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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
establishing the framework for achieving climate neutrality and amending Regulation
(EU) 2018/1999 (European Climate Law)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

- **Reasons for and objectives of the proposal**

The European Green Deal Communication¹ launched a new growth strategy for the EU that aims to transform the EU into a fair and prosperous society, improving the quality of life of current and future generations, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. The European Green Deal reaffirms the Commission's ambition to make Europe the first climate-neutral continent by 2050.

Tackling climate change is an urgent challenge. The atmosphere is warming and this is affecting citizens already now. European citizens see climate change as a serious problem and want to see increased action.² Climate Change is having an increasingly severe impact on our planet's eco-systems and biodiversity, in addition to our health and food systems. The Intergovernmental Panel on Climate Change (IPCC) Special Report on the impacts of global warming of 1.5 °C above pre-industrial levels and related global greenhouse gas emission pathways confirms that the impacts of climate change increase rapidly with increasing global mean temperature, and indicates that already at 2 °C the world would see dramatic impacts due to climate change. It estimates that in order to be on a pathway to limit temperature increase to 1.5 °C, net-zero CO₂ emissions at global level needs to be achieved around 2050 and neutrality for all other greenhouse gases somewhat later in the century. This urgent challenge calls for the EU to step up its action to show global leadership by becoming climate-neutral by 2050, covering all sectors of the economy and compensating, by 2050, not only any remaining CO₂ but also any other remaining greenhouse gas emissions, as set out in the Communication 'A Clean Planet for all- A European strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy'³ and as confirmed by the 'European Green Deal' Communication.

Both the European Parliament and the European Council have endorsed the long-term EU climate-neutrality objective.

The European Parliament has endorsed the EU objective of achieving net-zero greenhouse gas emissions by 2050 in its resolution of 14 March 2019 on climate change⁴. In resolutions of 28 November 2019, it stressed that the Union, as a global leader and together with other major global economies, needs to strive towards reaching net-zero greenhouse gas emissions as early as possible and by 2050 at the latest⁵, and declared a climate and environment

¹ COM(2019) 640 final.

² According to the Special Eurobarometer 490, Climate Change, April 2019, 93% of EU citizens see climate change as a serious problem and a significant majority of EU population wants to see increased action on climate change.

³ COM(2018) 773 final.

⁴ European Parliament resolution of 14 March 2019 on climate change – a European strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy in accordance with the Paris Agreement (2019/2582(RSP)).

⁵ European Parliament resolution of 28 November 2019 on the 2019 UN Climate Change Conference in Madrid, Spain (COP25) (2019/2712(RSP)).

emergency.⁶ The European Parliament also urged the Commission to fully assess the climate and environment impact of all relevant legislative and budgetary proposals, and ensure full alignment with the objective of limiting global warming to under 1.5 °C and that they are not contributing to biodiversity loss, and that there be far-reaching reform of agricultural, trade, transport, energy and infrastructure investment policies. In its resolution of 15 January 2020 on the European Green Deal, the European Parliament called for the necessary transition to a climate-neutral society by 2050 at the latest and for this to be made into a European success story.⁷

The European Council has set building a climate-neutral, green, fair and social Europe as one of the main four priorities in its Strategic Agenda for 2019-2024⁸. In its conclusions of 12 December 2019, the European Council, in the light of the latest available science and of the need to step up global climate action, endorsed the objective of achieving a climate-neutral EU by 2050, in line with the objectives of the Paris Agreement⁹. The European Council recognised the need to put in place an enabling framework and that the transition will require significant public and private investments. The European Council also concluded that all relevant EU legislation and policies need to be consistent with, and contribute to, the fulfilment of the climate-neutrality objective while respecting a level playing field, and invited the Commission to examine whether this requires an adjustment of existing rules.

The EU has put in place a comprehensive framework of policies to reduce greenhouse gas emissions. It has already started to modernise and transform the economy with the aim of climate neutrality. Between 1990 and 2018, it reduced greenhouse gas emissions by 23%¹⁰, while the economy grew by 61%. Additional action needs to be taken and every sector will have to contribute as current policies are expected to only reduce greenhouse gas emissions by 60% by 2050, and thus much more remains to be done to reach climate neutrality.

