

A decade of national climate action: Stocktake and the Road Ahead

EUROPEAN UNION PERSPECTIVE ON CLIMATE ACTION TEN YEARS AFTER PARIS

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INTRODUCTION

Europe is the fastest warming continent in the world, and climate risks are threatening its energy and food security, ecosystems, infrastructure, water resources, financial stability, and people's health. Extreme weather events like storms, heatwaves and flooding accounted for 85,000 to 145,000 human fatalities across Europe, over the past 40 years. Over 85% of those fatalities were due to heatwaves. Economic losses from weather and climate-related extremes in Europe reached around half a trillion euros over the same period. Many of these risks have already reached critical levels and could become catastrophic without urgent and decisive action. Severe climate events already experienced throughout Europe are expected to worsen even under optimistic global warming scenarios and affect living conditions throughout the continent. Different regions in Europe are also more vulnerable to different climate risks. Changes in rainfall for instance differ considerably throughout Europe, with expected heavy rain in the north while lower rainfall combined to more frequent heatwaves will present a greater risk of drought and forest fires in the south of the continent.

EU GHG emissions

The EU has engaged in more ambitious climate action in the last decades which yielded results. Since 2005, EU domestic greenhouse gas (GHG) emissions, i.e. excluding Land use, Land-Use Change and Forestry (LULUCF) and international transport, have decreased by 29%. The GHG emission intensity of the EU economy, defined as the ratio between EU GHG net domestic emissions (i.e. including LULUCF net removals and excluding international transport) and GDP, was halved from 2005 to 2023 from close to 400 down to 207 gCO₂-eq/EUR. This decline was accompanied by a convergence among EU Member States. GHG emissions per capita followed a similar pattern, decreasing to 6.4 tonnes of CO₂-eq in 2023 (down from 10t in 2005), even though convergence among Member States is less rapid¹. The main conclusion of the latest EU-wide assessment of the final updated national energy and climate plans (NECPs) published at the end of May 2025 estimates that the continent is on track to achieve its objective of reducing GHG net emissions by at least 55% by 2030, compared to 1990 levels¹.

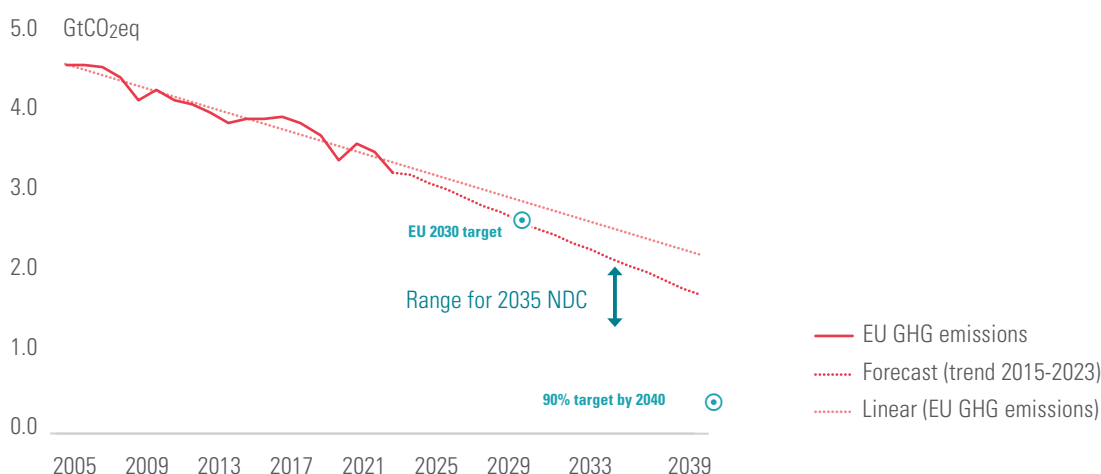
However, this is assuming that Europe will at least keep the pace of its emission reduction

since the adoption of the Paris agreement in 2015, and that Member States fully implement their climate-related policy frameworks. This assumption is somewhat ambitious as recent policy developments at EU level tend to demonstrate not only a lack of interest in further climate and environmental measures but more worryingly a tendency to weaken previously agreed commitments. The difficulty to agree on an emission reduction target for 2040 (see section 2) or recent developments in the hard-to-abate agriculture and transport sectors (section 4) are illustrative of this new political context. The EU has also engaged in reviewing and potentially weakening flagship EGD legislations such as the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), or more recently the EU Deforestation regulation.

This does not bode well to the notion that significant additional efforts will be required to achieve a net zero economy by 2050 which is the stated objectives of the European Union, nor to achieve a 90% emission reduction target by 2040 as per the current proposal by the European Commission or even the broader range of emission indicated in the statement of intent for the EU revised NDC (**Figure 1**).

¹ The EU expects a decrease in total net GHG emissions of around 54% in 2030 compared to 1990 according to its latest internal assessment.

Figure 1. EU GHG emissions



Source: author from EU EDGAR database

Historically, power industry represented the main polluting sector in Europe, accounting for 29% of total EU GHG emissions in 2005, followed by transport and building (18% and 15% respectively, see **Figure 2a**). However, EU undertook significant efforts in the decarbonisation of the sector since then, notably through electrification of its energy systems and the scaling up of renewables. In 2023, renewable energy was the leading source of electricity in the EU, accounting for 24% of all energy production². This trend combined with the stagnation of transport emissions, saw the latter becoming the most polluting sector for the first time in 2023 (24% of total GHG emissions against 20% for the power industry). Transport is thus a key sector to be prioritised in the coming years as it becomes increasingly important in the emission mix of the EU (see **Figure 2b**). Emissions linked to agriculture and building, where the pace of decarbonisation has remained limited or even moving in the opposite direction are also to be considered in priority. Meanwhile, action in the LULUCF sector is essential to enhance carbon removals.

Imported emission

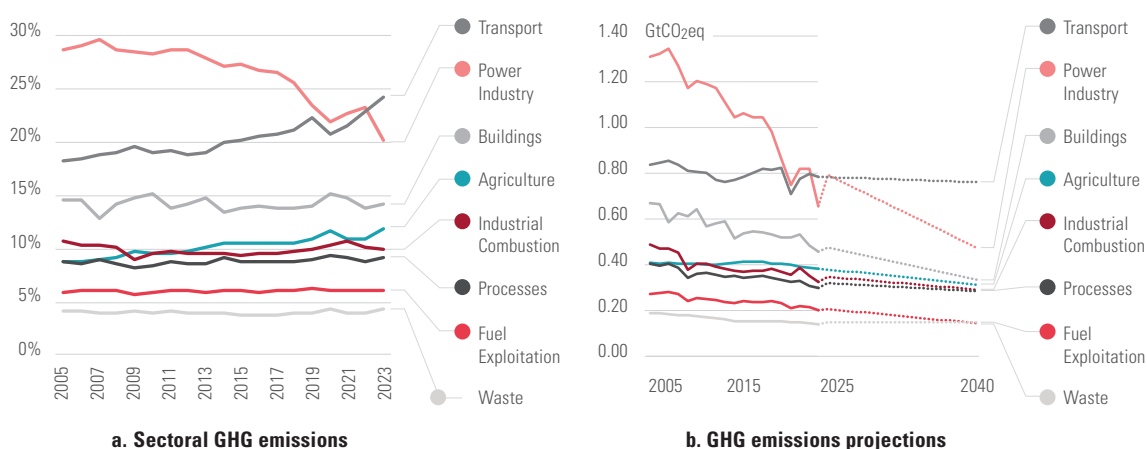
It is now well documented that the EU's consumption pattern and corresponding supply chains organisation generate negative spillover

effects on other countries. This external spillover occurs mostly through trade, although macroeconomic and financial policies (such as unfair tax competition or profit shifting) can contribute negatively on top of the trade-related impact³. We should note that the relations between trade and global CO₂ emissions are rather ambiguous. On the one hand, trade does support the competitiveness and thereby distribution of lower-emission goods, services and technologies around the world, which leads to lowering global emissions. On the other hand, trade can generate carbon leakage, meaning that it allows producers facing heightened sustainability standards in one region (say the EU) to simply move the production of their emission-intensive goods to a zone with lower CO₂ emission standards (and thereby costs). Trade also contributes to CO₂ transportation emissions.

