European Commission

Questions and answers for the EP hearing

Directorate-General Climate Action

I) Political commitment to the European Green Deal and 2050 objective, 2040 climate target, EU's Nationally Determined Contribution

1. Do you commit to the EU's climate neutrality objective and the aims of the European Green Deal?

Background

With the political shift in the Parliament following the elections, there could be questions/reassurances sought as to the Commission's continuing commitment to the European Green Deal and long-term objective of climate neutrality 2050.

In the political guidelines, President von der Leyen has affirmed that "we must and will stay the course on the European Green Deal" with a Clean Industrial Deal which decarbonises the EU economy, brings down energy prices and reconciles climate and prosperity.

Answer

- As set out in the Political Guidelines, the Commission remains committed to staying the course on the European Green Deal and the EU's climate neutrality objective for 2050.
- This includes focusing on delivering the commitments for 2030 that are already agreed, and proposing a 90% target for 2040.
- **This must also go hand in hand with a Clean Industrial Deal which decarbonises the EU economy, brings down energy prices and reconciles climate and prosperity. The two cannot be decoupled.**
- And we must focus on the resilience of our societies, to support Member States on adaptation, preparedness and planning.
- We also need to prioritise international action, and working with our international partners to reduce the other 93% of global emissions.
- You can count on my personal commitment and that of the entire College to tackle the huge work ahead of us in the coming mandate, and I look forward to addressing these challenges together.

2. Will you propose a net 90% GHG emissions reduction target by 2040? How will you ensure that the EU only uses its fair share of the global GHG emissions / carbon budget?

Background

The European Scientific Advisory Board on Climate Change (ESABCC) published its advice on the 2040 target and GHG budget on 15th June and has presented this to ENVI. It recommended:

- *an Union GHG emissions budget of 11 to 14 $GtCO_2$-eq between 2030 and 2050,*
- *net emission reductions of 90–95% by 2040, relative to 1990 to stay within this budget,*
- *net negative emissions in the EU after 2050.*

The report confirms that the EU 2030 target of at least 55% reduction compared to 1990 enables reaching the recommended 2040 target range and climate neutrality by 2050. The report estimates what the EU's fair share of the remaining global carbon budget (for 1.5°C *with 50% probability[1]) is, using principles from scientific literature, concluding that there is a gap or shortfall between the budget under the most ambitious scenarios for EU climate action and the fair share range estimated. The board suggests that the EU look to address this shortfall in its commitment to the Paris Agreement.*

Answer

- The Commission's recommended target of reducing net emissions by 90% in 2040 results in a GHG budget of up to 16 $GtCO_2$-eq between 2030 and 2050.
- This recommendation is based on a complete and very detailed impact assessment that also looks at a broad range of factors including the need for investments, cost-effectiveness and ensuring a socially just transition as well as technology availability and deployment.
- This GHG budget falls within the range analysed by the ESABCC from feasible scenarios compatible with a 1.5°C global warming.
- This indicative GHG budget is fully compatible with the Paris Agreement's long-term temperature goals of well below 2°C and pursuing efforts to limit it to 1.5°C.
- Beyond 2050, the EU will aim to achieve negative net emissions as set out in the Climate Law.
- A lower level of ambition for 2040 would significantly increase the EU's GHG budget for 2030-2050. A target in the range of 85-90% would lead to a budget of up to 18 $GtCO_2$-eq, while a target of 78% by 2040, corresponding to a linear trajectory towards climate neutrality by 2050, would lead to a significant budget overshoot of 21 $GtCO_2$-eq.
- **The Commission will therefore soon make a legislative proposal to commit the EU to a 90% net emissions reduction target for 2040.**
- Once the target is adopted, the Commission will be able to bring forward proposals for the post-2030 climate policy framework.
- In the meantime, all efforts are being made to ensure that the Fit for 55 package is fully implemented and that we reach the at least 55% net emissions reduction target for 2030.

Defensives:

ESABCC shows the benefits of more ambitious action in 2030. Will you propose a higher target for 2030?

- The legislation under the Fit for 55 package has very recently been adopted and the focus now is on implementing what we have already agreed.
- The EU's 55% target is consistent with the level of reduction needed according to the best available science assessed by the IPCC.
- EU targets are ambitious. The 55% target in 2030 comes on top of the substantial emissions reductions already achieved by the EU since 1990 (more than -30%).

[1] Based on IPCC Category "C1" scenarios, which gives a global carbon budget of 500 GtCO2 from 2020 onwards, to be compared with current global emissions of around 40 Gt/yr.

- The EU goal of achieving climate neutrality by 2050 goes beyond the net zero level for only CO_2 needed at global level around that time as set out by the IPCC.

The Commission should have come forward with the legal proposal and/or assessment earlier; you have not respected the timeline in the European Climate Law

- It is important for the proposal to be based on a robust assessment.
- The need for a robust analysis, as set out in the European Climate Law, and the steps to be taken under the Better Regulation guidelines meant that it was not possible to complete an impact assessment with options for a target before early 2024.
- There was simply no time for the previous legislature to engage on a legal proposal for a target. This was best left for the new College and legislature.

3. Why a 90% target?

Background

The European Climate Law tasks the Commission – within six months of the first global stocktake under the Paris Agreement (which was in December 2023 at COP28) – to make a legislative proposal, as appropriate, based on a detailed impact assessment, to amend the Climate Law to include the 2040 climate target. The Commission is to publish a projected indicative Union GHG budget for the 2030-2050 period at the same time.

The Commission recommended a 90% target following an in-depth impact assessment that considered three target ranges, each corresponding to a transition scenario.

The impact assessment considered the feasibility of three target ranges as well as their impacts on the EU society and economy. It also reviewed in detail the key transformations required in the energy system, buildings, industry, transport, agriculture and land use. The 90% recommendation resulted from a comparative assessment of the three target options.

Answer

- The European Climate Law requires the Commission to come forward with a 2040 target to provide predictability to all our economic actors.
- We need a 2040 target now that provides investors and EU businesses with predictability and a clear indication of the transition pathway needed, to drive business decisions and private investment, to fulfill our obligations under the Paris Agreement and show ambition internationally.
- A 90% target puts the EU on the pathway which provides the greatest overall benefits for the EU in terms of competitiveness, resilience, a just transition and ensuring that the EU meets its commitments under the Paris Agreement.
- The 90% target is important for achieving secure and affordable energy, reducing the EU's reliance on fossil fuel imports, giving the EU a head start so that it can lead in the key global green technology markets of the future, improving the health of Europeans through cleaner air and minimising the EU's GHG budget through deploying the best-available, cost-effective and scalable technologies and by providing a strong example to the rest of the World- driving the ambitious climate action needed to safeguard our futures.

- The 90% target is part and parcel of the new Commission's plan for Europe's sustainable prosperity and competitiveness.
- The European Commission's recommendation for a 90% target is the result of an in-depth impact assessment of options, covering the range of feasible targets, looking in detail into the key transformations required in the energy system, buildings, industry, transport, agriculture and land use.

Defensive: It is too early for a 2040 target, we only just updated our 2030 target and we are not even sure if we will achieve it.

- The 2040 climate target impact assessment spells out what different sectors need to do between 2030 and 2050 to meet the climate-neutrality objective.
- Because of the scale of transformation required in the European economy and society and the first mover advantage of doing so more efficiently and ahead of our competitors, clear information on the pathway, the level and type of action required in different sectors between 2030 and 2050 is essential now.
- Investment cycles typically cover several decades. Increased certainty helps companies' decisions to invest in new business models, technologies, training programs, career choices, reducing the risks.

4. **How will you make sure the EU will submit its new NDC well ahead of COP 30, to exert the EU's leadership and send a signal to other major economies to significantly increase their climate ambition?**

Background

Under the Paris Agreement, each Party shall prepare and communicate and maintain successive NDCs every 5 years, with each successive NDC representing a progression beyond the current NDC and reflecting the Party's highest possible ambition. Each Party shall pursue domestic mitigation measures to achieve its NDC. In this context, Parties are encouraged to:

- *come forward in their next NDC with ambitious, economy-wide emission reduction targets, covering all GHGs, sectors and categories and aligned with limiting global warming to 1.5°C;*
- *align their NDC with long-term low GHG emission development strategies; build on the global stocktake outcomes on energy transition (para. 28 of the COP28 global stocktake outcome decision);*
- *follow international guidelines by providing clear and transparent information on the NDC.*

Answer

- The Communication put forward by the Commission earlier this year, and its recommendation for a 90% emissions reduction target by 2040, paves the way for an open societal debate.
- **The 2040 target, once agreed, will be the basis for the EU's next Nationally Determined Contribution under the Paris Agreement, to be communicated to the**

UNFCCC in 2025. It will demonstrate that moving towards climate neutrality is not only imperative, but also feasible and desirable.

- **In line with the Commission's Communication, an indicative net GHG figure for the EU in 2035 will be derived once the 2040 target is agreed, for communication as part of the new NDC.**
- The Council has agreed to pursue the discussion on these matters on an ongoing basis in order to ensure the submission of the next EU NDC well ahead of COP 30 in Belem.
- The most important is to focus on how we get to climate neutrality and provide an example for others to also do so as fast possible. It is essential to focus attention on addressing the implementation and ambition gap, by continuing the EU's strong, positive example and contribution.

5. **We are not on track to reaching the 2030 target. Shouldn't we prioritise that before we propose a 2040 target?**

Background

Some may consider that it is not the right moment to set a 2040 climate target and that the focus should be on the implementation of the Fit for 55 legislation. However, proposing the target remains a legal obligation of the Commission under the European Climate Law. The 2040 target is a milestone on the pathway to a climate-neutral EU. Delaying it would also affect the update of the EU's NDC ahead of COP30 (NDC for 2040, which will include an indicative calculation for 2035, derived from the 2040 target).

Answer

- The Commission's assessment of the draft updated NECPs at the end of 2023 estimated that they lead to a 51% reduction in net emissions in 2030, which is 4% percentage points short of the 55% target. 11 Member States have submitted final updated NECPs in the meantime. The Commission will finalise its assessment of the final updated NECPs as soon as they are submitted.
- We hope that the cumulative ambition gap will be filled with additional policies and measures in the final updated NECPs.
- The legislation to implement the 2030 target was agreed less than 2 years ago. End October, we will get the first reported data from 2023. It will take some time for its implementation to feed through into emissions data.
- Proxy data for 2022 show that EU domestic emissions were 32.5 percent lower in 2023 than in 1990. Over the same period, EU GDP had increased by 67 percent [*To be replaced when the CAPR is published end October with:* Proxy data for 2023 show that EU domestic emissions were XX percent lower in 2023 than in 1990. Over the same period, EU GDP had increased by XX percent]. The EU significantly surpassed its mitigation targets in 2020, and the latest figures show that the EU is continuing to make good progress towards decarbonisation.
- We need to keep up the efforts to be on track to 2030. Implementation will be a top priority for the coming years, and we stand ready to support Member States, businesses

and households. **Regulatory Stability and full implementation is a precondition for the EU to stay on course to climate neutrality in 2050.**

- The 2040 target is essential information to provide greater certainty for investors, to support the decisions being made now in new plants, infrastructure or skills- investment decisions with timescales well beyond the next 5 to 6 years. It ensures that we spend our money well, avoiding wasted time and stranded assets. As also confirmed in the Draghi report, decarbonisation is a growth strategy, provided all policies are aligned to support the transition, such as the Clean Industrial Deal and enhanced action to ensure a Just Transition.

6. The EU has already used up its international carbon budget, and its consumption also causes emissions elsewhere. How do you propose to remedy this (in the 2040 proposal)?

Background

The European Scientific Advisory Board on Climate Change recommended in its report on the 2040 target: an EU GHG emissions budget of 11 to 14 $GtCO_2$-eq between 2030 and 2050, net emission reductions of 90–95% by 2040, relative to 1990 to stay within this budget, and net negative emissions in the EU after 2050.

Additional efforts to increase the ambition beyond 55% (up to 70% or more by 2030) would considerably decrease the EU's cumulative emissions until 2050, and thus increase the fairness of the EU's contribution to global mitigation' The report estimates what the EU's fair share of the remaining global carbon budget (for 1.5°C with 50% probability) using principles from scientific literature, concluding that there is a gap or shortfall between the budget under the most ambitious scenarios for EU climate action and the fair share range estimated. The board suggests that the EU look to address this shortfall in its commitment to the Paris Agreement.

Answer

- **The EU is committed to ambitious climate action, consistent with the best available science and has been taking a leading role supporting others to act, to boost global action.**
- With the legally binding -55% emissions reduction target, the EUs is among the most ambitious in its GHG reduction effort and our targets have been adopted in line with the best available science assessed by the IPCC.
- The EU goal of achieving climate neutrality by 2050, also legally binding, goes beyond the net zero level for only CO_2 needed at global level around that time.
- The advice by the European Scientific Advisory Board on Climate Change on the global carbon budget and EU fair share is an important input.
- The Commission's detailed impact assessment for the 2040 target looks at a broader range of impacts, including in terms of industrial challenge, the need for investments, cost-effectiveness and ensuring a socially just transition.
- The EU and its Member States are also the world's biggest contributor of climate finance. The USD 100 billion goal was surpassed in 2022, and the EU has contributed

substantially, with USD 30 billion at the time (EUR 28.5 billion) from public sources to support developing countries. More than EUR 22 billion of this is in the form of bilateral finance.

7. **How will you ensure proper funding of the 2040 target? According to estimates, even as much as 660 billion annually in the energy system alone would be needed to achieve the 2040 target.**

Background

As set out in the 2040 Impact Assessment, we estimate that the EU will need to invest about EUR 660 billion annually in its energy system in 2031-2050. This includes for example investment in power generation and the grid, investment to decarbonise industry, or investment to renovate our buildings. This is equivalent to about 3.2% of GDP, which is 1.5 percentage points higher than it was in 2011-2020. In addition, we estimate that the EU will need to invest about EUR 870 billion in transport, in good part for the acquisition of new vehicles. This translates into 4.4% of projected GDP in 2031-2040, which is only 0.2 percentage points higher than what was spent on transport in 2011-2020, as a share of GDP. These figures must be seen in perspective: regardless of the decarbonisation pathway taken by the EU, we will need to invest significant amounts in our energy system in order to respond to the energy needs of a growing economy. Much of the investment needs for transport includes the replacement of vehicles or other transport equipment that would need to take place in any case.

Answer

- The investment needs to achieve an ambitious 2040 target need to be seen in the context of overall investment needs in the EU energy system and in transport regardless of the precise level of climate ambition for 2040.
- The EUR 660 billion annual investment needs in the energy system as well as the EUR 870 billion investment need in the transport sector are, for a significant part, investments that would need to take place in any case, such as the upgrade and expansion of grids or the replacement of vehicles.
- That being said, we must be clear about the fact that the EU will need to invest more in its energy system in the coming decades than it has in the past. In 2031-2050; investment in the energy system should be 1.5 percentage points of GDP higher than it was in 2011-2020.
- The EU will therefore need a comprehensive investment agenda to ensure the bankability of decarbonisation projects whenever possible and availability of the necessary level of financing for the transition. As recently underlined in both the Letta and the Draghi reports, further progress towards the Capital Markets Union and the Banking Union will be instrumental. The sustainable finance framework will guide corporates and investors towards credible climate transition plans, while improving the coverage and usability of the Taxonomy. Public support for private investment will also have to be deployed strategically, particularly where projects lack commercial viability early on and in nascent markets.
- As was done for our 2030 target, the 2040 target will be followed by a comprehensive legislative framework, enabling the necessary contributions from the private sector,

channeling public sector investments towards the implementation of the target and ensuring affordability of products and services for citizens.

Defensive: Would a less ambitious 2040 target create lower costs for our economy and citizens?

- The investment required differs little between the 2040 target levels assessed by the Commission looking at the entire period 2031-2050. The 90% target implies that some investments are carried out earlier than under lower targets, but it does not imply higher investment needs overall.
- We must also keep in mind that these are investments that generate important returns, not just for those owning the assets, but also very important social returns for the economy and society, including lower reliance on costly fossil fuel imports, reduced exposure, lower bills and uncertainty to households and companies in the face of fossil fuel price shocks, major health benefits for EU citizens, and the key to reducing the damage from climate change through global momentum to contain global warming.

8. **Which sectors must make most emission reductions?**

Background

The Energy sector (including households, industry, services and transport, including maritime and aviation) account for more than 75% of total emissions today. Non-CO_2 emissions in agriculture, industry, and waste management accounts for less than 20%, but they will become the predominant source of emissions by 2050. The removal action of the LULUCF sector has been shrinking in the last years and the trend needs to be reversed.

With current policies emissions from sectors included in the ETS1 would reach almost zero in 2040, while sectors included in the ETS2 would reach zero in 2045. Other sectors, such as non-CO_2 will barely decrease their GHG emissions after 2030. The IPCC and the European Scientific Advisory Board for Climate Change are clear that we will need carbon removals. The Board's advice is that we will need to have negative emissions after 2050.

Answer

- **All sectors need to contribute to the 2040 climate target in a balanced and cost-efficient way. However, the pace of decarbonisation in each sector depends on the availability of carbon-free solutions.**
- The 2040 target corresponds to a close to full decarbonisation of electricity in the second half of the 2031-2040 decade or shortly thereafter, We need all renewable energy, zero and low carbon solutions, including energy efficiency and storage, nuclear, CCS, CCU, industrial carbon removals, and all other current and future net-zero energy technologies. The carbon price under the current and future ETS helps drive the uptake of these technologies.
- Industry will undergo a deep transformation to meet the 2040 target. This will be achieved through electrification and switching to non-fossil fuels, and by implementing new technological processes and circular economy actions.
- The transport sector will decarbonise through a combination of technological solutions together with a large deployment of low carbon fuels. Road transport emissions will

decrease considerably by 2040, in particular through electrification, while maritime and aviation sectors will still have residual emissions in the 2041-2050 decade.

- Agricultural activities play an important role in achieving the EU's 2040 climate ambition. Agriculture will become the largest source of emissions as other sectors decarbonise, but it can play an increasing role in the green transition. With effective policies that reward good practices there is room to decrease emissions from the sector faster while enhancing carbon removals in the land sector, in soils and forests.
- Clear policies and incentives should be put in place to realise the innovation potential in the food system and the bioeconomy at large as well as to deliver healthy and sustainable food to EU citizens. This could make the combined EU agriculture and land sector climate neutral as early as 2035 and a net carbon sink after that.

Defensive: What would be the role of carbon removals?

- Science is clear that large amounts of carbon removals will be needed in the EU by the second half of the century to meet the goals of the Paris Agreement. So after 2050, the EU economy should generate net negative emissions.
- Carbon removal is no substitute for immediate and deep emissions reductions, but it is required to limit global warming to 2°C or lower.
- Deployment of carbon capture, utilisation and storage solutions will be essential to achieve the 2040 target. In hard-to-abate sectors such as aviation and maritime transport and several industries, they will come into play in the absence of other economically viable solutions to mitigate residual emissions.
- The 90% target entails an earlier deployment of carbon capture and carbon storage, with around 280 MtCO_2 captured by 2040. The EU's Industrial Carbon Management Strategy will support the development of CO_2 supply chains, and prepare the ground for industrial carbon removals, which will complement net LULUCF removals and pave the way for negative emissions post 2050.

  But effectively integrating carbon removal into our mitigation portfolio means ensuring environmental integrity and safeguarding against emission reductions deterrence.

9. Will you propose maintaining the national Effort Sharing targets in the post 2030 legal framework?

Background

The Effort Sharing Regulation sets binding GHG emission limits for 2021 to 2030 in the sectors not covered by ETS1 and the LULUCF Regulation. It ends in 2030. The next Commission will need to propose what the role of national targets should be for achieving the 2040 ambition, taking into account that there are increasingly policies set at EU level (such as the EU ETS2 which covers two sectors in the ESR scope – buildings and road transport).

Answer

- My focus will be on the implementation of the 2030 legislation as a crucial stepping-stone towards the 2040 climate ambition. This includes working closely with Member

States in finalising and implementing their national energy and climate plans to reach the 2030 ESR and LULUCF targets.

- As of 2027, the new emissions trading system (ETS2) will also support Member States in achieving their national targets. Smooth implementation of ETS2 and the accompanying Social Climate Fund that will address the impacts on vulnerable groups therefore is another important priority.
- I will propose a balanced package of measures to support the achievement of a 2040 climate target, looking closely at the links between carbon pricing that creates incentives for economic entities and the role of national targets that provide incentives for Member States.

10. What is your take on the report of the Strategic Dialogue on the future of EU agriculture? What will you do/propose to implement its recommendations and make sure that agriculture and forestry sectors become more sustainable?

Background

The members of the Strategic Dialogue on the future of agriculture (29 organisations from the agri-food value chain) reached a consensus on the need for "urgent, ambitious, and feasible action" for "the protection and restoration of the climate, ecosystems, and natural resources".

There is a strong emphasis on the role of markets to drive sustainability and value creation across the chain and to better internalize externalities.

The group recommended that the Commission and the Member States work on a coherent mix of policies combining incentives and regulatory measures:

- *Set up a new 'benchmarking' system harmonising methodologies to assess on-farm sustainability*
- *CAP: result-oriented environmental payments managed jointly by environmental and agricultural authorities*
- *Agri-food Just transition Fund outside of the CAP*
- *Support trend towards higher share of plant-based proteins in diets*
- *A comprehensive methodology for accounting and setting science-based, aspirational emissions reduction goals for agriculture*
- *Investment and support into climate-friendly practices (circular economy, renewables, precision farming, methane-reducing technologies, carbon literacy...)*
- *Establish territorial action plans supported by an Agri-food Just Transition Fund*
- *Make all actors in the food value chain contribute (e.g. by funding reforestation / peatland restoration)*
- *Further work with stakeholders to assess feasibility and relevance of an Emission Trading System for agricultural emissions*

Answer

- The report shows that farmers are willing to work for healthier nature and a better climate if markets properly recognise and remunerate their efforts. We need to build our policies around this positive narrative for the sector.
- We have been promoting carbon farming as a business model to increase finance for farming practices that protect or restore ecosystem services.
- I believe that the first step for any incentive-based policy is a good monitoring framework and harmonised on-farm sustainability assessments. Hence, I welcome the importance placed by the report on sustainability benchmarks and indicators. We have started work in this direction with the certification framework for carbon farming.
- The report also rightly recognises the importance of supporting the adaptation of agriculture to changing climatic and environmental conditions and of promoting robust risk and crisis management. This is in line with the Commission's Communication on Managing Climate Risks, and the President has tasked me with developing a European Climate Adaptation Plan to support preparedness and planning, including for food production.
- The report asks the Commission to assess the feasibility and relevance of an Emission Trading System for the agri-food sector. I agree on the need for an inclusive debate on this topic, and in fact we are already consulting stakeholders extensively and are assessing several options for more market-based incentives along with other non-market based options to reduce the sector's greenhouse gas emissions.
- Finally, the report asks the Commission to set out aspirational emission reduction goals and a roadmap for the agricultural sector; for this, we can contribute with the analysis we have already carried out in the context of the 2040 climate target.
- The report recommendations will guide the Commission's work in developing its 'Vision for Agriculture and Food', one of the deliverables for the first 100 days of the mandate.

Defensive: There are trade-offs between climate change mitigation and other environmental objectives; focusing on carbon only is too narrow.

- Because of the established experience with carbon markets, carbon is the best available metric that can be used to deliver the essential financial support for the transition to a more sustainable farming sector.
- However, impacts of agricultural production extend beyond GHG emissions and removals (e.g. biodiversity, water) and must be understood and carefully managed.
- Therefore, we should not have a narrow focus on carbon: we should provide a holistic vision for systemic change in land management that can deliver climate mitigation but also a more climate resilient agriculture, yield resilience, biodiversity, soil health, etc.
- We need to avoid a situation in which carbon pricing would drive the intensification of agricultural production, with negative outcomes for other environmental objectives.
- By ensuring that all carbon farming activities also bring about co-benefits for biodiversity, the carbon removal certification framework will give an advantage to sustainable livestock farming that is also good for animal welfare.

11. Removals will be key to achieve climate neutrality. Will you propose a specific target for removals as part of the amendment of the European Climate Law?

Background

The latest IPCC report on mitigation pathways to keep global warming below 1.5°C or 2°C has concluded that: "The deployment of carbon dioxide removal (CDR) to counterbalance hard-to-abate residual emissions is unavoidable if net zero CO_2 or GHG emissions are to be achieved. The scale and timing of deployment will depend on the trajectories of gross emission reductions in different sectors. Upscaling the deployment of CDR depends on developing effective approaches to address feasibility and sustainability constraints especially at large scales". At EU level, the European Scientific Advisory Board for Climate Change estimated that 400 $MtCO_2$ to 800 $MtCO_2$ of carbon removal could be needed to reach net zero GHG emissions by 2050 at EU level, depending on the scenarios.

The modelling conducted by the Commission in the context of the impact assessment for the 2040 EU climate target present similar numbers. The results indicate that about 400-450 $MtCO_2$ of land-based and industrial carbon removals could be needed by 2050, representing around 10% of the 1990 emissions. Therefore, the modelling estimate that to be climate neutral in 2050 the EU will need to reduce its emissions by around 90% and compensate the unavoidable residual emissions with carbon removals.

Answer

- **To become climate neutral, deep and drastic emissions cuts will always be the core of our efforts. But analysis shows that it's impossible to bring all our emissions down to zero. So, we will need to gradually deploy more carbon removals to compensate the remaining, hard-to-abate emissions by 2050.**
- The science is clear: we need to do our utmost to reduce emissions as much as possible but there will be residual emissions from hard-to-abate sectors, such as long-distance transport, industry, or agriculture.
- These residual emissions need to be compensated with carbon removals, both from the land sector – forests, soils – and from industrial removals such as Bioenergy Carbon Capture and Sequestration (BECCS) or Direct Air Carbon Capture and Sequestration (DACCS).
- According to the European Scientific Advisory Board on Climate Change, the EU would need to remove annually 400 $MtCO_2$, or more, from the atmosphere to achieve climate neutrality by 2050.
- We will need to upscale both nature-based removals as well as industrial removals.

Defensive: How will carbon removals be integrated in the EU climate policy framework?

- The essential first step to promote further deployment of carbon removals in Europe is to have in place a robust monitoring, reporting and verification system. This is the aim of the recently adopted Regulation on carbon removals and carbon farming.
- Looking ahead, an assessment of the possibility to strengthen the role of carbon removals into the EU climate and energy framework will take place when designing the EU 2040 climate target and identifying the key related policies affected.

- In particular, in accordance with the revised ETS Directive, in 2026 the Commission is requested to report on whether permanent carbon removals, such as the geological storage of carbon captured from biogenic emissions or directly from the atmosphere, could be covered by emission trading, and if appropriate present a legislative proposal backed-up by an impact assessment.
- Together with a parallel analysis of alternative and complementary policies, such as a public purchasing programme, we aim to develop the best policy mix to scale up carbon removals.
- In addition, as part of the ongoing evaluation of the LULUCF Regulation, the Commission will assess options to further promote carbon farming and carbon storage in products in the post-2030 climate policy framework.

12. Should we introduce carbon pricing in the food sector?

Background

DG CLIMA published one year ago a study on "Pricing agricultural emissions and rewarding climate action in the agri-food value chain" to explore possible carbon pricing approaches in the agri-food sector.

As a follow-up, DG CLIMA has hosted a stakeholder workshop in June 2024 to launch a new study project on this topic. This work will be carried out in the next year with five more technical workshops and a follow-up study, with a view to discussing potential policy options and impacts with all stakeholders involved.

The initial study explored various ETS options covering agricultural emissions, putting the point of obligation on farms, upstream (feed and fertiliser producers and importers), and downstream (meat and dairy processors), alongside models for rewarding carbon removals. The current project looks at other policy options, including "soft" measures to boost demand for carbon farming, and ***climate standards for food processors*** *(i.e. food processors would get targets for the reduction of the agricultural emissions in their supply chain).*

Academia and NGOs have also acknowledged that compliance markets for agricultural emission reductions and carbon removals would give a long-term perspective, which would provide actors in the food sector with clarity and predictability for investments; but farmers have expressed concerns that the burden of compliance would be unfairly put on farmers whatever the point of obligation might be.

Answer

- We are exploring several ideas to finance the transition of the food sector and complement the Common Agriculture Policy. Carbon pricing is one possible approach to send a clear price signal to all the actors involved in the food value chain to mitigate agricultural emissions and to increase removals. But it is not the only approach we are looking at.
- One option is to **put a stronger responsibility on the food industry to support farmers** for climate action in their supply chain.

- This is something that increasingly happens on a voluntary level. Strengthening and reinforcing these industry commitments would create a more stable and predictable demand for climate actions in agriculture.
- Let me be clear that the creation of a market for climate action will need to be good business for farmers. A market for climate action and other ecosystem services will need to generate additional income for farmers and to increase the resilience of our soils and forests. Only a healthy and resilient nature will allow us to produce the food and biomass that we need in a climate-neutral economy. This is a task for all actors in the value chain.
- We will also need to keep administrative costs to a minimum for farmers, which is possible due to the new innovative digital possibilities with remote sensing and artificial intelligence. These impacts on competitiveness need to be thoroughly assessed as well, as also asked by the Strategic Dialogue on the future of agriculture.
- To this end, we are organising a series of technical workshops with all relevant stakeholders. I hope I can count on all of you to engage constructively in this debate.

Defensive: Even if the carbon price is paid by food processors, the compliance burden remains with the farmer.

- The Commission is currently working on the methodologies to certify carbon farming, in consultation with all relevant stakeholders. Simplicity and efficiency are among the key objectives when writing these methodologies.
- For instance, modelling and remote sensing techniques can achieve accurate quantification of the results while minimising the amount of information required from the farmers.
- When designing a carbon pricing instrument, it is possible to allow food producers to use default emission factors to bring the administrative burden of the policy to a minimum.
- However, farmers who engage in mitigation practices could voluntarily decide to have their carbon farming activities certified; the policy should incentivise food producers to invest into more sustainable farming practices, including by supporting farmers to access certification services.

13. Taking into account probable overshoot of 1.5 °C target, will the Commission support the use of Solar Radiation Modification?

Background

In the context of accelerated global warming, deliberate large-scale intervention in the Earth's natural systems (referred to as "geoengineering"), such as solar radiation modification (SRM), is attracting more attention.

SRM attempts to offset some of the effects of GHG by causing the Earth to absorb less solar radiation. The Joint Communication of the Commission and the High Representative on a new outlook to the Climate and Security nexus of 28 June 2023 identified SRM as a risk. In July 2023, former EVP Timmermans asked the European Commission's Group of Chief Scientific Advisors to assess the risks and opportunities associated with research on SRM and with its potential deployment. SRM has been also assessed on international level (IPCC, UNEP, etc.) mostly focusing on risks and a lack of governance.

Answer

- **The EU does not consider Solar Radiation Management (SRM) as a solution for climate change.**
- **SRM does not address the root cause of the problem, which is the increase in GHG in the atmosphere. Even if technically feasible and proven safe, it would provide only a temporary relief, not a cure.**
- There is no clear scientific knowledge on the impact and consequences of SRM, and no appropriate rules exist so far.
- In the current state of development, SRM deployment represents an unacceptable risk for humans and the environment. Only massive climate change mitigation together with climate change adaptation leads to fulfilment of the Paris Agreement objectives.
- I would support international efforts to assess comprehensively the risks and uncertainties of such climate interventions and insist on an international framework for its governance as a prerequisite.
- I agree with the current line of neither supporting field experiments nor deployment of SRM. Further steps should be considered depending on the results of the scientific assessment and developments on global scale.
- On this issue, the Commission asked for a scientific opinion of the Group of Chief Scientific Advisors and the European Group on Ethics in Science and New Technologies. Both opinions will be delivered in coming months.

