JOINT INDUSTRY DECLARATION
A 2040 CLIMATE TARGET FOR A COMPETITIVE EU

JULY 2025

We, European businesses, remain fully committed to the European Union's objective of achieving net-zero greenhouse gas emissions by 2050. The EU 2040 climate target and post-2030 climate architecture must enhance European competitiveness and support energy security while preserving environmental integrity. The definition of the 2040 target is a key opportunity to align ambition with industrial reality through a realistic and balanced approach, based on a thorough assessment of its feasibility, costs, and industrial implications.

Europe's transition to a decarbonised economy requires massive investments within a very short timeframe, which must be incentivised through improved framework conditions and targeted public support. Intermediate targets can guide progress towards the 2050 net-zero goal. The new 2040 climate framework must be backed by public and private financing efforts, industrial support mechanisms, stable energy prices and internal energy markets, showing that a business case for the EU's green transition exists across ecosystems — from clean energy deployment to maintaining industrial capacities and utilising demand-side measures for a competitive transition. This framework must respect Member States' freedom to determine and decarbonise their energy mix and ensure that all decarbonisation pathways – including nuclear energy, CCUS, low-carbon molecules, renewables and energy efficiency – are treated equally in a genuinely technology-neutral approach.

Continuity is essential to ensure stable returns on investments already made, but more must be done to unlock future investment decisions. With the 2030 and 2050 goals already in place, the 2040 pathway should likewise be guided by a clear goal, underpinned by decisive complementary action. This includes regulatory certainty, infrastructure readiness, and market alignment, ensuring the transition remains investable and acceptable. An annual EU-wide high-level stocktake should be introduced to evaluate progress, assess the impacts on competitiveness, and evaluate policy effectiveness, allowing for possible recalibrations. To safeguard industrial production and a legitimate climate transition, a level playing field and effective carbon leakage protection must be guaranteed. The EU must act boldly and deliver on the Clean Industrial Deal commitments to ensure decarbonisation and competitiveness go hand in hand. Achieving targets requires sustained public support and a strong industrial base; otherwise, little will be gained for the climate, economy, or social cohesion.

FOR THE EU TO SUCCESSFULLY ACHIEVE THE COMMISSION'S PROPOSED 90% REDUCTION IN NET GREENHOUSE GAS (GHG) EMISSIONS BY 2040, IT IS ESSENTIAL TO OUTLINE THE ENABLING CONDITIONS TO MEET THESE TARGETS REALISTICALLY. THEREFORE, WE URGE EUROPEAN LEADERS TO:

1 ENABLE HIGH-QUALITY INTERNATIONAL CARBON CREDITS AND INCENTIVES FOR CARBON REMOVALS

We advocate for a pragmatic, robust approach to integrating international carbon credits under Article 6 of the Paris Agreement into the EU's compliance system. Credible and verifiable frameworks for such credits can provide greater emissions reductions abroad at the same or lower cost than domestic measures without undermining EU climate ambition and investments. International credits must complement domestic decarbonisation efforts, and robust safeguards are needed to ensure these credits do not weaken incentives to invest in EU clean technologies or reduce industrial resilience. We therefore welcome the Commission's recognition of the potential role of international credits in its recent proposal. The use of international credits for compliance in the carbon market should be carefully considered rather than ruled out at the outset. We call for a swift impact assessment to clarify how international and EU carbon credits can be integrated into the post-2030 climate architecture and to define a balanced contribution to the decarbonisation target. Furthermore, the EU should present clear incentives for carbon removals within Europe to scale up the industry.

2 MAINTAIN GLOBAL LEADERSHIP TO ADVANCE AMBITION, INVESTMENTS AND LEVEL THE PLAYING FIELD

The EU's competitiveness, innovation, and investments are tied to a successful net-zero transition, and both must be pursued equally. Europe has a critical leadership role in setting the course for others. The formal adoption of the 2040 target is required to submit the EU's updated NDC for 2035 to the UNFCCC ahead of COP30 in Belém. Maintaining credibility and pressure in international climate diplomacy is key to raising global ambition and achieving a level playing field essential for effective climate action. The target must include safeguards for industrial competitiveness and be framed within a broader industrial strategy to ensure economic resilience.

