

CALL FOR EVIDENCE FOR AN IMPACT ASSESSMENT

TITLE OF THE INITIATIVE	2040 Climate Target
LEAD DG (RESPONSIBLE UNIT)	CLIMA.A2 (Foresight, Economic Analysis & Modelling), CLIMA.A1 (Strategic Coordination, Legal & Institutional) ENER.A4 (Chief Economist Team), ENER.A1 (Interinstitutional, policy coordination and planning)
LIKELY TYPE OF INITIATIVE	Non-legislative
INDICATIVE TIMETABLE	Q1-2024
ADDITIONAL INFORMATION	Climate Action (europa.eu) 2030 Climate Target Plan (europa.eu) 2050 long-term strategy (europa.eu) REPower EU Governance of the Energy Union and Climate Action

A. Political context, problem definition and subsidiarity check

Political context

Climate change remains the defining challenge of the coming decades. The detrimental effects of global warming are becoming more frequent and evident, with devastating impacts across the globe. Droughts, flooding, forest fires and storm surges linked to sea level rise are becoming increasingly frequent, impacting wider areas and severely affecting more people, businesses and infrastructure. According to the World Meteorological Organization, Europe is warming twice as fast as the global average, which has already reached 1.1°C in 2020. The world is not on track to meet the Paris Agreement objective of limiting the temperature increase to below 2°C, let alone 1.5°C.

The EU has developed a comprehensive set of climate, energy and related legislation and enabling policies that have allowed the EU to reduce its own greenhouse gas (GHG) emissions, exceeding its climate commitments. In doing so, it has successfully decoupled economic activity from GHG emissions and spurred the development of clean energy. As an essential part of the European Green Deal, the European Climate Law¹ enshrines the EU's commitment to become the first climate neutral continent by 2050, providing a clear indication of the direction of travel, and commits to reducing net GHG emissions by at least 55% compared to 1990 in 2030, as the European contribution to the goals of the Paris Agreement.

The urgent need for strong global action to tackle climate change comes at a time of high energy prices and geopolitical tensions, triggered by Russia's invasion of Ukraine that has put the focus on energy security. While the war risks diverting resources and political attention away from climate action, it has also highlighted the economic and strategic vulnerability that comes with dependence on the use of fossil fuels, which is the main driver of climate change. The energy crisis brought about by the war has made very clear the need to step up the transition to clean energy, energy efficiency and climate neutrality in the EU and globally both for energy security and economic stability.

It is now more important than ever for the EU to get and stay on track to climate neutrality and resilience, providing a positive example to galvanise global action and to work with our partners worldwide to develop the solutions needed for all to transition to climate neutrality.

The 'Fit for 55' legislative package², will accelerate the modernisation of our economy, ensuring a just and socially fair transition, while maintaining and strengthening innovation and competitiveness of EU industry and a more efficient use of our natural resources. It is essential for a green, digital and resilient economy.

The updated national energy and climate plans, to be delivered by Member States by 30 June 2024, should be a

¹ Regulation (EU) 2021/1119.

² https://ec.europa.eu/commission/presscorner/detail/en/IP_21_3541

key instrument for Member States and the EU to plan and achieve 2030 objectives on the way to the 2050 climate neutrality objective. Member States have been invited to update their long-term strategies by 1 January 2025³.

Problem the initiative aims to tackle

The EU has set out its climate targets for 2030 and 2050, and is agreeing and setting in motion the policy measures needed to meet the 2030 target and accelerate emissions reductions. Considering the nature of the transformation, the time and extent of policy and economic decisions and the importance of avoiding carbon lock-in, a clear GHG reduction path beyond 2030 towards the 2050 climate neutrality objective is needed. Setting a 2040 target for EU GHG reductions will impact many economic sectors and territories in the EU. It may require policy responses in many fields beyond climate policy, such as social and labour market policies. Energy will play a central role in this process as its production and use (including by households, industry, services and transport, including maritime and aviation) account for more than 75% of total emissions. Agriculture, waste and industry also generate significant amounts of non-CO₂ emissions. The EU's land use sector (agriculture land, forests and other natural land) is presently a net sink of CO₂, meaning that it removes more CO₂ from the atmosphere than it releases GHGs.

The European Climate Law (Article 4) calls on the Commission to make a proposal to set an intermediate Union-wide climate target for 2040 with a view to achieving the climate neutrality objective by 2050 and to publish a report on the projected indicative GHG budget⁴ for 2030-2050. This initiative aims at proposing the 2040 climate target, in view of an amendment to the European Climate Law.