14. Given the steep GHG reductions that are necessary to limit climate change to 1,5C° and the cheaper reduction potential in developing countries, should we allow for international carbon credits towards the EU targets for 2040?

Background

The science is clear that steep GHG emissions reductions are necessary in industrialised countries. To ensure this happens and investments benefit the EU economy, as well as to protect the integrity of the EU ETS and Effort Sharing Regulation, the use of international carbon credits is no longer allowed (with the exception of credits under CORSIA) as of 2021 and our 2030-target is domestic. The Communication on 2040 targets also focusses on achieving these targets domestically.

Answer

- As per the Climate Law, the EU has committed to achieve climate neutrality domestically. **International carbon credits can complement domestic policies, but should not replace the much-needed emission cuts inside the EU** By replacing domestic action by international carbon credits, the EU would forego the benefits of domestic investments in the climate transition including in enhancing innovation. This in turn can delay the achievement of our longer-term climate neutrality target.
- Should the EU or some Member State still consider purchasing international mitigation outcomes (credits) under Article 6, then these should be accounted to exceed EU climate targets.

- But even then, caution is still advised as our experience with carbon credits has been disappointing in the past especially when it comes to environmental integrity.
- We are putting lot of efforts to ensure an agreement on the implementation rules for Article 6 that would provide the highest safeguards for the transfer of mitigation outcomes. However, even if we succeed, integrity is not ensured. When a party sells carbon credits to another, it can no longer account these reductions towards its NDC. Selling credits will therefore make achieving the host country's NDC more difficult. This in turn can stand in the way of poorer countries accepting more ambitious NDCs over time.
- We cannot offset ourselves out of the climate crisis – real and timely domestic reductions in emissions are and must remain a priority. The role of credits should be seen as an additional way to finance effective mitigation activities elsewhere with high environmental and social integrity.

II) Clean Industrial Deal, competitiveness

15. The Draghi report states that there is a risk decarbonisation could run contrary to competitiveness and growth. Is this not a risk too high to run? What will you do to minimize such risk?

Background

The Report on the Future of European Competitiveness drafted by Mario Draghi following an invitation by the Commission President calls for a joint plan for decarbonisation and competitiveness as key to relaunching European competitiveness (alongside action to close the innovation gap and increase security). While it clearly states that "decarbonisation must happen for the sake of our planet" and a major industrial opportunity "If Europe's ambitious climate targets are matched by a coherent plan to achieve them" it also warns that "if we fail to coordinate our policies, there is a risk that decarbonisation could run contrary to competitiveness and growth."

Answer

- The Draghi report highlights the risks we run <u>if</u> we fail to mobilize <u>all</u> the policy levers at our disposal in a coherent and proportionate manner. The risks are not raised by decarbonisation itself. This must happen for the sake of our planet as the report clearly states. The risks arise if we fail to support decarbonisation with the required coordination of policies. There are complex trade-offs to be taken into account in policy-making but the report is clear. EU competitiveness and sovereignty fundamentally rest on secure access to low-cost clan energy sources. They thus crucially depend on the pace of decarbonisation. Draghi tells us to design our policies with the full understanding that there is no renewed competitiveness and increased security without decarbonisation and vice versa.
- The Political Guidelines of the President and the distribution of tasks she has assigned in her mission letters fully reflect this need for coordination across the policy spectrum. I will work together with all other relevant Commissioners under the steer of the Executive Vice President for a Clean Just and Competitive Transition to make sure this translates into actual proposals, starting from the Clean Industrial Deal.

16. What elements in your portfolio do you envisage for the Clean Industrial Deal and what will be the role of the EU ETS in this context?

Background

You are co-lead on the Clean Industrial Deal. Aim of the intervention is to highlight how your portfolio will actively contribute to the substance of the Clean Industrial Deal.

Answer

- **Delivering on a Clean Industrial Deal will benefit from coherence between policies. These are diverse and require addressing clean energy access, funding opportunities, lead market creation, trade policy, competition policy, waste and circular economy policies, and climate and taxation policies. The latter two as well as funding under the Innovation Fund are within my portfolio.**
- **I commit to working with my colleagues to deliver a coherent set of policies that will ensure Europe's industry can prosper in a climate neutral economy.**

RES and infrastructure roll out

- Maybe the most important element is the continued massive role out of renewable energy. The more we deploy it, the more our industries will benefit from lower energy prices. This will require careful government planning, from the deployment of contracts for difference, to policies that ensure efficient access to grid connections. Here there is a key role for enhanced coordination and the NECPs. I will work with my colleague Jørgensen for an ambitious revision of the Energy and Climate Governance Regulation, to further improve it as a tool for investment planning.
- The roll out of pan-European infrastructure, including for the transport of CO_2 and hydrogen is also of key importance. I will work with my colleague Jørgensen on this. From my portfolio we will continue to support this, be it through incentivising Member States to use funding in the Modernisation Fund, by further developing the regulatory framework to stimulate a more circular use of carbon, as well as work towards a successful implementation of the creation of 50 Mt of CO_2 storage carbon storage capacity under NZIA.

Funding opportunities

- While the carbon price, combined with the roll out of CBAM, provides an important and essential incentive to invest in industrial decarbonisation, many of these investments currently have a higher CO_2 abatement cost than the current carbon price. This makes truly decarbonized industrial investments still difficult to finance.
- The Clean Industrial Deal will need to give answers on how to further support industrial decarbonisation. This is partly an issue that needs addressing under the next MFF, with a Competitiveness Fund under development.
- What I find important in this context is to develop instruments that address this Europe-wide, which avoid a situation of having only a patchwork of national instruments that risks distorting the internal market, and risks creating subsidy competition between Member States.

- I consider the Innovation Fund a successful example of such a Europe-wide approach and the question whether and how to increase its funding will be on the table during this mandate.
- But in the short term we can already:
  - Use the Innovation Fund to mobilise also national resources. At present, the Innovation Fund is oversubscribed, and there are high quality projects that we cannot fund. Auctioning as a service provides an opportunity to address this, by selecting high quality projects EU wide, and allowing Member States to invest in them domestically. We already organized a successful green hydrogen auction along these lines.
  - Similarly with the "STEP sovereignty seal", we can see how to mobilise other EU resources to support identified high quality projects in critical technologies.
  - And finally, we need to look at more opportunities to allow for blending of instruments. For instance, how can InvestEU or other derisking tools support the deployment of projects supported by the Innovation Fund.
- In addition, efforts to facilitate access to transition finance from private investors are ongoing. The Commission is working with the European Financial Reporting Advisory Group (drafter of standards under the Corporate Sustainability Reporting Directive) to enable companies to establish credible corporate transition plans aligned with the Climate Law, and for investors and other stakeholders to assess the credibility of such plans.

Lead Markets

- The development of lead markets is of importance. The Industrial Decarbonisation Accelerator Act can be a tool to see how public procurement and other support programmes can also focus on creating lead markets for clean industrial production.
- I will work with the colleagues in the context of the Ecodesign for Sustainable Products Regulation to develop labelling tools that can be used to spur such lead markets. I hope to ensure we can use as much as possible existing data from the EU ETS and subsequently CBAM, reducing the administrative burden of such labels.

Circular economy, CCU, carbon removals and CCS

- A circular economy includes recycling with increased focus on avoiding down-cycling, it includes fostering business models such as products-as-a-service, the sharing economy, longer product durability and increased re-use of goods. It aims to ensure that waste is prevented, and the resources used are kept in the EU economy for as long as possible.
- I consider that pricing and market-based signals are important in this context. With its carbon price driving resource efficiency, the EU ETS is a key tool in promoting a more circular economy. The Commission will assess by July 2026 in the context of the EU ETS review several elements of relevance to sustainable carbon management:
  - whether permanent carbon removals could be covered by the EU ETS; We are already developing the EU Carbon Removal Certification for permanent removals, which will at the start be a voluntary scheme.
  - how to account carbon capture and use

  - assess if municipal waste incineration and landfills should be included in the EU ETS, thereby providing additional incentives for recycling and circularity. I will work with my colleague Roswall to do this is a coherent manner with any reviews of waste legislation.
  - possibly how to deal with the accounting of CO2 stored in neighbouring third countries
- Also, further integration of the EU bioeconomy into circularity is key. Under the Carbon Removal Certification Framework, we are developing methodologies to recognise sustainable uses of biomass. I work closely with my colleagues so that such initiatives can also be recognized in the context of the development of the Bioeconomy Strategy.

17. How will EU ETS funding be used and how will investments in industrial decarbonisation be supported? Will the Innovation Fund allow for scale up of investments?

Background

Many stakeholders expect that the question on how to further support industrial decarbonisation will be addressed as part of the Clean Industrial Deal. It is a politically sensitive topic as it concerns questions concerning the EU budget/MFF that will not yet be addressed in the first 100 days of the new Commission. Similarly for DG CLIMA, the opening up of the use of auctioning revenues is planned for the ETS review, when it can be done in a coherent manner.

Answer

- The Clean Industrial Deal will need to give answers on how to further support industrial decarbonization, keeping in mind the importance of the next MFF and the upcoming Competitiveness Fund.
- What I find important in this context is to develop instruments that address this Europe-wide, to avoid a situation of a patchwork of national instruments that will distort the internal market, and risks creating subsidy competition between Member States.
- I consider the Innovation Fund a successful example of such a Europe-wide approach, that we can build on when designing the new framework.
- When we review the EU ETS, we can look at if and how to increase its funding. The good news is that its funding is already due to increase as free allocation is phased out in line with the gradual introduction of CBAM from 2026. The ETS allowances which are no longer allocated for free to sectors covered by CBAM, will instead be auctioned and the proceeds will go to the Innovation Fund, giving special attention to projects from the CBAM-sectors (iron & steel, aluminium, cement, fertiliser, hydrogen).
- We can also look at other options to boost funding in the short-term:
  - Use the Innovation Fund to mobilise also national resources. At present the Innovation Fund is oversubscribed, and there are high quality projects that we cannot fund. Auctioning as a service provides an opportunity to address this, by selecting high-quality projects EU wide, and allowing Member States to invest in them domestically. We already organized a successful green hydrogen auction along these lines.

- Similary with the STEP sovereignty seal, we can see how to mobilise other EU resources to support identified high-quality projects in critical technologies.
- And finally, we need to look at more opportunities to allow for blending of instruments. For instance, how can EUInvest or other derisking tools support the deployment of projects supported by the Innovation Fund.

- Finally, I will call upon Member States also to use their share of the resources generated by EU ETS to make their economy ready for a carbon neutral future. The EU ETS now requires Member States to spend 100% of their auction revenues on climate action, as well as provides resources to some Member States through the Modernisation Fund. These can be used to support decarbonization of industry, for example by improving energy infrastructure to encourage electrification of industrial processes.

18. How will you ensure that ambitious climate targets and measures will not place the EU at a competitive disadvantage compared to other global economies, such as the US or China?

Background

Triggered by the adopted Fit for 55 package, many hard-to abate industries for the first time are looking how to get to net-zero with their operations in the EU. They see increasing needs of renewable energy, and the lack of transmission networks, but also are required to reduce emissions for which no viable technical solutions are on the market. This requires innovation, but also creates uncertainty, namely for companies trading internationally and active in markets where they compete with actors from countries with less ambitious climate policies.

Answer

- **The green transition is an opportunity to invest in our competitiveness.**
- Let me stress that we are not alone in taking action. The clean tech markets have proven that we are not the only ones preparing for a carbon neutral economy. Others will progress also in decarbonizing their industries. We are not the only ones looking at hydrogen and CCS roll out.
- As we have demonstrated up to now, we can achieve the goal of reducing greenhouse gas emissions, while developing a prosperous economy. I think also EU industries are convinced they can make the shift to a carbon free economy.
- But the unprecedented scale of investment needs in industry does require further government attention.
- Whereas ETS carbon pricing provides for the economic incentives to make the switch, and CBAM provides for an instrument to safeguard for carbon leakage, other actions will be needed.
- The Clean Industrial Deal is a clear intent to take further actions. These include:
    - The further roll out of clean and renewable energy. This will be a key part of ensuring our industries have access to affordable energy to decarbonize.
    - Lead market creation.

- And access to funding early on to deploy truly decarbonised industrial technologies. In this context, I think it is better to have strong EU instruments available, and not rely only on a patchwork of national measures.
- I think the EU ETS Innovation Fund is a good example of such an instrument. Furthermore, by auctioning as a service, it can mobilise national resources. We need to see how we can enhance its role, had it will function with the other buildings blocks of the Competitiveness Fund.
- An important feature will be also to see how instruments can be blended, further derisking investments.

19. How will industry decarbonise with the increasing abatement costs? Where is the Green Deal Investment Plan? The EU is not delivering on the necessary pooling of resources to make the transition happen, focus too much on regulation.

Background

Companies covered by the EU ETS can buy and sell allowances so that emissions are reduced cost-effectively across the sectors concerned and a price signal incentivises low-carbon investment. Manufacturing industry receives on average 75% of allowances needed for free to address the risk of 'carbon leakage' which will be phased out gradually with the phase-in of the Carbon Border Adjustment Mechanism. The Innovation Fund funded by the ETS supports the demonstration and scale up of low- and zero-carbon innovative solutions and technologies including in energy intensive industry with a volume estimated at €40 billion until 2030. The 2023 Green Deal Industrial Plan and proposed Net-Zero Industry Act aim among others to overcome barriers to the scale up the manufacturing of net-zero technologies, notably through simplifying and fast-tracking the permitting procedures.

Answer

- **The ETS supports investment in the transition.**
- Industries which decarbonise can benefit by selling ETS allowances. The higher the carbon price, the bigger the incentive.
- Sectors at risk of carbon leakage are protected by free allocation and in the future through the Carbon Border Adjustment Mechanism.
- The EU ETS and its 40 billion Euro Innovation Fund will support industry directly to decarbonise.
- Moreover, the first EU-wide auction on hydrogen introduced as well the concept of auction as a service, explicitly facilitating the pulling of Member States' funding for its roll out. This can serve as a blueprint to support other industrial products.
- MS own ETS auction revenues provide significant additional means to Member States to support industrial decarbonisation.
- The 2020 Green Deal investment plan points to other available financing sources for industrial decarbonisation: InvestEU and the Just Transition Fund. Furthermore, also the Recovery and Resilience Fund can be used for this.

- Member States are also permitted to use some of their ETS revenues to support industries facing high electricity costs, thereby facilitating electrification – which is one of the main industrial decarbonisation options.

Defensive: EU ETS does not provide sufficient incentives for *industrial CO_2 use.*

- We need to kick-start the industries that will make use of CO2 in their products now. In the last ETS revision (2023), we eliminated the obligation to surrender allowances for CO2 that is captured and permanently stored in a product (such as aggregates, cement, bricks, etc.), and agreed to come back on the question of non-permanent uses (like in synthetic fuels) in the 2026 review.
- Carbon Capture and Use will eventually need to focus on climate neutral sources of CO2 (i.e. CO2 obtained from sources other than fossil fuels, such as direct air capture, sustainable biomass or recycled carbon). This is because, in applications where the captured CO2 is not stored permanently (like synthetic fuels) the CO2 will be released into the atmosphere, unless captured again for storage or utilisation.
- The aim of the review in 2026 is to ensure the appropriate enabling framework to achieve that.

20. How will you support access to critical raw materials, components and technologies necessary for the green transition in order to develop domestic competitive manufacturing industries?

Background

The Net Zero Industry Act, published together with the Critical Raw materials Act in March 2023 and adopted in June 2024, identifies strategic net zero technologies with the aim to produce 40% of the products domestically by 2030.

The Critical Raw Materials Act, adopted in April 2024, identifies a list of strategic raw materials that are crucial for the twin transition. It sets clear targets for domestic capacities and the diversification of the EU supply chain by 2030, with at least 10% of EU's annual consumption to be covered domestically for extraction, 40% for processing, 25% for recycling and that no more than 65% of the consumption of each strategic raw material should be coming from a single third country.

Answer

- **The Commission has moved strongly on securing access to critical raw materials, components and technologies over the last year, and I am committed to contribute to that in view of strengthening EU strategic autonomy on critical raw materials and clean tech manufacturing.**
- The Commission has proposed clear targets in the Critical Raw Materials and Net Zero Industry Acts, as well as number of policies to facilitate access, such as shorter permitting deadlines and priority status for strategic projects to develop these domestic manufacturing industries.
- Concrete projects are now needed to expand our capacities. The project pipeline looks promising. The Commission opened a call for applications on strategic projects under the Critical Raw Materials Act as of 23 May 2024. The first call received 170 applications.

Once we have defined the strategic projects we will work with them to see how financing and permitting can be facilitated.

- From my side, we will continue to support first movers through public financing such as the Innovation Fund. The first call that looked into clean tech manufacturing has been a success.
- Time is of the essence as investments cycles are usually long.
- I will continue to push for public and private funding for those projects and their timely implementation.
- Diversifying suppliers and building a globally resilient market is also part of our agenda. That is why I will continue to support the establishment of agreements in key areas, as the ones recently concluded on critical raw materials with Chile, New Zealand and Kenya.

21. How will you contribute, with policy instruments in your portfolio, to the Industrial Decarbonisation Accelerator Act?

Background

You are co-chef the file for the Clean Industrial Deal Communication, but not the Industrial Decarbonisation Accelerator Act. Thus questions might come on the differences between the two, and why you have no 'chef de file' role for the accelerator.

Answer

- The industrial Decarbonisation Act will focus on the enabling framework for industrial decarbonisation projects.
- I assume this will include issues such as permitting, the creation of lead markets, the role of public procurement and other support programmes, the engagement with the sector to do improved planning, the need for skills and the wider availability of access to finance.
- Decisions on the Competitiveness Fund or the role of the EU ETS will be for the MFF and the review of the ETS Directive.
- I will work actively with my colleague Séjourné, to see how to ensure that the act and the policies under my portfolio, from the EU ETS, CBAM to taxation combined provide for a favourable environment for investments in industrial decarbonisation.

Defensive: Will the Industrial Decarbonisation Accelerator Act affect the EU ETS?

- No, it will not directly.
- But we do want to see that notably the Innovation Fund has an important role to play in providing for EU based tools that can support investment decarbonized industrial manufacturing.
- Here we would certainly like to promote the role of auctioning as a service, to mobilise also Member States funding.
- We should look into how to facilitate state aid in this context, for IF/STEP approved projects, with a sovereignty seal, as well as work with the colleagues to see how this can generate options for further blending of finance means.

22. The EU ETS is subject to review in 2026. What changes do you envisage to make?

Background

A review of the EU ETS Directive and of the Decision on the Market Stability Reserve is due in 2026. This review will be accompanied by an evaluation (i.e. an evidence-based, backward-looking assessment) of the ETS Directive and the MSR Decision, which is required under the Better Regulation Guidelines.

The ETS Directive contains several review clauses due by July 2026, on topics such as the inclusion of municipal waste incineration in the ETS and the potential coverage of negative emissions. The 2026 review is also needed to determine ETS coverage of international flights from January 2027 and establish the post-2030 EU ETS ambition framework, bringing it in line with the upcoming 2040 climate target. It will consider elements related to the environmental target or ambition of the system, such as the cap and how quickly it goes down ('the linear reduction factor'), the shares to be auctioned and allocated for free to industry, the use of revenues and the Modernisation Fund and Innovation Fund. Main aspects that are subject to review are explained below.

Answer

- First and foremost, I want to emphasise that the EU ETS is our cornerstone climate policy instrument. In April this year we reported a record reduction of 2023 ETS emissions, 16,5% in just one year. It is a system that works. It achieves emissions reductions and supports the massive deployment of renewables which remains the priority.
- As set out in the Communication on 2040 climate target, stability and 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 climate neutrality in 2050.
- That being said, there are several elements that are subject to a mandatory review in 2026:
  - **Aviation emissions**: Notably by July 2026, the Commission should make an assessment and legislative proposal either to: (a) apply the EU ETS to departing flights or (b) maintain the scope of the EU ETS covering only intra-European flights. The criteria for this assessment are set out in the ETS Directive, and depend on whether major economies have also legislated to implement the ICAO scheme. .
  - **Carbon removals:** the possible inclusion of domestic permanent carbon removals, such as Bioenergy with Carbon Capture and Storage - BECCS or Direct Air Capture with Carbon Storage – DACCS, could be covered by "emissions trading", including a clear scope and strict criteria for such trading; and putting in place safeguards to ensure that such removals do not offset necessary emission reductions.
  - **Market Stability Reserve** parameters (intake and release rates, thresholds, alignment with the linear reduction factor) and the impact of the reserve on growth, jobs, and the Union's industrial competitiveness and on the risk of carbon leakage.
  - **Municipal Waste Incineration** and the feasibility of including such installations in the EU ETS from 2028. Monitoring and reporting of their emissions have already started. The Commission must also assess the possibility of including in the EU ETS

other waste management processes, in particular landfilling, which creates methane and nitrous oxide emissions.

- **Non-permanent Carbon Capture and Use**; the treatment of emissions which are considered to have been captured and utilised in a non-permanent product, such as renewable fuels of non-biological origin (RFNBOs) and products based on captured carbon instead of virgin fossil carbon (e.g. 'CCU-plastics').
- **Feasibility of lowering the thresholds** for inclusion of activities under the EU ETS from 2031.
- **Linking**, i.e. analysing how linkages between the EU ETS and **other carbon markets** can be established without impeding achievement of climate-neutrality objective and Union climate targets.
- **Maritime emissions** – The Commission will need to:
  - Assess the carbon pricing mechanism to be possibly adopted at the International Maritime Organization in 2025 and review the EU ETS accordingly with the objective to avoid significant double burden on maritime operators and environmental backsliding.
  - Consider extending the EU ETS to emissions from smaller ships (i.e. the ones below 5 000 gross tonnage but not below 400 gross tonnage);
  - Monitor the implementation of the recent EU ETS extension to maritime transport and consider legislative improvements to further protect the competitiveness of the EU maritime transport sector (e.g. new measures to address possible evasion/circumvention trends);
  - Simplify and improve the system where possible (e.g. coherence with other EU legislations in relation to biomass treatment and in particular the zero-rating of RED-compliant first generation-biomass, promoting the uptake of renewable and low-carbon maritime fuels on a lifecycle basis, streamlining monitoring, reporting and verification rules).

In addition, the review will establish the post-2030 EU ETS ambition framework, bringing it in line with the upcoming 2040 climate target.

Defensive: the cap brings emissions to zero in 2039, while everyone knows that there are ETS sectors that will keep emitting.

- First, I want to clarify a misconception, because it is widely spread: the cap of the ETS1 does <u>not</u> go to zero in 2039. Without further changes in the legislation, the linear reduction factor leads to an EU ETS cap of zero in 2045, while issuance of allowances is expected to cease at the latest in 2044. This is because the cap is a joint cap for stationary installations, maritime and aviation transport.
- We can only assess the stringency of the cap for 2040 and beyond, once the 2040 target is agreed. I agree the cap will be tight, which is in line with an ambitious but feasible objective of climate neutrality by 2050 and why we need to keep our focus on speedy emission reductions. We will support industrial innovation to achieve this target.
- The stringency of the cap will also be impacted by the potential inclusion of new sectors in the ETS and any change in the application to extra-EU flights. For example, applying

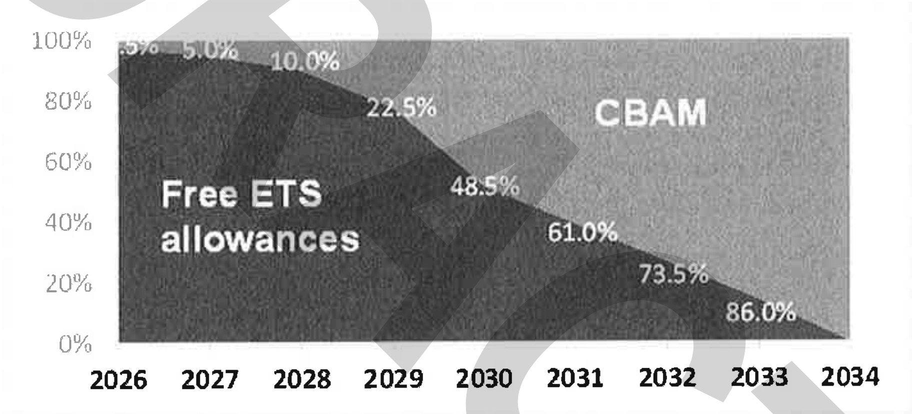
the EU ETS to departing flights would increase the ETS cap by around 80 Mt per year. Changes to the treatment of captured emissions and the potential inclusion of removals can also impact the cap. These aspects are all part of the review.

23. Will CBAM (as external dimension of EU ETS) deliver on the level playing field?

Background

The EU`s Carbon Border Adjustment Mechanism (CBAM) will apply a carbon price on certain carbon-intensive imported products that is linked to the EU ETS price, thereby levelling the playing field between EU and non-EU producers.

It will apply initially to imports of iron & steel, aluminium, cement, fertiliser, electricity and hydrogen (which account for 45% of emissions covered by EU ETS). The carbon price will be applied gradually from 2026 to 2034, alongside the phase-out of free allocation of EU ETS allowances to EU producers of CBAM products. Until then (up to end 2025), we are in the transitional phase where importers have to comply only with reporting requirements.



Regarding CBAM's effectiveness in levelling the playing field, industrial stakeholders have raised a number of concerns. Inter alia:

- *For exporters: there is concern that loss of free allocation will harm EU firms' competitiveness on 3rd country export markets (loss of free allocation is a cost, and CBAM only protects output sold on the EU market).* [see also next question]
- *For downstream industries (i.e. manufacturing): there are concerns that CBAM may encourage more downstream parts of the value chain to move abroad to access inputs free of carbon pricing, while continuing to sell to the EU market (where CBAM only applies to upstream imports).*

EU legislation requires the Commission to assess these issues (and others) and propose additional measures if appropriate. These assessments are ongoing.

Answer

- **Carbon pollution is costly to society and this cost has to be paid for. The EU is leading the way (with the EU ETS) by putting a price on carbon that is consistent with our goal of climate neutrality by 2050.**
- **At the same time, we established CBAM to make sure that Europe's industries are not undermined by the fact they (rightly) have to pay for their pollution.**

Our industries are already among the greenest on the planet. If they were to relocate to countries with weaker climate policies (so-called carbon leakage), our own communities would suffer, and global emissions would increase.

- **CBAM levels the playing field** by ensuring that importers of carbon-intensive products pay the same price for their carbon pollution as EU producers under EU ETS.
- **CBAM is already having an effect in promoting stronger carbon pricing around the world** because goods that are subject to an effective carbon price in their country of origin can deduct this cost from their CBAM payments when exporting to the EU. Since the CBAM Regulation was adopted, there has been a notable uptick in countries introducing or strengthening their carbon pricing regimes. Some countries are also considering implementing their own versions of CBAM (Australia, Canada, Japan, UK).
- **And we are capitalising on this effort by stepping up EU climate diplomacy**. In fact, the Commission has recently set up a Task Force to support third countries interested in rolling-out a carbon pricing instrument.

Defensive on shortcomings of CBAM as a protection to EU industry

- **CBAM is necessary because we have to move away from free allocation of ETS allowances for the long-term health of EU industry**. As the EU moves closer to climate neutrality, there will be fewer allowances available. Industries will need to switch away from paying for emissions, and into zero-emission options (such as electrification, use of hydrogen and carbon capture utilisation and storage).
- **But CBAM is also technically complex, so we are implementing it gradually**. This allows the Commission to study its impact, and gives EU industries time to plan and adapt. We are currently in the transitional phase. Importers are providing data. We are refining how the system will work and studying CBAM's potential impacts (for example on exporters who are currently protected by free allocation, and on downstream industries). From 2026, importers will start paying for the carbon emissions embedded in their products, and the charge will be increased gradually up to 2034 – alongside a gradual phase out of free ETS allowances to EU producers.

24. Should <u>CBAM</u> include specific provisions to <u>support exports</u> of EU industry?

Background

See previous question

Answer

- **NO, as it is not foreseen in CBAM and it is challenging under WTO rules. But we will review the effectiveness of CBAM in addressing carbon leakage in 2028 as foreseen in that regulation.**
- Such provisions ('export rebates') are not provided for in the CBAM Regulation.
- They are also controversial under WTO law and some countries would call them export subsidies.
- The CBAM Regulation foresees a gradual transition from free allocation of EU ETS allowances to CBAM. Free allocation of ETS allowances to EU industries will progressively

phase-out starting in 2026 (with a reduction factor of 2,6%) and until 2034 (100% phased-out). This should give time, legal certainty, and predictability for both EU and third country businesses to plan green investments and adapt to changing circumstances.

- CBAM protects EU producers against carbon leakage from imports. But EU producers will have to pay for their emissions when selling to export markets too. When competitors do not have to pay for their emissions, this could place EU exporters at a disadvantage.
- The Commission is monitoring this issue closely. We are undertaking initial analysis which we intend to publish next year.
- Beyond that, there will be an assessment and report by the Commission on the impacts of CBAM (including on exports) every two years, starting in 2028. This will include an assessment of the need for taking additional measures (2028 is two years after the permanent CBAM system enters into force, but before the complete phase-out of free allocation).
- The ETS Directive has also been amended to allow Member States to use their auction revenues to address any residual risk of carbon leakage in CBAM sectors in accordance with State aid rules.

25. How will imports of CCU products into the EU be treated?

Background

- *Under current EU ETS legislation, all emissions of CO_2 require surrender of EU ETS allowances, except for 1) CCS: CO_2 transported to permanent geological storage; 2) eligible permanent CCU: where the CO_2 is "permanently chemically bound" in a product*
- *The most common example of 2) is cement manufacture, where captured CO_2 can be converted into a stable mineral (calcium carbonate) via the carbonation process.*
- *Regarding imports, this same exemption applies to imported cement under CBAM, in keeping with the principle that CBAM operates as a complement to the EU ETS, and applies an equivalent set of rules for imports. This CO_2 can therefore be regarded as not emitted when calculating the embedded emissions that have to be covered by CBAM certificates.*
- *The arrangements for monitoring, reporting and verifying embedded emissions under CBAM (including the use of captured CO_2) are currently being refined by Commission services.*
- *Regarding other forms of CCU (i.e. non-permanent, such as a plastic produced from captured carbon and hydrogen), it was agreed in the latest ETS revision (2023) that we would assess their treatment in the 2026 review.*

Answer

- Carbon Capture and Use has a valuable role in reaching climate neutrality. Captured CO2 can replace the use of virgin fossil fuels as a feedstock in the production of certain materials (such as plastics or building materials), or as an input for sustainable aviation or maritime fuels. We therefore need to kick-start the industries that will make use of it in their products now.

- **In the last ETS revision under Fit for 55, we eliminated the obligation to surrender allowances for CO_2 that is captured and permanently chemically bound in a product. The same exemption applies in principle to imports of relevant products covered by CBAM.**
- For other types of CCU, where it is less clear that the CO_2 has been stored permanently, there is no exemption under CBAM. The status of this kind of CCU under EU ETS will be assessed in the 2026 review.
- For transport, CCU-based fuels can only count as "zero emissions" or renewable fuels when they provide emission savings of at least 70% compared to fossil fuels. They also need to be produced with renewable or low carbon energy and use carbon subject to an effective carbon price or derived from sustainable sources. These rules apply equally to fuels produced domestically or imported into the EU.
- Certain CCU applications are very energy intensive, so it is important that we move towards sustainable sources of carbon and renewable energy in their production process, to ensure that they provide a genuine climate benefit.