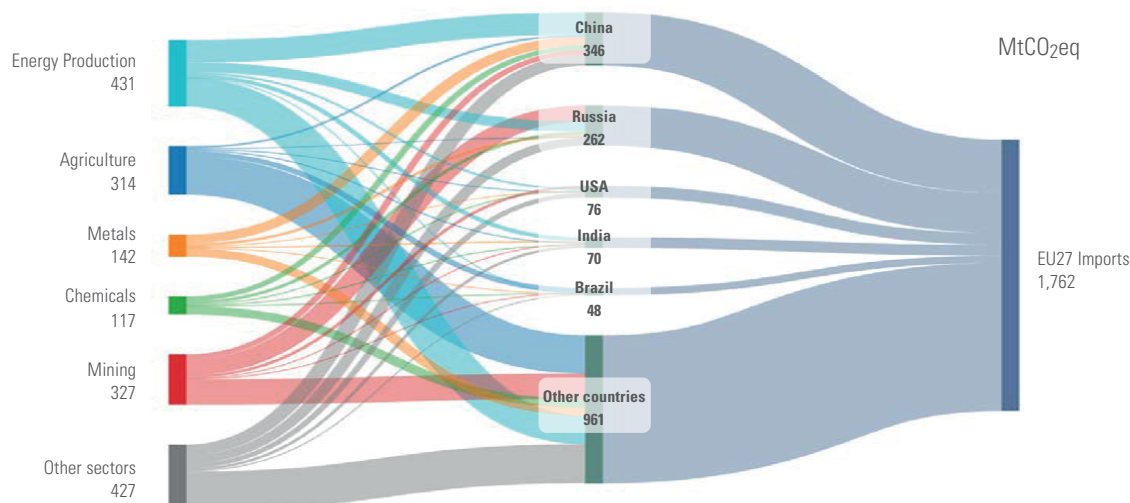
Overall, it is estimated that the EU's imports represent nearly half of its territorial emissions⁴. Energy production, agriculture and other sectors (including textiles) as the main contributor for EU imported emissions (**Figure 3**).

These "imported emissions" are not taken into account in the continent climate-related legal framework (see next sections), thereby questioning the validity of the domestic targets for the EU (and other developed nations).

Figure 2. Sectoral shares of total EU GHG emission (2005-2023) and projections per sector toward 2050



Note: projection over the period 2024-2050 is based on trends from the 2015-2023 period.
Source: author from EU EDGAR database.

Figure 3. Imported emissions – EU27 Top Countries and sector sources (2021)

Source: Carbon 4 & ECF - Imported emissions: from co-dependence to co-operative action (Ibid).

ROLE OF LONG-TERM

The EU possesses a very detailed climate policy framework that has achieved a central status in legal landscape. Although the EU's founding treaties do not explicitly define climate policy, Article 191(1) of the Treaty on the Functioning of the European Union (TFEU) refers to combating climate change as one of the core objectives of its policy on protecting the environment. The year 2019 marked a tectonic shift with the publication by European Commission of its communication on the European Green Deal (EGD)⁵, which put the EU firmly on track to tackling climate and environmental-related challenges in accordance with the Paris Agreement by achieving climate neutrality by 2050. In 2021, EU Institutions subsequently adopted the European climate law which enshrines this pledge into EU law and further sets an intermediate target to reduce GHG emissions by 55% by 2030 compared to 1990⁶. These commitment to climate neutrality by 2050 with intermediate targets are of great significance as they are relatively well specified: they are set at EU level, are economy-wide and to

be achieved domestically (i.e. without the use of international credits).

Looking ahead, the European Commission published a communication on 6 February 2024 recommending a 90% reduction in net GHG emissions by 2040 relative to 1990 as well as an impact assessment on possible pathways to reach climate neutrality by 2050⁷. The European Commission followed through with the submission of its formal policy proposal for a 2040 climate target of 90% GHG reduction on 2nd July 2025⁸. EU Member States and the European Parliament are now tasked to issue their position on this proposal and engage in a trilogue negotiation to formalise this target into the EU climate law. On that basis, the EU was also expected to submit its revised NDC At the UN General Assembly of September 2024 as per the deadline set by the Brazilian presidency of COP30.

However, as of end of September 2025, EU Member States and the European Parliament had not been able to agree neither on the 90% domestic reduction target nor on the subsequent NDC for 2035. The EU published a "statement of intent" on 18 September 2025 with an indic-

ative 2035 target in a range between 66.25% and 72.5% ⁹GHG emissions reduction, relative to 1990 levels. We provide an overview of the EU climate policy framework as of end of September 2025 in **Table 1**.

The EU reflected this domestic ambition in its international commitments by submitting an updated nationally determined contribution (NDC) that integrates its 55% GHG emissions reduction target to the United Nations Framework Convention on Climate Change (UNFCCC) in December 2020. The EU then submitted an updated NDC in October 2023 that maintains the 55% reduction but increased the land sector target by 85 MtCO₂e, thus enabling the EU to assert that it will overachieve its target. The EU is now expected to submit a second updated NDC before COP30 to reflect its new internal intermediate target of GHG emission reduction by 2040. These EU climate objective earn the mention “acceptable” by the climate action tracker¹⁰ (although the overall rating of the EU framework for climate action is generally deemed

“insufficient”). Perhaps most importantly, The EU did not limit itself to long-term overarching targets but adopted several complementary and / or sectoral strategies and legislations such as the 2030 Climate Target Plan or the Fit for 55 Package (**Box 1**) to drive and operationalise this transition.

This breakdown of overarching targets into specific and sectoral legislative and financial frameworks does allow for a structured conversation to occur at every level of policy making in the EU, i.e. every single piece of legislation discussed and eventually adopted is considered in light of their potential climate impact and alignment with domestic and international commitment. More recent landmark EU sustainability legislations such as the Nature Restoration Law or the Deforestation regulation make direct mention of the EU climate framework and its objectives. Agriculture, through recent evolution of the Common Agricultural Policy (CAP), is another example with Member States now obligated to demonstrate that their CAP Strategic Plans (i.e their reporting requirements

Table 1: overview of EU current climate commitment and legislations.

Legislation / Commitment	International commitments	EU domestic legislation							
	Paris Agreement (NDC)	2020 Climate and Energy Package		2030 Climate and Energy Framework				2040	2050
		EU ETS	Effort Sharing Decision (ESD)	EU ETS (ETS1)	ETS 2	Effort Sharing Regulation (ESR)	LULUCF	Revised Climate law	EU Climate Law
Overall emission reduction target	at least -55% net emissions in 2030 vs 1990	-20% GHG emissions reduction vs 1990		at least -55% net domestic reduction vs 1990				-90% GHG emissions reduction vs 1990	Climate neutrality
Sectoral Emission reduction target		-21% in 2020 vs 2005 for ETS emissions	-10% in 2020 vs 2005 + Annual MS targets	-62% in 2030 vs 2005	-42% in 2030 vs 2005	-40% in 2030 vs 2005 + Annual binding targets by MS.	2021-2025: stable carbon sinks; 2026-2030: EU target of -310 Mt CO ₂ eq. removals + MS targets	N.A. so far	N.A. so far
Sectors included	Energy, IPPU, agriculture, waste, LULUCF	Power & heating, energy-intensive industry, aviation	Transport (ex. aviation), buildings, non-ETS industry, agriculture and waste	Electricity, heating, energy-intensive industry, aviation, maritime	Buildings, road transport and small-emitting sectors	Domestic transport (ex. aviation), buildings, non-ETS industry, agriculture and waste	Land use, land use change and forestry	N.A. so far	Economy-wide

Source: author from EU Climate Action Progress Report 2024.

Box 1. The EU Fit for 55 package.