The proposed target will be crucial in sending a clear signal to stakeholders on the way forward. It will strengthen certainty and predictability for political choices and investment decisions. It will be the corner stone of the future preparation of the post-2030 policy framework to ensure that the EU's GHG emissions actually decrease towards climate neutrality by 2050. Without a 2040 climate target, the EU would be at risk of missing its domestic climate objective for 2050 and possibly undermine its capacity to spur climate action internationally. The Paris agreement also calls for a regular update of parties' nationally-determined contributions to increase collective global climate ambition.

The initiative should also foster international climate action and assist the EU in boosting international coalitions towards meeting the Paris Agreement's climate objectives.

Basis for EU action (legal basis and subsidiarity check)

Legal basis

The initiative is proposed under European Climate Law (Regulation (EU) 2021/1119) Article 4(3), which calls on the Commission to make a legislative proposal, as appropriate, for a Union-wide 2040 climate target within 6 months of the global stocktake under the Paris Agreement in November 2023.

Practical need for EU action

Climate change is a trans-boundary problem, where coordinated EU action needs to supplement and reinforce national and local action. EU-level coordination enhances climate action and EU action is justified on grounds of subsidiarity, in line with Article 191 of the Treaty on the Functioning of the European Union. Since 1992 the EU has worked to develop joint solutions and drive forward a global agreement to fight climate change.

Setting a 2040 target for EU GHG reductions will have implications across the whole EU economy and may require EU level policy responses in many fields, not limited to climate policy itself. The impacts on economic activity and employment, territorial cohesion, the environment, energy security of supply, public health, affordability, distributional implications, trade and international relations can all be better considered at EU level.

Action at the EU level is therefore indispensable and coordinated EU policies have a much bigger chance of leading to a true transformation, particularly given the global dimension of the challenge, while taking into account different capabilities to act between Member States and regions and the EU single market as a strong driver for cost-efficient change.

B. Objectives and policy options

The main objective of this initiative is to propose a Union-wide climate target for 2040 that will put the EU on a

³ Article 15 (1) of Regulation 2018/1999 on the governance of the Energy Union and Climate Action

⁴ The greenhouse gas (GHG) budget is defined as the cumulative net GHG emissions over the period – see Climate Law Article 4(4)

gradual and just transition towards climate neutrality by 2050. Policy options will therefore revolve around different levels of reduction in net GHG emissions by 2040 compared to 1990, taking into account the implications of these options on the GHG budget for 2030-2050. The initiative will also look at the role of carbon dioxide removals.

The Russian invasion of Ukraine reminded Europe of the importance of securing energy supplies. Reduced reliance on imported fossil fuels will be an important co-benefit of a reduction in GHG emissions.

The initiative will also aim to develop an EU approach to foster stronger collaboration and international action. It will contribute to the EU's outreach on the global climate policy scene, in view of updating nationally determined contributions (NDCs) by 2025 and engaging with other Parties of the UNFCCC.

The assessment will provide insights into the required sectoral transformations over the coming decades resulting in deep emission reductions and increases in carbon removals. It will inform the actions necessary to steer the reductions in GHG emissions to achieve such a target for 2040 and set the EU on track towards its 2050 climate neutrality objective, as well as the possible evolution of the policy architecture and enabling framework post-2030.

C. Likely impacts

Likely economic impacts

Recent impact assessments by the European Commission have highlighted that, while the overall impact on GDP is likely to be limited⁵, the transition to climate neutrality will be of a transformative nature for our economies and that significant changes will need to take place in production processes and consumption patterns.

The transition towards climate neutrality is expected to require a significant increase in investment by businesses, households and the public sector, together with a reallocation of capital across sectors or technologies. The macro-economic implications of this requirement will be analysed, alongside risks related to implementing the necessary investment push, e.g. in terms of stranded assets. The transformation will have impacts across and within economic sectors. It will affect patterns in international trade in goods and services and will drive changes in sectoral employment and skills requirements. These impacts are likely to affect EU regions in different ways and to unevenly affect workers depending on their skills level and sector of activity.

The European Climate Law also calls on the Commission to consider the 'cost of inaction' when proposing a 2040 climate target. The impact assessment will look at the potential implications of an increase in global temperatures and the associated extreme weather events. The indirect costs of inaction related to the foregone co-benefits of mitigation policies will also be considered. This will include analysing the extent to which economic and strategic vulnerability due to the EU's dependence on imported fossil fuels could be alleviated by the 2040 climate ambition.

Likely social impacts

A just transition is at the heart of the European Green Deal and the objective of climate neutrality by 2050⁶. The implications of trends and distributional effects on sectoral employment and skills needs will be analysed.

The impact assessment will also look at the potential distributional impacts of the 2040 climate target proposal. The ongoing energy crisis triggered by Russia's war of aggression against Ukraine has put the question of exposure to high energy prices (in particular natural gas and electricity) in a different light. This will be done taking into account the implications of changes in relative prices across the economy, notably energy prices, and looking at affordability of housing and mobility and at the ability to invest in more efficient consumption patterns across households income groups, for instance in the energy efficiency of buildings, in energy efficient appliances or sustainable modes of transport.