26. Will the objective to provide operationally available CO_2 injection capacity of 50 Mt by 2030 put forward in NZIA undermine the mitigation objectives of the EU?

Background

Some stakeholders take the view that CCS will allow the continued use of fossil energy and thus negatively impact mitigation efforts. This view is influenced by CCS policies in some key third countries, e.g. the UK which includes "abated Gas Power Plants" in its net-zero plan and also Middle Eastern companies are promoting abated fuels, including fossil hydrogen with CCS as future energy commodities. Yet, in the EU we see the demand for CO_2 storage coming from the hard-to-abate industry as the power and hydrogen sectors have better options, notably through renewable energy. This is also the core of the forthcoming Industrial Carbon Management communication.

Answer

- **No, on the contrary: it will allow reaching climate neutrality. Our analysis shows this and also the IPCC states that net-zero CO_2 energy systems entail a substantial reduction in overall fossil fuel use, minimal use of unabated fossil fuels, and use of CCS in the remaining fossil system.**
- We observe that companies first reduce their emissions with energy efficiency, alternative feedstocks and switch to renewable energy. CO_2 capture and storage are options of last resort for the industries that do not have alternatives to get to net-zero. At current prices, this remains the most cost-effective approach.
- CCS allows first industry to decarbonise, and later on to generate negative emissions that are indispensable to reach net zero.
- However, CO_2 storage development is too slow, therefore the 50 Mt per year target and the obligation for Oil and Gas companies will allow to provide a long-term climate solution for the EU.

- Scaling up of carbon capture, utilisation and storage (CCUS) manufacturing capacity is critical to reaching the EU's climate goals. At current costs, the EU carbon price ensures that mitigation actions will remain the first choice. CCS will be needed as an option of last resort for hard-to-abate sectors.

Defensive: Why does the Commission propose an obligation on the Oil and Gas Industry, while the IRA in the US offers financial support for creating CO_2 storage sites?

- Both the EU and the US support the decarbonisation efforts of industry. The EU cannot offer tax credits as this is not an EU competence. On the other hand, the EU has a number of funding programmes to support the transition to climate neutrality and is making further efforts to better focus them, notably with the recent STEP proposal.
- The 50 Mt obligation is supporting industry efforts to decarbonise by making CO_2 storage readily available.

27. President Von der Leyen promised to reduce reporting obligations by at least 25% - and for SMEs at least 35%. How will you implement this in climate legislation?

Background

The President committed to making business easier and by making speed, coherence and simplification key political priorities in everything we do. In that regard, each Commissioner will be tasked with focusing on reducing administrative burdens and simplifying implementation: less red tape and reporting, more trust, better enforcement, faster permitting. They will hold regular dialogues on implementation with stakeholders to discuss how best to align implementation with realities on the ground. Each Commissioner will have to prepare an annual progress report for their respective European Parliament Committee and Council formation.

Answer

- I am committed to reducing bureaucracy, unnecessary administrative burdens and to simplifying the implementation of climate legislation.
- With the FF55 package, I believe the Commission has struck the right balance between minimising administrative burden and ensuring environmental integrity.
- However, I am committed to work towards better aligning implementation with realities on the ground. In that regard, we will continue to hold regular dialogues on the implementation of climate legislation with our key stakeholders, including with SMEs.
- In addition, we are committed to supporting EU businesses in the transition towards climate neutrality by streamlining the access to funding. In that regard, we started to simplify the application process of the Innovation Fund, and this will become operational for the next call scheduled to be launched by the end of 2024.
- In addition, DG CLIMA launched several evaluations of its key legislation, to identify further potential simplification measures.
- For example, the evaluation of the Governance Regulation which was adopted a few weeks ago identifies areas for improvement associated with energy and climate policy planning and reporting, notably through a further use of digitisation. Building on the

results of the evaluation, I will work with the Commissioner for energy and housing to update and simplify the existing governance framework.

- The findings of the other on-going evaluations will become available later in 2025 and 2026. I will ensure the lessons learned to further simplify our legislation will be followed-up when preparing the post-2030 climate implementation framework.

Defensive: Do you expect reporting obligations to increase with your proposal to enshrine in the European Climate Law the EU-wide target for 2040 of 90% net GHG reduction?

- As explained in the impact assessment accompanying the 2040 climate target, introducing an intermediate target for 2040 in the Climate Law does not create any new administrative burden for stakeholders.
- Later in the mandate, when we will prepare the post-2030 policy implementation framework, I will ensure that our proposals apply the Better Regulation provisions on reporting to avoid unnecessary administrative burdens.
- As explained before, I will also ensure including any simplification measures that would have been identified through the engagement with stakeholders and through the on-going evaluations.

III) Just transition

28. Do you agree that the Fit for 55 package has a negative impact on EU economy and SMEs? How will you defend that, due to climate policy, consumers/ businesses face high energy costs and more inflation?

Background

The Commission has carried out multiple analyses of the macro-economic impacts of the climate and energy transition, using a range of state of the art modelling tools that represent a varied set of theoretical underpinnings, i.e. a New Keynesian view of the economy (frictions, spare capacity and the possibility of fiscal policy to stimulate output) or a neo-classical view of the economy (limited frictions, economies operate at equilibrium as underpinned by well-functioning markets). Despite their different theoretical underpinnings, the models concur that the impact of the climate and energy transition on broad macro-economic aggregates (GDP, total employment) will be limited, ranging from a small positive to a small negative.

What the models show, and what the Commission's impact assessments have highlighted, is that the climate and energy transition entails a transformation of the economy (what is produced and how it is produced, what is consumed, what the skills requirements are) that will need to be carefully managed and accompanied by supporting policies (on skills, investment, innovation, industrial transformation, social impacts or regional impacts).

Answer

- **I don't share that view. The transition to climate neutrality, and the Fit for 55 package, will transform the EU economy for the better by supporting high-quality jobs, providing a healthy environment for all, improving our strategic autonomy and reducing our vulnerability to shocks, including for SMEs.**
- We need to invest to ensure we have a resilient and competitive economy, fit for the world of the coming decades. That means moving to a climate neutral economy, with a

clear pathway and policy measures to ensure that we invest in the industrial base, infrastructure and skills needed for the future.

- The Fit-for-55 package is an intermediate step to achieve that transformation. It is part of the European Green Deal, which aims to turn the EU into a modern, resource-efficient and competitive economy.
- The impact assessment that accompanied the 2030 Climate Target Plan, back in 2020, indicated that raising the target to 55% [2]would have very limited impacts on GDP Similarly, the impact assessment that accompanied the Commission recommendation for a 90% target for 2040 showed very limited differences in GDP levels in 2040 between the 3 target options considered.
- The transition to climate neutrality will require a significant increase in investment in the energy supply, industry, buildings and transport. The transition will also require major transformations in certain industries, particularly energy-intensive industries and transport.
- As for all major transformations, this entails challenges that we have started to address, including in the measures now being put in place through the Fit for 55 package.
- In particular, EU industry needs support to ensure that it remains competitive globally. Similarly, workers need to be accompanied in the transition, including for development of new skills. Accompanying policies are needed for the more vulnerable households to access clean mobility and more energy efficient dwellings.
- Acting early on climate will give a first-mover advantage to EU businesses in fast-growing activities of the coming decades. It has become more and more evident that other key economies, including the US and China, are positioning themselves in these sectors, for example with the Inflation Reduction Act in the US.
- The Fit for 55 package is designed to address the transformational challenges and ensure that no-one is left behind. This is the purpose of the Innovation Fund, Modernisation Fund, Just Transition Fund or the Social Climate Fund. And behind the obligation on MS to use all ETS revenues for climate related purposes
- As far as SMEs are concerned, the impact assessment that accompanied the 2040 Climate Target recommendation showed that their majority would be affected in a more limited way because they tend to be focused in low-energy intensive sectors, either in services or in manufacturing. SMEs are also more vulnerable to the impacts of climate change and extreme events and to energy price shocks. The transition will reduce their exposure.
- As far as energy prices are concerned, the transition to climate neutrality and renewable sources of energy is the EU's best chance to secure our energy supplies, reduce our vulnerability to recurrent fossil prices shocks and lower long-term energy costs.
- The 2040 impact assessment shows that achieving the 90% target could reduce fossil fuel imports by EUR 2.8 trillion in 2031-2050 and greatly improve our economic resilience. This will free up money for investments in low carbon technologies, in adaptation and in measures to support vulnerable groups in society.

[2] compared to a baseline level of ambition of 40%.

- Finally, it is crucial to realise that the costs of inaction would far outweigh any transitional costs that come with the transition to climate neutrality. A future under a high warming scenario would sharply reduce GDP in the medium and long term. Recurrent and large-scale climate hazards would wreak havoc on our critical infrastructure, destroy lives and key ecosystems that our societies rely on.

29. How do you address the criticism that the Just Transition Fund is not sufficient to address the impacts of the transition to climate neutrality?

Background

- *The Just Transition Fund (JTF), created as part of the European Green Deal, mobilises 19 billion euro to support the territories most affected by the transition towards climate neutrality to avoid that regional inequalities are growing. It covers 96 just transition territories in the EU, which are the places that heavily depend on solid fossil fuels or carbon intensive industries. All Member States received an allocation from the JTF and in each Member State, the funds are targeted towards the most affected regions by the transition towards climate neutrality.*
- *The Fund is part of Just Transition Mechanism (JTM) which is expected to mobilise around EUR 55 billion. The total investment volume depends on the overall resources mobilised under the three pillars of the JTM: the Just Transition Fund, the InvestEU Just Transition Scheme and a public sector loan facility operated by the European Investment Bank (EIB).*

Answer

- The EU already has a comprehensive financing framework for ensuring EU just transition which covers cohesion policy, including the Just Transition Fund, Social Climate Fund, and the Recovery and Resilience Facility (RRF).
- An effective use of all available funds – including Member States' revenues from the EU ETS – is essential to cover the investment needs related to the green transition – including social investment needs for supporting people and households in the transition, through reskilling and upskilling measures as well as income and transition support where needed – and hence to ensure that no one is left behind.
- We achieved already a lot with the JTF: the identification of the places most affected by climate transition, the acceleration of coal phase-out, and triggering discussion on the transformation of carbon-intensive industries. Currently, the JTF has a very targeted scope, both thematically and geographically. This is also linked to its relatively small size, compared to the other funds.
- As mandated by the President, I will aim to strengthen our Just Transition framework. While I obviously cannot prejudge the next MFF, I recall and strongly welcome the commitment by the President in front of this house to significantly increase funding for just transition under the forthcoming MFF.

30. What are the reasons for the low spending rate of the Just Transition Fund?

Background

As a new fund under the current MFF, the uptake of the Just Transition Fund has been slow.

Answer

- JTF is the first of its kind directly targeted to support the regions, people and businesses most affected by the transition to climate neutrality.
- Successive crises (COVID, war in Ukraine) entailed some delays in starting of the implementation of the JTF.
- The JTF targets the territories most affected by the transition, which can have administrative capacity challenges.
- To reinforce the administrative capacity, the Commission is providing support through several technical assistance instruments such as Just Transition Platform Groundwork, Just Transition Peers, JASPERS.
- Despite its novelty, JTF implementation started to catch up with the European Regional Development Fund (ERDF), one of the original Cohesion Policy Funds. This is also due to the fact that Strategic Technologies for Europe Partnership (STEP) allowed for the transfer of almost 6 billion euro to the Member States from JTF contributing to increase the liquidity and to accelerate the support to regions most affected by the transition to climate neutrality.

31. **How can you justify that EU policies like ETS2 and Energy Performance of Buildings Directive are forcing poor people to renovate their house, when they don't have the means, or are not even homeowners but stuck with bad landlords?**

Background

A new separate emissions trading system (ETS2) will start in 2027, covering also fuels combusted in buildings. All allowances of the new ETS2 will be auctioned and a share of the revenues will be used to support vulnerable households and micro-enterprises through a dedicated Social Climate Fund, while the other revenues go to Member States, that should prioritise spending them on social purposes.

The recast of Energy Performance and Building Directive adopted on 24 April 2024 has been criticised as requiring to renovate the worst buildings first, further disproportionally affecting low income households. In reality, the legislation is more nuanced. Key building blocks are:

- *It sets "minimum energy performance requirements" which apply to new buildings, or buildings or building elements that undergo renovation, with the aim to ensure positive cost-benefit over a number of years.*
- *It requires to establish, by 2026, a national trajectory for the progressive renovation of the residential building stock in line with the national roadmap aiming at a zero-emission building stock by 2050.*
- *It requires to ensure that the average primary energy use in kWh/(m2.y) of the entire residential building stock:*
  - *decreases by at least 16 % compared to 2020 by 2030;*
  - *decreases by at least 20-22 % compared to 2020 by 2035;*
  - *between 2035 and 2050 allows for a progressive decrease up to the level of a zero-emission building stock.*

- *Member States thus have flexibility on which measures they choose to achieve the targets set in their national trajectory.*

Answer

- **You need to see ETS2 together with the Social Climate Fund and other policies relevant for the decarbonisation of the building stock, such as the Energy Performance of Buildings Directive.**
- ETS2 provides incentives for much-needed renovations which often are cost effective over their lifetime and enhance living comfort. But for low-income households this is still a challenge, given the upfront investment challenge.
- The 20% poorest households are responsible for only 9% of ETS2 emissions while the richest 20% are responsible for 32% of ETS2 emissions. It is important that we redistribute the ETS2 revenues to their advantage to help them further reduce both their emissions and their energy bills.
- Therefore, the Social Climate Fund, financed from the ETS2, helps poor people getting their houses renovated. The Social Climate Fund, with its volume of EUR 86.7 billion for 2026 to 2032, and other ETS auction revenues which go directly to Member States, provide resources to support the renovation of buildings. The Social Climate Fund is designed with a double solidarity: between Member States and within Member States to the benefit of the most vulnerable.
- Concretely, on the building side, the Social Climate Fund will support investments in energy efficiency renovations, the integration of renewable energy and clean heating and cooling, in particular for vulnerable households occupying the worst performing buildings, as well as in social housing. Pending the impact of these investments, the Social Climate Fund also allows for temporary direct income support to provide immediate relief.
- The SCF Regulation pays special attention to tenants. Where Member States provide financial incentives, these should incentivise and benefit both the owners and the tenants. The Commission published a set of good practices, also covering this point (e.g. energy poverty mediation between landlords and tenants). To overcome the split incentives between owners and tenants, and all other non-economic barriers, we also need regulatory measures, notably the minimum energy performance standards set by the Energy Performance of Buildings Directive.

Defensive on need for both ETS2 and EPBD

- We need regulation and carbon pricing to achieve the 2030 target: we estimate that in a sound policy mix each type of instrument delivers around half of the emission reductions needed in buildings and road transport.
- ETS2 does not force renovations, but ETS2 puts a price on carbon burned for heating and cooling in buildings. This improves the pay-off of renovations while giving governments the tool to address negative impacts on low-income households.
- At the same time, the Energy Performance and Building Directive does not "force poor people to renovate their house" immediately. This is a misconception. What it does do is obliging Member States to provide a predictable regulatory framework for a continuous improvement of the whole building stock, but the aim has to be to decarbonise it by

2050, and that means action from today onwards. Member States have a lot of freedom to decide where to put the focus.

- It also requires Member States to set up assistance (financial, technical and administrative) where necessary, with a particular focus on vulnerable households. The EPBD leaves a lot of flexibility to Members States in order to respond to the national context and achieve their objectives, and the policy tools are meant to enhance each other.

32. Most Member States have not transposed EU legislation on ETS2, and some even openly say that they will not do so. What are you planning to do about it?

Background

Member States are working on transposition measures but many Member States (20 as of late September 2024) have not yet communicated full transposition into national law of the provisions of Directive (EU) 2023/959 related to ETS2, by the deadline of 30 June 2024.

The Commission sent letters of formal notice at the end of July to the concerned Member States, which had two months to respond and address the shortcomings raised by the Commission.

Answer

- The Commission is assessing the replies to the letter of formal notice which were sent to the Member States which did not communicate by the deadline full transposition of the provisions of ETS2 in national legislation.
- In the absence of a satisfactory response, the Commission may decide to issue a reasoned opinion: that is, a formal request to comply with the law that the Member State themselves adopted. If the Member State still doesn't comply, we may decide to refer the matter to the Court of Justice.
- Swift implementation is crucial, in particular for ETS2, as important preparatory steps need to be taken to ensure a smooth start of the system in 2027. We will proceed swiftly with infringement proceedings where Member States are not progressing satisfactorily to ensure that smooth start.

33. What will you do to make sure that Member States put together their Social Climate Plans on time and that the Social Climate Fund starts to operate according to the schedule?

Background

The SCF will operate from 2026 until 2032. The Member States are to prepare their Social Climate Plans and submit them to the Commission by 30 June 2025. The Commission will then have 5 months to assess each submitted Plan regarding its relevance, effectiveness, efficiency and coherence. As the SCF is a performance-based instrument, the Commission will pay the resources of the Fund to the Member States only after they prove the achievement of the agreed milestones and targets indicated in their Plans.

Answer

- The Social Climate Fund is the social pillar of the green transition, particularly focusing on the most vulnerable groups affected by the new carbon pricing in the building and road transport sectors (ETS2).
- For the Commission - and I believe for the European Parliament and the Member States as well - it is of paramount importance that this Fund is rolled out swiftly and effectively to ensure that the most vulnerable are assisted in the green transition and no one is left behind.
- The Commission has made a lot of progress to help Member States in the preparation of their Social Climate Plans. Already in 2023, the Commission established a dedicated expert group on the SCF with the Member States where the Commission urged the Member States to **appoint the authority** responsible for the preparation of the Social Climate Plan and to ensure cooperation across relevant administrations for climate, energy, transport and social policies.
- The Commission has also already **published a set of good practices** on cost-effective measures and investments and on how to organise comprehensive public consultation on the plans. Moreover, 10 Member States are benefiting from the Commission's Technical Support Instrument to receive support with the preparation of their Social Climate Plans, notably how to estimate the ETS2 impacts and how to target the measures and investments financed from the Fund.
- The Commission is working on further guidance for the preparation of the Social Climate Plans and the finalisation of the draft **guidance on the application of the principle of 'do not significant harm'** for the SCF, which was published for public consultation in mid-2024. The new College will adopt this guidance as quickly as possible in the new mandate.
- We are also encouraging Member States to start early with discussions on their ideas for their Social Climate Plans well ahead of the indicative deadline of mid next year. Starting early is also important because the more emissions are reduced before the start of the ETS2, the lower the carbon price of ETS2 will be.

34. How will the Commission organise the implementation of the Social Climate Fund?

Background

In the Commission, CLIMA has been leading on SCF implementation, recently with support from SG-RECOVER based on their RRF experience, and also closely cooperating with a large number of interested DGs (such as ENER, MOVE, EMPL, BUDG, ENV, REGIO and more).

From the Mission letter of the new College, the Commissioner for Climate action (CLIMA respectively) and the Executive Vice-President for People, Skills and Preparedness (EMPL respectively) are to support the implementation of the SCF. This means that CLIMA will keep its key role for the SCF implementation while EMPL will be the authorizing officer for the SCF.

Answer

- The Commission is committed to ensuring a "swift and effective roll-out" of the SCF and a lot of work has already been done to support Member States in the preparation of their Social Climate Plans (see previous question).
- As the Social Climate Fund touches upon many different policy areas, such as climate, energy, transport and social issues, the Commission will need to work across the boundaries of our Directorates-General (DGs).
- This is how CLIMA has worked since the proposal in 2021 – CLIMA has been leading on the file but closely cooperating with a large number of DGs.
- I look forward to continuing our key role in the implementation of the SCF, while deepening the cooperation with my colleague Roxana Mînzatu and her team, who is also tasked to support the implementation of the SCF, and maintaining the closely involvement of all relevant DGs.

35. The proposed 'do no significant harm' guidelines for the Social Climate Fund are too complex

Background

The DNSH principle aims to ensure that no EU-financed activities have a significant negative impact on climate and environmental objectives. Its objectives were introduced by the EU Taxonomy and already apply to several EU funds, such as the Recovery and Resilience Facility. In line with the Social Climate Fund Regulation, the Commission is issuing draft guidance on how to interpret the DNSH principle under the SCF. The views collected through several consultations should help ensuring a consistent application of the DNSH principle to the measures under the SCF, which was created to support the most vulnerable citizens and microenterprises through the green transition. This fund will be financed by revenues from the new emission trading system on buildings and road transport (ETS2).

Answer

- The proposed approach builds on the **lessons learned** from the application of the principle in the context of the Recovery and Resilience Facility as well as other funds. In particular, it provides the following simplifications:
- Ex-ante **clarity on the applicable criteria**: the guidance annexes provide, for each eligible sector under the Social Climate Fund (energy, building and transport), clear criteria to be considered DNSH compliant.
- **No criteria where not needed**: for many activities in the annexes, the existing legal acquis is considered as sufficient to comply with the principle, or the activities are considered as having a very low impact. Therefore, the approach facilitates their rolling out. This is the case for instance of individual energy efficiency renovation measures, that will be critical under the Social Climate Fund.
- Ex ante **clarity on the evidence**: The annexes provide examples of evidence to justify so no significant harm compliance. This would help Member States to demonstrate that the measures they finance do no significant harm.

- The principle of proportionality is fully taken into account. Each criterion in the annexes captures the specific impact of a measure depending on its size. For instance, since a large renovation would create more construction waste than a small, specific recycling obligations are only foreseen for larger projects.
- Therefore, the administrative burden should be limited, while preserving the effectiveness of the do no significant principle.

36. Will the Social Climate Fund be integrated into the EU budget?

Background

The Commission had initially proposed to include the SCF in the Union budget via a targeted amendment to the current MFF (2021-2027), together with the establishment of an ETS based own resources for the Union budget. While strongly supported by the European Parliament, the Council was opposed to the idea of a targeted MFF amendment and reluctant on the own resource proposal. Instead, the co-legislators made a compromise to finance the SCF temporarily and exceptionally from the auctioning of ETS allowances (50 million from the existing EU ETS in 2026, otherwise ETS2 allowances) as 'external assigned revenue' and made a commitment to fully integrate the Fund into the Union budget, in the event revenue from EU ETS auctioning is established as a new own resource.

Answer

- As you know, the SCF Regulation foresees that, if an ETS-based own resource is agreed, the Commission would present, as appropriate, the necessary legislative proposals to ensure the budgetisation of the SCF under the post-2027 Multiannual Financial Framework.
- We are strongly committed to the SCF's budgetisation and you can count on us to play a constructive rule, but we note that the SCF's budgetisation requires progress on the (ETS-based) own resources file which have had challenging discussions in the Council.
- In the budgetisation of the SCF in the next MFF, we would also very carefully need to ensure the effectiveness and continuity of the implementation of the Fund, which will have started in 2026 already.

37. For ETS2, the price of allowance considered in the initial impact assessment was EUR 48/tCO_2. The current projections show it may reach even EUR 200/tCO_2 post 2030. What are you going to do about it?

Background

The press has reported earlier this year about estimates for the ETS2 carbon price which could reach EUR 200 or more by 2030.

The modelling for the Commission Impact Assessment for the Fit for 55 package included a mix of policies like regulatory and fiscal measures and carbon pricing. This modelling led to a projected ETS2 carbon price of EUR 48 in 2030 (expressed in 2015 prices, which translates in EUR 60 in 2023 prices).

Answer

- Carbon pricing will complement other measures and policies in the ETS2 sectors, helping achieve the emission reduction targets. Action at national level, which is set out in the National Energy and Climate Plans, is therefore key to deliver the expected emission reductions.
- High projections of the carbon price mentioned in the media assume a general failure of those regulatory and fiscal measures, assuming the entire burden will have to be carried by the ETS2 carbon price. We see this as an extreme scenario.
- The modelling for the Commission Impact Assessment for the FF55 package, which included a mix of policies like regulatory and fiscal measures and carbon pricing, led to a projected ETS2 carbon price of EUR 60 (in 2023 prices) by 2030.
- Still, the ETS2 has several safety measures in place to ensure that the potentially regressive impacts of carbon pricing are addressed in order to leave no one behind. The Social Climate Fund aims to ensure that vulnerable households will be supported in the transition.
- Also price stability is important. If prices would rise very fast, the ETS Directive contains a rule-based system that would exceptionally increase supply by releasing extra allowances.

38. Instead of putting burden on individual households in heating and cooling decarbonisation, is it not more cost-effective to promote collective solutions?

Background

*Despite the benefits of efficient District Heating, this solution represents only 12% of the EU's heating market. The highest share of district heating is observed in the **Scandinavian and Baltic countries**. **Two-thirds of this district heating supply is generated with fossil fuels** (mainly natural gas but also still coal in our New Member States), while **biomass, biofuels and renewable waste** are the main low-carbon fuels, accounting for ca. 27%. Deployment of heat pumps remains small.*

District Heating if based on fossil fuels and with boilers having a capacity over 20 MW, are part of the EU ETS. In Eastern Europe many are in need of replacement. District heating in the EU ETS will see no reduction of free allocation levels until 2030 compared to other heat not considered at risk of carbon leakage which will see free allocation levels gradually phased out until 2030. Following the revision of the ETS Directive and the subsequent revisions to the Free Allocation Rules and Allocation Level Changes Regulation, district heating installations in BG, CZ, LV and PL will have the possibility to receive an additional 30% free allocation under the condition the corresponding value is used for investments required for the decarbonisation of district heating.

Connection of vulnerable households to district heating network is eligible under the Social Climate Fund.

Finally, the Energy Efficiency Directive:

- *Obliges Member States to submit a comprehensive heating and cooling assessment, and to require local heating and cooling plans at least in municipalities having a total population higher than 45 000.*
- *Interestingly it also includes minimum thresholds of renewable and waste heat to be used in a district heating plant before such a plant can be qualified as "efficient". These thresholds gradually increase to a fully decarbonised system by 2050 (alternatively thresholds can also be expressed in an amount of GHG emissions emitted). Investments in district heating plants have to meet these thresholds in order for state aid to be allowed.*

Answer

- In densely populated areas, district heating and cooling can indeed be a very efficient, cost-effective way to provide affordable, climate-friendly heating.
- District heating and cooling, offer economies of scale, and is often easier to decarbonise and technically maintain, than having to decarbonise and maintain thousands of small household-size installations.
- European companies are world-leaders in climate-friendly district heating and cooling solutions, e.g. turning waste-heat from industry installations or wastewater into affordable heat for households. We have to maintain and expand this leadership, also in view of cooling as the fastest growing use of energy in buildings globally.
- As we see more and more heatwaves in Europe, district cooling may become more and more important for the health of European citizens.
- The EU has for decades and will continue supporting efficient low-carbon district heating and cooling via R&I funding, but also via other instruments, including the structural funds.
- Also the Social Climate Fund will support their deployment, by supporting the grid connection of consumers to district heating and cooling (the Social Climate Fund is not meant to invest in the boiler itself, which is typically part of ETS 1).
- In addition to the carbon prices of ETS1 and ETS2, the Energy Efficiency Directive incentivizes the long-term decarbonization of district heating and cooling.
- The Energy Efficiency Directive also wants Member States and bigger municipalities to develop long-term heating and cooling plans. Good planning is exactly what is required to develop heating networks.
- Also the Renewable Energy Directive target of at least a 49 % share of energy from renewable sources in the Union's final energy consumption in buildings in 2030 helps promote DHC.
- District heating is also an interesting avenue to develop carbon removals when the combustion of renewable sustainable biomass is combined with the CCS. Already today this attracts interest from investors inside and outside the EU.

IV) Climate resilience

39. Why a European Climate Adaptation Plan?

Background

*President Ursula von der Leyen's **political guidelines** shone a spotlight on the need to **step up work on climate resilience and preparedness**, and announced a **European Climate Adaptation Plan** to support Member States.*

*In your Mission Letter it is indicated that '**you will lead on a European Climate Adaptation Plan to support Member States, notably on preparedness and planning and ensure regular science-based risk assessments**. This should, for example, cover the impact on infrastructure, energy, water, food and land in cities and rural areas. You should also look at incentives for nature-based solutions'.*

The Mission Letters of five other EVPs-designate and Commissioners-designate refer to the Adaptation Plan. In addition, the Mission Letters of a number of other proposed College members have closely linked references e.g. to preparedness and/or climate resilience financing.

*The Plan will build upon the **Communication on Managing Climate Risks** (2024), the **European Climate Law** (2021) and the **EU Strategy on Adaptation to Climate Change** (2021).*

The European Climate Adaptation Plan will need to articulate with other relevant initiatives of the Political Guidelines, such as the Water Resilience Strategy, the Preparedness Union, strengthened crisis and disaster management policies under the European Civil Defence Mechanism, as well as the EU Internal Security Strategy. The action plan on the Sendai Framework is also very much supportive of adaptation.

Not directly linked to the Climate Adaptation Plan, but the Parliament has also called for making the European Climate Risk Assessment a regular exercise. CLIMA and EEA have started exchanges on a possible 2nd EUCRA, but the scope and timing depend on the availability of resources. CLIMA is planning to propose, as part of the Climate Law amendment, that EEA would be formally tasked with preparing regular EUCRAs, but we do not have a decision on the financing. While this point is open, Commission remains in exploratory phase.

Answer

- The Political Guidelines are clear, climate impacts are one of the greatest risks to our security, our prosperity – our future.
- The other part of the risk is the lack of societal preparedness to climate hazards. It is in the power of policymakers to decide on the level of exposures and vulnerability to the climate risks. It is high time we take things to the next level so we can get ahead of the impacts before they overtake us. The European Climate Risk Assessment by the European Environment Agency and the Communication on Managing Climate Risks that I championed in March 2024 are steps in that direction.
- The European Climate Adaptation Plan is needed to cater for a serious step change. It is needed to ensure resilience by design. For that we need to align the incentives for sector policymakers, we need to simplify the fragmented processes, and we need to ensure that

those responsible and able to act have the knowledge and tools to do so. This is task for the Union and all the Member States alike.

Defensive: Will the adaptation plan make the European Climate Risk Assessment a regular exercise and when would the next report be produced?

- Solid scientific risk assessments are essential for taking reasoned decisions on how policymakers can reduce the vulnerabilities and exposures in the society. The 1st EUCRA that the European Environmental Agency delivered under a very tight time horizon is an important and impressive element for that. [As also noted in the Mission Letter] the 2024 EUCRA will be the basis for the Adaptation Plan.
- In parallel, I am also considering a second European Climate Risk Assessment. We see how fast climate science and impacts evolve – we need to stay abreast of these developments and update our research base accordingly. A regular, EU-level risk climate assessment makes sense, and I am preparing a proposal for this.
- At the same time, the 2nd EUCRA should not be rushed. We wish to design the 2nd iteration in a way that it is as useful as possible for policymakers and look at the possible timing on that basis. And we want to see how the first EUCRA is used in different sector policies and by the Member States.