3 ENSURE EFFECTIVE CARBON LEAKAGE PROTECTION AND PREPARE A REGULATORY ARCHITECTURE THAT IS FIT FOR POST-2030

Until a global level playing field is in place, robust carbon leakage protection is essential, including a structural reform of the Carbon Border Adjustment Mechanism (CBAM) to protect EU exports and close loopholes such as resource shuffling. If CBAM proves ineffective, the phase-out of free ETS allowances must be suspended until viable alternatives are in place. That said, carbon pricing should remain the main feature of the EU's climate framework. The Emission Trading System (ETS) has been key to the EU's climate efforts. To ensure a stable investment framework post-2030, legislative adjustments should be made early to avoid liquidity issues and extreme price pressures. ETS safeguards must be maintained, including compensation for further harmonized indirect carbon costs and a predictable phase-out of free allowances. We welcome the Commission's approach to integrating credible long-term negative emissions into the future ETS. This will support technologies like carbon capture, utilization, and storage (CCUS) and prepare the system for climate neutrality. The EU must carefully assess the market implications of the ETS review, including negative emissions, with continuous monitoring of ETS prices.

4 IMPLEMENT AND REVIEW FIT-FOR-55 INSTRUMENTS

One immediate step to support European industrial decarbonisation and competitiveness is to effectively implement existing Green Deal legislation. To ensure a level playing field within the internal market and reduce legal uncertainty for businesses, Member States must swiftly implement legislation, including the Renewable Energy Directive (RED), Net Zero Industry Act, and ETS 2, while the Commission should prioritise finalising secondary legislation. Before introducing new regulatory layers or additional sectoral targets, the EU should assess the cumulative impact of the Fit-for-55 package on investment, competitiveness, and innovation. Adjustments should be made where necessary to avoid overlaps, inefficiencies, administrative burdens, or conflicting sub-targets. Coherence and simplicity are key to fostering investment, particularly for sectors facing deep transformation.

5 SUPPORT TECHNOLOGICAL NEUTRALITY

A technology-neutral approach is essential for identifying the most cost-effective decarbonization pathways for energy and industry within an emissions trading system. We welcome the Commission's commitment to uphold technology neutrality in EU policymaking. This principle must be fully operationalised in the Commission's framework and upcoming actions, in line with the commitments of Commission President Ursula von der Leyen and starting with the implementation of the Clean Industrial Deal. The aim should be to ensure fair treatment of low-carbon solutions like nuclear energy, CCUS, decarbonised and low-carbon molecules, and infrastructure-based pathways. Technology neutrality should be guaranteed in practice not just in principle. The EU could introduce a "technology neutrality check" within its energy and climate framework to ensure equal treatment of all renewable and low-carbon energy sources. This is essential to safeguard innovation, investor confidence, and the ability of Member States to reach targets in the most effective and context-specific way. The EU must also scale up all domestic clean energy sources, including biomethane, nuclear, wind, solar, and hydrogen. The Clean Industrial Deal's initiatives to boost clean technology investments should be included in the assessment of the EU's post-2030 architecture, addressing funding and investment in clean innovation and transition technologies.

OUR MAIN CALL TO ACTION

European businesses stand united in supporting a 2040 climate target, as well as accelerated efforts and investments in implementation. Our recommendations aim to balance ambition with realism, integrating fair domestic action with the strategic and controlled use of high-quality international credits, fostering innovation, and ensuring social and industrial acceptance. Only a resilient, fair, and competitive transition will allow Europe to maintain global leadership and deliver on our 2050 net-zero goal. These efforts towards a competitive, resilient, secure, and sustainable Europe will uphold our collective responsibility as climate leaders. We look forward to working closely with EU institutions, member states, and industries to ensure these recommendations and enabling conditions are effectively implemented.

AUTHORS

BDI - The Voice of German Industry, Confederation of Danish Industry (DI), Confederation of Finnish Industry (EK), Ibec - Irish Business and Employers Confederation, Mouvement des entreprises de France (Medef), Confederation of Norwegian Enterprise (NHO), Confederation of Swedish Enterprise (SN).

BDI Bundesverband der Deutschen Industrie e.V. | Danish Industry | Confederation of Finnish Industries | Ibec For Irish Business | Mouvement des Entreprises de France | NHO Confederation of Norwegian Enterprise | SVENSKT NÄRINGSLIV SWEDISH ENTERPRISE