Efforts to mitigate GHG emissions bring about additional benefits: lower air pollution (associated with lower use of fossil fuels would deliver significant benefits in terms of health), lower congestion in cities, improved buildings and greener cities. All would have positive impacts on well-being.

Tackling climate change also addresses the concerns of EU citizens, notably younger people, that action on climate change is urgent and crucial for their future⁷.

Likely environmental impacts

The key environmental objective of this initiative is to tackle climate change and strengthen the EU's global leadership in the fight against climate change. Co-benefits, synergies and potential trade-offs with air pollution,

⁵ See the 'In-Depth Analysis in support of the Commission Communication COM(2018) 773' (Section 4.10.5), and the Impact Assessment of the 2030 Climate Target Plan SWD(2020) 176 final (Section 6.4.2).

⁶ Eurobarometer on fairness perceptions of the green transition: <https://europa.eu/eurobarometer/surveys/detail/2672>

⁷ Eurobarometer on Climate Change: https://ec.europa.eu/commission/presscorner/detail/en/ip_21_3156

water supply, waste management, resource efficiency, circular economy and biodiversity also exist and deserve attention.

Likely impacts on fundamental rights and equality

The initiative is in line with Article 37 of the Charter of Fundamental Rights, which states that a high level of environmental protection and the improvement of the quality of the environment must be integrated into the policies of the Union and ensured in accordance with the principle of sustainable development. No relevant impacts on other fundamental rights are expected.

D. Better regulation instruments

Impact assessment

An impact assessment supporting this initiative is expected to be published in 2024.

It will rely on economic and partial equilibrium analyses of the energy, transport, residential, services and industrial system, the sectors emitting non-CO₂ emissions (agriculture, waste and energy) and the land use sector, to project economy wide pathways towards climate neutrality by 2050 through different ambition levels for 2040 and will look at how the EU's GHG budget for 2030-2050 fits with the Paris Agreement temperature goals.

It will explore sectoral transformations beyond 2030, including in the energy sector, residential buildings, transport, services, industry, waste, agriculture and the land sector, looking at sectoral pathways and their respective emissions and removals, the technological innovation required and the economic and social impacts. The assessment will take into account different possible solutions (technological and non-technological), identify barriers to faster uptake (regulatory, technological, financial and operational) and possible approaches for overcoming these barriers. The analysis will factor in recent developments to the extent possible, notably the Fit for 55 package, the REPowerEU Plan and other initiatives under the European Green Deal. It will also take into account the energy crisis and the global context.

The analysis will look at the sensitivity of the proposed options to different drivers. The impacts on economic activity and the social implications or the environmental consequences will also be explored. It will look at the cost of inaction to mitigate climate change, in terms of climate change impacts as such and in terms of co-benefits of climate mitigation policy.

This impact assessment will inform the future preparation of a post-2030 policy framework (policy proposals which will however have their own dedicated impact assessments).

Consultation strategy

The Commission will collect the views of key stakeholders through a 12-week public consultation to be launched in 2023. These views will be integrated into the impact assessment on the 2040 climate target.

- The public consultation will take the form of a questionnaire to which respondents can attach position papers.
- The public consultation will be accessible on the Commission's [central public consultations portal 'Have your say'](#), the [DG CLIMA website](#) and the [DG ENER website](#).
- Stakeholder documents other than position papers submitted through the portal, such as policy briefs or roadmaps, will also be considered.
- The public consultation will be in all 24 official EU languages.

The public consultation will inform the impact assessment. A factual summary report and a synopsis report summarising the results will be made public after the consultation.

In line with the European Commission's Better Regulation policy to develop initiatives informed by the best available knowledge, we invite scientific researchers, as well as academic organisations, learned societies, and scientific associations with expertise in the analysis of climate mitigation strategies and in the analysis of climate impacts to submit relevant published and pre-print scientific research, analyses and data. Submissions that synthesise the current state of knowledge in relevant fields are particularly welcome.

The advice of the Scientific Advisory Board on Climate Change, established under the European Climate Law, will also inform the assessment.

Why we are consulting?

The public consultation will allow evidence and feedback to be collected from stakeholders on the EU's future climate ambition and its challenges and opportunities for all sectors of the economy. This will enrich the Commission's assessment of a suitable 2040 climate target, inform the analysis of the sectoral transformations needed to meet this target on the way to achieving climate neutrality by 2050, and provide input on the possible evolution of climate policy instruments beyond 2030.

Target audience

The public consultation is aimed at the general public and at stakeholders engaged in or possibly affected by the transition, such as national, regional and local governments and authorities, relevant industrial sectors and related associations, social partners, consumers and professional organisations, NGOs, research and academic institutions and public procurement authorities.