40. Are you willing to come forward with legally binding instruments on adaptation?

Background

*The key legal framework for addressing climate change adaptation is set by the **European Climate Law (2021).** This requires continuous progress in enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change, in accordance with the Paris Agreement. It also contains provisions about mandatory adaptation strategies both at EU-level and in the Member States, assessments of progress, consistency of adaptation measures and adaptation mainstreaming.*

*The **Regulation on the Governance of the Energy Union and Climate Action (2018)** provides for reporting by Member States on national adaptation actions. It also includes a weak requirement on Member States to include adaptation goals in their NECPs, which has however not worked that well.*

*The **EU Strategy on Adaptation to Climate Change (2021)** outlines a long-term vision to forge a climate-resilient Union by 2050, by fostering smarter, faster and more systemic adaptation, as well as more adaptation internationally.*

*The **Commission Communication on managing climate risks (March 2024)** states that the implementation of climate risks related legislation could be further improved and made more consistent. It lists such legislation[3] and states that the Commission will explore how*

[3] Quote: "The European Climate Law, the Regulation on the Governance of the Energy Union and Climate Action, the Critical Entities Resilience Directive, the Regulation on Serious Cross-border Threats to Health, the imminent revised EU Economic Governance Framework, the Nature Restoration Law, once adopted, the Birds and Habitats Directives, the Water Framework Directive, the Floods Directive, the Marine Strategy Framework Directive, the Union Civil Protection Mechanism (UCPM) Decision with its Union Disaster Resilience Goals, all include provisions linked to managing climate risks (Source: Communication on Managing Climate Risks).

the implementation of EU level requirements can be further facilitated, streamlined and strengthened, in order to simplify processes and render them more effective.

*Your **Mission Letter** indicates that based on the first European Climate Risk Assessment, you will **assess the need for future legislation on climate resilience and preparedness and present options** and put forward a Climate Adaptation Plan. Among other elements, this could trigger a review of sector-specific initiatives and legislation as Climate adaptation concerns **many policy areas**.*

*At the **Member State level**, all have national adaptation strategies or plans by now. Eight Member States have embedded elements of their adaptation policy systems in their domestic legal frameworks.*

Answer

- **My Mission Letter** indicates that based on the first European Climate Risk Assessment, I will **assess the need for future legislation** on climate resilience and preparedness and present options.
- There is a strong case for the EU to step up in aligning the incentives of sector policymakers, simplifying the fragmented processes, and ensuring that those responsible have the knowledge and tools to do so. I hear more and more demands in this direction.
- While important progress has been made including in the context of the 2021 EU Adaptation Strategy , **the EEA's Risk Assessment (EUCRA) and the Commission Communication on managing climate risks of March 2024 highlight that EU policies are lagging with respect to accelerating climate risks.**
- Climate adaptation **concerns many policy areas** and needs to be taken forward by sector-specific and other measures. It is also heavily **dependent on local specificities**. I will need to consider this aspect when preparing the options for possible future legislation.
- And of course, I have taken good note of the call for legislative action on adaptation by the European Parliament in its recent resolution on flooding.

Defensives:

How will such new legislation align to the objective of reducing administrative burden?

- Any new legislation to be proposed will need to undergo a strict **Impact Assessment procedure as well as consultation with stakeholders,** in line with the Commission's Better Regulation requirements.
- The outcome of the impact assessment will be **scrutinised carefully by the Commission against the 25% administrative reduction target (35% for SMEs), in line with the Mission Letters.** The results of the impact assessment and consultations will be published, for the European Parliament and other stakeholders to consider.
- An honest look at the level of maturity of the current adaptation governance would conclude that **this is an area where more needs to be done** than has been the case before.

- Having said that, when I am assessing options, I will ask the relevant Commission Services and also my fellow Commissioner colleagues **to seek synergies between existing planning, monitoring and reporting requirements in different sectoral policies, and propose streamlining**, with the objective of minimising the overall reporting and administrative burden when it comes to adaptation, resilience and preparedness.

The new legislation on adaptation would go against the principle of subsidiarity.

- The **Treaty on the European Union is clear** on the competences between the Union and Member States, including on subsidiarity. The Commission has an experienced Legal Service on whose expertise I will draw on, to ensure full respect of the Treaty.
- Having said that, the EUCRA report and the Commission Communication on managing climate risks are clear. **EU policies – both on adaptation as well as on sectoral policies - are lagging the accelerating climate risks, and more needs to be done.**
- I will **carefully consider** this when assessing the need and options for future legislation on climate resilience and preparedness, in line with my Mission Letter.

How will you know whether the current approach under the European Climate Law is successful?

- The Law foresees that the Commission shall carry out an **assessment of progress** towards adaptation regularly. The first assessment took place at the end of last year. While it demonstrated progress at EU level, notably through the implementation of the 2021 EU Adaptation Strategy, it was also clear that **progress is uneven across different aspects of adaptation policies, in particular in Member States**.
- The Commission addressed **recommendations to Member States** in December on how to improve their adaptation policies, and I expect them to report back by the March 2025 deadline of the European Climate Law. **This iterative process will tell us whether the current approach in the Climate Law is successful**. It will also feed into my reflections on the need and options for possible future legislation on adaptation.

Will the Commission then revise sectoral legislation to incorporate climate resilience?

- I will, **together with my Commissioner colleagues, assess the need for revision of other sectoral legislation** in the context of reflecting on the need and options for possible future legislation on adaptation.
- **A first concrete opportunity is to follow up on the evaluation of the functioning of the Regulation on the Governance of the Energy Union and Climate Action**, which the Commission published on 11 September 2024.
- **Key consideration in this context is the objective to reduce administrative burden by 25%** (and 35% for the SMEs). I will **seek synergies** between sectoral policies on how better enhance preparedness and resilience to climate risks.

41. What will you do to increase economic and societal preparedness and resilience against climate related disasters?

Background

The 2021 EU Strategy on Adaptation to Climate Change outlines how to adapt to unavoidable climate impacts and become climate-resilient by 2050. It provides the umbrella under which much of the EU level activity is coordinated.

Through the Strategy, adaptation has permeated and guided a wide range of the EU's own key policies and funding programmes, and reinforced links with disaster risk reduction, infrastructure resilience, standardisation and the financial sector. Moreover, adaptation is also addressed in the EU development cooperation policies.

Examples of actions and mainstreaming at the EU level under the EU Strategy on Adaptation to Climate Change:

- *Guidelines issued in July 2023 support the MS in the design of national adaptation strategies and plans.*
- *The Commission issued technical guidance in 2021 for climate proofing infrastructure.*
- *We set up in 2021 a European Climate and Health Observatory together with the European Environment Agency. This unique multidisciplinary partnership helps us to understand better how climate change puts our health and health system at risk. It also helps the capacity needed at all policy levels to keep us healthy and our health systems functioning in a warming world.*
- *Water Reuse regulation was adopted to increase resilience to extreme droughts to increase the water supply available to farmers.*
- *Digital twins of the Earth are being built to severe weather extremes prediction and adaptation to climate change at high granularity.*
- *The first-ever European Climate Risk Assessment was published by the European Environment Agency in spring 2024.*
- *The Communication on Managing Climate Risks was published in March 2024, which puts forward a series of new and existing key actions on selected impact clusters, namely natural ecosystems, health, food, infrastructure and built environment, economy and water.*
- *The Horizon Europe Mission on Adaptation is the very first complete tool to support local authorities on adaptation, as it couples provision of knowledge with direct technical assistance and also some funding for projects. The Mission accompanies regions in assessing the climate risks they face and will be facing in the future, developing their adaptation plans, and aims at delivering 75 demonstrators of transformative adaptations implemented by regional and local actors.*

Answer

- The EU has significantly **scaled up its efforts to enhance both resilience and preparedness to climate change** in the recent years, but **more needs to be done.** To highlight a few recent initiatives from which we will build as we advance with the European Adaptation Plan:

- The first ever **European Climate Risk Assessment report**, provided a very good insight into the exposure of policies, people, the economy and nature to climate risks for the first time ever and identified climate risk owners at the policy level.
- The **Communication on managing climate risks**, published in response to the findings of the Risk Assessment, proposes measures to make decision-making processes fit for addressing climate risks in an informed and comprehensive way. We now have the opportunity to operationalise these.
- The **Horizon Europe Mission on Adaptation** is designed to demonstrate and roll-out innovative adaptation practices and solutions at local level. Participants already include 300 regions and local authorities representing 40% of EU territory.
- **Satellite monitoring and earth observation** to improve prediction of weather patterns and extremes at high granularity has advanced significantly.

42. What impact will climate risks have on the EU budget and spending? Will the Commission establish an adaptation fund?

Background

Projections of the physical impacts from the climate crisis in terms of cost estimates vary widely. However, impacts are expected to increase exponentially before we globally reach net zero even in the relatively benign scenarios.

Developments to date give a small taste of it, as we currently stand at close to 1.5°C average global warming. Adaptation to date has kept the growth in economic losses relatively contained until recently. The latest data suggests that in 2021 and 2022 there was a significant jump in economic losses due to climate related hazards in the EU.

Between 1980 and 2022, weather- and climate-related extremes caused economic losses estimated at EUR 640 billion in the EU Member States, of which EUR 60.0 billion in 2021 and EUR 54.6 billion in 2022. The most expensive hazards during the period 1980-2022 in absolute terms include the 2021 flooding that particularly affected Germany and Belgium (over EUR 44 billion), the 2002 flood in central Europe (around EUR 25 billion), the 2003 drought and heatwave across the EU (over EUR 16 billion). In absolute terms, the flooding in Slovenia in summer 2023 is estimated by the government to have caused damage amounting to over 10% of GDP.

The EU Civil Protection Mechanism, Europe's disaster response system, is already working at full operational level. Over just two years, requests for assistance have increased by 400%. And resources are strained to its limits. As Commissioner Lenarčič said in the European Parliament on September 12, 2023, "soon we might not be able to help where needed".

*A variety of **financial sources are already available** that can finance climate change adaptation. Financing sources include the European Fund for Sustainable Development Plus, the European Union Solidarity Fund and European Investment Bank Climate Adaptation Plan that includes guarantees and grants, the European Regional Development Fund, the Cohesion Fund and the Just Transition Fund aimed to reduce regional disparities, the Neighbourhood, Development and International Cooperation Instrument supports EU external financial action, etc.*

Beyond the financing of measures that are explicitly aimed at adaptation, infrastructure investments in the programming period 2021-2027 under InvestEU, the Connecting Europe Facility, the Regional Development Fund, Cohesion Fund, and the Just Transition Fund ***are required to be climate proofed****, i.e. to integrate climate change mitigation and adaptation measures into the development of projects. More broadly, the EU Multiannual Financial Framework for 2021-2027 foresees that climate adaptation actions are to be integrated into all the major EU spending programmes.*

The **recast Financial Regulation** (to be published in the Official Journal soon) integrates the principle that programmes and activities shall **do no significant harm** to the environmental objectives set out in the Taxonomy Regulation, including the objective of climate change adaptation. *The Commission also works with a wide range of stakeholders, including, insurers, consumers, SMEs, supervisors, and risk managers to explore the potential for more* ***private sector investment*** *in adaptation solutions and to narrow the climate protection gap (defined as the difference between total economic losses and insured losses from the materialisation of climate related risks and is the financial cost of climate-related events that is borne either by governments, companies or individuals).*

Answer

- Different EU funding instruments already provide resources for climate change adaptation and disaster resilience: under the cohesion policy, the common agricultural policies, and research policies, as well as the Recovery and Resilience Facility.
- **But these allocations dwarf in comparison to the damages already** left by catastrophic events, let alone the expected scale of the intensifying climate hazards in the future [e.*g. public direct damage of 2023 floods in Emilia Romagna EUR 8,5 billion; of 2021 floods in Germany –EUR 29 billion, the Slovene government preliminary estimate is now that the 2023 floods wrought damage of over 8 % of GDP, while reconstruction costs will be even higher. Following the September 2024 floods in Central Europe, VDL announced that affected countries could access €10 billion EU cohesion funds under a simplified procedure]*
- The Union Civil Protection Mechanism or the Solidarity Fund can be depleted after just couple of extreme events, so our solidarity can hit the limits.
- When it comes to an **adaptation fund**, the Commission is currently in the early stages of developing a proposal for the next MFF, so we cannot yet commit to a specific quantity or method of funding for adaptation.
- **It is clear however, that all EU spending, regardless of its purpose, should be designed to the extent possible to increase resilience to climate impacts**. We need to limit our exposure as we cannot afford to continue paying for damages.

Defensive: So, will you or will you not create a dedicated Adaptation Fund for the EU?

- Right now, we need to ensure that our existing funds sufficiently support climate resilience and avoid increasing vulnerabilities. How successful we have been and what improvements could be made will be assessed in the context of overall discussions to come on how the next Multiannual Financial Framework will support our climate goals.

V) Implementation of Fit for 55 package

43. Are current policies sufficient to deliver 2030?

Background

The EU GHG emissions are covered by three legal instruments: the EU ETS, the Effort Sharing Regulation and the LULUCF Regulation (Land Use, Land Use Change and Forestry). Each has a specific GHG emissions reduction target. Taken together, these targets would lead to a reduction of overall GHG by around 57%.

The Commission monitors GHG emissions. The EU and Member States submit GHG inventories each year to the UNFCCC. The Climate Action Progress Report published each year at the end of October covers progress at EU level, by sector and by Member State. In 2022, the EU GHG emissions were 32.5% below their 1990 level, and preliminary proxy estimates show for 2023 a further decrease to about 37% below 1990.

Answer

- **Yes, they are.** The co-legislators have now adopted **all but one of the proposals in the Fit for 55 package** (the exception is the proposal for a revision of the Energy Taxation Directive)[4], so that **EU policies are now aligned with the updated 2030 target set in the European Climate Law**. **The focus is now on their implementation**, which will enable the EU and its Member States to reduce by 2030 net GHG emissions by at least 55% compared to 1990 levels[5], and to make steady progress on adaptation to climate change.
- The Commission has adopted around **40 delegated and implementing acts** related to climate initiatives. The Member States have started to implement the Fit for 55 package, by integrating at national level the updated climate and energy targets as reflected in their NECPs.
- **Overall, provisional data for 2023 show that the EU's GHG net emissions are declining in line with the linear path to achieve the EU's target of reducing GHG emissions by at least 55% by 2030.**The pace of emission reduction needs to be sustained at 134 $MtCO_2$-eq by 2030, (compared to annual average cut of about 120 $MtCO_2$-eq over 2017-2023). **This will require the full implementation of the legal framework for 2030 and the supporting investment flows.**
- **The ETS, ESR and LULUCF legislation cover the full scope of emissions to make this possible.**
- These three instruments are complemented by a number of sectoral policies and funding instruments that will contribute to meeting our climate objectives.

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[4] This includes the revised EU ETS Directive, a new ETS for buildings, road transport and fuels, the Market Stability Reserve, the Effort Sharing Regulation, CO_2 standards for cars and vans, the Land Use, Land Use Change and Forestry Regulation, the Carbon Border Adjustment Mechanism, the Social Climate Fund, FuelEU Maritime, the Alternative Fuel Infrastructure Regulation (AFIR), ReFuel EU Aviation, the Energy Efficiency Directive and the Renewable Energy Directive. Only the proposed revised Energy Taxation Directive is still pending agreement.

[5] The legislation as adopted is estimated to result in a net domestic reduction of GHG emissions of 57% by 2030 compared to 1990. An overview of targets is presented in Chapter 1 of the Staff Working Document 'Technical information'.

44. Only 11 Member States (as of 25 September) submitted the final updated National Energy and Climate Plans. What are you going to do about it?

Background

Adopted in 2018, the Governance Regulation of the Energy Union and Climate Action established a governance mechanism to help the EU meet the objectives and targets of the Energy Union. As part of the Governance Regulation, the national energy and climate plans are the central tool where Member States must outline the measures they intend to implement and the necessary investments to reach their 2030 climate and energy objectives.

All Member States submitted their draft updated NECP. These draft plans have been assessed by the Commission, that also issued recommendations for their improvement. Member States were supposed to submit by the end of June 2024 their final plans, which should take into account the Commission's recommendations. However, to date, only 11 Member States submitted their final plans. While we expect to receive a significant number of additional plans in the coming weeks, we are worried that further delay will may make it difficult to timely assess the collective ambition of the plans as regards the EU level climate and energy targets For this reason, in July 2024, the Commission has started the EU Pilot procedure for the Member States that had not submitted their final NECPs.

Answer

- **As of today (25 September), we have received only 11 plans (DE, DK, FI, FR, IE, IT, LU, LV, NL, SE, ES).** The delay of the 16 remaining National Energy and Climate Plans, is worrisome as 2030 is around the corner.
- The plans are essential tools for Member States to set out how they will ensure and enable the timely implementation of the Fit for 55 package and help mobilise the needed investments. I see their preparation and implementation as an opportunity for Member States to discuss with all stakeholders – especially investors - the strategic choices to be made for the implementation of the European Green Deal, for example in terms of infrastructure, industrial development and land use.
- The information included in the plans is important to jointly design the **Clean Industrial Deal** and identify what we need for an effective **Industrial Decarbonisation Accelerator Act**. The updated plans will also set the foundation for the further emission reductions by 2040 and climate neutrality by 2050.
- We need all plans to be in a position to identify any potential areas for further work towards reaching the 2030 climate and energy targets. Hence, I (together with Commissioner Jorgensen), will intensify contact with the Member States, to get these as soon as possible.

45. The assessments of draft National Energy and Climate Plans submitted in 2023 suggests that there is a risk of insufficient ambition of Member States to deliver the 2030 targets, therefore undermining the climate neutrality objective. What do you plan to do?

Background

- *Article 31(3) of the* ***Governance Regulation*** *states that if, "on the basis of its assessment of the integrated national energy and climate plans and their updates [...], the Commission concludes that the objectives, targets and contributions of the integrated national energy and climate plans or their updates are insufficient for the collective achievement of the Energy Union objectives and, in particular, for the first ten-year period, for the Union's 2030 targets for renewable energy and energy efficiency, it shall propose measures and exercise its powers at Union level in order to ensure the collective achievement of those objectives and targets."*
- *Article 29(5) of the* ***Governance Regulation*** *states that if, "By 31 October 2021 and every year thereafter, the Commission shall assess, in particular on the basis of the information reported pursuant to this Regulation, whether the Union and its Member States have made sufficient progress towards meeting the following requirements: [...]*
- *b) obligations set out in Article 4 of the [Effort Sharing Regulation] and in Article 4 of the [LULUCF Regulation].The* ***Effort Sharing Regulation*** *(ESR) (Article 8) states that "If the Commission finds, in its annual assessment under Article 29 of [the Governance Regulation] and taking into account the intended use of the flexibilities referred to in Articles 5, 6 and 7 of [the ESR], that a Member State is not making sufficient progress towards meeting its obligations under Article 4 of [the ESR], that Member State shall, within three months, submit to the Commission a* ***corrective action plan****." Such plans must contain: (i) a detailed explanation of why there is insufficient progress, (ii) how Union funding has and will support a Member State in meeting their targets, (iii) additional actions of the Member State complementing its NECP or reinforcing its implementation, and (iv) a timetable for implementation.*

Answer

- With only 11 submitted final NECPs, it is premature to conclude if there is insufficient ambition.
- Based on the assessment of the *draft* updated NECPs, the Commission concluded there was still a gap towards reaching the climate targets for 2030 for ESR and LULUCF and subsequently, for the -55% total GHG emission reduction target.
- But, we will need to have all final plans to see if Member States will close the gaps. On the positive side, the Commission already observed improvements for the ESR in its Climate Action Progress Report. Based on the latest reporting by Member States, the ESR gap in 2030 is cut in half to 3 percentage points, as compared to the 6 p.p gap identified based on the draft updated NECPs.
- I intend to closely engage with Member States to ensure the gaps are closed and they reap the benefits from full implementation of their NECPs, including through engaging with industry and social partners, to organise discussions on how to remove the most important obstacles to the transition. My goal will be to work together and exchange best

practices on practical solutions to accelerate the transition while fostering competitiveness of firms and supporting the most vulnerable.

46. Are you planning to revise the Governance Regulation? The evaluation highlights some flaws in the Regulation, including as regards the role of Long-Term Strategies and National Energy and Climate Plans (as also indicated in the Draghi report), compliance mechanisms and public participation/access to justice requirements. What will you propose for the revision?

Background

Adopted in 2018, the Governance Regulation of the Energy Union and Climate Action established a governance mechanism to help the EU meet the objectives and targets of the Energy Union. As mandated by the Regulation, on 11 September 2024 the Commission published its report on the functioning of the Governance Regulation (together with its evaluation). The evaluation concluded that the Governance Regulation has made energy and climate planning and reporting more coherent, integrated, and simpler, and that it contributed to putting the EU on track to meet its energy and climate objectives and targets for 2030. However, the evaluation also highlights areas to be further improved in case of a revision e.g. further streamlining and simplify reporting obligations, potential to enhance coherence and synergies with other policy areas, improve consistency between NECPs and LTSs or the need to enhancing NECPs to ensure they become genuine investment strategies.

Similarly, the Draghi report argues that the Governance Regulation should play a more strategic role in steering EU-wide energy policy, clean tech investments and the decarbonisation of energy-intensive industry. The report calls on enhancing NECPs to cover NZIA implementation by assessing needs and plans for manufacturing projects.

The President asked in her mission letter to the Commissioner-designate for Energy and Housing, Dan Jorgensen, to "update and simplify the existing governance of the Energy Union, working with the Commissioner for Climate, Net Zero and Clean Growth".

Answer

- The current Governance Regulation provides the framework to deliver on our 2030 climate goals and focussing on its implementation and finalizing the NECPs is now key.
- In September, the Commission adopted an evaluation of the functioning of the Governance Regulation, that concluded that the Regulation is fit to deliver on the EU's 2030 climate objectives and that it delivered on streamlining reporting obligations and providing predictability for investors.
- Building on the results of the evaluation, I will work with the Commissioner for Energy and Housing to update and, where possible, further simplify the existing governance framework.
- The revision should help shape and implement climate policies in line with our climate mitigation and adaptation ambitions for 2040 and 2050. **NECPs have the potential to become genuine green transition investment plans.**
- At the same time, we need to make sure that the future framework remains agile and further streamlines reporting obligations for Member States, while respecting our international reporting obligations under the UNFCCC and the Paris Agreement.

Defensive: [If asked about the timing] The exact timing of the revision has yet to be decided, but given that changes to the Regulation should take account of the objectives for 2040 and 2050, we must ensure the Commission's proposal is consistent with climate and energy legislation that this Commission may propose for the period post-2030.

47. **Is the ETS benchmark review a measure to support the transition to green hydrogen and steel?**

Background

The introduction of the EU ETS came with the risk of carbon leakage (when activities move to non-EU countries with less ambitious climate policies on GHG emissions, which may lead to an overall increase in emissions). To mitigate this risk, industrial installations receive a significant part of the allowances needed to cover their emissions for free, i.e. free allocation. The value of this "handout" could be estimated at €46 billion annually. In addition to carbon leakage protection, free allocation can also be used to support a switch to new alternative technologies for the production of e.g. green hydrogen and steel. The recent amendment of the free allocation rules allows these non-polluting processes to benefit from free allocation. Following the modification, producers of hydrogen or steel would not be penalised by a loss of free allocation when transitioning to green production. If production volumes are kept, they will instead benefit from the same amount of free allocation but with less emissions to surrender allowances for. This principle was communicated and endorsed in the co-decision process.

Answer

- **Switching to alternative green production processes is not penalised by a reduction or complete loss of free allocation.**
- Free allocation will be used to incentivise the green transition, especially for green steel and hydrogen. These sectors are ready for the next step, but the previous benchmark definitions and system boundaries were based on old technologies and processes and effectively blocks alternative production methods from benefitting from free allocation.
- Free allocation was put in place to mitigate the risk of carbon leakage, but with modifications to existing benchmarks it will also be used to support the ongoing transition, especially in the highly emitting steel sector where many decarbonisation projects have been launched. The installations making the necessary investments will not risk losing free allocation but instead benefit from free allocation at benchmark levels, despite not anymore having comparable emissions.
- In line with the political intentions of the co-legislators (revised ETS Directive), the Free Allocation Rules amending Regulation modified the existing benchmark definitions for steel and hydrogen, to also include alternative production processes with significantly less or no GHG emissions.

48. Why are long haul flights not covered by the EU ETS?

Background

When aviation was introduced into the EU ETS in 2012, all flights departing from or arriving at an airport in the EEA were covered. Major third countries opposed this coverage claiming that the EU could not regulate airlines based outside Europe, and exerted extreme pressure on the EU to withdraw the ETS for non-EU-based airlines (the US even enacting a law that could allow to government to prohibiting their airlines to comply with the EU ETS, although without penalties on US airlines if they do comply). The European Court of Justice, however, confirmed that the EU ETs is not extraterritorial, thus it was legal to regulate this geographical scope.

In 2013, co-legislators restricted the scope to flights that start and arrive within the EEA (intra-EEA flights), of all nationalities of airlines. The ETS compliance rate has always been very high (after significant financial penalties being paid by a number of airlines). The decision on limiting the scope of the ETS was taken also because at that time there was an expectation that ICAO would efficiently address emissions from all international flights. With CORSIA starting operations, it became clear that the way ICAO addresses aviation emissions is far less ambitious than the EU ETS. Therefore, during recent co-decisions, the Parliament (and several stakeholders, like NGOs and low-cost airlines flying mainly in the EEA) asked for an extension of the ETS to departing flights (note: not its original scope, but rather the 50% emissions as regulated in respect of maritime). The final law suspends full scope until January 2027, with a review clause, which requires the Commission to evaluate whether CORSIA is strengthened in 2025 and whether major countries outside Europe, including China and the US, implement it by 2027. If not, the Commission is to propose in 2026 the inclusion of departing long haul flights from 2027, to exempt incoming flights (i.e. not 'full scope') and to allow airlines to deduct any CORSIA offsetting costs on those routes from what they pay under the EU ETS. Covering departing flights would be the fair share of the EU for regulating aviation emissions. An important 'guardian article': without an adopted proposal, the ETS includes all departing and incoming flights from 2027.

If CORSIA is strengthened and applied by other major countries, the ETS nevertheless includes flights to all 3rd countries not applying it (except least LDCs and SIDSs), as already agreed by Council and Parliament in the 2023 revision (which is an incentive for third countries to apply CORSIA).

Answer

- Long haul flights were originally part of the aviation ETS, but due to strong opposition from third countries and in the expectation that ICAO would efficiently address them, this was put on hold. However, this cannot remain the case forever.
- All sectors of the economy have to contribute to climate action. Either ICAO will have a system covering these flights that ensures effective emissions reductions, or the ETS should be extended to the departing flights, as is already stated in the EU law.
- The Commission is already mandated to evaluate the ambition and participation in CORSIA in 2026 and will come back to the co-legislators with the result of this review and an ETS proposal in due time.

Defensive: how is the Commission going to judge if enough countries implement CORSIA in 2026 if CORSIA is only mandatory from 2027 (until then only pilot phase)?

- We are currently in CORSIA pilot phase and the EU is one of the "pioneer CORSIA-implementers". If other countries are serious about it, they will not wait until the last minute to do it.

49. What is the EU doing for addressing non-CO_2 effects of aviation?

Background

Non-CO_2 effects of aviation are the nitrogen oxides (NOx), sulphur-dioxide and water vapour exhausted at high altitudes and the condensation trails. These effects are about the double of the CO_2 emissions alone. This has been known from the time when aviation was first introduced into the ETS, but co-legislators could not agree on the way of including it into the system. The Parliament has been ambitious on this. General argument against regulating non-CO_2 effects is that the scientific knowledge is not certain enough, therefore further research is needed. However, this topic has already been extensively researched and it is accepted that these effects exist. Accordingly, the precautionary principle requires that we address them. The recent amendment of the EU ETS Directive requires airlines to monitor and report non-CO_2 effects from flights form 2025 onwards. The Commission has adopted an implementing act regulating the rules for this monitoring and reporting. After having the first results from this monitoring, in 2027 the Commission will have to evaluate the data gathered and, where appropriate, propose a way to mitigate these effects by including them into the EU ETS. In terms of possible mitigation, because of their chemical formulation, sustainable aviation fuels (SAF) represent a win-win solution by contributing to reducing both CO_2 and non-CO_2 emissions. However, SAF uptake is expected to increase slowly. Impacts on climate by non-CO_2 emissions can also be reduced by lowering the concentrations of aromatics, naphthalene and sulphur in conventional jet fuel, subject to ensuring that safety is not compromised. A legislative measure that could be implemented relatively quickly, in the next 2 to 4 years is revising jet fuel standards.

Answer

- As required by the EU ETS Directive, **non-CO_2 effects of aviation will be monitored from 2025. In September, the Commission adopted the detailed rules on monitoring and reporting these non-CO_2 effects. Once we gain experience on monitoring these effects (complex but feasible), the Commission will propose a way to effectively mitigate them.**
- Despite inherent uncertainties in science, understanding of these effects is already there and it is continuously evolving. They cannot remain unaddressed, so the well-established precautionary principle requires us to act. And this is what the Commission is doing.
- Jet fuel standards are also important.

Defensives:

Why did the Commission restrict the reporting of non-CO_2 effects to intra-EEA routes? Would this be a divergence from the scope set by the ETS Directive?

- The monitoring and reporting of non-CO_2 effects is a completely new system globally, showing EU leadership. Launching the system in a phased-approach will facilitate the smooth start.
- The two years deferral of the compulsory reporting does not contradict the scope set by the ETS Directive. It is only a temporary deferral, while keeping voluntary reporting possible for all flights. From 2027, the reporting on all routes departing or arriving in the EEA will be automatically compulsory.

50. Should the EU not introduce a passenger tax / minimum price on flight tickets?

Background

CORSIA stands for Carbon Offsetting and Reduction Scheme for international Aviation. The European Parliament has been deeply sceptical about it (across all main political groups). CORSIA is meant to ~~addresses~~ aviation CO_2 emissions by member states of the International Civil Aviation Organisation (ICAO), obliging their airlines to offset a part of their emissions from international flights, which is above a certain threshold (the level of 2019 emissions for the years 2021-2023 and 85% of this level for the years 2024-2035). Hence, the "reduction" part of the name is not at the heart of the scheme. Even if implemented by all countries, CORSIA addresses only a small fraction of aviation emissions. Domestic flights, i.e. flights within a country which are about 40% of global aviation emissions, are not addressed at all. In addition, only very small part of the remaining 60% is addressed (the emissions above the baseline, and only on routes between states applying CORSIA). Offsets are used for compensation, whose environmental integrity is key. Emission reduction under CORSIA might happen if sustainable aviation fuels (SAF) are used. SAF use is rewarded under CORSIA, but while a CORSIA eligible offset costs anything between USD 1 to 20 and SAF costs few thousand USD more than kerosene per tonne, there is no actual financial incentive under CORSIA to use SAF, thus emissions reductions are hardly expected. Still, the EU needs to keep pushing for a multilateral approach and not to be blamed for CORSIA's failure, without being naïve or backsliding in terms of its own ambition. There have been (wrong) accusations that the Commission (CLIMA) is stopping good development in CORSIA.

*The majority of aviation emissions comes from long haul flights. However, long haul flights do not have meaningful alternatives, while **short haul flights** may be replaced by high-speed train. Few Member States have banned short haul flights (France is the most recent example), while general discussions are taking place in other countries such as Spain. However, the French ban was fiercely opposed by DG MOVE on the basis of the Air Services Regulation that, on the basis of the single market, only allows for such restrictions due to environmental causes in very restricted cases and for limited time. In the end, it was approved by the Commission for a limited time. To note, according to the Commission Smart and Sustainable Mobility strategy, by 2030, scheduled collective travel of under 500 km within the EU should be carbon neutral.*

***Taxing passenger-tickets** is already a current practice in many Member States. However, unlike the EU ETS, passenger taxes do not encourage efficiency and better operations.*

Taxation being a national competency in the EU, the Union has limited competencies and all legislation is subject to unanimity.