The proposals of the Fit for 55 package were presented by the European Commission in July 2021 to provide a clear framework and operationalise the overarching ambition to reduce GHG emissions by 55% by 2030. The package included the following main legislation:

- Setting of **national emissions reduction targets** for MS with the aim to break down the overall 55% reduction target and account for the various challenges and opportunities faced by MS.
- Extension and strengthening of the **EU Emissions Trading System** including:
 - Faster reduction of emissions allowances in the system and gradual phasing-out of free allowances for some sectors.
 - Extension to emissions from maritime transport and implementation of the global carbon offsetting and reduction scheme for international aviation (CORSIA) through the EU ETS. The fit for 55 package also included dedicated legislations to increase capacities on **decarbonised fuels in shipping and aviation**, aka the REFuelEU and FuelEU Maritime regulations.
 - Increased funding for the modernisation fund and the innovation fund.
 - Revision of the market stability reserve.
- **Land use, land-use change and forestry (LULUCF) regulation**: binding commitment for the EU to reduce emissions and increase removals in the land use and forestry sectors to at least 310 million tonnes of CO₂ eq. net removals for 2030. The regulation also sets binding national targets for Member States.
- Revision of the **EU renewable energy directive** to increase the share of renewables in the EU's overall energy consumption to 42.5% by 2030. The directive also includes sectorial sub-targets and measures across sectors.
- Revision of the **EU energy efficiency directive** to reduce final energy consumption at EU level by 11.7% in 2030, compared to projections made in 2020 through increased annual energy savings obligations and decreased energy consumption of public sector buildings. The fit for 55 package also included a legislation dedicated to improving the **Energy performance of buildings**.
- **CO₂ emission standards for cars and vans**: progressive EU-wide emissions reduction targets for 2030 and beyond, including a 100% reduction target for 2035 for new cars and vans.
- **Carbon Border Adjustment Mechanism (CBAM)**: avoid relocation of production to non-EU countries with less ambitious climate policies or increased imports of carbon-intensive products.
- Other pieces of legislations covered reducing **methane emissions in the energy sector**, fostering a **Hydrogen and decarbonised gas market** or proposal on **energy taxation** (although there was still no agreement on this proposal by spring of 2025).

on agriculture to the EU) are consistent with and contributing to environmental and climate legislation, including new legislations when they enter into force. In addition, The EU Governance Regulation¹¹ set out in 2020 a process for the Member States to prepare long-term strategies with a perspective of at least 30 years. The new strategies are now expected by 1 January 2029 and every 10 years thereafter.

Overall, the EU now has arguably one of the most developed climate policy framework in the world

and is successfully reducing its GHG emissions. The adoption of the EGD in 2019 further accelerated the speed and scope of the EU climate policy especially with regard to GHG emission reductions targets, an integrated policy approach and efforts to advance adaptation policy.

Yet this acceleration also creates tension in terms of effectiveness, coherence with other environmental issues and just transition aspects at the EU and global levels. It also questions the mere capacity of the EU to implement its own policies

in fraught political context. Recent policy developments in Brussels, tend to suggest a slowing down of climate and environmental policy-related efforts which may eventually jeopardise the past positive trend. In particular, and in response to the request from the European Council, the Commission has presented a series of simplification proposals, also referred to as “omnibuses”. The stated aim of omnibuses is to reduce administrative costs and reporting requirements for EU businesses. They are the main vessels to carry the simplification agenda outlined by Ursula Von Der Leyen in her program for 2024-2029¹² and reiterated through the publication of the “Competitiveness Compass” on 29 Janu-

ary 2025¹³. The first omnibus package released soon after on 26 February 2025 and covering sustainability reporting includes concrete targets include reducing both costs and reporting obligations by at least 25% for all businesses and by at least 35% for SMEs by 2030¹⁴. Since then, 5 more omnibuses procedures have been launched, while a 6th “environmental” omnibus is under preparation (See **Box 2**).

Furthermore, the European Commission published its proposal for the next Multiannual Financial Framework (MFF), the EU budget, on 16 July 2025¹⁵. The MFF proposal entails an increased EU overall budget of €2 trillion in current prices but proposing a closer alignment

Box 2. A story of omnibuses

As of end of September 2025, 6 omnibus procedures are under considerations by the EU institutions⁴⁹, with a 7th one under preparation:

- Omnibus I: launched on 26 February 2025. Covers due diligence obligations and sustainability reporting through reopening the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD) and the EU taxonomy. It also proposed to simplify and strengthen the EU's carbon border adjustment mechanism through the update of the de minimis threshold (see box 3).
- Omnibus II: launched on 26 February 2025: Covers existing legislation regarding EU investments, such as on the InvestEU programme.
- Omnibus III: launched on 21 May 2025. Covers the Common Agricultural Policy
- Omnibus IV: launched on 21 May 2025 introduces a stop-the-clock measure by postponing by two years (i.e. until August 2027) battery due diligence requirements. It also extend certain mitigating measures for SMEs and small mid-cap enterprises while addressing digitalisation and alignment of common specifications for certain products.
- Omnibus V: launched on 20 June 2025 proposes to facilitate defence investments and conditions for the defence industry, and to simplify security and defence procurement. It follows the publica-

tion on 19 March 2025 of ReArm Europe plan/Readiness 2030 by the European Commission.

- Omnibus VI: launched on 8 July 2025 aims to simplify EU chemical legislation by decreasing compliance costs and administrative procedures for businesses across the chemical value chain.
- Omnibus VII: expected in October 2025. It should cover administrative requirements related to the environment in the areas of waste, products, and industrial emissions. A consultation process was conducted from 22 July to 10 September 2025 with close to 200.000 submissions received⁵⁰ which is by far an absolute records for an EU public consultation demonstrating the high political visibility of such processes in current EU politics. Beyond the (legitimate) stated aim to simply rules and regulations within the single market, there is a general interpretation that this strong political drive will result in weakening existing climate-related legislations, thus putting into question the capacity of the EU to accelerate the reduction of emission that is necessary to achieve a net-zero economy by 2050. Furthermore, many private operators lament the current lack of clarity and have long called for the EU to set a clear direction of travel for a transition towards a climate neutral economy within the EU by 2050⁵¹.

with the Commission's current priorities (i.e. security, defence, improved competitiveness, and significantly greater flexibility to adapt to unforeseen events), while references to the environment, climate, sustainability, and resilience more broadly, appear to be a lesser priority compared to the current MFF.

These elements question the solidity of the EU long-term commitments toward a transition to net-zero when facing contradictory political winds.

EXAMPLES OF CONCRETE PROGRESS

Efficiency

A combination of factors can be linked to the reduction of EU emissions but recent progresses in energy and carbon intensity stand out (Figure 4). Compared with 1990, 45% less energy was needed to produce a unit of GDP in 2022. Emission reduction from the subsequent decrease in primary energy use per unit of output generated contributed to a reduction of emissions by 51%. These efficiency gains are primarily driven by better energy transformation processes, notably through electrification. There is also a general shift to the less energy-hungry sectors¹⁶.

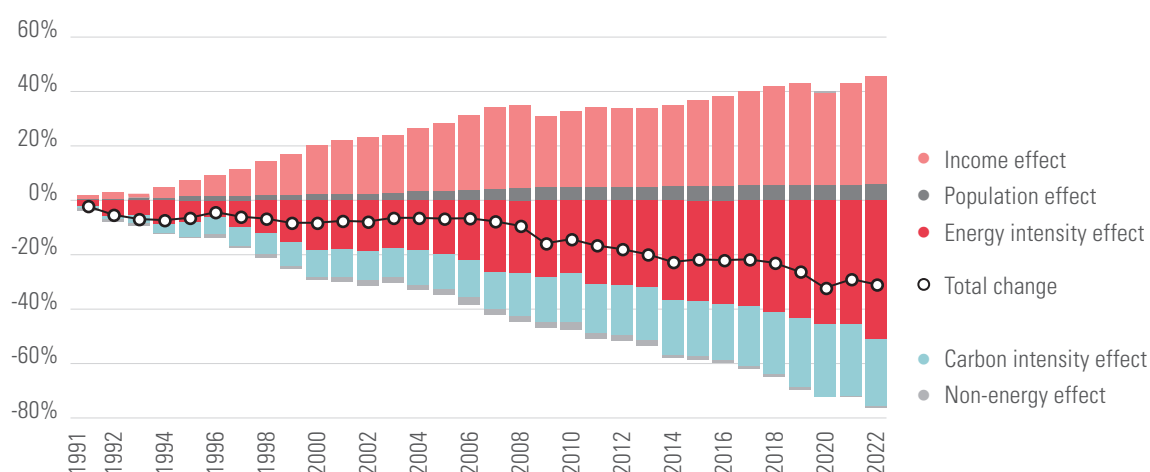
The carbon intensity effect, i.e. the volume of emissions from one unit of produced energy, is associated with a 25% reduction of emissions, notably from the transition away from fossil fuels and toward renewable and nuclear energy¹⁷.

