

## FuelsEurope's contribution to the consultation on the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2021/1119 establishing the framework for achieving climate neutrality

September 2025

*FuelsEurope welcomes the European Commission's consultation of stakeholders on the proposal for a Regulation to amend the European Climate Law to include the 2040 climate target. This target marks a critical milestone in the EU's climate ambition and will require a coherent and robust policy framework across all sectors.*

*As committed partners in the energy transition, we fully support the EU's climate objectives. However, ambition must be accompanied by pragmatism. Among the others, the EU Emissions Trading System (EU ETS), as a cornerstone of EU climate policy, must remain fit for purpose to effectively support this new target. This requires a regulatory framework that is not only ambitious but also flexible - one that enables innovation, encourages investment, and allows for the scale-up of all viable solutions. Only through such a pragmatic approach can the EU ensure both climate progress and the resilience of its industrial base.*

### Advance the integration of international credits

Recognising international credits supports global climate goals and offers lower-cost compliance options, especially given high value chain costs for engineered removals in Europe. The Carbon Removals Certification Framework (CRCF) (Regulation 2024/3012) will also need to be expanded to allow for the assessment of international credits.

The current provision of a 3% cap on international credits from 2036 is both overly restrictive and delayed. The proposed 3% cap is too low to reflect the urgency and scale of the challenge. Moreover, high-quality international credits - subject to robust environmental safeguards and careful assessment of their environmental integrity and sustainability impacts - should be integrated into the post-2030 framework from the outset. Early inclusion will create regulatory certainty, stimulate international cooperation, and unlock the full potential of removals at the scale needed to complement domestic decarbonisation efforts.

### Strengthen flexibility in the EU ETS and ensure equal access to decarbonisation options across ETS sectors

Removals and international credits can play a critical role in achieving net zero and contributing to market functioning of the EU ETS, especially as the framework moves towards a period of expected market shortage. At a time when climate targets are becoming more ambitious, a flexible regulatory framework is essential to allow for innovation, adaptation, and the scaling of all available solutions, including carbon removals, to meet evolving challenges and opportunities. Climate policy should stay adaptable: if we lock solutions into a narrow role now, this restricts the number of options available to achieve the target and discourages innovation and investments in new technologies that will be needed at scale.

In line with this, both domestic removals certified under the carbon removals certification framework (Regulation 2024/3012) and high-integrity international credits under Article 6 of the Paris Agreement and other recognised crediting mechanisms should be recognised in the EU ETS, helping manage compliance costs and support market liquidity.

Concerns regarding a potential negative impact on the ETS price appear unfounded, as the conditions of the earlier years of the ETS, with a cap of approximately 2 billion allowances in 2013, are not comparable to those projected for 2040, when the cap will be approaching zero.

Moreover, to ensure the highest degree possible of flexibility for EU ETS sectors to meet the targets, not only engineered but also nature-based domestic removals should be included in the framework, conditional upon the maintenance of environmental integrity.

While they should not be fully fungible with engineered removals (i.e. they should not be assigned the same value), nature-based removals should not be discarded upfront, as they can play a role in the near term, if they meet robust quality standards.

Finally, while contribution to the 2040 climate target might be differentiated by sector, access to the compliance options should remain open to all sectors and categories of emissions under the EU ETS: all sectors should have equal access to all the options available to contribute to the achievement of the target. Since there is currently no universally agreed definition of 'residual emissions from hard-to-abate sectors', imposing such restrictions risks creating unfair outcomes and regulatory loopholes. It would also constrain the role of removals and international credits, undermining incentives for innovation and investment in technologies that will be essential at scale in the near future.

Engineered removals remains a costly technology, not yet at scale. Financial support for research and development, as well as for first project start-ups, will be essential. The ETS revenues should support this emerging sector essential to meet the 2040 target. While supporting the development of engineered removals, the use of other high quality carbon credits (removals and reductions, nature-based or technology-based, European or international) should be encouraged, in order to accelerate the path towards climate neutrality.

#### **Enhancing Policy Integrity through Transparency and Enabling Conditions for the 2040 Climate Target**

The proposed 2040 climate target, envisioning a 90% net reduction in greenhouse gas emissions compared to 1990 levels, marks a near-complete transformation of the EU's energy system. This implies that most of the remaining 10% of emissions will be composed primarily of non-CO<sub>2</sub> gases such as methane (CH<sub>4</sub>) from agriculture and nitrous oxide (N<sub>2</sub>O) from various industrial processes. This interpretation leads to a crucial insight: the proposed 90% reduction effectively sets Europe on a trajectory toward net-zero fossil CO<sub>2</sub> emissions within the next 15 years. However, the current policy framework lacks clarity regarding the precise distribution of these residual emissions across sectors. This obscures the understanding of where further decarbonisation efforts must be concentrated and what policy instruments will be necessary to reach the target.

To make informed and forward-looking decisions, detailed, sectoral emission projections that illuminate which sources of CO<sub>2</sub> are expected to remain by 2040 are needed. Transparent data on residual emissions by sector will be essential to align long-term investments, guide regulatory design, and assess the feasibility of the target. This transparency should be formally integrated into the legislative process as a prerequisite for evaluating the proposal's robustness.

Moreover, while the proposed climate target sets an ambitious destination, it currently lacks the enforceable instruments necessary to ensure the journey. Specifically, the sections concerning policy enablers - critical elements such as infrastructure deployment and market creation - are included in non-binding language, weakening the operationalisation of the target.

We therefore recommend the inclusion of binding commitments by the EU on the establishment of enabling conditions, including accelerated deployment of cross-border and regional infrastructure such as electricity grids, hydrogen pipelines, CO<sub>2</sub> transport networks, and storage facilities.

Without legally anchored enablers, even the most ambitious climate targets risk remaining aspirational. Binding obligations are essential to ensure alignment between ambition and implementation.

### Lead markets for renewable and low-carbon products

The only way to achieve industrial decarbonisation in the EU is by supporting the demand for renewable and low-carbon goods. A market that adequately values renewable and low-carbon products would provide for a business case to invest in decarbonisation at scale, which is currently absent in the EU.

Demand-side measures are urgently and critically needed to complement the existing focus on the supply side through the incentivization of renewable and low-carbon manufacturing. To unlock the full potential of industrial decarbonisation, we must go further - by actively stimulating and supporting demand for renewable and low-carbon goods.

The creation of robust and reliable markets for low-carbon products is essential. Without clear signals that consumers - whether businesses, governments, or individuals - will prefer and value cleaner alternatives, there is insufficient incentive for industries to invest in the often-capital-intensive transition to low-carbon production methods. A vibrant demand-side framework would provide the business case needed for these investments, de-risking innovation and effectively enabling the deployment of cleaner technologies across sectors.

FuelsEurope, the voice of the European fuel manufacturing industry. FuelsEurope represents, within the EU institutions, the interest of 40 companies manufacturing and distributing conventional and renewable fuels and products for mobility, energy & feedstocks for industrial value chains in the EU.

Contact : Miriam Stellino  
T +32 490 42 49 43  
F +32 2 566 91 63  
Miriam.stellino@fuelseurope.eu  
www.fuelseurope.eu