The proposal on the Energy Taxation Directive, introducing ***tax for kerosene****, is still in co-decision, with lengthy discussions. Air Service Agreements may also pose obstacles as some agreements exempt jet fuel taxation. As already stated by the Commission in 2005: "Regarding the application of energy taxation to aviation fuel, the process of removing all legal obstacles from bilateral air service agreements remains essential and will continue."*[6] *To note that DG MOVE argues it doubts the accuracy of this provided given the political sensitivity of the issue among Member States.*

Several climate experts claim that aviation will not be in line with the targets of the Paris Agreement, unless aviation traffic will be reduced. This "less flying" is achievable by reducing demand. However, demand reduction by direct increase of prices is a politically sensitive issue. The problem is the emission from flying, not the flying itself. However, in the short term it is technically not feasible to fly without emissions and this should be factored into any decision.

Answer

- **Aviation needs to do more.**
- The EU should support taxing flying at international level but this should not prevent the EU to be more ambitious Taxation is national competency and several Member States have taken steps in this direction.
- The Commission will join as a co-lead the reflection on levies in the aviation sector, as part of the Task Force on Global Solidarity Levies led by Kenya, France and Barbados. The task force aims to promote voluntary coalitions by COP 30 on one or several levy options to raise revenue for climate and development action.
- The problem are the emissions from flying, not the flying. However, reducing demand for aviation is the most *efficient* way to reduce aviation emissions, while being mindful of the possible challenges.
- Any measure should not be looked at in isolation. It has to be put in the context of the EU ETS, ReFuelEU and the proposed revision of the Energy Taxation Directive. We need to now finalise the negotiations on the Energy Taxation Directive. Also, the process of removing all legal obstacles to energy taxation of aviation fuel from bilateral air service agreements remains essential and will continue.

Defensive: Will CORSIA work and deliver reduction in aviation emissions, should we not ban short haul flights?

- Aviation needs to do more. CORSIA does not reduce emissions but compensates for them.
- The aviation sector accounts for around 3-4% of the EU's total CO_2 emissions and continues to experience strong growth globally.
- We support international action to reduce aviation emissions. The EU applying CORSIA to extra-European flights is part of these efforts. Nevertheless, by 2026, CORSIA needs to demonstrate that it has a level of ambition in line with the Paris Agreement and that it is well implemented by major economies.

[6] COM(2005)459

- On possible bans on short haul fights where alternatives such as rail are available. This could be an easy way to move traffic to a less polluting means when respecting the existing legal framework What is clear is that by 2030 scheduled collective travel of under 500 km within the EU should be carbon neutral.

Defensive: Why did the Commission propose to implement CORSIA in the EU, if it does not contribute to emission reductions?

- The EU is committed to multilateral action.
- Action via ICAO is important to address global emissions, therefore the EU should support these steps. However, ICAO action must not prevent regions to be more ambitious.
- It is beyond any doubt that the EU ETS is more ambitious than CORSIA. This is the reason why the Commission proposed, and the Parliament and the Council adopted the law in this sense: CORSIA is only implemented for flights where the ETS does not apply.
- Importantly, co-legislators were clear that not addressing long-haul flights by meaningful action cannot be the case forever.
- The Commission is requested to evaluate in 2026 whether CORSIA has been strengthened to be in line with ICAO's own objective of net zero aviation emissions by 2050 and the Paris Agreement objectives, and if other big economies are implementing CORSIA. If not the case, the Commission needs to propose the extension of the geographical scope of the EU ETS. For this, particular attention is to be paid to the upcoming Assembly of ICAO due in September next year. I will actively participate in the preparation for the Assembly and contribute that CORSIA will be appropriately strengthened for the future.

51. Why are private jets not covered by the EU ETS?

Background

The concept of private jets does not exist under the EU ETS. The Directive includes an exemption for flights operated by a non-commercial operator that emits less than 1 ktCO$_2$ per year.

Currently about half of the emissions from private flights is covered by the EU ETS. The non-covered emissions come from a high number of very small operators, thus their inclusion could be disproportionate in terms of effort with the environmental benefit.

Answer

- Private jets are not exempt from the EU ETS, **they are included above a certain threshold. So, a large part of emissions within Europe from these operators is covered even today.**
- I understand the concerns and irritation but including a large number of small operators in the system could cause disproportionate costs. And let me clarify that the main unregulated business jet emissions come from international flights from and to Europe. In accordance with the requirements laid down in the ETS Directive, in 2026 the Commission will evaluate this climate impact of the exempted small operators and propose a way to reduce this impact.

52. If the International Maritime Organization adopts a carbon pricing measure, will the Commission revise the EU ETS extension to maritime transport?

Background

In July 2023, the International Maritime Organisation (IMO) adopted its revised strategy to reduce GHG emissions. The objective is now to adopt concrete measures by 2025, in line with the agreed level of ambition. According to the strategy, the IMO should work on both: a technical measure (a GHG fuel standard – similar to FuelEU maritime but at global level) and an economic element, on the basis of a maritime GHG emissions pricing mechanism. The strategy envisages these measures to be approved in spring 2025 and adopted in autumn 2025 to allow for their entry into force in 2027.

The possible co-existence of regional (i.e. EU) and global carbon pricing mechanism is a source of concern for the shipping community that is worried about paying twice for their emissions. It is to be expected that third countries and some MS (such as ES) would push for amending / scrapping the application of the ETS to the maritime sector if the IMO adopts a carbon pricing mechanism. The Parliament has in the past criticised the lack of progress at global level and has pushed for ambitious EU measures to reduce GHG emissions from shipping.

Answer

- **The EU ETS includes a specific review clause to take into account future IMO policy developments.** In line with this clause, the Commission will, as a first step, examine the GHG market-based measure to be hopefully agreed in spring next year. This examination should notably look at: (a) the level of ambition of the measure considering the objectives of the Paris Agreement and our own climate targets, (b) the sustainability, effectiveness and overall environmental integrity of the measure in comparison with the provisions of the ETS Directive; (c) and any possible issue related to the legal complementarity, coherence and interaction between the EU ETS and the basket of measures to be adopted by IMO.
- As a result of this analysis, the Commission will propose to amend the EU legislation as appropriate, notably in a way to avoid any significant double burden for the shipping companies, while avoiding backsliding.

Defensive: What if IMO does not agree on a pricing mechanism?

- The Commission is fully engaged in the negotiations for ensuring an agreement of a pricing mechanism in IMO by 2025. However, if no pricing mechanism is agreed, the Commission will submit a report to the European Parliament and to the Council in which it shall examine the possibility to strengthen our action at EU level. In that report, the Commission should, in particular, consider extending the scope of the ETS. The Commission should also assess the impact of such a situation on the risk of evasion linked to the ETS implementation and consider opportunities to establish partnerships, bilaterally, regionally, or multilaterally, with third countries.

Defensive: Are we doing enough to support ambitious GHG policies at global level?

- The ambition of the EU is to continue "pushing the bar higher". We do this by leading by example and demonstrating leadership in supporting the development of ambitious mitigation policies at the International Maritime Organization (IMO).
- We know that next year is going to be a pivotal year at IMO and we remain fully committed to continuing our efforts with IMO parties to secure the ambitious implementation of the revised IMO GHG strategy, and to continue providing assistance to developing and least developed countries.

53. Do you intend to review soon the maritime provisions of the EU ETS?

Background

Since January 2024, the EU ETS covers also the maritime sector and more specifically, CO_2 emissions from all large ships (of ≥5 000 gross tonnage) entering EU ports, regardless of the flag they fly and following a route-based approach. It covers: 100% of emissions that occur between two EU ports and when ships are within EU ports; 50% of emissions from voyages starting or ending outside of the EU (allowing the third country to decide on appropriate action for the remaining share of emissions).

According to the ETS Directive, certain provisions of should be reviewed for the purpose of: (a) taking into account the possible adoption of a market-based measure at the International Maritime Organization; (b) ensuring the effective implementation of the ETS extension to maritime transport, notably to prevent evasive behaviours at an early stage; (c) by end of 2026, examining the possible extension of the ETS to ships below 5 000 gross tonnage but not below 400 gross tonnage (including offshore ships) and (d) the possibility to further consider lifecycle emissions of renewable and low-carbon maritime fuels when supporting their uptake.

Answer:

- The ETS Directive includes a series of review clauses on maritime transport that the Commission will follow thoroughly. Amongst other:
- A review of the maritime transport provisions is notably foreseen in case the International Maritime Organization succeeds to adopt a market-based measure at global level. In such a situation, one of the objectives will be to avoid any significant double burden for shipping companies, while preserving our environmental ambition and avoid backsliding.
- The ETS Directive also obliges the Commission to thoroughly monitor the implementation of the ETS extension to maritime transport. If issues arise, the Commission will make proposals to ensure the effective implementation of the ETS maritime provisions, including measures to address possible risk of evasion.
- By the end of 2026, the Commission should also examine the possible extension of the ETS to small ships (including offshore ships).

54. **How will your services contribute to the EU strategy for maritime industry?**

Background

The Commission has already taken several measures with a view to further strengthen the EU's global maritime industry competitiveness. Amongst others, (a) a partnership on Zero-Emission Waterborne transport under Horizon Europe, (b) a dedicated pact for skills to support the upskilling and reskilling of the critical mass of highly skilled workers in the shipbuilding and maritime technology sectors under our Skills Agenda, (c) particular attention to new maritime technologies through the ETS Innovation Fund, where to ensure strong EU added value, ship-building or refurbishment outside of the EU is not eligible. (d) with the NZIA aiming at scaling up the manufacturing of alternative maritime fuels, and wind and electric propulsion in the EU, (e) under the European Defence Fund, 8 billion EUR will be invested until 2027 to co-fund defence collaborative R&D projects. More than 10% of the total EDF budget is planned to be dedicated to naval-related R&D projects. In any case, a solid EU civil shipbuilding infrastructure is key for the EU strategic autonomy and the EU military shipbuilding.

Answer:

- The maritime industry is of strategic importance. It has a key role to play in supporting our clean transition, our industrial competitiveness but also our defence and security.
- The green transition presents significant industrial and competitiveness opportunities for the full EU waterborne value chain. With a strong EU regulatory framework in place and continuous commitment to climate goals, the EU industry is well placed to become a leader in sustainable and digital shipping.
- In terms of concrete actions, there is for instance a need to continue using ETS revenues to further support the decarbonisation of our maritime industry, both through the use of national ETS revenues and through the Innovation Fund, where 20 million ETS allowances will be dedicated to the sector until 2030. We have already taken actions for ensuring that the maritime sector benefits from the Innovation Fund such as a specific budget basket in the 2024 Hydrogen Bank call.
- Investments in the production of sustainable alternative fuels, electric ferries, fleet renewal services to make existing ships more energy efficient or in the deployment of EU made wind propulsion assistance solutions are good examples of areas where there is a large potential to combine climate action with industrial leadership.

Defensive: Does the Commission plan to review the burden on the European shipbuilding sector resulting from the Green Deal, which could lead to the complete collapse of this sector of the European economy and result in total dependence on China in this area?

- The competitiveness challenges faced by the EU shipbuilding sector are not caused by the Green Deal. The latter can, on the contrary, offer opportunities for EU shipyards and equipment manufacturers to gain additional market share and first mover advantage by stimulating fleet modernisation investments also amidst increasing global, IMO action. As highlighted by the EU shipbuilding sector in the Mobility Transition Pathway, the necessary transition to clean shipping is an opportunity for the industry to regain sustainable competitiveness. The Commission will continue to monitor the factors impacting the competitiveness of the sector as well as future opportunities and challenges linked to its energy transition.

55. Because of the new EU ETS for maritime, EU container transhipment ports risk losing their competitiveness. Are we doing enough to protect our port industry?

Background

The transhipment of container means the unloading of a container from a ship to the port for the sole purpose of being loaded onto another ship. Some EU ports in the Mediterranean Sea are specialised in container transhipment. The inclusion of maritime transport in the EU ETS poses a risk of relocation of transhipment activities outside the EU, notably in ports in Morocco (Tanger Med) or Egypt (East Port Said), leading to carbon leakage.

Answer

- The Commission takes this concern very seriously. We acknowledge the strategic nature of European ports and the importance of maritime services for the success of European economy.
- Reducing GHG emissions from fossil fuel-dependent sectors, is pivotal for these sectors' long-term competitiveness.
- The ETS Directive already includes a so-called "anti-evasion measure" together with a reporting and review clause. The Commission has operationalised this measure by adopting a list of neighbouring container transhipment ports, where stops by containerships are disregarded under the ETS, making evasive practices from/to these ports much less attractive. So far, the list includes the ports of East Port Said in Egypt and Tanger Med in Morocco. The list is to be revised by December next year.
- When it comes to the reporting and review clause, the Commission is working with past and forward-looking indicators to monitor at an early stage any evasive behaviours and possible negative impacts. The Commission will issue its first report by the end of the year, notably supported by the expertise and data from the European Maritime Safety Agency and ports themselves.
- Where appropriate, the Commission will act and propose measures to ensure the effective implementation of the ETS, including by making legislative proposals.

Defensive: Why has the Commission identified only East Port Said and Tanger Med in the draft implementing act?

- The identification of the non-EU neighbouring container transhipment ports is done according to the criteria set out in the EU ETS Directive, adopted by the Parliament.
- Based on available data, East Port Said (Egypt) and Tanger Med (Morroco) are the only two ports that meet the criteria.
- The implementing act will be revised in December next year. In addition, the Commission is monitoring evasive behaviours on a continuous basis and will propose measures to address those as relevant.

56. Car industry will find it hard to meet the forthcoming 2025 target. Do you plan to do anything about it?

Background

Since early September 2024, some vehicle manufacturers (primarily Volkswagen and Renault) have started to express concerns over the 2025 CO_2 targets for cars and vans.

ACEA (European Automobile Manufacturers' Association) published on 19 September a press release calling for 'urgent action as demand for EVs declines', mainly requesting the foreseen reviews of the CO_2 standards to be brought forward to 2025 (instead of 2026 for cars and vans, and 2027 for heavy-duty vehicles) as well as a package of short-term relief (unclear what exactly).

At the same time, some major European manufacturers have opposed changes to the current framework for 2025 (and to an early review), in particular Stellantis, BMW (both particularly vocal) and Volvo. These manufacturers have signaled that they are confident that they will meet their 2025 targets (Volvo was already doing so in 2023) and that any change in the rules would now put them at a competitive disadvantage.

Answer

- The 2025 CO_2 emission reduction target (-15% compared to 2021 baseline) was agreed by the co-legislators in 2019 and confirmed in 2023. This timeline provides manufacturers with the necessary lead-time to set-up their compliance strategies.
- The CO_2 standards are designed to drive a gradual transition towards zero-emission mobility, and 2025 is the next step. As such, it does not require full electrification. Putting on the market more affordable electric vehicle models can help to meet the targets, but this is not the only possible solution. Several other technologies can contribute, such as hybrids and plug-in hybrids, as well as improvements in conventional engines. Deploying smaller and more efficient vehicles is also a lever to reaching the CO_2 targets. It should be noted that manufacturers have consistently substituted smaller models by SUVs over the past years and more than one vehicle out of two sold in 2023 was an SUV.
- By design, the CO_2 standards, which get tighter only every 5 years, allow for a step-wise improvement of the average CO_2 emissions of vehicles. As experienced in the past, the main emission reductions only happen in the calendar year when the stricter targets effectively start to apply. Therefore, the situation we are seeing in 2024 (stagnation) as regards electric vehicle sales does not tell us how the market will evolve and how the electric vehicle sales will look like in 2025.
- We also heard from several manufacturers that they are strongly against changing the 2025 targets, because they have already invested in order to comply with their targets. Changes at this stage may therefore create competitive distortion in the market.
- It is extremely important to provide legal certainty and consequently the targets agreed by the Member States and the European Parliament must be upheld; we must avoid last minute changes in factors that are crucial for very important investment decisions. Accordingly, we must enhance our fight against unfair competition and ensure that work on the infrastructure of electric cars, such as loading infrastructure and grid capacity, continues.

57. Should the 2026 review of the standards for cars and vans, or the 2027 review of the standards for heavy-duty vehicles, be anticipated to 2025?

Background

See previous question

Answer

- The two CO_2 standards regulations are an integral part of the policy mix to achieve climate neutrality, to which all sectors of the economy should contribute, to phase out fossil fuels (as agreed at COP28 in Dubai) and to improve EU energy security.
- The Regulation provides the market with long term certainty and predictability, so that investments can be channelled in clean technologies, development of new value chains in the EU, infrastructure (recharging point, electricity grid) and reskilling of workers. This will drive the transition towards zero-emission mobility.
- Global markets are evolving as other major economies are also working to accelerate the transition towards zero-emission vehicles, with new business opportunities for EU automotive industry. According to the International Energy Agency, 17 million electric cars were sold worldwide in 2024, and one out of five new cars sold in 2024 is set to be electric.
- In this context, for our future industrial competitiveness, it is extremely important to continue providing certainty to the market and investors. 2025 is the year where the transition will have to start speeding up.
- The current legislation set the time of the review to 2026 for light duty vehicles. Advancing it will introduce regulatory uncertainty at the time (2025) when it is needed the most to start speeding up the transition.

58. Will you go back on the ban of combustion engine cars by 2035? Will the role of carbon neutral fuels be recognised in the legal framework?

Background

In accordance with CO_2 emissions standards for cars Regulation, as of 2035, 100% reduction target will apply to new EU-wide vehicle fleet put on the EU market.

Answer

- Delivering on the EU's net greenhouse gas emissions reduction target of at least 55% by 2030 compared to 1990 and the climate neutrality target by 2050, enshrined in the European Climate Law, call for ambitious policies and action to ensure a swift and sufficient decrease in emissions from all sectors, including transport.
- Transport is the only major sector in the EU economy where emissions are still higher than in 1990 and emissions in transport need to be reduced by 90% by 2050 to reach climate neutrality (and for 2040: decrease by close to 80% relative to 2015).
- For this purpose, the revised CO_2 emission standards for cars and vans (agreed in April 2023) include ambitious targets, including a 100% emission reduction target for new cars and vans registered in the EU from 2035 onwards.

- The CO_2 standards create predictability for investors and manufacturers, and it is now essential to move forward with their implementation, not only to reach our climate objectives but also to strengthen the competitiveness of the EU automotive industry. Therefore, we cannot and should not roll-back.
- In addition, the current CO_2 standards technological-neutral approach to zero emissions at the tailpipe in 2035 will be further extended to ensure e-fuels have a role to play, as announced in the President's political guidelines, and confirmed in my mission letter. This will happen with a targeted amendment of the Regulation, as part of the foreseen review in 2026.

Defensive: Has the Commission changed its view on the role of CO_2 neutral fuels for the new cars and vans fleet?

- The Political Guidelines commit to a targeted amendment of the CO_2 standards Regulation to recognize the role of e-fuels in a technology-neutral approach to the 2035 100% target.
- We will look at the best option to do so, while taking into account that CO_2 neutral fuels should in principle be prioritized for other sectors than new cars and vans, in view of their projected scarcity, their energy intensive production process, and their projected costs. Such sectors are the ones where no other technological alternatives exist, such as aviation. Also, in any case, they can contribute to decarbonizing the stock of cars and vans already circulating on our roads.

59. Will the CO_2 standards negatively impact automotive industry competitiveness and jobs in the EU?

Answer

- The Regulation provides the market with long term certainty and predictability on the scale of transformation needed in the sector, so that investments can be channeled in clean technologies, development of new value chains in the EU, recharging infrastructure, and reskilling of workers. Together with flanking measures for recharging infrastructure, batteries, critical raw materials, the vehicle emission standards will drive the transition towards zero-emission mobility.
- Global markets are evolving, other major economies (including US, China and UK, the major export destinations of cars produced in the EU) are also working to accelerate the transition towards zero-emission vehicles, with new business opportunities for EU automotive industry. According to the International Energy Agency, global electric cars sales in 2024 amounted to 17 million, one out of five cars sold in 2024 is set to be electric. And such trend will continue.
- Therefore, for our future industrial competitiveness, it is essential to create the conditions for the EU industry to provide zero-emission vehicles, electric vehicles in particular.
- The CO_2 standards do exactly this, setting a clear and long-term direction of travel, and therefore are an essential tool to drive the modernization of EU industry and strengthen its global competitiveness.
- The transition will also create new job opportunities in the EU, in particular for reskilled workers from the automotive sector. Several EU funds and programmes already support such skills development for green jobs (including the European Social Fund+, European

Regional Development Fund, Just Transition Mechanism, and Recovery and Resilience Facility).

- It will be key to implement the CO_2 standards and continue to define a fully-fledged industrial policy for the sector. This starts with the implementation of i.a. AFIR, CRM Act, NZIA act, and it will continue with further actions, at EU and national level, involving all the relevant stakeholders in the eco-system (like done in recent months). With this objective in mind, I will work with other Commissioners to define an Industrial Plan for the Automotive Sector.

60. Will zero-emission vehicles make mobility not affordable and create social unfairness?

Answer

- Achieving climate neutrality by 2050 means that nearly all cars and vans on the road will need to be zero emission by then. This will require such vehicles to be supplied to the market at a price which is affordable for EU citizens and businesses. Reaching climate objective and ensuring affordable mobility for all go hand in hand.
- Over the past years, the zero-emission vehicles market has developed at a fast speed, and not only in the EU. Yet, the current prices of zero-emission vehicles are still above those of comparable vehicles with internal combustion engines.
- Stronger CO_2 standards help to ensure that access to individual zero-emission mobility becomes affordable for all consumers. Ambitious targets help create economies of scale. They are expected to drive down the production costs over the coming years, in particular for batteries. This will increase the number of affordable zero-emission vehicles models coming to the market,
- We already see the announcements for the next couple of years, with manufacturers adding more affordable zero-emission vehicle, that will then also penetrate the second hand market.
- In addition, when looking at the "total cost of ownership" of vehicles, the strengthened CO_2 emission standards will provide benefits both to first and second-hand users of vehicles, who will benefit from less expenditure for the energy used to propel their vehicles.
- The Social Climate Fund will be also playing an important role to ensure lower income consumers can benefit from zero-emission vehicles. For example, measures like the very successful "electric vehicle leasing scheme" set up in France in 2024 can make access to electric cars more accessible for poorer households and help them shift from conventional to zero-emission cars.

61. Would you include low carbon hydrogen from nuclear (pink hydrogen) as an auctioned good in future auction rounds of the competitive bidding under the Innovation Fund?

Background

The revised ETS Directive foresees the introduction of auctions (also called "competitive bidding") to award funding under the Innovation Fund. The objectives of auctions are fourfold:

(1) A cost-efficient way of distributing financial support.

(2) Price discovery and market formation.

(3) De-risking projects and leveraging private capital into them.

(4) Reducing administrative burdens for projects and contracting authorities.

With the REPowerEU Plan to reduce dependence on Russian fossil fuels, the European Commission explicitly states renewable hydrogen uptake in industrial processes as a central measure to reduce fossil fuel consumption in hard-to-abate industrial sectors. Derived from that, the pilot auctions under the Innovation Fund was announced to target renewable hydrogen production. As hydrogen can be used as an energy carrier in many sectors and appliances across the energy system, a cross-sectoral perspective is still ensured. The Green Deal Industrial Plan announced the launch of the first auction for renewable hydrogen production for autumn 2023, with an Innovation Fund call budget of EUR 800 million allocated to be paid out as a fixed premium to renewable hydrogen producers.

The European Hydrogen Bank Communication indicated further elements of the economic design and outlined the concept of 'Auctions-as-a-Service' which allows for awarding additional projects with national contributions. The Terms and Conditions of the pilot auction were published by the Commission on 30 August.

Answer

- **In December we will open the 2nd auction under the Innovation Fund. We have already published the final Terms and Conditions based on the successful experience and the lessons learned from the 1st pilot auction. It will only target renewable hydrogen as defined under the Renewable Energy Directive. We will take stock and are willing to consider also low-carbon hydrogen provided it is defined (delegated act currently subject to the feedback mechanism from Council and EP) and receiving support from stakeholders.**
- The auction aims to bridge the cost gap between clean hydrogen and current hydrogen production based on carbon-emitting fossil fuels. It gives clarity on the market and the market price.

62. Do you consider CCS to be a sustainable technology? What are your plans in respect of the announced Communication on Industrial Carbon Management?

Background

CCS is a difficult acronym as it often implies the use of fossil fuels. But geological CO_2 storage sites will be needed for reducing industrial emissions, and for industrial net carbon removals.

In the EU, CO_2 storage has been slow to come and without sufficient CO_2 storage capacity, capture investments will not be realised: companies will not take final investment decisions without an agreement with transport and storage operators. This puts energy-intensive industries with hard-to-abate emissions in a very difficult position: in the absence of CO_2 storage, they will have to either face high costs for ETS allowances to cover their emissions or close. The EU needs a concerted strategy to allow existing heavy industries to get to net-zero.

Answer

- **I see geological CO_2 storage sites as essential infrastructures to ensure that our industry can reach net-zero. Their long-term sustainability is a given, as the same site will be needed also for net carbon removals. Without removals, we cannot reach net-zero in the EU.**
- Our aim is to enable cost-effective and accelerated emission reduction efforts in the sectors with a lack of technologically and economically feasible alternatives. We need to ensure that we prevent the immediate release of CO_2 emissions into the atmosphere and either permanently store the CO_2 geologically or re-use it in useful products and materials that substitute carbon-intensive ones.
- An EU carbon management strategy is an essential complement to the reduction of GHG emissions that is necessary in the first place (through energy efficiency, renewable energy, circular economy and innovative production processes) on our path to achieving climate neutrality and negative emissions beyond 2050.

63. Europe's forest sink is declining, and we may not reach the LULUCF target. How do you plan to address this? What is the role of forest management?

Background

In the last decade, forest land in the EU has shown a declining trend, with removals having decreased by 160 Mt CO_2 eq. In the last two decades harvesting rates have been steadily increasing.

Answer

- **The EU can reverse the negative trend of a declining forest sink by working with all actors of the value chain. We will need to make our forests fit for the impacts of climate change. Only healthy and resilient forests will be able to produce the biomass needed in a climate-neutral economy, and to deliver at the same time the indispensable ecosystem services, such as carbon removals and biodiversity.**
- Europe is blessed with magnificent forests. They are vital to us: they clean our air and even help combat climate change. But they are also highly in demand. We cut down trees to make our homes, our furniture, our paper. We have destroyed, replanted, and exploited our forests.
- In Europe, the number of forests is increasing, but their health and their carbon sink is declining. According to our assessment, the EU is currently not on track to meet the 2030 net removal target. It will be essential to revert this negative trend rapidly to meet the

EU climate objectives, while at the same time increasing the resilience of the EU land sector to ensure stable long-term sinks.

- In particular, wood harvesting has been increasing in the last decade, reaching unsustainable levels in some regions. We will need to rethink this pattern and bring harvesting within sustainable margins to foster healthy and diverse forests, helping to reverse the trend of the declining forest sink.
- Member States need to take more action to reach their national net removal targets, and to assist their farmers, foresters and other stakeholders in building sustainable business models in line with those targets.
- The Commission already supports Member States through sharing of best practices and through improved land monitoring. In addition, the recently adopted Regulation on Carbon Removals and Carbon Farming is creating a harmonised certification standard for high quality carbon removals. This will not only provide land managers with new business opportunities, but ultimately assist Member States in attaining their national carbon removal targets.
- Furthermore, a number of EU funding mechanisms are available to upscale carbon removals, through public or private sector sources. Through the Common Agriculture Policy (CAP) Member States have the opportunity to include carbon farming measures in their updated CAP strategic plans. Member States can also support the uptake of sustainable management practices under state aid rules, which have been revised in order to allow for the provision of forest ecosystem services such as climate regulation and biodiversity restoration.
- [On Resilience] More and more, we are faced with adverse impacts of climate change on forests across the EU, from severe droughts and wildfires to pests, exposing the vulnerability of our forests. We must climate-proof EU forests and adapt them to these challenges by increasing resilience. That way, the EU can secure a reliable sink. The Nature Restoration Law proposal specifically addresses this need to enhance climate adaptation of our forests.
- [On Monitoring] Another key aspect is the need for improved forest monitoring across the EU. In order to be able to apply measures in an effective and timely manner and to react promptly to any new developments in our forests, it is essential to improve monitoring. We must use accurate and up-to-date data about the state of our forests and land sector, so as to make informed decisions in forest management.

Defensive: Forestry and forest management is a competence of the Member States

- The EU has a variety of competences shared with Member States that address forests, including climate, environment and agriculture. The Union has exercised these competences respecting the principle of subsidiarity.
- In exercising the shared competences, the Commission is working in close cooperation with Member States' competent authorities and stakeholders, respecting subsidiarity and based on the adequate legal basis as agreed by the co-legislators.

64. Is there enough sustainable biomass for the energy transition; competition with use of land for food and nature?

Background

The modelling analysis undertaken by the Commission indicates that, with the right policy incentives, the demand for biomass projected for a 2050 climate neutral Europe could be met, without negative environmental impacts. The scale of the biomass demand is nevertheless very significant. To meet climate and biodiversity objectives, will require ambitious measures for sustainable management of forests and other land uses, together with matched deployment of energy crops.

A substantial share of the feedstock used to produce this bioenergy therefore must come from the waste sector with an improvement in the industrial and municipal waste collection, and from a better mobilisation of agriculture and forest residues. The use of (low quality) stemwood for energy would thereby not increase overtime and biogas or biofuels produced from food crops will be very marginal in EU by 2050.

The availability of land is another constraint for the development of energy crops and a careful integrated assessment of all policies with land use implications is required to identify potential benefits (carbon storage) or risk of trade-offs.

Answer

- **Research shows that it is possible to meet the biomass needed for the EU bioeconomy by 2050 without causing major environmental impacts. However, this will require robust sustainability safeguards, sustainable forest management and deployment of woody energy crops on land that is converted out of core agricultural production.**
- This, sustainable, EU bioeconomy will contribute to achieving climate neutrality by reducing fossil emissions through the replacement of GHG-intensive materials and fossil fuels with bio-based materials and bioenergy.
- However, natural resources are limited and the impacts of increasing the use of biomass as bioenergy should be carefully considered.
- A sustainable bioeconomy will require prioritizing the cascading use of biomass, and limit the sourcing of biomass for bioenergy from forests. This will favour a better mobilization of industrial and municipal waste or agriculture and forest residues.

Defensives:

Isn't bioenergy going to destroy our forests and natural habitats?

- An excessive reliance on certain types of bioenergy could increase pressure on the EU natural sink, affect the capacity of lands and forests to absorb carbon and endanger the biodiversity of EU ecosystems.
- Energy crops could play a role, but they will have to be cultivated on lands that do not put at risk food production nor biodiversity.

Why aren't emissions from bioenergy accounted correctly?

- Emissions from biomass – used for bioenergy – are accounted in the EU climate policy framework. When a tree or a crop is harvested, the emissions are included under the land (LULUCF) sector reported by every Member State.

- Moreover, this EU legislative framework even requires Member States to account these emissions against their national targets.