Energy

Reflecting these overarching trends, EU GHG emissions in the energy supply sector have halved since 2005 as of 2023, driving the decarbonisation of the European economy. This is related to the rapid expansion of renewable energy, paired with the reduced use of fossil fuels. According to EEA estimates, the share of renewable energy has grown from 10% in 2005 to an estimated 24% of the EU's gross final energy consumption by 2023. Further, the EU has managed to continue reducing its energy consumption: primary energy use has fallen by 19% since 2005, while final energy consumption saw a 11% reduction during the same timeframe, according to early estimates for 2023.

The EU has continued to set ambitious climate-related energy targets aimed at increasing the share of renewable energy sources in the overall energy mix and saving energy through conservation and efficiency improvement measures (see box 1). Yet, despite these progress that put the EU on track to achieve its 2030 targets, the Commission still estimate that despite national strategies

Figure 4. Drivers of total GHG emissions cumulated over 1990-2022



Source: EU inventories to the UNFCCC, AMECO, Eurostat energy balances.

reflecting the ambition to be climate neutral by 2050, they point to a reduction of GHG emissions of around 85% by 2050 for the EU as a whole and thus cannot be deemed adequate for the collective achievement of the objectives and targets of the Energy Union¹⁸. Further efforts will thus be required for the EU and its Member States to achieve its long-term goal of net zero economy by 2050.

EXAMPLES OF CONCRETE BLOCKAGES

Despite the recent efforts by the EU to maintain its climate ambitions, recent estimates conclude that the EU will need to more than double the average reduction that was achieved each year between 1990 and 2020 to reach its objectives (EEA, 2024). Looking at the sectoral distribution of EU GHG emissions, two sectors stand out at

particularly concerning, these are agriculture and transport. Accounting for over a combined third of all EU GHG emissions, these sectors have seen their associated emissions largely stagnating since 2005 (Table 1) and are set to become the two most emitting sectors by 2045 (Table 2). This section dives down into the sectors to identify the main blockades and propose solutions to ensure that they contribute their fair share to the EU climate ambition.

Transport

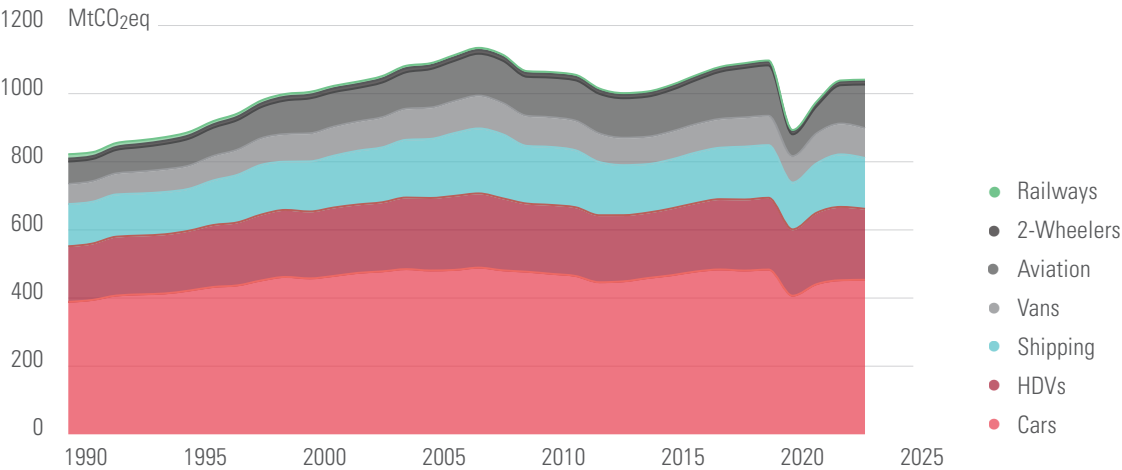
Transport overall accounts for 24.6% of the EU's total GHG emissions, historically largely dominated by transport by road (over 70% of all GHG emissions from transport, see Figure 5), and overall is the only sector where emissions remained largely stable since 2005 as all transport modes (road, rail, waterborne, aviation) have come to rely on fossil fuel-based technologies. Some transport modes, like roads and railways,

Table 2: Reduction of EU GHG emission per sector per period (in MtCO₂ eq.)

Periods	Agriculture	Buildings	Fuel Exploitation	Industrial Combustion	Power Industry	Processes	Transport	Waste	TOTAL
2005 - 2023	6%	31%	27%	34%	50%	26%	6%	26%	29%
2015 - 2023	7%	15%	17%	12%	39%	13%	0%	7%	17%

Source: Author from EU EDGAR database

Figure 5. GHG emission by transport mode



Source: Transport & Environment (2024). State of European Transport. <https://www.transportenvironment.org/state-of-european-transport/state-of-transport>

have already largely engaged in technological development for decarbonisation, while aviation and maritime are only just starting their energy transitions. Thus, different transport modes face different challenges.

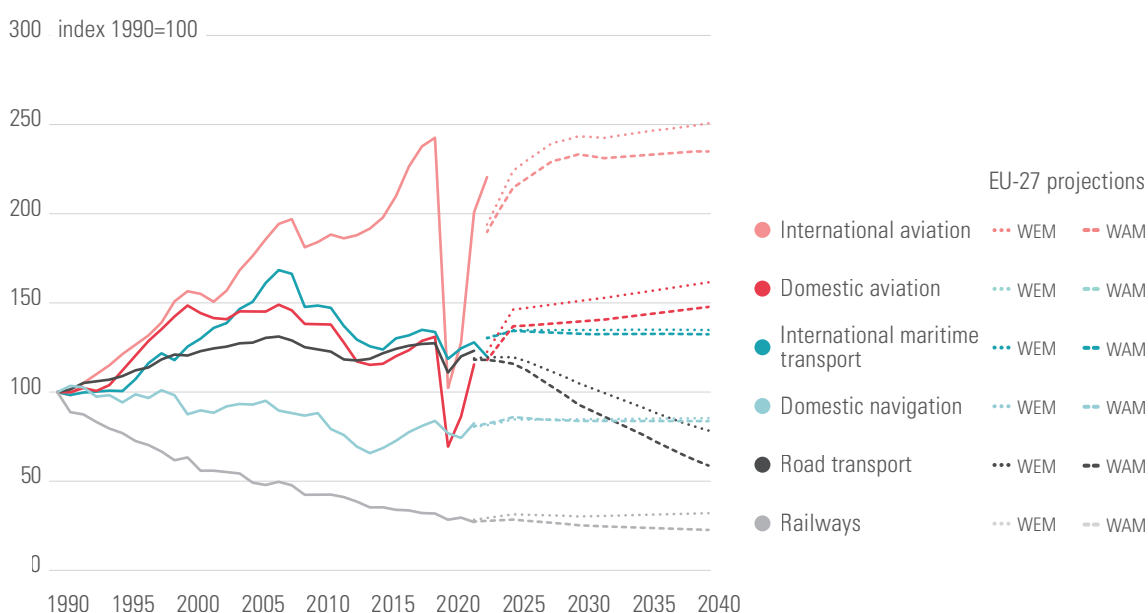
Eventually road transport emissions are projected to decrease to below 1990 levels in 2030¹⁹, however this is compensated by aviation which emissions have more than doubled since 1990 and remains one of the fastest-growing sources of emissions. Similarly, while maritime transport plays an essential role in the EU economy and is one of the most energy-efficient transport modes, it is also a large and growing emissions source (Figure 6). Efforts should thus be made in both shifting freight and passenger transport, and at the same time improving the efficiency and electrification of motor vehicles, while addressing the rapidly growing emissions from aviation²⁰.

