0.000	0.000	0.000

DG: <.....>		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027
• Human resources		0.000	0.000	0.000	0.000	0.000
• Other administrative expenditure		0.000	0.000	0.000	0.000	0.000
TOTAL DG <.....>	Appropriations	0.000	0.000	0.000	0.000	0.000

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	0.000	0.000	0.000	0.000	0.000
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EUR million (to three decimal places)

		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
TOTAL appropriations under HEADINGS 1 to 7	Commitments	0.000	0.000	0.000	0.000	0.000
of the multiannual financial framework	Payments	0.000	0.000	0.000	0.000	0.000

³⁴

The necessary appropriations should be determined using the annual average cost figures available on the appropriate BUDGpedia webpage.

3.2.3. Summary of estimated impact on administrative appropriations

- ☒ The proposal/initiative does not require the use of appropriations of an administrative nature
- ☐ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below

3.2.3.1. Appropriations from voted budget

VOTED APPROPRIATIONS	Year	Year	Year	Year	TOTAL 2021 - 2027
	2024	2025	2026	2027	
HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other administrative expenditure	0.000	0.000	0.000	0.000	0.000
Subtotal HEADING 7	0.000	0.000	0.000	0.000	0.000
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000

3.2.4. Estimated requirements of human resources

- ☒ The proposal/initiative does not require the use of human resources
- ☐ The proposal/initiative requires the use of human resources, as explained below

3.2.4.1. Financed from voted budget

Estimate to be expressed in full-time equivalent units (FTEs)³⁵

VOTED APPROPRIATIONS		Year 2024	Year 2025	Year 2026	Year 2027
• Establishment plan posts (officials and temporary staff)					
20 01 02 01 (Headquarters and Commission's Representation Offices)		0	0	0	0
20 01 02 03 (EU Delegations)		0	0	0	0
01 01 01 01 (Indirect research)		0	0	0	0
01 01 01 11 (Direct research)		0	0	0	0
Other budget lines (specify)		0	0	0	0
• External staff (inFTEs)					
20 02 01 (AC, END from the 'global envelope')		0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)		0	0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0	0
	- in EU Delegations	0	0	0	0
01 01 01 02 (AC, END - Indirect research)		0	0	0	0

³⁵

Please specify below the table how many FTEs within the number indicated are already assigned to the management of the action and/or can be redeployed within your DG and what are your net needs.

01 01 01 12 (AC, END - Direct research)	0	0	0	0
Other budget lines (specify) - Heading 7	0	0	0	0
Other budget lines (specify) - Outside Heading 7	0	0	0	0
TOTAL	0	0	0	0

No additional resources required. The current team will continue managing the initiative. No additional staff required.

3.2.5. Overview of estimated impact on digital technology-related investments

TOTAL Digital and IT appropriations	Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021 - 2027
HEADING 7					
IT expenditure (corporate)	0.000	0.000	0.000	0.000	0.000
Subtotal HEADING 7	0.000	0.000	0.000	0.000	0.000
Outside HEADING 7					
Policy IT expenditure on operational programmes	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL					
	0.000	0.000	0.000	0.000	0.000

3.2.6. Compatibility with the current multiannual financial framework

The proposal/initiative:

- ☒ can be fully financed through redeployment within the relevant heading of the multiannual financial framework (MFF)

No additional resources required. The current team will continue managing the initiative.

- ☐ requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation
- ☐ requires a revision of the MFF

3.2.7. Third-party contributions

The proposal/initiative:

- ☒ does not provide for co-financing by third parties
- ☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	Year 2024	Year 2025	Year 2026	Year 2027	Total
Specify the co-financing body					
TOTAL appropriations co-financed					

3.3. Estimated impact on revenue

- ☒ The proposal/initiative has no financial impact on revenue.
- ☐ The proposal/initiative has the following financial impact:
 - ☐ on own resources
 - ☐ on other revenue
 - ☐ please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ³⁶			
		Year 2024	Year 2025	Year 2026	Year 2027
Article					

For assigned revenue, specify the budget expenditure line(s) affected.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

4. DIGITAL DIMENSIONS

4.1. Requirements of digital relevance

No requirements of digital relevance. The proposal is setting the 2040 climate target in legislation, providing predictability and a clear indication of the transition pathway needed. It does not prescribe specific policies or measures, nor does it include reporting requirements or any other requirements. Digital means cannot be utilised to set the 2040 climate target. The possible complementary proposals to revise related instruments or possible new ones to deliver the additional greenhouse gas emission reductions necessary may have requirements of digital relevance, which will then be assessed in the context of these proposals if relevant.

4.2. Data

No requirements of digital relevance identified.

4.3. Digital solutions

No requirements of digital relevance identified.

³⁶ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20% for collection costs.

4.4. *Interoperability assessment*

No requirements of digital relevance identified.

4.5. **Measures to support digital implementation**

No requirements of digital relevance identified.