In this context, this proposal aims to establish the framework for achieving EU climate neutrality. It aims to provide a direction by setting a pathway to climate neutrality, and enhance certainty and confidence on the EU's commitment for businesses, workers, investors and consumers, as well as transparency and accountability, thus sustaining prosperity and job creation. To this end, it aims to set in legislation the EU's 2050 climate-neutrality objective, in line with scientific findings reported by the IPCC and the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), and to contribute to the implementation of the Paris Agreement on climate change, including its long-term goal to keep the global temperature increase to well below 2°C above pre-industrial levels and to pursue efforts to keep it to below 1.5°C. It also aims to contribute to the implementation of the Sustainable Development Goals. The proposal also provides for the conditions to set out a trajectory leading the Union to climate neutrality by 2050, for regular assessment of progress towards climate neutrality and the level of ambition of the trajectory identified, and mechanisms in case of insufficient progress or inconsistencies with the EU 2050 climate-neutrality objective.

In spite of efforts to reduce greenhouse gas emissions, climate change is already having and will continue to have impacts on the EU's environment, citizens and economy. Continued and

⁶ European Parliament resolution of 28 November 2019 on the climate and environment emergency (2019/2930(RSP)).

⁷ European Parliament resolution of 15 January 2020 on the European Green Deal (2019/2956(RSP)).

⁸ <https://www.consilium.europa.eu/media/39914/a-new-strategic-agenda-2019-2024-en.pdf>.

⁹ Ratified by the EU on 5 October 2016, and entered into force on 4 November 2016.

¹⁰ In relation to all sectors of the economy except international shipping, SWD(2019)396.

more ambitious action on adaptation to climate change, including by strengthening the efforts on climate-proofing, resilience building, prevention and preparedness is essential, as well as on ensuring a just transition.

- **Consistency with existing policy provisions in the policy area**

The proposal aims to complement the existing policy framework by setting the long-term direction of travel and enshrining the 2050 climate-neutrality objective in EU law, enhancing adaptation efforts, establishing a process to set out and review a trajectory until 2050, regular assessment and a process in case of insufficient progress or inconsistencies. It also tasks the Commission to review existing policies and Union legislation in view of their consistency with the climate-neutrality objective as well as with the trajectory identified. Consistency with Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action has been ensured by including consequential amendments to that Regulation. Several other European Green Deal Initiatives such as the European Green Deal Investment Plan¹¹ and the proposal for a Regulation establishing the Just Transition Fund¹² have been adopted. Other initiatives are under preparation and will support achieving the objectives of this Regulation. This includes the new, more ambitious EU Strategy for Adaptation to Climate Change, the launch of the European Climate Pact, an EU industrial strategy to address the twin challenge of the green and digital transformation and a new circular economy action plan, and a sustainable finance strategy including to further embed sustainability into the corporate governance framework.

As regards the relation with existing policy instruments with a 2030 perspective, the Commission should assess and make proposals for increasing the Union's greenhouse gas emission reduction target for 2030 to ensure its consistency with the climate-neutrality objective for 2050. By September 2020, the Commission will present an impact assessed plan to increase the EU's greenhouse gas emission reduction target for 2030 to at least 50% and towards 55% compared with 1990 levels in a responsible way. The Commission will propose to amend this Regulation accordingly and, by June 2021, review and propose to revise where necessary, all relevant related policy instruments.

For the period 2030 to 2050, the Commission would be empowered to adopt delegated acts to supplement this Regulation by setting out a trajectory at Union level to achieve over time the 2050 objective.

The global challenge of climate change requires global action. While the EU cannot solve climate change without others also acting, being responsible for less than 10% of global greenhouse gas emissions, it is a leader in the global transition towards a net-zero-greenhouse gas emissions economy. Given that worldwide progress towards the objectives of the Paris Agreement is insufficient, EU leadership is needed now more than ever. As the EU sets its own ambitious targets, it will also continue to lead international negotiations to increase the ambition of major emitters ahead of the 2020 United Nations Climate Change Conference in Glasgow. The EU will keep promoting and implementing ambitious climate policy across the world, including in the context of a strong climate diplomacy, and engaging intensely with all partners to increase the collective effort while at the same time ensuring a level playing field.

¹¹ COM(2020) 21 final of 14 January 2020.

¹² Proposal for a Regulation of the European Parliament and of the Council establishing the Just Transition Fund, COM (2020) 22 final.

- **Consistency with other Union policies**

All EU actions and policies should pull together to help the EU to achieve a successful and just transition towards climate neutrality and a sustainable future, as stated by the Commission in the European Green Deal Communication. As such, this initiative is linked to many other policy areas, including the Union's external policies. The Commission announced it will improve the way its better regulation guidelines and supporting tools address sustainability and innovation issues, with the objective that all EU initiatives live up to a green oath to 'do no harm'.