EU climate mitigation legislation covering transport previously largely relied on regulatory measures such as standards for fuel efficiency and vehicle emissions, or instruments to incentivize investment in alternative fuels, for example promoting renewable energy and biofuels. The EGD and 'Fit for 55' package initiated a turn toward market-

based instruments, including efforts to extend the scope of the EU emission trading system (ETS).

The European Commission published in 2020 its Sustainable and Smart Mobility Strategy²¹ with the objective to transform the transport system with sustainable and digital measures and to achieve a 90% reduction of GHG emissions in the sector by 2050. It entails the objectives to double high-speed rail traffic by 2030 and triple by 2050; to increase freight rail transport by 50% by 2030 and doubling by 2050. The strategy also sets a target of 30 million electric vehicles by 2030 in parallel with the new car emissions standards set to effectively phase out internal combustion engines by 2035. Guided by this strategy, the EU enacted legislations setting CO₂ emission performance standards and targets for new passenger cars and for new light commercial vehicles²² as well as setting minimum national targets for the procurement of clean vehicles²³ as well as unlocking E-fuel potentials through the REFuelEU and FuelEU Maritime initiatives. The adequate adoption, transposition and implementation of these initiatives into MS national laws will be a first step for the EU to mitigate emission in the sector. The European Commission also launched

Figure 6. Greenhouse gas emissions from transport in the EU, by transport mode and scenario



Source: European Environmental Agency (2024). <https://www.eea.europa.eu/ims/greenhouse-gas-emissions-from-transport>.

a public consultation in August 2025 for a European Sustainable Transport Investment Plan²⁴. The publication of this strategic document would also be an important milestone to guide future legislative development.

Clean hydrogen has been repeatedly floated as a solution to decarbonise transport, yet according to the staff working document accompanying the Sustainable and Smart Mobility Strategy, hydrogen is projected to represent only 2.4% of energy use in transport by 2050²⁵, while expectations of clean hydrogen supplies are filled with uncertainties²⁶. This should call for a very precautionary approach in terms of investment strategy in that sector in particular.

Overall, two flagship policy milestones are expected to be instrumental in decarbonising the transport sector: 1- The EU ban on the sale of new petrol and diesel cars from 2035; and 2- The deployment of the second iteration of the Emission Trading System (aka ETS2) to cover and address CO₂ emissions from fuel combustion in buildings and road transport. There is a growing amount of pressure on the EU to weaken these two initiatives²⁷. Historically, EU legislators have often been forced to water down policy proposals relating to environmental protection in transport, in the face of lobbying from structurally powerful incumbent industry actors, particularly large car manufacturers that often have close relationships with their national (Member State) governments²⁸. The European Commission should now remain strong as the successful implementation of the above-mentioned initiatives is absolutely crucial to increase efforts for decarbonisation and electrification and achieving ambitious climate-related results in the sector

Agriculture

Agriculture is the source of 12% of all greenhouse gases emitted in the EU (up from 9% in 2005), including over 54% of all methane emissions as well as a significant emitter of ammonia. Most strikingly, the political discourse on the EU agricultural policy has now long been clear about the need for the sector to contribute toward the climate goals of the continent, for instance in the

Farm to Fork and Biodiversity Strategies. Several recent reforms went in that direction, such as the CAP Strategic Plans (CSP) Regulation requiring MS to demonstrate that their CSPs are consistent with and contributing to environmental and climate legislation as mentioned above, or with the new CAP Performance, Monitoring and Evaluation Framework (PMEF) including new indicators covering climate-related issues. There are several concrete recommendations that can be made to further advance these issues:

- The lack of binding sector-specific EU environmental and climate targets for agriculture, making it hard to hold Member States to account. *Potential recommendation: EU environmental legislation outside the CAP should identify sector-specific objectives and targets for agriculture and forestry at the EU level, which could then be transcribed at national level by Member States.*
- Limitations in the monitoring and evaluation framework for the CAP as well as gaps in indicators and the availability of data to assess the environmental and climate outcomes achieved through CAP support. *Potential recommendation: strengthen the CAP's PMEF to allow for continuous assessment of performance and impact and provide adequate investment to enable more effective monitoring of the impact of CAP interventions.*
- Lack of knowledge, capacity, support and/or financial means at the farm level to embark upon a transition to more sustainable farming systems. *Potential recommendation: ensure that payment levels are sufficiently attractive to make the transition to sustainable farming systems alongside encouraging greater ownership by farmers of the outcome to be achieved. Greater investment in knowledge exchange, capacity building, advice and training is essential, for example by making it a compulsory condition for receiving CAP funding.*
- Governance issues: e.g. political and capacity issues in Member States to embrace a significant departure from the status quo, and challenges for the European Commission in holding Member States to account on the environmen-

tal and climate ambition of their CSPs. *Potential recommendation: Member State to scale up environmental and climate considerations within CSPs and foster greater internal dialogue and collaboration between the relevant ministries and agencies.*

Despite these evolutions, most recent assessments suggest that the overall environmental and climate ambition of Member States in agriculture has not increased as much as is necessary to meet the EU climate goals. On the contrary, EU agricultural policy has undergone a significant narrative shift over the past five years. The Farm to Fork Strategy (2020) placed sustainability, climate action, and food system transformation at the heart of its agenda. In contrast, the Vision for Agriculture and Food (2025) reframed the central challenge as securing European farming through competitiveness, simplification, and strategic autonomy. This shift reflects broader political changes and has real implications for policy and funding²⁹.

EU agricultural policy is indeed currently subject to several proposed reforms, most notably through the new MFF proposal which includes a reorganisation into fewer, broader funding headings. The CAP appears to receive less funds than under the previous iteration and is now included within a newly created fund — the “European Fund for Economic, Social and Territorial Cohesion, Agriculture and Rural, Fisheries and Maritime, Prosperity and Security”— alongside policies like Cohesion Policy. Together, CAP and Cohesion allocations make up the majority of this fund. Member States are expected to outline their use of the funding through National and Regional Partnership Plans (NRPPs) covering the full seven-year period. This has sparked controversy among relevant stakeholders and among countries so the discussions promise to remain heated until an agreement can be achieved, expected before the end of 2026. Yet, overall, environmental objectives are deprioritized in the CAP and MFF proposals, with simplification used to justify regulatory rollback³⁰.

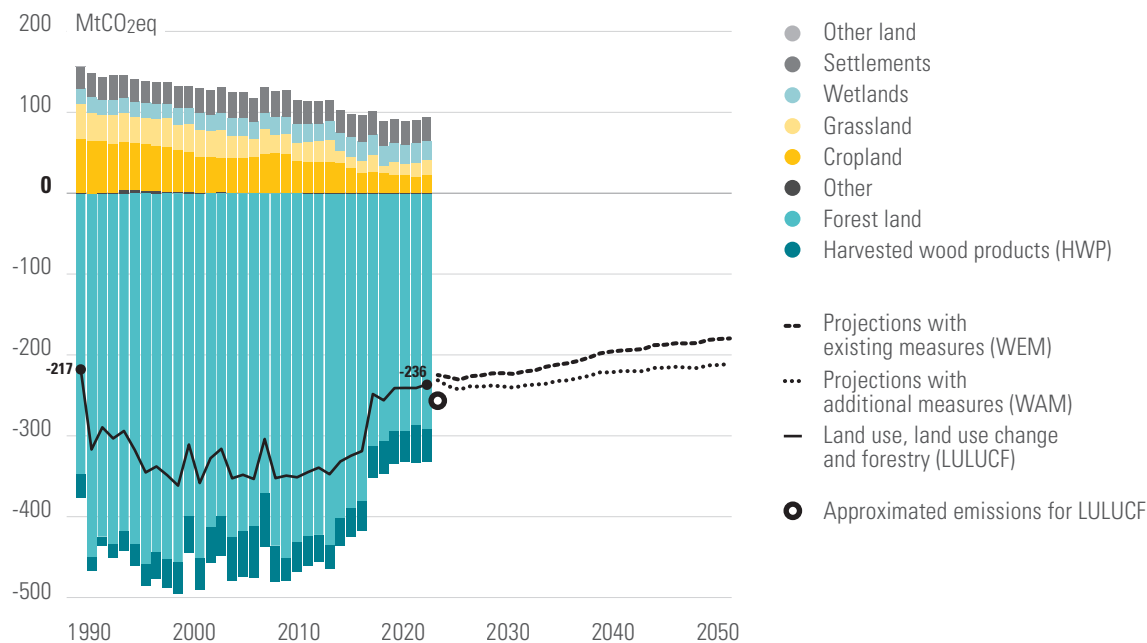
Land carbon sink

The EU climate target and strategy framework consistently emphasizes the importance of the