65. The Forest Monitoring Law is too complex to implement by Member States and interferes with national systems. What is your take on this?

Background

In 2023, 504,002 hectares of land were burnt. These wildfires resulted in severe damage to the environment, producing around 20 Mt CO_2-eq to nearly a third of all emissions from international aviation in the EU in one year (data and estimate by the (European Forest Fire Information System).

Answer

- **The Commission adopted a legislative proposal for a Monitoring Framework for Resilient European Forests in November 2023, as mandated by the Forest Strategy for 2030. I trust that Council and the EP can advance their work to enable a swift adoption of this new legislation.**
- The proposed comprehensive EU monitoring system will be key to ensure resilient forest ecosystems, providing more up-to-date information on natural disturbances and forest disasters across Member States.
- Reliable, timely forest and accessible data will be key for forest managers to market their ecosystem services, such as carbon removals, under the EU Carbon Removal Certification, based on more credible and easily accessible data, thereby contributing to the upscaling of carbon farming.
- The framework will also create new opportunities for European companies active in digital services, including SMEs, for example by leveraging the existing Copernicus services.
- Overall, the framework will provide better data and knowledge for policy making and implementation, contributing to the achievement of the EU's climate, biodiversity, rural development and sustainable bio-economy objectives.
- The framework will build on existing national systems, such as the national forest inventories, that will form the basis for some of the forest data included in the monitoring system and that will provide the ground data needed to complement or improve remote sensing products.

Defensive: Why do we need legislation on forest monitoring and information?

- There is a general need for more, better and comparable data on European forests and their management, that is fit for the purpose of this decade's urgent climate goals.

  Today, no comprehensive reporting requirements exist which provide a comprehensive picture of the state and use of forests in the EU.
- The lack of standardised data in certain areas does not only constitute a major risk for EU forests, but also for EU policy monitoring and the achievement of climate, biodiversity, rural development and sustainable bio-economy objectives.

- The proposed regulation will provide the knowledge base to effectively and efficiently implement EU legislation pertaining to forests, for example facilitating and reducing costs of providing data under the LULUCF Regulation and the Carbon Removal Certification Framework, which is particularly important for smaller foresters.
- With climate change, extreme events are set to increase and forest ecosystem dynamics are changing. This increases uncertainty in forest management and confronts actors and stakeholders with new challenges. Improving monitoring of the impacts of climate change on forests will build knowledge that will allow strengthening their resilience and facilitate climate adaptation.

Defensives:

What will be the additional burdens of the monitoring obligations for Member States compared to what they have already in place?

- Based on an analysis of the current state of monitoring in the Member States, forest-rich countries are the least likely to be affected by the proposal, since they already have well-functioning monitoring frameworks in place, and organise their monitoring and assessment every five years, contrary to other Member States which use longer time-spam or do not monitor.
- To support Member States in the harmonisation of their data the Commission will provide technical assistance and capacity building, for example via the Technical Support Instrument that for 2025 includes a specific work package dedicated to forests, at the same offering free of charge forest data through its Copernicus Programme.

Forest planning is a competence of Member States

- The integrated long-term plans will not interfere with Member States planning responsibilities or forest management choices. They are designed as an instrument to supplement the monitoring framework and create an additional enabler for Member States for integrated forest policy. They would be developed by competent national or, where applicable, regional authorities in full respect of the subsidiarity principle.
- The plans would not be subject to an approval by the Commission, but would contain common elements and a general structure, in order to allow for comparability and provide a comprehensive picture of the state, the evolution and the future developments of forests in the EU, as envisioned by the Member States.

66. It is currently uncertain whether the CAP is providing funding to effectively deliver on the EU and national 2030 climate targets. What is your view on this?

Background

Agricultural non-CO_2 emissions (from fertilisers and livestock) have remained stable and at a relatively high level during the last 10 years – despite having reduced by 23% since 1990. Moreover, the amount of removals from the land sector (LULUCF) has decreased in the same recent period.

In modelling scenarios supporting the 2040 Climate Target Communication, agricultural emissions are projected to show the slowest rate of decrease of all sectors through to 2050.

The agricultural sector, therefore, is expected to become the third largest sector by emissions in 2030 and the biggest sector in 2040.

Answer

- **Member States should continue using their funding opportunities under the CAP Strategic Plans to quantify, plan and deliver action through their nationally defined measures, and thereby support their agreed 2030 climate ambition.**
- As a result of the simplification of the CAP Regulation, Member States are now able to amend their strategic plans more often, twice per year. This opportunity should be used to revise the plans for more targeted action against the national climate targets under the LULUCF and Effort Sharing Regulations, and for improved resilience of the farming sector.
- To support Member States in shaping effective and consistent policies for the land sector, the Commission is developing a methodology to quantify the climate mitigation potential of the CAP Strategic Plans over the period 2023-2027.
- A complementary exercise is being carried out also in the context of the current update of their National Energy and Climate Plans for the 2021-2030 period where Member States have been asked to reflect on the role of the land use sector to decarbonise their sectors.
- Overall, CAP funding remains a key instrument for Member States to reach their climate targets in the land sector. However, today the CAP does not reward land managers based on the results they achieve in terms of reduced emissions and increased removals. Therefore, it is paramount to unlock synergies in the implementation of the CAP and climate policies, thereby trapping into the potential of combined support via the Carbon Removal Certification Framework.
- Thanks to digital solutions, such as Earth Observation, and recent regulatory initiatives such as the proposed Soil and Forest Monitoring Laws, land managers will have access to improved monitoring data at low administrative costs, opening the way to a more targeted result-based financing.

67. Do you agree that the CAP in its current form does not ensure a sustainable future for the sector, nor farmers livelihoods, from the perspective of climate change and what do you consider should be done about it?

Background

The Common Agricultural Policy (CAP) was created in the 50s to deal with food shortages after WWII. Since then, the Commission has proposed several substantial reforms, but consensus among EU Member States is difficult to find.

A special report of the European Court of Auditors (16/2021) concluded that while over a quarter of CAP funds were attributed to climate action in 2014-2020, their impact on climate change mitigation and adaptation was limited. It argued that the CAP financed mostly measures with a low potential to reduce GHG emission or increase the resilience to climate change impacts.

The CAP regulations for the current period (2023-2027) created space for enhancing the CAP´s contribution to climate change resilience. However, the extent to which it is eventually *addressed, depends largely on Member States and their CAP Strategic Plans. Member States have been submitting requests for amendments of their CAP Strategic Plans throughout this year, aiming mostly at lowering their environmental and/or climate commitments, and subsequently the funding of these measures. The Commission services are on the other hand striving for more ambition and funding for measures contributing to climate change resilience.*

Answer

- The Common Agriculture Policy has the **potential to enhance resilience to climate impacts,** but the national choices in spending CAP funds have **so far not prioritised this.** Agriculture and forestry are among the most exposed sectors to climate change and are already being impacted. Around EUR 5 billion / year is being lost in the EU farming sector due to prolonged droughts alone. Our forests are also becoming more vulnerable to hazards like fires, insect outbreaks and storm damage.
- Agriculture and forestry need to be prepared for the changing climatic conditions. We must reduce the risks posed by the rise of weather extremes, and we must get serious about the sustainable use of resources such as water.
- One way would be to ensure that farmers and foresters whose land management practices contribute to an increase of the resilience to the impacts of climate change, benefit from CAP funding much more than those who stick to conventional farming and forestry. We must ensure that the incentives are right.
- In operational terms, I would like to see more CAP spending devoted for instance to the development and planting of drought resistant crops, restoring healthy soils or close-to-nature forestry. The resilience of agriculture can also be supported through for example scaling up water re-use through other funding instruments.
- In March 2024, the European Environment Agency published its European Climate Risk Assessment Report, in which scientists identified food production as one of the clusters facing most significant climate risks. Within the food cluster, crop production (in particular in Southern Europe) was singled out as an area where urgent action is needed.
- In response to EUCRA, the European Commission published its Communication on Managing Climate Risks, where it outlined ways of addressing the identified risks, besides others in the food cluster.
- Futureproofing of the EU food production should be achieved besides others by using the full potential of CAP Strategic Plans to improve climate resilience, by a wider use of risk management tools, by reinforcing soil health monitoring, and by rewarding farmers for their contribution to the protection of ecosystem services.
- The recent final report of the **strategic dialogue on the future of agriculture in Europe** outlined various measures to ensure a sustainable future for both the sector and farmers' livelihoods.
- The relevance of climate resilience and adaptation to the sector is also recognised in the Mission Letter of Commissioner-designate Hansen who is asked to actively contribute to the development of the forthcoming Adaptation Plan.

68. What is your view on offsetting of emissions by voluntary credits? [Link to Green Claims proposal and Carbon Removal Certification Framework]

Background

Voluntary carbon markets grew rapidly over the past decade, but have plateaued early this decade and more than halved in volumes from USD ~2 billion in 2022 to USD ~750 million in 2023, while prices of many types of credits have dropped too. This can be attributed to falling trust in voluntary carbon markets. Many companies reduced purchases and numerous studies found forest protection and other types of projects not delivering what they promised, or even doing more harm than would have been the case in their absence.

One reaction has been the rise of "contribution" claims, albeit still deemed small (figures are not available), whereby contrary to "offset/compensation" claims companies do not claim a reduced climate impact, but rather to have enabled climate action outside their value chain. Shell & Boston Consulting Group forecast in January 2023 that it could reach between USD 10 billion and USD 40 billion by 2030. This seems far from certain under the light of recent evolutions.

In March 2023, the Commission proposed a "Green Claims" Directive on substantiation and communication of explicit environmental claims, now in co-decision, with trilogues expected to start in November 2024. On carbon credits, it mandates both transparency and quality of credits used. To fully achieve this, it provides for an empowerment to the Commission to adopt more detailed provisions. Both co-legislators adopted positions supporting this empowerment. There is also agreement on widening the scope to contribution claims, beyond the Proposal's exclusive focus on credits for offset/compensation claims.

The related Empowering Consumers for the Green Transition Directive has already entered into force. From September 2026 it will not allow any climate claims about products based on offsetting. This leaves Green Claims with the scope to regulate the use of credits for the organisation/company-level.

The recently adopted Regulation on Carbon Removals and Carbon Farming sets a voluntary certification framework for carbon removals and soil emission reductions generated in Europe. The Regulation sets out criteria to define high-quality carbon removals and the process to monitor, report and verify the authenticity of these removals. The aim is to support the deployment of innovative carbon removal technologies and sustainable carbon farming solutions, while fighting greenwashing.

Answer

- **To truly contribute to climate neutrality, companies should first implement deep and drastic emissions cuts. Voluntary credits should only be used for offsetting unavoidable emissions, and they need to be credible and transparent.**
- There are serious integrity issues with significant parts of voluntary carbon markets. Corporate claims, such as "climate or carbon neutrality" are meaningless, when they rely on problematic carbon credits.
- This has led to a lack of trust in voluntary carbon markets. Reputational concerns by potential buyers prevent them from buying credits and making claims based on them. Global markets' volumes are now less than half of what they were just a few back.

- That is why also for climate claims specifically, the fight against greenwashing remains a priority and is the objective of the Green Claims Directive that is now before Parliament and Council. The Commission proposal emphasizes the need to follow the mitigation hierarchy: ambitious own and value chain emission reductions first, and offsetting, if any, only after and exclusively through high integrity credits.
- I welcome that in this spirit the Parliament, as well as the Council positions target companies' *mitigation deterrence*. Offsetting cannot take precedence over the necessary own emission reductions towards net zero.
- I urge Parliament and Council to swiftly reach agreement on the Directive, also given the need for certainty for carbon market stakeholders, enabling them to contribute to climate action. Under the leadership of Commissioner-designate Roswall and her Service, I will do whatever necessary to facilitate agreement.
- Ultimately, voluntary carbon markets should gradually shift from GHG emission reductions to carbon removals of high quality. That is why the EU has recently approved the Regulation on carbon removals and carbon farming – to certify high-quality carbon removals and fight greenwashing.

Defensives:

Limiting the types of credits that companies can use for their claims unduly interferes in the market to ensure the most efficient emission reductions.

- We need to protect consumers from being misled on the climate performance of products or companies. There is ample evidence of integrity issues in significant parts of the voluntary carbon markets. One result of this has been a massive reduction in markets' volumes.
- By ensuring that only carbon credits of high integrity are used, we can create a level playing field in the carbon market and avoid cheap low-quality credits, which can be used as an excuse to continue emitting as business as usual. Only by restoring trust through quality, is there a chance that voluntary markets recover, and do their part for climate action, in the EU and internationally.
- Moreover, we can help prevent reputational damage for companies that purchase carbon credits in good faith, which later turn out to be problematic.

Should only EU carbon removal units be allowed for use for offsetting, as per the Green Claims Parliament's position?

- We need to distinguish between the two instruments:
- On the one hand, the Regulation on the certification of Carbon Removal and Carbon Farming (CRCF) addresses the supply side of carbon market, by establishing a voluntary certification standard for high quality certified units from carbon removals and soil emission reductions.
- On the other, the Commission proposal for the Green Claims Directive aims to ensure that green claims are void of greenwashing. For climate related claims, the proposal requires transparency and high quality of credits, while preventing *mitigation deterrence*. The Green Claims Directive therefore applies to all types of carbon removal units, including those certified under the CRCF Regulation.

Which carbon credits should be allowed under Green Claims Directive?

- Many carbon credits have shown to lack the climate impact they pretend to have, leading to deteriorating trust in voluntary carbon markets. Hence many stakeholders call for regulatory efforts to help restore credibility in the market.
- The Commission proposal for the Green Claims Directive is explicit on the key factors that determine the integrity of carbon credits: additionality, permanence, baselines, accurate accounting and transparency.
- The more detailed rules determining which credits are acceptable to make various types of climate claims, are appropriately addressed in secondary legislation. This approach is supported by the Parliament's position on Green Claims, as does the Council's, within the limits of the empowerment granted to the Commission.
- The Commission's approach will be informed by the evolving international best practice in voluntary carbon market standards.

I. Energy

69. How do you intend to address the delay in coal phase out compared to commitments made and taking into account the situation in the energy sector?

Background

Despite a temporary increase in 2022 due to the gas crisis, the use of coal for power generation in the EU has fallen 370 TWh since 2015 to 2023, to represent only 12% of the EU electricity mix in 2023.

Today, more than two thirds of electricity in the EU comes from low carbon energy sources. More specifically, 45% of EU electricity production comes from renewable sources and 23% comes from nuclear. With about a third of the total in 2023, generation based on fossil fuels reduced to its lowest level ever, down 6 percentage points from 39% in 2022. Gas remains the largest fossil source (17%) followed by coal.

Long-term projections expect a further declining trend of coal demand, in a context of steadily increasing renewables and an increasing carbon price.

Answer

- **The unprecedented situation in the energy sector in the past few years have driven some short-term increase in the use of coal, but the 2030 and 2050 targets set by the European Climate Law remain in place and are not put into question.**
- The events of the past two years have highlighted the strong dependency of the EU on imported fossil fuels, especially natural gas. At the same time, it is clear that the way forward to improve energy and climate security is accelerating our decarbonisation efforts and the phase out of fossil fuels.
- Due to the unprecedented situation in 2021 and 2022, we saw an increase in the use of coal power.

- Fortunately, this was a short-term effect. In 2023, we already observed a decrease in power generation from coal. I am confident we will stay on course towards reaching our 2030 and 2050 objectives.
- All Member States have started to phase out coal as outlined in their draft updated national energy and climate plans. The Just Transition Fund and the implementation of the Territorial Just Transition Plans will contribute towards ensuring this is done in a just and fair way.

70. What is the role of the oil and gas sector in the transition, and how will you ensure they play their part

Background

Despite announcing record profits in 2022 and 2023, oil & gas companies are still lagging in terms of strong climate pledges and green investments. Some companies like BP and Shell have most recently even scaled back their climate change pledges. Investment by oil and gas companies in low-emissions sources is currently less than 5% of its upstream investment. However, there are differences in the sector, with EU companies typically investing more than others. The sector has in principle also opportunities in a low carbon economy.

Answer

- **Oil and gas companies have the expertise and can fund the kind of technologies we need for our transition. We have not yet seen the shift of investments we need from the sector. This also offers significant business opportunities, for instance in the field of the hydrogen economy, CO_2 storage sites and offshore wind.**
- To ensure their role in the transition, the sector needs to prioritise the reduction of emissions of its activities. But it can't stop there.
- Their downstream "scope 3" emissions from the combustion of fossil fuels sold on the EU market account for most of their carbon emissions. Therefore, besides the decarbonisation of their own operations, they have also an important role to play to decarbonise the energy system as a whole.
- This means deep changes in their business model but also new business opportunities for the sector. Thanks to their strong earnings and experience, they can deliver key financial support for large scale investments in renewable energy, truly low carbon hydrogen and e-fuels, and CCS.
- I hope they can engage concretely on this. The obligation under the Net Zero Industry Act to develop for 50 Mt carbon storage sites in the EU is an opportunity for the sector to use this unique know how to develop the needed storage sites. This will require active follow-up by the Commission to ensure its effective implementation.
- Our policies will change their investment patterns eventually, but it would be much better if the sector is much more pro-active and develop a roadmap towards climate neutrality. This would also help in discerning where support for the necessary investments may be needed. As such, as Commissioner I will continue to engage and call the industry to invest massively in the transition, for instance in the field of the hydrogen economy, CO2 storage sites and offshore wind.

- Climate transition plans under the agreed corporate sustainability reporting framework (CSRD) are key here. I expect especially oil & gas companies to use these plans to credibly and comprehensively communicate how they will be compatible with the global 1.5 target and EU climate neutrality, as set out in both the CSRD and its European Sustainability (climate) Reporting Standards.

71. **Should nuclear be included under EU policies and support? Do you support nuclear energy?**

Background

Today, more than two thirds of electricity in the EU comes from low carbon energy sources. More specifically, 45% of EU electricity production comes from renewable sources and 23% comes from nuclear. The contribution of nuclear has been decreasing over time, from 860 TWh in 2000 to about 620 TWh in 2023.

The Commission has launched an Industrial Alliance to facilitate stakeholder's cooperation at EU level and to accelerate the deployment of Small Modular Reactors (SMRs). This will leverage EU's manufacturing and innovation capacities to accelerate the deployment of first SMR projects in the EU by early 2030 under the highest standards of nuclear safety, environmental sustainability, and industrial competitiveness.

A "Nuclear Alliance" brings together 16 European countries that is expected to prepare a roadmap to develop an integrated European nuclear industry reaching 150 GW of nuclear power capacity in the EU's electricity mix by 2050 (the current capacity is close to 100 GW). The countries are: France, Belgium, Bulgaria, Croatia, Czechia, Finland, Hungary, the Netherlands, Poland, Romania, Slovenia, Slovakia, Estonia, Sweden, Italy as an observer and the United Kingdom as a guest.

Answer

- **Member States decide their energy mix.**
- EU Member States hold differing views on the role that nuclear energy should play in the energy mix of the future.
- When shaping the EU energy policy, the Commission fully acknowledges Member States' right to decide on their energy mix, as enshrined in the Treaty on the functioning of the European Union (TFEU, Article 194), and the need to ensure energy security.
- The role of the Commission is to ensure that nuclear energy is generated in a manner that is safe and secure for people and the environment. EU energy policy takes into account Member States' choices on the deployment of nuclear and Euratom related financing is focused on nuclear safety related aspects.
- The application of the highest safety standards in all steps of the nuclear life cycle remains a key pre-requisite for nuclear power to complement renewable sources in the energy mix of the future.
- Under the Euratom Treaty and its secondary legislation, the EU today has a coherent, comprehensive and enforceable legal framework for the safe use of civil nuclear power.
- Rigorous implementation and further development of the comprehensive Euratom safety framework is and remains the Commission's priority.

- The Commission has established the European SMR Industrial Alliance. For SMRs to able to bring a significant contribution to our climate neutrality objective, they need to be operational in the 2030s while fully complying with the strict nuclear safety requirements applicable in the EU.

Defensive: What's the financing the EU provides to the nuclear sector?

- The EU does not provide subsidies to the construction or operation of nuclear power plants. The Euratom related financing is focused on nuclear safety related aspects of all nuclear technologies, including research and development.
- The European SMR Industrial Alliance will develop technology roadmaps by Q4 2024 aiming to identify the most promising SMR and advanced technologies.
- Research for enhancing safety features of SMRs technologies have already been funded through the Euratom Research and Training Programme, with an EU contribution of EUR 40 million to various research projects.

72. Will you be putting forward a specific quantified target for methane?

Background

The previous European Parliament has advocated a methane target in its amendments to some of the legislative proposals under the Fit for 55 package, including the Regulation aimed at reducing methane emissions in the energy sector. The Commission acknowledges the need to further increase methane mitigation and published the EU Methane Strategy but considers a methane target, with most emissions occurring in the agriculture sector, to be neither efficient nor effective. Instead, the Commission emphasises the existing policy framework: namely, the Effort Sharing Regulation combined with sectoral policies. To increase methane mitigation under this framework, the Commission has tabled several legislative proposals containing specific operational measures. The new European Parliament might maintain its stance on this issue.

Answer

- **We indeed need to act on methane. After all, it is the second largest contributor to the greenhouse effect after CO_2. But the question is: how can we act on methane in the most effective and efficient way? A methane target will not solve this question.**
- Let me give you another answer, one that exists already today, in the form of a solid policy framework. We have the Effort Sharing Regulation that sets national GHG reduction targets and that covers all GHG emissions, including methane. We have just increased these targets to -40% by 2030.
- Under the EU ETS we will monitor the methane emissions from ships from 2024 and from 2026 we will apply carbon pricing to them. This is a very important step, because for the first time carbon pricing will apply to this gas under the ETS. [Note: The emissions covered are known as methane slips, i.e. the emissions of unburned methane from the ship engine].
- And there are more sectoral policies. In waste management, the Waste Framework Directive and the Landfill Directive cover solid waste from generation and collection to

disposal. We will review both in the near future, following the conclusion of the current negotiations on the Waste Framework Directive which will inform the scope of the review.

- With the updated Urban Wastewater Treatment Directive, we also tackle methane from wastewater.
- In the energy sector, the Commission just proposed a new regulation, the first of its kind, which will address leak checks and foresees corrective action.
- In agriculture, we have the Common Agricultural Policy (CAP), and we proposed to go further with a reformed Industrial Emissions Directive, but co-legislators preferred to exclude cattle, the biggest source of methane in the EU.
- In short, there is a framework. We just have to be ambitious when we implement it.

II. Funding

73. Revenue generated from the EU ETS and CBAM should be used to support EU companies and citizens deal with higher costs associated with climate policies. How will you ensure that?

Background

Since 2013, EU ETS auctions have raised more than EUR 200 billion. Most of this revenue goes to Member States, who thus far used around 75% for climate and energy projects. Part of the revenues is used to source the EU's Innovation Fund and Modernisation Fund.

From 5 June 2023, with the entry into force of the amendments to the ETS Directive, Member States have the obligation to spend all their auction revenues on the list of energy and climate purposes of the ETS Directive (with the exception of the revenues used for EU own resources or used for the compensation of indirect carbon costs). These purposes include providing financial support to address social aspects in lower- and middle-income households; to finance national climate dividend schemes, provided these have a positive environmental impact; and to address any residual risk of carbon leakage in the sectors covered by CBAM.

The Social Climate Fund (SCF) will provide EUR 65 billion to the Member States to finance measures and investments identified in their Social Climate Plans. This money comes from the sale of EU ETS allowances. Together with the Member States' contributions (at least 25% of the costs of their plans), the SCF will mobilise EUR 86.7 billion.

Answer

- **One benefit of carbon pricing is the revenues it generates to foster the green transition.**
- Member States have now the obligation to spend all of their revenues from the EU ETS on climate and energy purposes, including to address the social impacts of the emissions trading and to support low-carbon investments in industrial sectors.
- A share of auction revenues from the EU ETS will be used to finance the new Social Climate Fund, starting in 2026, which will help Member States to support vulnerable households, transport users and micro-enterprises with the green transition. The SCF will support structural measures and investments in the decarbonisation of the buildings and transport for these vulnerable groups. Pending the impact of the investments on reducing

their emissions and energy bills, Member States will also be able to provide temporary direct income support.

- Insofar as CBAM revenues are concerned, the proceeds from the auctioning of allowances that are no longer handed out for free to EU industry will go to the Innovation Fund, supporting innovative low-carbon technologies in the EU. [Note that this is different from the CBAM revenues collected at the border, which go to the EU budget].

Defensive: The ETS Directive foresees that Member States spend all their auction revenues on climate-related purposes. How is the proposal to take 30% of auction revenues for the EU budget (Commission's Own Resources proposal) compatible with this commitment?

- The obligation in the ETS Directive on Member States to spend all their auction revenues on climate-relate purposes already includes an exception of the revenues used for EU own resources.
- Achieving the increased climate ambition will require that substantial public and private resources in the Union as well as in Member States are dedicated to the climate transition.
- The ETS revenues that will be attributed to the EU budget when the Commission's proposal on Own Resources is adopted, will help to complement and reinforce the already substantial climate-related spending in the EU budget (at least 30 % of the total budget under the Multiannual Financial Framework for the years 2021 to 2027 should be spent on mainstreaming climate objectives). Notably, these revenues would contribute to pay back the debt incurred in relation to the NextGenerationEU instrument, which aimed to build up greener after the pandemic.

74. How do the investment needs for the climate transition square with the updated economic governance rules?

Background

A new economic governance framework entered into force on 30 April 2024. The previous big reform dated back to the economic and financial crisis. The central objective of the reform is to strengthen public debt sustainability while promoting sustainable and inclusive growth in all Member States through reforms and investment. The new rules aim to address shortcomings in the previous framework. They take into account the need to reduce high ratios of public debt to GDP, build on the lessons learned from the EU policy response to the COVID-19 crisis and aim to prepare the EU for future challenges by supporting progress towards a green, digital, inclusive and resilient economy and making the EU more competitive.

Answer

- The public sector will have to play an important role in ensuring that the necessary level of investment is deployed in the coming decades. It will act as a direct investor in a limited number of sectors, but it will likely play a much more significant role in fostering the necessary levels of investment by private agents, who need to deliver the majority of investments.

- Public support will remain critical for the successful research, development and deployment at scale of the technologies that will underpin the necessary transformation of the EU economy. It is therefore important that sufficient fiscal space is preserved in Member States for investment. The new framework facilitates and encourages Member States to implement the measures to secure the green transition. Member States need to present their medium-term fiscal-structural plans that set out their fiscal path as well as priority public investments and reforms in the years to come. The set of reforms and investments should be aligned with the common priorities of the Union, which includes achieving a fair green transition. These fiscal plans should be aligned with the measures and investments outlined in the respective MS NECP.
- Equally important are the appropriate framework conditions allowing businesses to invest, including regulatory certainty and policy predictability, and ensuring a level playing field for all, including relative to global competitors, to name a few. This is provided by our climate policy framework with the Fit for 55 package and climate neutrality for 2050 enshrined in the European Climate Law.

75. Will the Commission take action to phase out fossil fuel subsidies?

Background

The EU's Eighth Environment Action Programme, in line with EU and international commitments[7], calls for an immediate phase out of fossil fuel subsidies by 2030. This is not a legal commitment, and the Environment Action Programme also adds the qualifier' where appropriate'. The main reason for this is Member States' reluctance to deliver on this goal, with most of the fossil fuel subsidies in the EU being tax exemptions and tax reduction rates for specific purposes, which are allowed under the Energy Tax Directive. In the Conclusions on mid-term review of the 8th EAP from June 2024, the Council referred to "phasing out environmentally harmful subsidies, in particular fossil fuel subsidies ***that do not address energy poverty or just transition without delay****" (emphasis added).*

Over the period 2015-2021 fossil fuel subsidies in EU27 have remained relatively stable at around 52 billion EUR. Whereas this amount is high, it is important that most of these fossil fuel subsidies come from sectoral tax exemptions and tax reductions, currently allowed under the ETD.

Moreover, in response to recent high energy prices, Member States have increased fossil fuel subsidies, .This significant increase based on temporary measures are set to be discontinued by the end of 2024.

The Commission makes a report annually on the state of affairs regarding energy subsidies, including fossil fuel subsidies (DG ENER) and under the NECPs Member States are required to report on how they take action on phasing out the latter. Still, there remain methodological challenges of defining these subsidies, and some of these subsidies (for instance lower taxes applied in industry than in households) will be difficult to eliminate in the foreseeable future.

A number of policy initiatives at EU level are aimed at promoting a reduction of these subsidies. Notably, the proposed review of the Energy Tax Directive tries to make energy

[7] However, be aware that international commitments, notably the Paris Agreement and the Conference of Parties under the UNFCCC, refer instead to the phasing out 'inefficient' fossil fuel subsidies that do not address energy poverty or just transition, as soon as possible.

taxation more uniform in the EU (with tax rates for a certain fuels applied equally across sectors, and by taxing carbon intensive fuels more than low carbon fuels and electricity) and by drastically reducing the number of exemptions allowed. But it is difficult to get agreement in this file which requires unanimity

Additionally, the new European Parliament has not yet issued a position with respect to this file and such opinion is needed for the Council to adopt the legislation.

Commission services are working on improving the analytical base. If agreement on the ETD remains difficult, at least steps should be taken to recommend actions to Member States on the phase-out of the 'worst' types of fossil fuel subsidies (e.g. such a tax exemptions below the minimum rate of the current ETD, or taxes on natural gas that are lower than on electricity). This can be done for instance in the European Semester framework of economic policy guidance and coordination. Also the revision of the Governance Regulation is an opportunity to further address this.

Finally, the ETS is another example of an EU policy that sets a common carbon price on energy across the EU, which now is significantly expanded with the ETS for buildings and road transport – thus counteracting existing fossil fuel subsidies. However, the existence and expansion of EU ETS should not prevent policies phasing out existing fossil fuel subsidies (i.e., revision of EU Taxation Directive) from being adopted – notably as such subsidies weaken the price signal entailed in the carbon price.

Answer

- **We need more action on the phasing out of fossil fuel subsidies. In particular, I call on the co-legislators to swiftly agree on the revision of the Energy Taxation Directive. I also invite MS to take more action in their National Energy and Climate Plans – including more transparency on existing fossil fuel subsidies and concrete and robust phase-out measures.**
- The revision of the Governance Regulation should take into account the need for more transparency on such fossil fuel subsidies and on sketching how MS will reduce these subsidies.
- The EU semester offers opportunities to give further guidance to Member States in this context.
- If MS can't deliver on a solid ETD any time soon, we should start identifying the worst type of fossil fuel subsidies, and use the tools we have such as the Semester and the review of the Governance Regulation to start asking them address these.
- Similarly we need to improve the measurement tools, my services will work with those of DG ENER to get a more detailed view on which type of energy subsidies we have, and which ones cause the most perverse effects.
- I will invest in making progress on finalizing the negotiations on the Energy Tax Directive. I know this is a difficult file for the co-legislators, but it is also a concrete file that targets these inefficiencies and would reduce these discrepancies.
- On top of that we are introducing other policies that will price the externalities of fossil fuels more equally in the EU. An important one will be the implementation of the extension of the EU emission trading system towards the building and road transport sectors.

- However, the existence and expansion of EU ETS should not prevent policies phasing out existing fossil fuel subsidies (i.e., revision of EU Taxation Directive) from being adopted.