The aspect of Commission recommendations to Member States as set out by the proposed Regulation is complementary to the recommendations issued in the context of the European Semester. While the European Semester focuses on macro-economic and structural reform issues – which also encompasses climate issues-, this initiative addresses specific policy developments inconsistent with the climate-neutrality objective or trajectory towards climate neutrality.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

Articles 191 to 193 of the Treaty on the Functioning of the European Union (TFEU) confirm and specify EU competencies in the area of climate change. The legal basis for this proposal is Article 192(1) TFEU. In accordance with Articles 191 and 192(1) TFEU, the European Union shall contribute to the pursuit, inter alia, of the following objectives: preserving, protecting and improving the quality of the environment, promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate change.

- **Subsidiarity (for non-exclusive competence)**

Climate change is by its very nature a trans-boundary challenge that cannot be solved by national or local action alone. Coordinated EU action can effectively supplement and reinforce national and local action and enhances climate action. Coordination of climate action is necessary at European level and, where possible, at global level, and EU action is justified on grounds of subsidiarity. Since 1992, the EU has worked to develop joint solutions and drive forward global action to tackle climate change. More specifically, action at EU level should aim to provide for cost effective delivery of long-term climate objectives, while ensuring fairness and environmental integrity. The establishment of a robust governance of the EU 2050 climate-neutrality objective will help to ensure that the EU remains on track to achieve the objective. Action on climate change adaptation at EU level enables the integration of adaptation policies and measures in key sectors, governance levels and EU policies.

- **Proportionality**

The proposal complies with the proportionality principle because it does not go beyond what is necessary in order to set the framework for achieving climate neutrality. The proposal aims to provide a direction by setting the EU on a path to climate neutrality, certainty on the EU's commitment and for transparency and accountability by setting out a process of assessment and reporting. It requests Member States to take the necessary measures to enable the collective achievement of the climate-neutrality objective but it does not prescribe specific policies or measures, leaving Member States flexibility, taking into account the regulatory framework to achieve 2030 greenhouse gas emission reduction targets. It sets a mechanism

for reviewing existing policies and Union legislation or taking additional measures, but does not include the detailed proposals yet. Similarly, the proposal provides for flexibility to ensure that the EU improves its adaptive capacity to the impacts of climate change.

- **Choice of the instrument**

The objectives of the present proposal can best be pursued through a Regulation. This will ensure direct applicability of the provisions. Requirements are placed on Member States to contribute to achieving the long-term objective. Moreover, many of the provisions are directed to the Commission (assessment, reporting, recommendations, additional measures, review) and also to the European Environment Agency and could therefore not be implemented by national transposition. A legislative rather than a non-legislative approach is needed to anchor the long-term objective into EU law.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Stakeholder consultations**

When preparing the ‘Clean Planet for All’ Communication, the Commission carried out a public consultation from 17 July to 9 October 2018, receiving more than 2800 replies from a wide range of stakeholders. The Commission also organised a stakeholder event on 10-11 July 2018. The public consultation conducted by the Commission in preparation for the ‘Clean Planet for All’ Communication found that there is significant support, both from individuals and from organisations, for the EU to achieve a balance between greenhouse gas emissions and removals by 2050. A synopsis report on the consultation activities undertaken for the ‘Clean Planet for all Communication’ is annexed to the In-depth analysis in support of the Commission Communication COM (2018) 773¹³. The adoption of the ‘Clean Planet for All’ Communication led to a yearlong extensive debate among the Member States, institutions, local and regional authorities, social partners, businesses, industry, stakeholders and the citizens. This broad social engagement allowed the debate to mature and enabled the development of a broad consensus on the EU’s ambition for 2050¹⁴. In addition, on 28 January 2020, the Commission organised a public event, which brought together a broad range of stakeholders for a discussion on implementing the European Green Deal - the European Climate Law. Panellists shared their views on the content of the Climate Law, addressed social and financial aspects of the European Green Deal and engaged in a session of questions and answers with the public. The Commission also published a roadmap on the initiative that was open for feedback for 4 weeks, from 9 January 2020 to 6 February 2020. Many stakeholders present at the event submitted their feedback. In total, 926 replies were received. Contributors included many European and national associations representing industrial sectors such as the power, automotive and steel sectors, as well as private companies, NGOs and many EU citizens. Public authorities from seven Member States (Denmark, France, Germany, Portugal, Spain, Sweden and The Netherlands) and Norway contributed to the consultation.