land sink to the achievement of climate mitigation objectives, as well as the related synergies with other strategic goals, including nature restoration and climate adaptation. The significance of the LULUCF sector is reflected in the legislative framework establishing a dedicated Union-wide target of -310 MtCO₂e of net removals in 2030, split into national targets for each EU Member State and made binding under the LULUCF Regulation. Currently, the sector is reported to still sequester -236 Mt CO₂ eq from the atmosphere most notably through living biomass in forests and harvested wood products. Meanwhile other land use categories, such as cropland, settlements, and grasslands, act as net sources of emissions.

But worryingly, the EU's total reported LULUCF net removals have decreased by nearly one third between 2012 and 2022, driven by the forest sink decline largely offsetting the limited decrease of net emissions from non-forest land use categories (Figure 7).

This forest decline is itself primarily due to decrease in gross annual increment (i.e. forest biomass growth before accounting for natural mortality and harvesting), increased mortality (including from natural disturbances), and higher harvesting rates³¹. Unfortunately, the mitigation effectiveness of LULUCF related policies is extremely challenging to establish, notably due to lack of monitoring capacities deployed by most governments. This eventually poses major challenges in the design and implementation of adequate policies in different countries or regions, which can explain this declining trend. It is estimated that policies that conserve natural ecosystems through zoning policies like protected areas and prevent the removal or reduction of large carbon sinks are found to mitigate the most GHG emissions per hectare on average³². The recovery of the EU forest sink will thus be a decisive factor in the achievement of the EU climate objective. Technology standards are also reported to have some GHG mitigation potential, although there is little to no Ex-post evaluation that can be done to ascertain that assumption yet. Government investment in research and development can also

Figure 7. EU emissions and removals of the LULUCF sector by main land use category

Source: European Environmental Agency (2024).

<https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emissions-from-land?activeAccordion=309c5ef9-de09-4759-bc02-802370dfa366>

improve productivity and reduce emissions intensity. Eventually, the effectiveness of these mitigation policies, as well as the comparative costs of regulatory policies and economic policies, largely depend on contextual factors including the presence of other existing policies, and environmental, social, and economic conditions.

Climate adaptation

Over the past 4 decades, the cost of weather- and climate-related extremes amounted to EUR 650 billion (in 2022 values) spread out relatively evenly between hydrological events (floods), meteorological events (storms including lightning and hail) and climatological events (mostly heatwaves but also droughts, forest fires and cold waves). Statistical analysis over a 30-year moving average shows that losses have increased over time³³.

The EU climate policy framework requires continuous progress in enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change. The European Commission adopted its new EU strategy on adaptation

to climate change in 2021 for the EU to plan how to adapt to the unavoidable impacts of climate change and become climate resilient by 2050³⁴. Yet, the indicators and corresponding targets for 2030 to capture aspects of progress on climate change adaptation² included in the 8th EAP monitoring framework³⁵ estimate that it will be unlikely that the ambition levels for climate adaptation set for 2030 will be met as past trends in both cases show a deterioration of the situation. Furthermore, and according to the recent assessment by the European Commission of Member States national plans, only some of them sufficiently integrate preparedness and resilience to climate impacts, while only a limited number of plans consider measures in terms of water resilience.

The European Commission President Ursula von der Leyen announced a European Climate Adaptation Plan (ECAP) to support the Member States

² These include an indicator on economic losses from weather- and climate-related extremes in the EU and an indicator on drought impact on ecosystems.

on preparedness and resilience planning to address these shortcomings. A policy package is expected to be presented during the 2nd half of 2026.

GOVERNANCE

The depth of the EU climate policy framework is somewhat remarkable when considering its complex governance structure. With 448 million citizens and a €17 trillion economy it is neither a sovereign state nor an international organisation, but a multilayered governance body bounding 27 Member States of varying levels of wealth and economic size and relying on the concept of subsidiarity to allocate competences among the different sectors of the economy. This poses both opportunities and challenges in terms of governance for climate.

As a governance 'laboratory', the EU has introduced innovations in many areas relevant for climate policies. For example, the Effort Sharing Regulation (ESR)³⁶ adopted in 2018 and amended in 2023 "allocates" the climate mitigation efforts between Member States, and across different economic sectors. The EU was also on the forefront of the development of an emissions trading system (ETS) as a novel policy instrument to reduce GHG emissions and which has been emulated elsewhere. As a carbon cap-and-trade program, the ETS internalizes the social costs of GHG emissions into (energy) market prices, which in turn promotes further investments in low-carbon technologies. We also note that it is important for the system to rely on its two legs, cap and trade, to manage not only prices through the alignment of supply and demand. As an example, oversupply during the period 2009–2013 led to the creation of a large "bank" of allowances, i.e. allowances that are issued in earlier years but are unused and remain valid in later years as they have an infinite lifetime. Important commitments to dedicate increasing proportions of the EU budget to climate purposes have also been made. With for instance a transversal target for 30% of the current iteration of the EU MFF to be dedicated to climate action

(and 10% in 2026 and 2027 for biodiversity, up from 7.5% previously). This aggregated 40% target in the current MFF is replaced by a target of 35% for climate resilience and environment in the proposal for the next MFF which again shows a tendency toward less actions and efforts for the environment when more is needed.

The EU is composed of a large number of institutions (European Commission, Member States under the European Council, European Parliament, European Economic and Social Committee etc.) with varying degrees of influence on policy-making, including depending on thematic sectors and priorities. Eventually it is the way that these EU institutions interact with one another, and with the array of non-state actors that orbit around them, that shapes specific policies and thus constitutes the politics and governance of the EU. The intensity of the political integration process that shaped the EU over the last 50 years has now blurred the boundaries between national policy and EU policy in many sectors, including on climate. However, there is a clear trend that the EU competence in relation to climate policy has grown over time. Climate issues (and environmental matters in general) are now considered primarily at supra-national rather than national policy. This process was driven by a mixture of factors e.g. avoiding national policy differences that may pose the risk of fragmentation of the single market, the need to improve energy security or the more recent competitiveness agenda for the European industry through the development of clean tech. Climate ambition was also leveraged to support the legitimacy of the European integration project and the desire to develop a distinct European identity on the global stage³⁷. Today, and with regards to climate policy, the European Commission is arguably the key institutional actor³⁸. The Commission also acts as a scene setter and a driving force for EU climate policy. The Commission also acts as the EU's external representative and takes a leading role in the international climate negotiations at the United Nations Framework Convention on Climate Change (UNFCCC).