76. What is the state of play of gas projects accepted in RePowerEU chapters

Background

There are three Member States (Italy, Croatia and Poland) that have included gas projects in their recovery and resilience plans to diversify natural gas supply and enhance the security of supply of the Union. The implementation of projects is on track at different phases of delivery. Italy is upgrading the Adriatic pipeline and the Sulmona compression station to increase the capacity of transporting gas (by 5 billion cubic meters/year) and the Tarvisio interconnector to increase the export capacity towards Austria (by 8 bcm/year). Croatia is expanding the LNG terminal KRK (from 2.9 bcm/y to 6.1 bcm/y) as well as of the evacuation pipelines to supply Slovenia (from 0.3 bcm/y to 1.5 bcm/y) and Hungary (from 1.7 bcm/y to 3.5 bcm/y). Poland is enhancing its natural gas transmission possibilities (by 11.5 bcm/y) to allow for exports to Slovakia and, beyond, to the region. The new pipeline (Gdansk to Gustorzyn) will create additional transport routes from LNG terminals Świnoujscie and Gdansk and de-bottleneck congested existing infrastructure.

Answer

- The funding of gas projects under RepowerEU is very limited . The do-no-significant-harm (DNSH) principle applies to all the supported reforms and investments under RepowerEU, with a targeted derogation for energy infrastructure and facilities only if needed to meet immediate security of supply needs, subject to a positive assessment by the Commission that those measures using the DNSH derogation are strictly necessary.
- So, such projects under RepowerEU are rather limited from the outset and concern only three Member States. The relevant projects are overall on track at different phases of delivery, being expected to be commissioned by the end of 2026.

[If further details needed]

- **Italy:** regarding the **Adriatic pipeline,** Italy has implemented measures to minimize the environmental impact of the infrastructure (documents are currently being reviewed by the Commission services), and contracts for the commencement of the works have been awarded. The project is expected to be completed by Q2 2026. Similarly, for the **Tarvisio interconnector**, contracts have been awarded as planned, and the works are also expected to be completed by Q2 2026.
- **Croatia:** as regards the expansion of the **LNG terminal** on the island of Krk, the contract for equipment and the additional regasification module was signed in April 2023, the expansion is set to be completed in Q3 2025; as regards the expansion of the **Zlobin – Bosiljevo gas pipeline**, contract for works was signed in October 2023 and works are currently ongoing with the expansion set to be completed in Q2 2025; tender for procurement of pipes was completed for the expansion of the **Bosiljevo - Sisak – Kozarac gas pipeline** and the expansion of **section Lučko – Zabok** of the Croatia – Slovenia interconnector, with works set to be completed by Q2 2026.
- **Poland**: the construction of the natural gas infrastructure [**Gdańsk to Gustorzyn pipeline**] is progressing. Key construction and environmental permits have been obtained

and contracts for the supply of material (e.g., pipes, bends, fittings) to be used in the construction of the natural gas infrastructure have been signed. The construction work is expected to start in the first quarter of 2025, with completion planned for 2026.

77. **What does the Commission intend to do to improve the way climate expenditure is accounted for and reported on in the context of the EU budget? Will it heed the recommendations made by the European Court of Auditors to address overreporting of climate spending, e.g. in the context of the Recovery and Resilience Facility?**

Background

Over the past years, the European Court of Auditors has published a number of rather critical reports on the way climate expenditure is accounted for and reported on in the context of the EU budget, e.g. as part of the Multiannual Financial Framework 2014-20 (ECA report published in 2022) and in the context of the Recovery and Resilience Facility (report of September 2024). In the latter report ECA argues, for instance, that while the Commission estimates that measures in support of the EU's climate goals will make up 42.5 % (or EUR 275 billion) of total RRF expenditure (i.e. well above the RRF's mandatory 37% climate spending target), in reality climate spending could be overestimated by at least €34.5 billion.

Answer

In line with standard procedure the Commission publishes its detailed reaction to each ECA report including its stance on ECA's specific recommendations for future action (full or partial acceptance, sometimes rejection with due arguments).

When preparing its proposal for the next MFF the Commission will bear the various points raised by ECA in relation to the Commission's climate mainstreaming methodology in mind.

It is worth recalling that building on the experiences made during the MFF 2014-20 this methodology was updated and finetuned in the current MFF.

78. **The Innovation Fund is not big enough to have real impact on the market to support the roll out of innovative technologies. Moreover, it is too complicated unlike US IRA.**

Background

The Innovation Fund fully supports the priorities of the Green Deal Industrial Plan and the Net-zero industry act. It remains the key funding instrument at EU level in the transition towards a low- and net-zero carbon economy, helping to bridge the costs gap between conventional and clean energy and industry and accelerating the demonstration and deployment of innovative low-carbon solutions in Europe. It is therefore one of the key elements of the response to industrial policy supporting the clean-tech led by the EU's global partners.

Answer

- **The Innovation Fund is only one of many instruments that the EU and its Member States have at their disposal to support the net-zero transition.**

- Thanks to the revision of the EU ETS Directive, the Innovation Fund has an estimated budget of EUR 40 billion by 2030. With a leverage of four, this means EUR 200 billion of total investments. The Member States on the other hand have ETS revenues from auctioning of ETS auctions to support further climate action[1]. The Recovery and Resilience Facility was also reinforced with additional EUR 12 billion from the Innovation Fund.
- But coming back to the Innovation Fund, it has been proven to be an agile and flexible instrument, launching in recent years bigger calls for proposals: The next calls that will be launched in December will again have a considerable budget of nearly EUR 5 billion (EUR 2.6 bn for net-zero technologies, EUR 1 bn for batteries manufacturing and EUR 1.2 bn for auctions for the production of RFNBO Hydrogen).
- The Innovation Fund is therefore an essential tool to support industries in the transition. It is able to adapt to political priorities, such as the new batteries instrument. Besides the EUR 1bn call for grants, EUR 200 million will be used in blending operations implemented by the European Investment Bank (EIB). Blending of the Innovation Fund support with the InvestEU Green Transition product under the InvestEU will significantly contribute to the EU ETS and European Green Deal objectives. This support should lead to financing battery value chain projects.
- The auction for renewable hydrogen will be continued following the success of the pilot with EUR 1.2bn out of which EUR 200 million dedicated to renewable hydrogen producers with maritime offtakers.
- In relation to the IRA, we should not forget that the EU has also a predictable and more ambitious regulatory framework than the US and it has a functioning carbon market that both drive the investments.

Defensive What is exactly the contribution of the Innovation Fund to NZIA objectives?

- In the most recent calls for proposals of the Innovation Fund, the "clean-tech manufacturing" topic helped to attract a number of manufacturing projects. Comparing the capacity envisaged in the project applications to NZIA objectives of domestic manufacturing capacity, it can be estimated that the proposals submitted could contribute up to 38% to the NZIA 2030 photovoltaic panels production capacity objective and up to 42% to electrolysers production capacity objective. All projects awarded/pre-selected for grant so far would cover 17% of the NZIA 2030 photovoltaic panels production capacity objective and 11% to electrolysers production capacity objective.
- Likewise, the project submitted could capture 32% of the CO_2 for the storage target proposed in NZIA and all IF projects awarded/pre-selected for grant so far would cover 21% of NZIA CO_2 storage target.

[1] Since 2013 auctions have raised more than EUR 150 billion for Member State's budgets.

79. Innovation Fund is supporting only big companies in the rich countries while these companies can do these investments on their own, while every Member State needs to be helped with the transition.

Background

The projects are selected based on the highest scores across all 5 award criteria. The projects that score the highest in the evaluation process within the available topic budget are selected, regardless of the sector or location.

Project maturity criterion does favour larger/well established players that can secure attractive funding and top-up the IF grant with own contribution in order to close the funding gap (IF can award a grant for up to 60% of the funding gap) but we have seen also smaller/newer players winning the award.

Majority of the projects awarded so far are in Western European countries but we see geographical balance improving with every call.

Answer

- All projects that apply to the Innovation Fund have to demonstrate that they need public support in order to close their funding gap, i.e. without public support the investment would not happen. The Innovation Fund helps the companies to make this important and still risky step towards full decarbonisation, which otherwise will happen to slow.
- Importantly, **geographical balance is one of the objectives enshrined in the legal basis of the Innovation Fund** (for the duration of the programme, i.e. 2021-30). The geographical balance has been improving with successive calls and the Commission already now seeks even better balance with project development assistance and technical assistance for Member States with a lower number of Innovation Fund projects.
- Considering the outcome of the most recent call, the Innovation Fund now supports projects in 24 countries.

Defensive: Is there a pre-allocation of funding per Member State or other measures aiming at geographical balance?

- The legal basis of the Innovation Fund provides for the possibility to use a specific award criterion to ensure geographical balance. However, the funded projects are now located in 24 Member States and it is not deemed necessary at this stage to resort to a specific award criterion considering that the overall balance is improving with each call, notably with the current 3 results of the large-scale calls. This is also the result of other measures taken to support applications from all eligible Member States, such as the possibility to define innovation based on the state of the art at national level for small-scale projects, and not at European level.
- Currently there are three major initiatives for providing support to Member States so they can support the generation of a high quality national innovative project pipelines and thus improve the geographical balance:
  1. ETS Directive revision introduced 'Technical Assistance for Member States with low effective participation' – aiming to increase the overall quality of the Innovation Fund applications
  2. Technical Assistance Instrument (TSI) managed by DG Reform

3. Training sessions to all Member States National Contact Points or IFEG representatives on award criteria, outreach and communication, etc.

Why is the Innovation Fund supporting end-of-pipe technologies like CO_2 capture, utilisation and storage (CCUS)?

- The Innovation Fund supports projects that score the highest in the evaluation process within the available call budget, regardless of the technology they use, as long as it is an innovative technology that is scalable and has potential to avoid GHG emission.
- There are industries such as the cement sector where capturing CO_2 is one of the very few potential technologies to achieve high GHG emission reductions. The CCUS technologies are scalable options for EU industries to avoid GHG emission, which is illustrated by the very high demand that we see in terms of project applications in each Innovation Fund call. Since 2020 we have seen interest in capturing and storing CO_2 that cumulatively could fill 40% of the EU target for annual CO_2 storage capacity of 50 Mt per year in 2030.
- In addition, applying CCUS on bioenergy projects has the potential to deliver net carbon removals, which will be needed to compensate for residual emissions from transport and agriculture in order to reach climate neutrality by 2050.

80. Why is the Modernisation Fund still supporting gas projects?

Background

The Modernisation Fund has been established as one of the solidarity features under the EU ETS as it puts together considerable resources dedicated to the modernisation of energy systems and improving energy efficiency at the disposal of low-income Member States. The priorities of the Modernisation Fund are investments in generation and use of renewables, improvements in energy efficiency, energy storage, the modernisation of energy networks and just transition. As a result of the revision of the ETS, investments involving fossil fuels will be excluded. However, currently investments involving natural gas are still possible as so-called non-priority investments.

Answer

- **Support for any fossil fuel energy generation will no longer be possible from the allowances under the Modernisation Fund.**
- The Modernisation Fund is an important tool to foster the modernisation of the energy sector in lower-income Member States.
- I understand that thanks notably to this Parliament it already does not support projects involving coal. And thanks to your work under the recent ETS revision, it will no longer support all kinds of fossil fuel investments in the future.
- The vast majority of projects supported by the Modernisation Fund do not involve fossil fuels, but rather focus on renewables. I welcome the long-term perspective that Member States adopt here.
- However, the beneficiaries of the funding from the Modernisation Fund generally face bigger challenges than others in this transition. Therefore, Member States can still support projects involving natural gas as non-priority projects, but **only to the extent**

that more GHG intensive production capacity is replaced to ensure that there is a clear climate benefit.

81. **With the adoption of the Taxonomy, the Sustainable Finance Disclosures Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD) the EU has made great progress in term of transparency of green investment and financial flows. Is it enough? What should be the next step to truly make green the financial system.**

Background

The abovementioned pieces of legislation require companies and financial institutions to disclose information on their environmental impacts. The adoption of these requirements represents important progress even though they have not been fully implemented yet (first CSRD reporting in 2025 on FY 2024 for initial ca. 11 000 companies under scope, to grow to 40 000+ over the coming years).

The EU's Sustainable Finance Framework consists of 3 main pillars:

1) Disclosures by financial undertakings (Sustainable Finance Disclosures Regulation) and all large and/or listed corporations (Corporate Sustainability Reporting Directive/European Sustainability Reporting Standards) including transparency on the degree of alignment with the EU Taxonomy;

2) The EU Taxonomy itself, defining "green" investments across, by now 150 economic activities in 29 economic sectors for six environmental objectives, including climate mitigation and adaptation; and

3) Specific, voluntary tools, e.g. the climate benchmarks (on which financial products are built) or the EU Green Bonds Standard, for EU Taxonomy-aligned bonds (applicable from Dec. 2024).

The only mandatory parts are sustainability disclosures to foster transparency in markets; the rest is voluntary.

Answer

- Yes, this is good progress. Markets function best when all relevant information is available. Through the Sustainable Finance framework, businesses, banks and investors will be able to make informed decisions based on information that is *material*, meaning relevant. I recall that non-material information does not have to be reported, in order to limit reporting burden.
- Looking ahead, a clean industrial deal with the necessary level of ambition will only be possible with significant private finance.
- To mobilise it, the CSRD's Transition Plan disclosures hold particular potential. We are working with industry and EFRAG [the Commission-mandated CSRD reporting standard drafter] to simplify their take up and minimise reporting burden.
- Indeed, numerous stakeholders have been calling for support to implement and assess climate transition plans' compatibility with EU Climate Law targets, as required under CSRD, including through sectoral pathways. Corporates want to credibly disclose where

they stand. And based on this, financiers want to allocate capital in line with the targets, and set their own transition plans. We need to answer this call.

- More broadly, EU can showcase how it has been able to successfully decouple emissions from economic growth. As the Sustainable Finance framework has been developed in record time, we might now want to fine-tune it, ensuring its core objective of providing relevant sustainability information is met.

Defensive: Some say this results in excessive requirements for businesses:

- No one can ignore the mounting risks that the climate crisis represents for people and businesses. Conversely the clean and just transition comes with significant opportunities in terms of jobs and competitiveness. To minimize losses and maximise gains, we must integrate climate and broader sustainability into finance.
- I fully support the drive to reduce unnecessary red tape for our companies that does not contribute to meeting the set policy objectives. Reporting obligations under the (green) Taxonomy or European sustainability Reporting Standards are relatively new, which means that companies still have little experience with them.
- I Implementing such comprehensive reporting standards can feel overwhelming, especially for businesses that are new to this type of data collection. That is why we have introduced several initiatives to help ease the burden and support companies through this transition, such as implementation guidance, online Q&A platform or the launch next year of a Technical Support Instrument. We are exploring digital solutions to streamline the reporting process and reduce administrative burdens. To further ease the process, we have postponed the deadline for the adoption of sector-specific standards by two years, to June 2026, allowing companies to focus on the correct application of the first set of standards. We have also adjusted the monetary thresholds used to define large companies under the scope of the Corporate Sustainability Reporting Directive.
- Above all, my message is this. Let's implement the ESRS in a pragmatic and proportionate manner. Don't over-implement or over-interpret the standards. Simply providing more and more information does not necessarily mean good reporting. The ESRS do not require data to the nth degree of granularity.
- We need common sense and proportionality on all sides, acknowledging that there will be a learning curve. Data availability and data quality will quickly improve but it may not be perfect from day one.

VI) International: multilateral and bilateral

82. Why should the EU lead internationally in climate action when it is responsible for less than 7% of the global GHG emissions?

Background

With the EU having taken bold action on climate, its share of global emissions has declined over the years. This makes climate action in other regions indispensable to meet the Paris Agreement goals. The EU can showcase how it has been able to successfully decouple emissions from economic growth and encourage others to follow suit. (The EU has reached *around 27% reduction of GHG emissions in 2022 compared to 1990 level[1], while EU GDP has grown by 67% over the same period).*

Answer

- **For over two decades already, the EU has taken leadership on battling climate change and has set a credible example of how to decouple economic growth from emissions growth.**
- **While the EU's share in global emissions is dwindling, we need to continue leading by example by providing the highest possible ambition for emissions reductions, regardless of our share of global emissions. Not only are our actions benefitting our economies and societies, but they set the standard for other large emitters around the world.**
- Because the EU only represents less than 7% of global emissions, we must redouble our efforts to take the rest of the world with us to achieve the temperature goal set out in the Paris Agreement. Our 2030 target, our 2050 climate neutrality objective, and soon the 2040 target contribute to this objective.
- Under the previous mandate, we have developed diplomacy, regulatory cooperation, trade, development support instruments to encourage others to act: Green alliances and partnerships, high-level and technical dialogues on climate policy (e.g. HLD with China), ; enhancing climate action in EU trade agreements; development cooperation. Our focus on mitigation has been traditionally on the economies of the G20, responsible for 80% of emissions.

Defensive: Has your cooperation been successful?

- Yes, for example we have cooperated with China for 10 years on carbon markets, and China has started to price carbon under its own ETS. Our cooperation has left its mark, in particular on no-regret matters such as on sound rules for monitoring, reporting and verification of emissions, where we have trained thousands of Chinese experts. It may be safe to say that the EU has helped to shape the Chinese ETS and we continue to cooperate to improve and expand the system. We are working with China to develop their policies to reduce methane emissions, which was a long way to go! Like several countries around the world, the US, Brazil, India are looking at introducing some form of carbon pricing partly in response to CBAM.
- Yes, the EU played a crucial role in shaping global climate ambition, as reflected in the final GST outcome. For example, the global pledge to triple renewables and double energy efficiency was put forward by the EU and the UAE and was finally endorsed globally.

83. How will you ensure a swift implementation of the global stocktake outcomes and that, globally, we will deliver the necessary increase in climate ambition?

Background

[1] EDGAR (Emissions Database for Global Atmospheric Research) Community GHG Database comprising IEA-EDGAR CO2, EDGAR CH4, EDGAR N2O, EDGAR F-GASES version 8.0

The global Stocktake (GST) was designed to assess our global response to the climate crisis and inform Parties in updating and enhancing in a nationally determined manner their actions and support. At COP28 in December 2023 in Dubai, the first "Global Stocktake" under the Paris Agreement (GST) concluded that global progress on climate action has been too slow and signalled what needs to be done. The GST plays an important role in informing the next round of nationally determined contributions to be put forward by 2025.

Answer

- Last year, the first Global Stocktake under the Paris Agreement signaled what needs to be done to limit global warming to 1.5°C. All Parties agreed to contribute to global efforts, including: (i) **transitioning away from fossil fuels in energy systems**; ii) accelerating efforts towards the phase-down of **unabated coal power**; iii) **tripling renewable energy** capacity globally and **doubling** the global average annual rate of **energy efficiency** improvements by 2030; and iv) **phasing out inefficient fossil fuel subsidies** that do not address energy poverty or just transitions, as soon as possible.
- Now we need all Parties to move to implementation modus. We need to show to the rest of the world our strong commitment towards delivering the global stocktake outcomes and our expectation that all Parties, in particular major economies, do the same.
- **My absolute priority will be to reach out to partners all over the world and I will use every occasion to discuss with them how we can all together contribute to the global efforts that we agreed in Dubai.**
- **I will** therefore **activate our diplomacy channels** to
  - discuss how countries are contributing to these global efforts already in this decade and share our experience in effective climate policies;
  - Encourage countries to come forward with ambitious Nationally Determined Contributions in 2025 before the COP in Bélen. [economy-wide emission reduction targets, covering all GHG, sectors and categories and aligned with limiting global warming to 1.5°C].
  - deploy our financial support (climate finance and Global Gateway) to support developing countries on their clean transition, as well as Clean trade and investment partnerships.

84. Why isn't the EU doing more to support vulnerable countries in addressing climate change, Loss and Damage in particular, knowing that they are the ones that contributed the least to the problem?

Background

The EU – including its Member States and the European Investment Bank (EIB) - is the world's biggest contributor of public climate finance (EUR 28.5 billion in 2022, the equivalent of USD 30 billion at the time). We support the establishment of an ambitious New Collective Quantified Goal (NCQG) at COP29 and call on other countries to step up their efforts in this regard.

Answer

Climate finance

- The USD 100 billion goal was surpassed in 2022, and the EU has contributed substantially, with USD 30 billion at the time (EUR 28.5 billion)from public sources to support developing countries. More than EUR 22 billion of this is in the form of bilateral finance.
- Well over half of the EU's bilateral public finance has been directed either to Least Developed Countries or low-middle income countries, proving the EU's support to those in greatest need.

Climate Finance of vulnerable countries

- The EU fully supports a decision on an ambitious yet achievable New Collective Quantified Goal (NCQG) at COP29.
- The EU advocates for a multilayer goal with an inner "support goal" of public finance (provided and mobilised) that is based contributors' capacity to pay, and an outer layer, representing overall global investment flows, that acknowledges the scale of countries' needs. The support goal should ensure that public finance prioritises adaptation, and the poorest and most vulnerable countries and communities.
- The EU and its MS support a reform of MDBs which can better target support for vulnerable countries such as climate resilient debt clauses in financial agreements, debt for climate swaps, pre-arranged finance in case of "climate default" and other innovative solutions.
- We also support new sources of finance with a global perimeter such as a levy on carbon emissions from shipping. This is why we joined the Global Solidarity Levies Taskforce.

Adaptation finance

- In 2022, almost 40% of the EU's bilateral funding to developing countries was dedicated to adaptation, and more than 50% of the Commission's international climate finance went to adaptation.
- The EU has also committed EUR 100 million to the Adaptation Fund.

Loss and Damage

- The EU was decisive in establishing the new fund for Loss and Damage. The EU and its MS contribute with more than EUR 400 million, over 2/3 of the initial pledges.
- Since COP28, the EU has supported the full operationalisation of the Santiago network. Some EU MS and the Commission have already contributed or pledged funding for the Santiago Network (amounting to EUR 30 million) even before it started operating, as a sign of EU's commitment.

85. How does the fair share work among the donors of the $ 100 billion for international climate finance? And among the EU Member States, how will you get them to pay up? What about the post 2025 New Collective Quantified Goal?

Background

There are no internationally (or EU) agreed benchmarks to assess the fair share of donors' contributions against the USD 100 billion goal, while there is an increasing body of work produced by renowned climate think-thanks who are also supporting the UNFCCC work (The World Resources Institute, the Overseas Development Institute, the Center for Global Development) that were closely looking at this issue in recent years. It is crucial to point out that the USD 100 billion goal and the post 2025 New Collective Quantified Goal are collective and there is no set fair share among the contributors.

Answer

- **The Commission does not have the mandate, nor is it empowered to determine how much international climate finance Member States should commit. But joint ambition on this objective is a constant priority in all our work with MS.**
- Since the entry into force of the Governance Regulation, the clarity, consistency, and transparency of Member States' contribution to international climate finance have significantly improved.
- Our joint efforts make the EU the leading contributor to the USD 100 billion goal.
- The USD 100 billion goal was agreed at COP15 in 2009, and at the time only 14 of the current EU Member States were committed to contribute. All of these Member States are on a positive trend with their contributions, and some MS are well over what could be considered as a "fair share".
- Although there is no agreed definition of a fair share in international climate finance, it is clear that some countries like the US needs to do much more!
- Finally, transparency needs to be central in the post 2025 New Collective Quantified Goal (NCQG) for both contributors and recipient countries to enhance effectiveness.
- The EU and its MS lead on timely and transparent reporting thanks to the Governance Regulation.

86. How do you envisage to get the necessary trillions of climate finance flowing (in EU and to countries that need it most?

Background

As highlighted at COP27, a global transformation to a low-carbon economy is expected to require investments of at least $4 trillion to $6 trillion a year. A significant investment gap for climate change adaptation also remains. As IPCC (2023) highlighted, there is sufficient global capital to close global investment gaps, but there are barriers to overcome. There is no shortage of money, but it is misallocated or underused. The scale of the challenge is such that we cannot rely on public financing alone.

Answer

- Meeting the needs and addressing global climate challenges requires a mobilisation of climate finance at scale. As noted by the IPCC To this end, we need to **make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development**.
- Achieving coherence of finance flows with the Paris Agreement requires a comprehensive approach to economic and financial reforms across the economy, while transitioning away from GHG intensive activities, and taking into account equity considerations.
- This encompasses domestic and international finance flows, including public spending and investments, as well as financial institutions, businesses, corporations, and other private actors. It also includes innovative instruments like a global levy on aviation.
- **The New Collective Quantified Goal (NCQG)** should contribute to the alignment of financial flows to the Paris Agreement. It should help change the nature of the multilateral discourse on climate finance in a way that acknowledges that climate finance requires a global effort to mobilise finance at scale by a wide variety of sources, public and private, domestic and international; and that group of governments contributing to international public climate finance must expand to include countries with economic capability beyond the traditional donors.
- We have started to do this for example through climate earmarking into the EU budget, and policies such as the ETS or the Sustainable Finance framework. We need to maximise the impact of these policies to make financial flow consistent with Paris Agreement.
- Public finance alone will not be enough, and needs to be used where it can have the biggest mobilisation potential, and where it can bring most added value. The EU works with partners to reform the global financial architecture and mobilise climate finance from all sources.
- We should continue promoting this approach internationally including through the UNFCCC negotiations and other fora.
- The EU fully supports the Taskforce on a Global Mobilization against Climate Change launched this year by the Brazilian G20 Presidency to raise awareness on the crucial role of the alignment of financial flows with the Paris Agreement.
- We are also promoting carbon pricing instruments externally through initiatives such as the Call to Action for Paris aligned Carbon Markets and we support partner countries willing to develop their own approach to carbon markets.

For follow-up

- Multilateral Development Banks are encouraged not only to phase out from fossil fuels but also to consider how climate vulnerabilities should be reflected in the provision and mobilization of concessional financial resources. They should also have a pivotal role in mobilizing private finance and de-risk investments, including through country-led processes and platforms.
- The EU fully supports the G20 Roadmap for better, bigger and more effective MDBs developed by the G20 Brazil Presidency, underlining the importance to enhance the private capital and domestic resource mobilisation and MDBs working better as a system.

- In the EU, we have adopted the Sustainable Finance Strategy to green the financial sector. .
- We are intensifying our work with international partners through the International Platform on Sustainable Finance (IPSF) to scale up the mobilisation of private capital towards sustainable investments.
- The Global Green Bond Initiative (GGBI) steered by the European Commission and the European Investment Bank, is a flagship Global Gateway initiative promoting the development of green bond markets in low- and middle- income countries.

87. Recently adopted legislation to implement the European Green Deal – such as CBAM and the Deforestation Regulation – created tensions with our international partners who perceive these measures as green protectionism. How will you successfully overcome these tensions?

Background

Some of the measures of the Green Deal (CBAM, Deforestation regulation) may be perceived as impacting the exports of certain products to the EU, such as CBAM by putting a price on embedded emissions of imported products from certain sectors or the Deforestation Regulation, which obliges companies to ensure that produces sold in and exported to the EU have not led to deforestation and forest degradation.

Answer

- **The EU's bold action to protect the climate and the forests has created some anxiety from certain countries around the world. Together with the other Commissioners, I will promote dialogue and cooperation with non-EU countries to explain our measures and address the concerns in the implementation.**
- Our measures are fully in line with our obligations under the WTO, but I can see that they cause concerns in some exporting countries.
- The EU is engaging in dialogues and establishing partnerships and cooperation mechanisms to support countries in their efforts towards decarbonisation and forest protection, and to facilitate compliance with EU Law. This in turn will result in new opportunities for our partners in accessing the EU market and complying with their international commitments, while improving the environment for local communities.
- It is important to underline that these instruments are addressed to companies, not countries. This means for example that any effort to decarbonise in a third country will be recognized.
- And our efforts are already bearing fruits. We see countries, like Indonesia or Brazil, moving towards emissions trading and preparing for reducing the impact of CBAM on its industry. We should support countries willing to introduce carbon pricing policies to meet their national climate objectives while raising revenue to finance innovation and a just transition for the people.

88. Only 23% of world industrial and energy production is subject to carbon pricing. How will you speed up international carbon pricing?

Background

The momentum behind carbon pricing has been growing (helped by CBAM); however, its coverage of global emissions remains at approx. 23% and only a small number are subject to a carbon price that is in line with a trajectory toward carbon neutrality. In 2022, there were 28 emission trading systems in force and 20 more systems were under development or consideration. The EU is a partner to Canada's 'Global Carbon Pricing Challenge' that calls for an extension of the coverage of domestic pricing to 60% of global emission by 2030.

Following the revision of the EU ETS, carbon pricing will cover around three-quarters of EU's emissions. The EU is therefore at the forefront of carbon pricing and well-placed to engage with international partners on effective carbon pricing, focusing on ambition, integrity and effectiveness. Engagement on carbon pricing takes place at both multilateral and bilateral level, including in the context of the Paris Agreement and via the newly established Task Force International carbon pricing and markets diplomacy in CLIMA.

Answer

- **Domestic carbon pricing is a potent policy instrument that can cost-effectively help narrow the gap between the Paris targets and emission levels, while directing revenues to transformative investments and social justice. The EU is already leading on or actively supporting key initiatives that help speed up carbon pricing internationally. We aim to enhance domestic carbon pricing globally by encouraging large emitter to implement them as a central tool to deliver their NDCs. Engagement with most relevant partners will be further intensified both at technical and political level as part of our climate diplomacy efforts.**
- In 2023, the EU put forward the "Call to Action for Paris-aligned Carbon Markets", which champions binding, domestic carbon markets to drive emissions down and investments up. It also encourages major polluters to dedicate a portion of revenues from carbon pricing to support least developed countries.
- At present, only 23% of global emissions are priced, most of it at low prices. To achieve the Paris goals, it is crucial that collectively we manage to increase this percentage. This implies both technical support as well as engaging at political level.
- The upcoming update of NDC will be an important momentum, when all countries should aim to enhance ambition. To do this cost-effectively, carbon pricing remains the most appropriate instrument.
- The CBAM has triggered increased global interest in carbon pricing. The Commission, via its newly established Task Force on International carbon pricing and markets diplomacy is ready to assist countries considering implementing carbon pricing, both, at bilateral and multilateral level.
- We have identified a list of priority countries for which engagement has been strengthened at all levels. We will also work closely with relevant international institutions.

89. **Are the Just Energy Transition Partnerships a failure? They are progressing slowly and our partner countries fail to live up to their commitments.**

Background

The aim of the JETPs is to accelerate the decarbonisation with growing coal-dependent developing countries and emerging market economies with significant emissions, and which have made strong political commitment to fasten their energy transition towards the deployment of renewables and climate neutrality, in a just manner for impacted communities and societies as a whole.

A fundamental principle of JETPs is that they are owned by the host country, with the investment plan and key targets tailored specifically to the needs of their local economy and society and endorsed by donor countries. Kkey aspects of a JETP are i) scaling up of renewables, ii) phasing out coal/fossil fuels as fast as possible, iii) implementing policy and regulatory reforms related to this.

The first JETP with South Africa was launched at COP26. Since then, JETPs with Indonesia, Viet Nam and Senegal have been launched. The engagement/support from the G7 countries is both political, financial and technical. The group of countries that provide funding for a JETP is known as the International Partners Group (IPG) and can be composed of G7 and non-G7 members, as is already the case.

Answer

- The Just Energy Transition Partnership (JETP) is a nascent **concrete cooperation mechanism**, which is promising despite the challenges associated with the ambition of the initiative.
- It provides a structured platform through which a well-coordinated group of donors, sharing the same values and ambition *[the G7 initiated International Partner Group]*, engage with partner countries to achieve an ambitious and just energy transition with commensurate financial support.
- The JETP approach **closely links financial support with the level of climate ambition** and progress on policy reforms by the partner country. This transactional relationship can be more challenging to implement but it will deliver more substantial results.