¹³ Annex 7.1 to the In-depth analysis in support of the Commission Communication COM(2018)773, https://ec.europa.eu/clima/sites/clima/files/docs/pages/com_2018_733_analysis_in_support_en_0.pdf.

¹⁴ According to the Special Eurobarometer 490, Climate Change, April 2019, 92% of respondents – and more than eight in ten in each Member State - agree that greenhouse gas emissions should be reduced to a minimum while offsetting the remaining emissions, in order to make the EU economy climate-neutral by 2050.

- **Impact assessment**

In support of the ‘Clean Planet for All’ Communication, the Commission services carried out an in-depth analysis¹⁵. It explores how climate neutrality can be achieved by looking at all the key economic sectors, including energy, transport, industry and agriculture. Current policies will have a continued impact after 2030, with projected emissions reductions of around 60% by 2050. However, this is not sufficient for the EU to contribute to the Paris Agreement’s temperature goals. A portfolio of scenarios was analysed for achieving the transition to net-zero greenhouse gas emissions by 2050, based on existing – though in some cases emerging – technological solutions, empowering citizens and aligning action in key areas such as industrial policy, the circular economy, finance or research and innovation, while ensuring social fairness for a just transition. The assessment builds upon scientific literature and inputs from a wide range of stakeholders as well as integrated modelling allowing to better understand the transformation of and complex interactions between the energy, industry, buildings, transport, agriculture, forestry and waste sectors. Given this recent (November 2018) full analysis on the implications of the 2050 climate-neutrality objective, and evaluation of the EU adaptation strategy, an impact assessment is not required.

- **Fundamental rights**

The proposal respects the fundamental rights and observes the principles recognised in particular by the Charter of Fundamental Rights of the European Union. In particular, it contributes to the objective of a high level of environmental protection in accordance with the principle of sustainable development as laid down in Article 37 of the Charter of Fundamental Rights of the European Union.¹⁶

4. BUDGETARY IMPLICATIONS

The indirect impacts on Member States’ budgets will depend on their choice of national policies and measures for greenhouse gas emission reductions and other mitigation or adaptation action, and will follow mostly from the possible complementary proposals to revise related instruments or propose new ones to deliver the additional greenhouse gas emission reductions necessary as will be presented in the impact assessed plan to increase the EU’s greenhouse gas emission reductions target for 2030.

The implementation of this proposal will require the redeployment of human resources within the Commission, as well as a small reinforcement of the staff of the European Environment Agency (EEA), which are presented in the attached legislative financial statement.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

Transparent and regular reporting by Member States coupled with robust assessments by the Commission and mechanisms to ensure that progress is assessed are essential to ensure that the EU remains on track towards achieving the EU 2050 climate-neutrality objective. The initiative builds on the process based on integrated national energy and climate plans and the robust transparency framework for greenhouse gas emissions and other climate information

¹⁵ In-depth analysis in support of the Commission Communication COM(2018)773, https://ec.europa.eu/clima/sites/clima/files/docs/pages/com_2018_733_analysis_in_support_en_0.pdf.

¹⁶ OJ C 326, 26.10.2012, p. 391.

that is contained in Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action. The Commission will use inter alia the information submitted and reported by Member States under the Governance Regulation as a basis for its regular assessment of progress. This includes information on greenhouse gas emissions, policies and measures, projections and adaptation. The Commission will also make use of this information for the Environmental Implementation Reviews and the monitoring of the Environment Action Programmes. Information obtained from Member States may be complemented by systematic atmospheric observations through in situ as well as remote sensing observations, such as those provided by Copernicus. The Commission will also regularly assess whether the trajectory requires updating and review policies and legislation and take action in case of insufficient progress.

- **Detailed explanation of the specific provisions of the proposal**

Article 2 sets the EU 2050 climate-neutrality objective, covering all sectors and all greenhouse gases - not only CO₂-, and to be achieved domestically within the Union. It reflects that in line with Article 4(4) of the Paris Agreement, developed country Parties should continue taking the lead by undertaking economy-wide absolute emission reduction targets. It recognises that while greenhouse gas emissions should be avoided at source as a priority, removals of greenhouse gases will be needed to compensate for remaining greenhouse gas from sectors where decarbonisation is the most challenging. The natural sink of forests, soils, agricultural lands and wetlands should be maintained and further increased and carbon removal technologies, such as carbon capture and storage and carbon capture and utilisation, should be made cost-effective and deployed. The Article also requires the European Parliament, the Council and the Commission and the Member States to take the necessary measures both at Union and national level to enable the collective achievement of this objective. Measures at Union level will constitute an important part of the measures needed to achieve the objective.