This does not go without significant issues of clarity of competence. As an example, the EU was

expected to table its updated NDC in September 2024 to the UNFCCC however the lack of agreement on the adoption of an emission reduction target by 2040 among the three institutions prevented the Commission to take on this lead role in the run up to COP30. EU Member States were adamant that the decision ultimately must reside with their elected leaders and thwarted the efforts of the Commission to achieve an ambitious results. Such a return of national politics does not bode well for a harmonised EU approach toward climate action.

in addition, in some specific areas that touch upon core state powers, yet are extremely linked to climate policy, Member States have preserved a high degree of autonomy through the subsidiarity principle. Such issues cover for instance taxation, energy supply, or land-use planning which can lead into a lack of coordinated approach and, eventually, of ambition. Lack of competence over land use planning, for instance, has been linked to the incrementalist nature of EU policy on adaptation³⁹. That being said, the increased EU competence on climate policy arguably remains the reason why the continent today presents among the most ambitious and detailed climate framework in the world.

CLIMATE FINANCE AND INTERNATIONAL COOPERATION

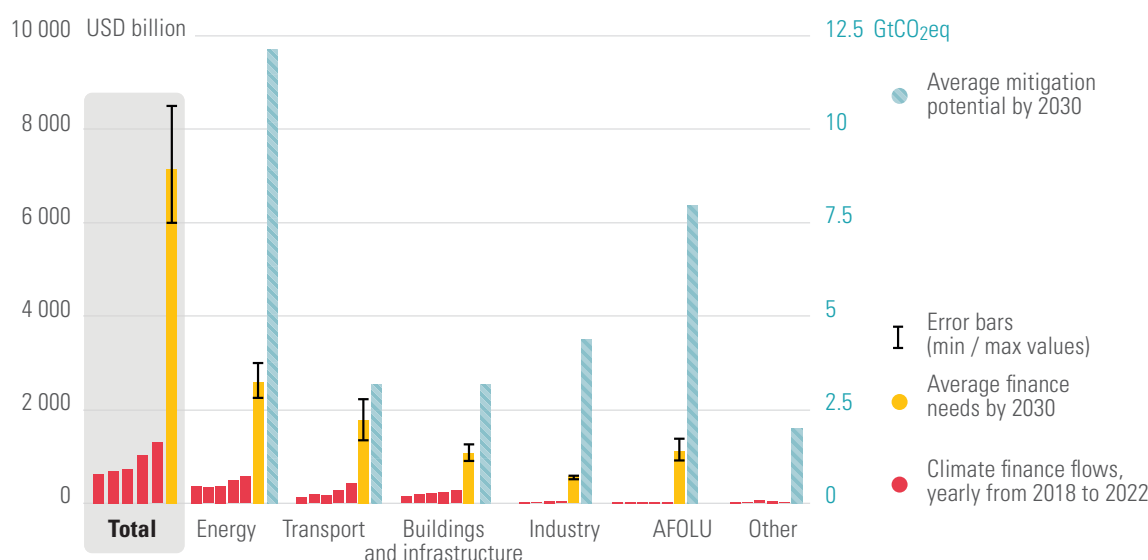
It is clear that the objectives of the Paris Agreement will not be met unless emerging economies decarbonise much more rapidly, which in turn necessitates concrete action to redirect and regulate flows of public and private finance. Yet, the current global financial architecture remains misaligned with climate objectives by locking in high-carbon development pathways while inadequately resourcing climate adaptation⁴⁰. This can be due to incentives and political-economy challenges such as advanced countries not likely to commit to climate finance outside their borders where they have less control over how this money is spent, while emerging economies are reluctant to phase out fossil-fuels without significant (i.e.

derisking) financial support for renewable investments consistent with their development goals⁴¹. Bridging the 'finance gap'³ is arguably the most difficult yet important challenge for the global community. Developed economies have eventually managed to meet their commitment of \$100bn a year by 2020 for climate finance made in Copenhagen in 2009 with a total of \$115bn mobilised in 2022⁴². Overall, the Climate Policy Initiative estimates that climate flows are likely to have surpassed USD 1.5tn in 2023, with key increases continuing to be led by renewable energy and low-carbon transport. While this constitutes a significant increase from the 600bn estimated in 2018, a further fivefold increase is necessary to achieve the estimated needs of 7.4 trillion dollars mobilised by 2030⁴³.

While this can appear realistic, we must recall that the achievement of the Paris Agreement goal of 1.5°C warming will require 5 times less finance than the projected economic losses by 2100 under a business-as-usual scenario. Said otherwise, it is way cheaper to achieve the goal of the Paris Agreement than not. It can also be noted that some sectors, such as energy or AFOLU, show more mitigation and adaptation potential than others and could therefore be prioritised in a context of scarce financial capacities (see **Figure 8**).

The EU can leverage its climate regulatory framework, especially in sectors listed above, to play its fair share in the effort to scale up international cooperation for climate. It is also important to note that alongside the key objective of mobilising new finance, the EU and Member States should engage on concrete actions to redirect, redistribute and regulate existing flows of public and private finance toward climate objectives. To that end, Member States and the EU should leverage according to their competences all regulatory tools at their disposal, including taxation, as well as engaging in reforms for debts swaps and scaling up the role of multilateral development banks and of national financial institutions such as central banks.

³ i.e. the difference between the amount of finance necessary to meet the objective of the Paris Agreement and current actual commitments from countries and global institutions.

Figure 8. Climate finance flows and mitigation potential per sectors

Note: Historical finance flows (2018-2022) are expressed in nominal USD. Climate finance needs for 2023-2030 are expressed in constant 2022 USD. Average mitigation potential is sourced from UNEP (2024). Emissions Gap Report. This applies to similar analyses hereafter.

Source: Climate Policy Initiative.

CPI (2024). Global Landscape of Climate Finance 2024. <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2024/>

LINK WITH NON-CLIMATE QUESTIONS

Trade and trade-related measures

The EU gave signs since the adoption of the Paris Agreement, and most notably in the context of the European Green Deal, that it recognises its global impact and aimed to steer its relevant extraterritorial policy framework in a more inclusive and sustainable direction. We note a tentative reform of its bilateral relations, with the revision in 2022 of its Trade and Sustainable Development Strategy⁴⁴, as well as through a flurry of domestic policy measures⁴. These efforts from the EU have led to unintended socio-economic impacts in third countries which generated significant frustrations. The so-called EU autonomous policies with extraterritorial reach (labelled “unilateral” outside of the EU) have triggered unprecedented backlash due to expected compliance costs and impacts on the terms of

global production and supply of specific goods. The EU deployed several initiatives aiming to maintain close ties with its partners, notably through its cooperation policy with for instance the EU Global Gateway Program and Team Europe approach. Yet these recent efforts do not seem transformational enough to assuage the concerns of its partners. The new EU “Clean Industrial Deal” for instance aims to enable the deployment of clean technologies in Europe through a mix of new industrial subsidies and regulations. One might argue that this could eventually carry opportunities for exporting “developing economies” to fuel this “acceleration” in the EU, but in the current political context, the EU may also be perceived as erecting further trade barriers (e.g. pertaining to local content, import restrictions) to focus its effort on domestic industrialisation processes with little considerations to the impact in exporting countries. International cooperation will thus be crucial to align domestic and international ambition for climate action.

The EU repeats at length that it is “collectively (i.e. the EU plus its Member States) the biggest donor for international aid in the world⁴⁵ in a

⁴ E.g. among others the Carbon Border Adjustment Mechanism (CBAM), Corporate Sustainability Due Diligence Directive (CSDDD), EU Deforestation Regulation (EUDR) and EU Sustainable Product Regulation (ESPR).

Box 3. The EU CBAM

In the context of a challenged multilateral trading system, the EU seeks to address its external spill-over impacts mainly through autonomous measures with extraterritorial effects. The most emblematic of these measures arguably remains the Carbon Border Adjustment Mechanism (CBAM), adopted in May 2023 (EU, 2023). The EU CBAM aims to ensure that a price is paid for the embedded carbon emissions¹ generated in the production of certain goods imported into the EU and, thereby, aims to mitigate the risk of carbon leakage by accompanying the gradual phase-out of the allocation of free allowances under the EU emissions trading system (ETS). The sectors covered are cement, iron and steel, aluminium, fertilizers, electricity, and hydrogen. The EU CBAM is expected to cover approximately 5% of the bloc's imports⁵² and its overall macroeconomic impact on Europe is projected to remain small with an estimated contraction of EU GDP by 0.22% by 2030 due to CBAM. We note that this is lower than under a baseline scenario without CBAM but with continued free allocation of ETS allowances⁵³.

