Energy and Climate Targets: EU 2040 Target

Subject Overview

The current EU greenhouse gas reduction target of 55 percent by 2030 is based on the 2020 climate law. In practice this high-level target is divided into sub-targets for the emissions trading sector, burden-sharing sector, and land-use sector. In addition, specific targets have been set for some other climate goals as well e.g. energy efficiency, renewable energy, and biofuels etc.
In February 2024, the Commission published a communication which proposes -90% greenhouse gas target for 2040. The initiative was ambitious, but also in line with industrial targets in Finland. The goal of the chemical industry federation of Finland is to be nature-positive and carbon-neutral by 2045 as part of its voluntary responsibility program, and work towards this goal is already underway.

At the same time, the Commission also published another communication on industrial carbon management (ICM), which describes the role of carbon and specifically the role of carbon capture in the future and also 2040 climate framework.

The Council will discuss the climate target and the desired level of ambition during the spring and summer 2024. The next commission will propose more detailed level climate and energy regulation after the elections.

There have been some differences between member states in the methods how to reduce emissions. A good example of this is nuclear power, which has strongly divided opinions, especially between Germany and France. In addition, there has been significant differences between ambition levels of some member states.

EU's climate policy and targets are ambitious in global comparison. Therefore, carbon leakage protection has also been a significant topic of discussion, as stricter climate policies may also cause production and investments to move outside the EU.

Objective of the Chemical Industry

The Chemical Industry Federation of Finland welcomes ambitious energy and climate targets, however there is certain crucial conditionalities. Industry needs adequate carbon leakage protection as well as an environment and political measures which promotes the green transition and investments.

The green transition means electrification, hydrogen economy, and new raw material sources, which require energy and especially clean, stable, and competitively priced electricity. The competitiveness of the industry and investments in the transition towards carbon neutrality must be ensured.

It's good that the Commission is focusing on setting 2040 targets rather than opening up 2030 targets. Recognizing the importance of carbon cycles is also a step in the right direction.
If the legislation will be revised the CIFF recommends fixing the following issues:

- In the implementation of the Energy Efficiency Directive, it would be important to ensure the adequate availability of clean energy. The energy consumption cap should be removed.
- The Energy Taxation Directive should ensure the competitiveness of industry and especially fair tax treatment for electricity, hydrogen, and climate-friendly fuels.
- The legislative framework should favour the development of a hydrogen economy including green hydrogen as well as other emission-free ways of producing hydrogen and low carbon hydrogen. By-product hydrogen should be acceptable and comparable to renewable hydrogen.
- Nuclear power should be recognized better and accepted as a key climate-friendly energy technology.
- The Emissions Trading Directive (ETS) and carbon border mechanism (CBAM) must ensure adequate investment leakage and carbon leakage protection for export industry. The current carbon border mechanism has practically weakened export protection.
- The state aid rule for emission trading compensation should be reviewed and expanded to cover electricity-intensive chemical industry better.

The chemical industry does not believe that the new emissions trading system for fuel distributors would have the desired impact. The chemical industry supports clear and long-term measurements which are best implemented in the effort-sharing sector through distribution obligations. However, it must be ensured that the competitiveness of the industry and industrial transports are maintained at the same time. One solution would by cutting overlapping taxes and charges.

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