For follow-up:

- In every country there are both drivers of the green transition and forces of resistance: climate sceptics, stakeholders in fossil assets, people fearing adverse social impacts, etc. And like in the EU, the green transition in the energy sector is not done with a joint statement or the stroke of a pen, but is a politically, socially, and technologically challenging process. Hence, it is wrong to expect immediate results.
- Also, the JETPs with South Africa, Senegal, Vietnam and Indonesia are conceived as long-term partnerships because the green transition is a long politically challenging long-term endeavour.
- As the EU co-leads with UK on the JETP with Viet Nam, I am looking forward to push for the progress of the implementation of this JETP and that regular consultation is held, including with media, NGOs and other stakeholders so as to ensure a broad social consensus for the transition.

Defensives:

Would funds from the JETP financial packages support investment in fossil fuels?

- JETPs are a fossil fuel-free partnership and IPG related finance will not support any investments in this area.

What will happen if a partner country fails to engage and does not deliver on the JETP agreed climate targets or does not deliver the expected policy reforms?

- As the JETPs have a transactional approach, the financial contributions could be decreased due to lack of engagement.

Why doesn't the Commission suspend the JETP with Viet Nam since the country's government keeps on imprisoning civil society leaders and environmental defenders who are acts going against the international human rights obligations?

- The Commission fully shares the worry over shrinking civic space in Vietnam. We have expressed our strong concerns over these arrests within the annual EU-Viet Nam Human Rights Dialogue. We also keep on demanding the Vietnamese authorities to release all environmental activists and human rights defenders arbitrarily detained.
- As the JETP moves to the implementation stage, the involvement of civil society will need to be a necessary part of the Government of Viet Nam's engagement to select project types and assess needs, in accordance with the JETP Political Declaration.
- The JETP framework offers an excellent vehicle to have honest conversations with these countries (and IPG members) on all matters related to their energy sector, and beyond. They are also a good vehicle for the EU to advance cooperation on carbon pricing.

90. How can we better use the EU Trade agreements with third countries to improve their climate ambition?

Background

All trade agreements have a trade and sustainable development chapter, including climate provisions ensuring the effective implementation of the Paris Agreement.

Climate action is a transformative strategy leading to major changes of trade patterns.

Trade policy should be geared towards supporting the transition to a low carbon economy, aligning climate and industrial interests, while guaranteeing a level playing field.

Trade and targeted investment can have a positive impact in facilitating the global transition to a low carbon economy. EU standards and regulations -and policies- get internationalised as they concern tradable goods and services and have the potential to shape production patterns worldwide.

Answer

- **I look forward to working with Commissioner Šefčovič (if confirmed) on trade issues.**
- Looking from the climate portfolio standpoint, the question raises two issues: 1) how can **trade itself be supportive** of climate action and 2) how can we use trade agreements as part of our **climate diplomacy outreach.**

- On the first point, trade can be an important vector to climate ambition, by **opening markets** for clean goods and services, stimulating innovation and lowering costs., helping the dissemination of low emissions technologies. We need trade to export our goods and services, and we need trade to source the materials we need four our green transition.
- On the second point of diplomacy, we need to ensure that **we see eye to eye with our trade partners on rules**, in particular in effective implementation of the Paris agreement, non-lowering of climate policies and progression of ambition over time. We do this by integrating the most ambitious trade and sustainable development provisions in trade agreements, encouraging them to the highest standards and monitoring their climate action.
- In addition, trade agreements offer many opportunities to establish a bilateral dialogues with third countries. In this they constitute an important element of climate diplomacy.
- I will follow the negotiations and implementation of all trade agreements to ensure that they provide for the highest environmental integrity.

Defensive on EU-Mercosur trade agreement

- President Lula and Minister of Environment Silva have shown a strong commitment to global mobilisation for action against climate change, including during Brazil's G20 Presidency. A number of domestic policies have also been put in place to reduce GHG emissions, address deforestation and further increase renewable energy production.
- Like the other FTAs, the future Mercosur Agreement offers many opportunities including for speeding the green transition and for keeping our trade partners [*in this case **Argentina**, **Bolivia**, **Brazil**, **Paraguay** and Uruguay*] committed to a full and effective implementation of the Paris agreement, as explained. Like for all of our trade partners we are committed to having trade agreements with the highest environmental integrity. Together with Commissioner Šefčovič (if confirmed), we will work with this objective in mind.

91. How do you intend to finance the climate transition? The USD 100 billion goal at the core of international climate finance seems extremely low compared with the trillions needed. And same goes in the EU when looking at the contribution of the EU budget. Where will the money come from?

Background

As highlighted at COP27, a global transformation to a low-carbon economy is expected to require investments of at least USD 4 trillion to USD 6 trillion a year. A significant investment gap for climate change adaptation also remains. As IPCC (2023) highlighted, there is sufficient global capital to close global investment gaps, but there are barriers to overcome. There is no shortage of money, but it is misallocated. The scale of the challenge is such that we cannot rely on public financing alone.

Answer

- The USD 100 bn goal which was met in 2022 was important, albeit only the first step.

- Public finance is crucial, especially for adaptation and for the most vulnerable countries, but public finance alone will never be enough.
- The scale of investments needed requires action by all countries to mobilise private investment and shift finance flows to be aligned with the goals of the Paris Agreement.
- The EU has started to do this through our policies such as the ETS or the Sustainable Finance framework and we need to continue, promoting these approaches through the UNFCCC negotiations and other fora.
- By working closely with partner countries, we can support the development of policies that will create a positive investment context for private investment, one good example being the Just Energy Transition Partnership.
- We are also promoting internationally sustainable finance tools such as green bonds and taxonomies, as well as the development of carbon markets through initiatives such as the Call to Action for Paris aligned Carbon Markets.
- MDBs and IFIs will need to be on board and align financial flows with the Paris Agreement goals. MDBs in particular are encouraged not only to phase out from fossil fuels but also to consider how climate vulnerabilities should be reflected in the provision and mobilization of concessional financial resources.
- Finally, **new and innovative sources** of finance are needed as part of a global effort.
- The Commission supports such efforts, and the Commission will co-lead the reflection on levies in the aviation sector, as part of the Task Force on Global Solidarity Levies led by Kenya, France and Barbados.

For follow up

- MDBs should also have a pivotal role in mobilising private finance and strategically de-risk investments by co-sharing risks with the private sector.
- Private investors, including banks and funds should incorporate the climate risk dimension into their investment decision. The sustainable finance framework will help them to do so.
- Carbon markets and new types of taxes, levies insurances and debt clauses can also be powerful tools.
- The smartest and the most efficient thing that we can do is to put a price to carbon and stop subsidising it.
- The EU tries to address every piece of the puzzle. In the EU, climate finance is embedded in a comprehensive set of regulatory, fiscal, market-based, and other climate change policies.

92. Why is the EU providing all this financial support to climate action in third countries, to the detriment of our own domestic resources, without getting anything in return?

Background

This comes in the context of EU communicating its overall figures on international climate finance, which in 2022 was over EUR 28.5 billion in public finance alone.

Answer

- Financial support for climate action presents both a strong ethical and business case.
- In 2009, **developed countries committed to yearly deliver USD 100 billion by 2025, and the EU stands to its word**.
- The provision of climate finance to developing countries is a pillar of the implementation of the Paris Agreement. Our contribution is key to maintain trust in the Paris framework. This said, we keep pushing so that all developed countries contribute fairly, and other countries with relevant capabilities and high GHG emissions join the suit.
- The contribution of climate finance is also a matter of fairness and equity as many developing countries suffering from climate change have contributed very little themselves to the climate crisis.
- If we help our partners to help themselves today, we avoid the global climate and humanitarian crisis of tomorrow and its security spillovers.
- As a large and developed economy, the EU provides a substantial and fair contribution to the USD 100 billion goal. We regret that some other countries are not providing enough and we constantly encourage them to do more.
- Also remember that the international instruments represent less than 10% of the EU Budget, and that only 35% is earmarked to climate change. **This means that less than 4% of the total EU budget goes to international climate action.**

Follow up:

- The EU's external budget and its instruments such as NDICI – Global Europe mirrors the EU's general budget which has a similar target of 30% expenditure for climate action. So we must be consistent and walk the talk both within and outside the EU.
- We also need to increase the firepower of the EU and Member States acting together through Team Europe Initiatives. They help development finance partners to match their initiatives to the EU's, and in turn attract additional investors.

93. The Green Deal is imposing a heavy burden on EU companies and citizens and the EU is the main provider of climate finance: How will you ensure that big polluters like the US and China also contribute their fair share?

Background

The EU represents less than 7 % of global GHG emissions and continues to reduce its overall emissions, whereas global emissions continue to increase. Engaging with major emitters and those countries with increasing emissions like India and ASEAN countries is therefore essential to achieve the goals of the Paris Agreement, and sustain the Green transition in Europe.

The Commission is very active in multilateral negotiations and is expanding its bilateral engagement via Green Alliances and Partnerships, High Level Dialogues, technical cooperation, influence instruments like the EU Climate Dialogues project, CBAM diplomacy, Task force on carbon pricing and international carbon markets, Green diplomacy via EU delegations.

Answer

- At the last COP in Dubai, we managed to agree on a pathway towards transitioning away from fossil fuels and decarbonising our economies. All the Parties to the Paris Agreement must present more ambitious Nationally Determined Contributions by February 2025, laying down their pathways towards achieving the temperature goals of the Paris Agreement. For several countries, this means achieving net zero by 2050 or later.
- Without the EU leadership with its ambitious targets, the Green Deal and its translation into laws, it would be very difficult to advocate for more ambition by large emitters or countries whose emissions are growing.
- The EU managed to put climate on top of the international agenda, and with our Fit for 55 legislation, we show that we are serious and that others must follow suit. When we started with the Green Deal, we were alone. Now, other big players have followed suit: there is the IRA in the US, China's growth is oriented towards green technologies, other countries are introducing carbon pricing instruments.
- I will continue to engage in the COPs but also in bilateral with the world's large emitters, by promoting carbon pricing as the most efficient way of reducing emissions, by developing collaborations on industrial decarbonisation, deployment of renewable energies, and creating new value chains with partner countries.

94. Looking at the international tensions created by CBAM, we should use the revenues to enhance our contribution to climate finance. What is your proposal to fix this missed opportunity?

Background

The final CBAM Regulation entered into force on 16 May 2023. Six sectors considered at most significant risk of carbon leakage are covered: cement, iron and steel, aluminium, fertilisers, electricity and hydrogen.

The permanent CBAM system, with payments, will enter into force on 1 January 2026. The importers concerned by the application of CBAM will then have to declare each year the quantity of goods imported into the EU in the preceding year and their embedded GHG. They will then surrender the corresponding number of CBAM certificates. The price of the certificates will be calculated depending on the weekly average auction price of EU ETS allowances.

Answer

- CBAM is a climate measure and does not aim at generating revenues per se. Its aims are to protect EU industries (who have to pay for their carbon emissions) against carbon leakage and to promote ambitious climate action around the world.
- Countries that adopt, or strengthen their carbon pricing systems, will pay less when they export their products to the EU. And this will mean less CBAM revenue.
- But yes, once the permanent CBAM system enters into force on 1 January 2026, it will gradually generate revenues but these are expected to decline as EU trading partners increase their decarbonisation efforts and the sectors covered by CBAM decrease their actual emissions.

- The EU and its Member States are the first contributor to the international climate finance with a contribution of 28.5 billion EUR from public sources in 2022. On top of the financial assistance, the EU and it Member States are giving targeted support to developing countries, to develop their own carbon pricing systems if they so wish, and/or in decarbonizing their energy systems.
- Member States can also use EU ETS revenues to strengthen such support. The revised ETS Directive calls upon Member States to dedicate a larger portion of their ETS revenues to international climate finance.

95. The Sustainable Finance Framework is too ambitious, and is having unwanted negative consequences on the competitiveness of our economy, it is forcing industries out of business, and people are losing their job. What do you propose to do to address this problem?

Background

The EU's Sustainable Finance Framework consists of 3 main pillars:

1) Disclosures/ transparency by financial undertakings (Sustainable Finance Disclosures Regulation) and all large and/or listed corporations (Corporate Sustainability Reporting Directive/European Sustainability Reporting Standards) including alignment with the EU Taxonomy;

2) The EU Taxonomy itself, defining "green" investments across a wide range of economic activities; and

3) Specific, voluntary tools, e.g. the climate benchmarks (on which financial products are built) or the EU Green Bonds Standard.

The only mandatory parts are disclosures to foster transparency in markets; the rest is essentially voluntary. According to the EIB's latest annual investment report (2022/23), Europe's main strengths lay in the areas of electrification, energy efficiency and the transport and mobility sector. Europe holds the most internationally oriented climate-related patents in these areas — more than China and the United States. It also saw the highest increase in patenting in these domains compared to other regions over the past decade.

Answer

- **Most of the Sustainable Finance framework is voluntary. The only mandatory parts are disclosures to foster transparency in financial markets and allow informed investment decisions. This will certainly not put business at risk. Quite the contrary, it will help future-proof companies to attract more investments.**
- In view of the fierce global competition in this growth area, the Sustainable Finance Framework is a key enabler to make this transition happen and harness the associated opportunities.
- This means investments into for instance clean energy, industry or mobility, which lower dependency on fossil fuels and ultimately lowers costs for citizens and increases their well-being.
- Sustainability disclosures are a key pillar of sustainable finance. They provide companies and markets at large with transparency on sustainability risks, opportunities and impacts

needed to navigate the transition. Thanks to the EU's leadership, countries around the world are also putting in place taxonomies and disclosures and issuing green bonds. And we are working with them to come to common standards (International Platform on Sustainable Finance).

96. The Sustainable Finance Framework is not ambitious enough. Investment in sectors that contribute to climate change problem, such as gas or aviation, are still considered "green" under the EU taxonomy. How do you propose to address this problem so that the EU can keep its leading role in the fight against climate change?

Answer

- **Activities that currently contribute the most to climate change, have the greatest potential to become part of the solution.**
- For this to happen, the right criteria for a given activity to qualify as "green" have to be established in the Taxonomy, through a science-based process.
- The Taxonomy is a "living document" that is regularly updated, in line with the latest technical progress and scientific knowledge. This regards in particular "transition" activities.
- The Commission should regularly review these activities to ensure that only the activities that are the most instrumental to support the transition to a climate-neutral economy in a manner that is consistent with a pathway to limit the temperature increase to 1.5 degrees are considered green.
- I am confident that the dynamic Taxonomy will help the EU meet its climate and sustainability objectives.

Defensive*:* Gas is not green, how can this be included in the EU Taxonomy?

- The Commission is not labelling natural gas as green. We are aware that it is a fossil gas that depending on the origin can have as high GHG emissions as coal. Hence, there are very stringent conditions attached to the classification of natural gas reflecting the current technological reality: Any new/upgrade of existing gas power/heat plant or combined heat and power is either below 100gr CO_2 threshold (i.e. Carbon Capture and Storage) or, subject to a sunset by 2030, meet a number of stringent conditions, including the use of gas as a transition fuel between coal and renewables, with a clear commitment for full switch to renewables by 2035 (with intermediate steps in 2026,-30% - and 2030 -55%).
- All in all the criteria ensure that any investment into gas is made using the most advanced technique to limit emissions and do not hamper the efforts towards climate neutrality.

97. **Why isn't the EU investing in voluntary carbon markets / international carbon markets? This would lower the cost of compliance for our companies and also finance developing countries.**

Background

The EU actively supports the development of both international carbon markets (under Article 6 of the Paris Agreement) and voluntary carbon markets (via work on high integrity standards and principles). However, in accordance with the European Climate Law the EU does ***not*** *allow any of the credits these initiatives generate to be used for counting towards our domestic 2030 target.*

In the international environment though, these markets can deliver some of the finance needed for climate investment. President Von Der Leyen sent a positive message on this at the Africa Climate Summit in Nairobi this September: "There is another solution that would unlock huge resources for climate action in Africa. That is carbon pricing and true carbon credits…".

Answer

- **There is a role for voluntary carbon markets and for international carbon markets – if they promote effective climate action. The Commission actively supports integrity and transparent accounting for these markets. However international carbon markets should not delay the much-needed mitigation efforts and investments by corporates or developed countries.**
- There is enormous interest from host countries and project developers in the potential of the **voluntary carbon markets to deliver finance** to mitigation. Of course, we welcome voluntary action, particularly by corporate entities, but, there is also **scepticism** regarding the claims being made by companies when using carbon credits, both as to the effect on own reductions and to the quality of the credits used.
- We are working on addressing these weaknesses in our domestic legislation.
- First, the **Corporate Sustainability Reporting Directive** improves transparency and quality in voluntary markets in terms of documenting companies' climate impacts, risks and opportunities, including carbon credit use. Via the proposed Green Claims Directive and the adopted Directive on Empowering Consumers for the Green Transition, we are **preventing greenwashing** in the form of misleading climate claims, including claims based on carbon credits. Finally, the Carbon removal and carbon farming Directive sets a framework to certify high quality carbon removals.
- At international level, we continue to support and advocate the full implementation of Article 6 of the Paris Agreement and are promoting the Call for Paris Aligned Carbon Markets, which will help enhance integrity of domestic, international and voluntary carbon markets.
- In line with the Climate Law, the EU intends to achieve its emissions reduction target domestically. We therefore do not intend to buy carbon credits on international markets for compliance towards our NDC. However, we do allow that companies purchase carbon credits on voluntary markets, subject to the upcoming greenwashing protection legislation I mentioned before (Green Claims Directive in co-decision; Empowering Consumers Directive in force).

Defensive: Can international credits play a role to reach the EU's domestic climate target or in the EU ETS?

- While we think that with the right standards voluntary markets can have a role to play, **they are no substitute for strong domestic action**, including domestic pricing and **compliance markets**. These have demonstrated their potential to drive both emissions cuts cost-effectively and deliver significant revenue.
- The European Climate Law has an EU domestic climate target. In line with this, the EU ETS and Effort Sharing Regulation only allow for emissions reductions made within the EU, and also the CRCF is purely domestic.

98. EU-UK relations

How will relations develop between the EU and the United Kingdom under the new Commission?

- The 2024-2029 Political Guidelines of President von der Leyen make clear that the Commission wants to strengthen the relations between the EU and the UK.
- They highlight the need to work "with like-minded partners and friends within the G7 and beyond" and outline the ambition "to strengthen relations with the United Kingdom on issues of shared interest, such as energy, security, resilience and people-to-people contacts".
- Building **a new and positive agenda with the UK** will therefore be high on the agenda of the next Commission.
- A prerequisite for this positive agenda is the **respect of existing legal and political commitments**. The full, faithful and timely implementation of the Withdrawal Agreement, including the Windsor Framework, and the Trade and Cooperation Agreement, will therefore be key.

If asked to elaborate:

- We see three key pillars for our relations with the UK for the period ahead:
  - **Security and resilience.** The case for deeper cooperation is clear - Europe and its neighborhood are facing unprecedented geopolitical challenges and we must work together with friends and allies. Enhancing joint efforts on EU-UK security and defense could entail setting up a more formal, structural setting for cooperation in these areas.
  - **People-to-people contacts**. Both the EU and the UK have to ensure that citizens enjoy their full rights under the Withdrawal Agreement, in the EU and in the UK, now and in the future. An EU-UK "youth mobility scheme" is for us an indispensable element of this new agenda. Ensuring that our young people can live, study and work together is essential for our future relationship.
  - **Protection of our planet and its resources.** Energy and climate are a clear example of this agenda. We want to fully exploit the potential of the Trade and Cooperation Agreement, including by deepening cooperation on security of supply,

and work on the implementation of electricity trading arrangements. Any new agenda has to address sustainable and predictable fisheries' relations.

Defensives

Will the EU and the UK link their Emissions Trading Systems?

- The Commission took good note of the call, voiced by the new Government in the run-up to the elections, for an agreement on the linking of the emission trading systems.
- The Commission is prepared to explore these ideas with a clear objective of joining forces in high climate ambition.

Background

The TCA keeps open the possibility for the EU and UK to link Emissions Trading Systems. Linking Emission Trading Systems has benefits for climate action as it would lead to more cost-effective emission reductions. We would have to negotiate an international agreement. For the EU, this requires a number of steps: the Commission will need to get a negotiation mandate from the Council. The European Parliament would be involved in the ratification process. We would have to address sensitive issues such as dynamic alignment of UK rules to EU rules, and the role of the Court of Justice.

What are the shortcomings in the implementation of the Withdrawal Agreement?

- The implementation of the Withdrawal Agreement by the UK needs to be substantially improved.
- **In the area** of **citizens' rights** for example, overall cooperation has been good. But the UK Government needs to take further action so that citizens who are beneficiaries of the Withdrawal Agreement fully enjoy their rights. There are more than 5 million EU citizens in the UK and more than 1 million of UK nationals in the EU.
- **As regards the implementation of the Windsor Framework**, its full, timely and faithful implementation is yet to be achieved in practice. The Framework is a careful balance of flexibilities for the UK and safeguards for the protection of the EU Single Market. The UK Government needs to deliver these safeguards fully, in particular in the areas of agri-food and customs.

Will you re-negotiate the Trade and Cooperation Agreement?

- The Commission believes that the new agenda between the EU and the UK can be delivered though new agreements alongside the TCA, which should remain the cornerstone of the EU-UK relationship.
- It is an extremely comprehensive agreement which is more ambitious than any agreement we have with a third country.
- Given that the UK's red lines have not changed (the UK will not rejoin the Single Market and the Customs Union, and will not accept Free Movement of People), it is unlikely that reopening the TCA would bring benefits for either side.
- It has been in force for less than 4 years and was the outcome of intensive negotiations between the EU and the UK. Its implementation so far appears to be smooth.
- It remains the cornerstone for the EU-UK relationship.

What is the potential of the 'review clause' in the Trade and Cooperation Agreement?

- The TCA is the outcome of intensive negotiations between the EU and the UK and our focus will continue to be on its implementation.
- The TCA's 'review clause' is not a commitment to reopen the TCA or to negotiate supplementary agreements.

Background

Article 776 of the Trade and Cooperation Agreement commits the Parties to "jointly review the implementation of this Agreement and supplementing agreements and any matters related thereto five years after the entry into force of this Agreement and every five years thereafter."

Will you conclude new agreements with the UK?

- Yes, we see scope to explore agreements alongside the TCA. As always, it takes two sides to agree. We have made a proposal to the Council for negotiating directives related to youth mobility. We think that it is essential for our future relationship that our young people can live, study, and work together. So far, the UK has not been enthusiastic about dealing with this issue at European level.
- Similarly, we see scope to have a more structured approach to our cooperation on security and defence. As friends and allies we have to work together as closely as possible in the current geopolitical context. We understand that the UK government is also keen to explore this area.
- We are also ready to explore deeper cooperation for example on sanitary and phyto-sanitary issues, mutual recognition of professional qualifications as provided for in the TCA, and on our respective emissions trading systems.

Will there be new structures, e.g. an EU-UK Trade and Technology Council?

- Our priority remains to take full advantage of the many existing structures created by the TCA and to exploit them more fully.
- The TCA provides a sophisticated governance structure, including 19 Committees and 5 Working Groups, overseen by a Partnership Council.
- These structures provide the relevant fora to discuss such matters with the UK.
- More than 20 meetings of the Committees under the Agreement will meet this autumn to discuss issues ranging from regulatory cooperation to intellectual property and technical barriers to trade.

Background

The Trade and Technology Councils with the US (or India) was established because the EU has no trade or cooperation agreement with this partner in place and no governance structures similar to those under the TCA.

Will there be an EU-UK Summit?

- We believe that organising a EU-UK Summit early next year would allow us to frame the positive relationship for the period ahead.

- The decision on organising such a Summit is for the President of the European Council.

VII) Personal commitment

99. What is your personal carbon footprint? How much should the EU regulate people's behaviour?

Background

Net GHG emissions per capita in the EU were about 7.0 tCO_2-eq in 2022, down from 11.1 tCO_2-eqin 1990 (a 37% fall). There are wide disparities between Member States, with Ireland and Luxembourg at the top end with close to 12 tCO_2-eq (in part due to high emissions from the sale of gasoline in Luxembourg and international aviation in Ireland) and Sweden at the bottom end with 0.4 tCO_2-eq. Within Member States disparities are very large across income groups and linked to expenditure levels and habits (frequency of international (air) travel, energy consumption linked to house size, levels of consumption, etc.).

Answer

- **Each and every citizen should strive to reduce their carbon footprint, but the EU will not regulate individual behaviour and tell people how to live.**
- [CAB to add personal]
- EU citizens overwhelmingly support action for the climate, and many are already taking steps to reduce their individual carbon footprints with voluntary behavioural changes.
- There are many actions that individuals can take to reduce their emissions, from adapting consumption patterns like consuming locally, consuming low carbon products, minimising food and other types of waste, recycling and modifying mobility patterns or modes of transport.
- Preventing greenwashing is essential for consumers to be able to make informed purchasing decisions. That is the objective of the "twin" Green Claims Directive (in co-decision) and Empowering Consumers for the Green Transition Directive (in force).
- Regardless of how important individual action and behavioural changes may be, they will not be sufficient on their own to achieve the level of mitigation required in the decades to come.
- The EU does not intend to tell people how to live or regulate their actions. Instead, regulatory efforts are concentrated on businesses and on ensuring that the (relative) prices of goods and services reflect their social cost.
- The pricing of carbon emissions via the EU emissions trading system has been the keystone of climate policies for quite some time already. It has enabled a sharp reduction in CO_2 emissions from the power sector and industry.
- It will continue to act as a strong mechanism to price the external cost of carbon emissions and steer investment in the direction of climate neutrality, and its extension to CO_2 emissions from road transport and buildings will be of critical importance.
- Without prescribing people how to live, EU climate policies will continue to steer and support investment in the right direction.

100. Rail is the most ecological mode of long-distance transport, how will you promote rail to make it competitive against private car use or aviation?

Background

The Commission has various initiatives in place to increase the efficiency and attractiveness of the EU rail system. These include initiatives on:

- *Infrastructure: revision of Trans-European Transport Network (TEN-T) Regulation containing improved technical requirements for rail infrastructure. Realisation of TEN-T is supported by the Connecting Europe Facility (CEF);*
- *Use of infrastructure: the Commission adopted in July 2023 a legal proposal to optimise the use of rail capacity, especially cross-border;*
- *Technical and operational rules: in August 2023 the Commission adopted a package of revised Technical Specifications for Interoperability which simplify setting up and operations on cross-border rail services and the management of networks;*
- *Better information to passengers and customers: in July, the Commission adopted a proposal for legislation on the accounting of GHG emissions of transport services (CountEmissionsEU);*
- *Carbon pricing in aviation, road transport and maritime through the EU ETS.*
- *Options to enhance inter-urban rail connectivity between major European cities could be further analysed.*

Answer

- **Promoting rail will be a priority for the future Sustainable Transport and Tourism Commissioner [Apostolos Tzitzikostas is the Commissioner designate] and for myself. The Commission is working continuously to deliver on the Sustainable and Smart Mobility Strategy milestones. This includes the milestones on rail.**
- People show an increasing interest to travel by rail but many factors still hold rail back and prevent its optimal use of the Union's rail system. We have analysed these obstacles in our action plan to boost long-distance and cross-border passenger rail and we have proposed, and will propose, legislation to address them.
- I will continue the work on pricing carbon through the implementation of the Fit for 55 package. In this respect, the EU ETS covers intra-EEA aviation since 2012 and has recently been extended to the maritime sector. The new ETS will cover road transport. This helps rail to benefit from its sustainable performance.
- The new Commission will work on a plan for an ambitious European high-speed rail network to help connect EU capitals and a Single Digital Booking and Ticketing Regulation to ensure that, on one single platform, Europeans can buy a single ticket for their whole trip and benefit from passenger rights protections.
- The Commission works as one team, and I will work closely with the Commissioner responsible for sustainable transport on our shared agenda. We will continue to analyse options to enhance inter-urban rail connectivity between major European cities.

Defensive: Should ETS revenues be earmarked for the development or improvement of rail infrastructure or equipment?

- ETS revenues can already be used to invest in and accelerate the shift to forms of transport which contribute significantly to decarbonisation, including the development of climate-friendly passenger and freight rail transport. Some Member States are already using a significant share of their ETS revenues in rail investment.
- In addition, the ETS Innovation Fund can also provide support breakthrough innovative technologies and infrastructure in the rail sector. Similarly, the Modernisation Fund, also financed by the ETS revenue, is financing rail projects.

101. How will you ensure good cooperation with the European Parliament? Can you increase the EP involvement in COP negotiations and international outreach?

Background

The European Parliament sends a delegation to the annual COP meetings, usually of around 15 MEPs drawn from the Environment, Industry and Development Committees and reflecting the political balance of the Parliament. A common complaint of the Parliament is that they should be part of the EU negotiation team as co-legislator. The Treaty does not provide for this however, with international negotiations led by the Commission in cooperation with Ministers of the Member States. Nevertheless, the Commission (usually the Commissioner or senior official if unavailable) has the practice of briefing the EP delegation on a daily basis on the developments in the negotiations, in line with the Framework Agreement on relations between the European Parliament and the Commission which provide for the Parliament to be kept fully informed on developments regarding the negotiation of international agreements.

Answer

- **The Parliament's involvement and support for the EU position in the context of the international climate negotiations plays a critical role in achieving our aims at the annual COP meetings and I look forward to continuing the close collaboration.**
- The Parliament's outreach to peers and other stakeholders (from inside and outside the EU)] during the Conferences and outside them is also much appreciated in terms of the EU speaking with one voice and sending strong messages to international partners on the importance of ambitious global climate action.
- I look forward to discussing international issues here in the future, and to interacting with the EP delegation during the negotiations.

102. What is the state of EU public opinion on the climate crisis? Can we count on citizens to support an ambitious EU climate policy? How will you keep citizens involved in climate policy?

Background

Public support for climate action in the EU is high. The vast majority (93%) of EU citizens see climate change as a serious problem and are already taking individual actions to counteract it. More than half (58%) want to speed up the transition to a green economy (Eurobarometer, *May/June 2023). Still, we should not take that support for granted - we must remain vigilant against growing climate skepticism and the spread of disinformation about the climate crisis. The onus is on the EU to engage citizens in the green transition and support them to participate in it so that no one is left behind.*

Answer

- **In spite of the many crises Europe has been facing, public support for climate action remains very strong – but it should not be taken for granted.**
- The vast majority (93%) of EU citizens see climate change as a serious problem and more than half (58%) want to speed up the transition to a green economy (Eurobarometer, May/June 2023). Eight in ten citizens agree that working towards climate neutrality in 2050 will bring prominent benefits in terms of new jobs and investments in the clean energy sector (Eurobarometer on energy, April/May 2024).
- As policymakers, we must remain vigilant against climate scepticism and counter the growing trend of **disinformation** and misinformation, by providing clear and accurate information and engaging in **dialogue** with citizens and stakeholders, including on the opportunities provided by the transition.
- The transition can only succeed with support of the public. I wish to scale up our engagement through initiatives such as the European Climate Pact and engaging NGOs, youth groups and climate activists in policymaking, but also ensuring that those most vulnerable to the socioeconomic impact of the transition are empowered to benefit from the opportunities it creates.