Main challenge for CBAM declarants remains the difficulty to precisely account for specific embedded emissions in the imported goods, resulting from the production process and which need to be reflected in CBAM certificates. Some degree of uncertainty also remains on the methodology to be used which complicates the calculation of embedded emissions. Most importantly, the involvement of the 27 competent MS authorities with varying

administrative practices may very well lead to a lack of harmonized standards and practices across the EU, further complicating the system for importers and exporters. Businesses have also alerted to the missed opportunity of leveraging CBAM to foster circularity in EU trade relations by failing to include scrap from CBAM goods as well as downstream products with high CBAM-covered content (such as aluminum) into scope. This could have a detrimental impact on the capacity of the EU to upscale market opportunities for secondary materials and eventually achieve a circular single market. The EU recognized some of these challenges and published a proposed simplification of CBAM on 26 February 2025 to reduce the administrative burden on EU businesses⁵⁴ by updating the de minimis threshold from €150 per consignment to 50 metric tons of net mass material annually. The EU estimates that this would exempt 90% of businesses from CBAM reporting scope, while the remaining 10% are deemed to capture 99% of the emissions imported into the EU (Ibid.) although independent research will be necessary to confirm these estimates.

Low- and middle-income countries (LMICs) have expressed strong concerns against the initiative, denouncing the measure as "protectionist" and "coercive"² and having been instated without prior consultations. The World Bank's CBAM Exposure Index helps identify countries most at risk (see **Table 3**). Zimbabwe, Ukraine, Georgia, India, and Belarus rank highest in terms of aggre-

Table 3. CBAM Exposure Index per country and sector

Iron and steel		Fertilizers		Electricity		Cement		Aluminum		Aggregate	
Country	Index	Country	Index	Country	Index	Country	Index	Country	Index	Country	Index
Zimbabwe	0.09	Ukraine	0.08	Russia	0.23	Belarus	0.31	Mozambique	0.06	Zimbabwe	0.09
Ukraine	0.05	Georgia	0.08	Turkey	0.21	Ukraine	0.24	Kazakhstan	0.04	Ukraine	0.05
India	0.04	Belarus	0.05	Ukraine	0.19	Malaysia	0.03	Egypt	0.01	Georgia	0.05
Albania	0.04	Trinidad and Tobago	0.04	Belarus	0.10	Saudi Arabia	0.01	Venezuela	0.01	India	0.03
Egypt	0.02	Russia	0.03	UK	0.03	Tunisia	0.01	Cameroon	0.01	Belarus	0.03

Source: Author from World Bank (2025)

Note: Countries with an exposure index over 0.1 are marked in red, between 0.1 and 0.05 in orange, and below 0.05 in green.

¹ Embedded emissions of a good is calculated at the manufacturing installation level and cover direct emissions (scope 1 i.e. emissions occurring during the manufacturing process) and indirect emissions (scope 2 i.e. emissions generated in the production of the electricity used in the manufacturing process).

² Available here: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12228-Carbon-Border-Adjustment-Mechanism/public-consultation_en

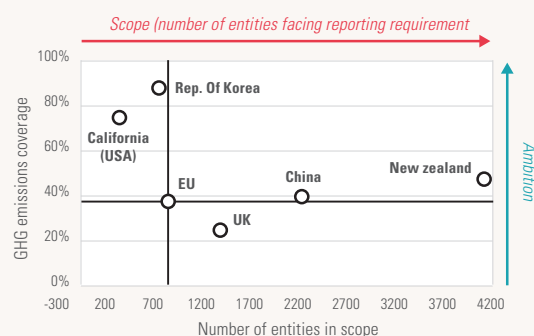
gated impact, although a deeper dive into each CBAM sector identifies other countries exposed, such as Trinidad and Tobago for fertilizers, Malaysia for cement, and Egypt for aluminium.

African countries might be the most negatively affected by CBAM due to high ad valorem rates on exports. The projected loss of income across the continent is estimated to reach up to 0.5% due to a decrease in exports from Africa to the EU of up to 5.72%⁵⁵. That said, some of these exports may also be diverted to other markets, such as China and India, thus limiting the loss in economic or social terms.

The CBAM is expected to eventually cover more than 50% of GHG emissions within the scope of the EU ETS, thus playing an important role in achieving the EU climate objectives. Arguably, a system would be ideally designed when covering the largest share of emissions from a given territory while impacting the lower number of entities from potentially burdensome reporting requirements. **Figure 9** below outlines 6 carbon pricing systems reviewed based on these two criteria and proposes a comparison with the EU ETS system in terms of ambition and scope. The systems in South Korea and California appear to be the most efficient with respectively 88.5% and 75% of emissions covered by only 804 and 400 entities in scope. On the other hand, the system in the UK for instance covers less emissions despite impacting on a larger number of entities than the EU system.

CBAM eventually presents a policy trilemma between climate ambition, technical feasibility, and international equity. The mechanism aims to support ambitious climate objectives of decarbonisation but must remain interoperable for businesses to be able to adequately implement it and to reach its full potential. Last but not least, other carbon-accounting border measures currently being developed or implemented by other countries raise the risk of carbon markets fragmentation across the world at the expense of global climate goals. Official Development Assistance.

Figure 9. Scope and ambition of carbon pricing systems



Note: based on the simplified CBAM expected to result in a drastic reduction of the number of entities into scope.

Source: Author from ICAP

context where international aid from official donors - Official Development Assistance (ODA) – rose steadily to a new all-time high of USD 223.7 billion in 2023, up from USD 211 billion in 2022⁴⁶. The EU and EU countries are also the world's leading providers of ODA in grant equivalent (methodology in which only the grant elements of loans are reported, instead of their full-face values), Europe disbursed €66.8 billion in 2020, 46% of world's total⁴⁷. Yet, behind these positive figures lies a more contrasted picture. First, ODA levels have decreased in 2024, down to USD 212.1 billion, for the first time in 7 years. In a very concerning move, many countries including the largest donors (either in absolute value

or proportion of GNI), such as Germany, Finland, Sweden, the Netherlands or France, are currently decreasing significantly their budget for ODA in a context of strained public finances and security concerns. The average share of the Gross National Income (GNI) of OECD countries dedicated to ODA fell from an already low 0.37% in 2023 to 0.33% in 2024, quite far from the official target of 0.7% target which was first agreed upon by the EU and OECD members in 1970 and repeatedly reindorsed since then⁴⁸. Norway (1.02%), Luxembourg (1%), Sweden (0.79%), and Denmark (0.71%) are the only donors meeting that objective so far, even though these numbers are also down in 2024 compared to 2023. Germany for

instance fell off the mark passing from 0,79% in 2023 down to 0,67% in 2024. France stands at 0,48%, the United States at 0,22%.

The EU typically aims to present itself through 'leadership by example' approach, advocating for 'targets and timetables', and to drive action through collective engagement around these very structuring objectives. Yet the recent developments mentioned above, and potential frustrations displayed by international partners may very well be weakening the position of the EU on the international stage.

CONCLUSION

With the impact of climate change growing at an accelerating pace, Europe has an historic opportunity and responsibility to act as a global leader for climate ambition. Over time, the EU has built arguably the most developed, structured and ambitious climate policy framework in the world. However, the context has drastically shifted since the early days of the European Green Deal. Systemic challenges to climate policy are now arising both globally and domestically. The risk is high now to see a lack of further ambition in EU environmental leadership at a time where the United States pulled out of the Paris Agreement yet again, while China continues to pose a systemic challenge to EU green industrialisation. This eventually could put into jeopardy the global efforts that are required to achieve the objectives of the Paris Agreement on its 10 years anniversary. Countries must now come together to find again the spirit that led to the conclusion of the agreement and work together toward a shared vision of a decarbonised world that can sustain the life and wellbeing of future generations.

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