Identifying a trajectory for greenhouse gas emission reductions at Union level will help to ensure that the EU 2050 climate-neutrality objective is achieved (Article 3). Every five years, aligned with the Paris Agreement timelines, the Commission will review the EU trajectory. Under the Paris Agreement, Parties periodically take stock of the implementation of the Paris Agreement and assess collective progress towards achieving its purpose and long-term goals, in the ‘global stocktake’. At the latest within six months of each global stocktake, the Commission will review the trajectory.

Article 4 concerns adaptation to climate change. In spite of mitigation efforts, climate change is already creating and will continue to create significant stress in Europe and strengthening the efforts to enhance adaptive capacity, strengthen resilience and reduce vulnerability is crucial, building on Union legislation which already addresses specific climate adaptation objectives. The development and implementation of adaptation strategies and plans is essential in this regard. The new EU Adaptation Strategy will aim directly at helping achieve this goal.

The Commission will assess progress every five years, aligned with the Paris Agreement timelines (Articles 5 to 7). Before each global stocktake, the Commission will assess and report on the collective progress made by the Member States towards the achievement of the climate-neutrality objective or on adaptation, and on the consistency of Union measures with the climate-neutrality objective or adequacy to enhance adaptive capacity, strengthen resilience or reduce vulnerability. The Commission will take the necessary measures where the assessment suggests that Union measures are inconsistent or inadequate or progress is

insufficient. The Commission will also regularly assess relevant national measures and issue recommendations where it finds inconsistencies or that measures are inadequate.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,
Having regard to the Treaty on the Functioning of the European Union, and in particular Article 192(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹⁷,

Having regard to the opinion of the Committee of the Regions¹⁸,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The Commission has, in its Communication of 11 December 2019 entitled ‘The European Green Deal’¹⁹, set out a new growth strategy that aims to transform the Union into a fair and prosperous society, with a modern, resource-efficient and competitive economy, where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. It also aims to protect, conserve and enhance the Union's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. At the same time, this transition must be just and inclusive, leaving no one behind.
- (2) The Intergovernmental Panel on Climate Change’s (IPCC) Special Report on the impacts of global warming of 1.5 °C above pre-industrial levels and related global greenhouse gas emission pathways²⁰ provides a strong scientific basis for tackling climate change and illustrates the need to step up climate action. It confirms that greenhouse gas emissions need to be urgently reduced, and that climate change needs to be limited to 1.5 °C, in particular to reduce the likelihood of extreme weather events. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services’ (IPBES) 2019 Global Assessment Report²¹ showed worldwide

¹⁷ OJ C , , p. .

¹⁸ OJ C , , p. .

¹⁹ Commission Communication - The European Green Deal, COM(2019) 640 final of 11 December 2019.

²⁰ IPCC, 2018: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)].

²¹ IPBES 2019: Global Assessment on Biodiversity and Ecosystem Services.

erosion of biodiversity, with climate change as the third most important driver of biodiversity loss.²²

- (3) A fixed long-term objective is crucial to contribute to economic and societal transformation, jobs, growth, and the achievement of the United Nations Sustainable Development Goals, as well as to move in a fair and cost-effective manner towards the temperature goal of the 2015 Paris Agreement on climate change following the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (the ‘Paris Agreement’).
- (4) The Paris Agreement sets out a long-term goal to keep the global temperature increase to well below 2 °C above pre-industrial levels and to pursue efforts to keep it to 1.5 °C above pre-industrial levels²³, and stresses the importance of adapting to the adverse impacts of climate change²⁴ and making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development²⁵.
- (5) The Union’s and the Member States’ climate action aims to protect people and the planet, welfare, prosperity, health, food systems, the integrity of eco-systems and biodiversity against the threat of climate change, in the context of the 2030 agenda for sustainable development and in pursuit of the objectives of the Paris Agreement, and to maximize prosperity within the planetary boundaries and to increase resilience and reduce vulnerability of society to climate change.
- (6) Achieving climate neutrality should require a contribution from all economic sectors. In light of the importance of energy production and consumption on greenhouse gas emissions, the transition to a sustainable, affordable and secure energy system relying on a well-functioning internal energy market is essential. The digital transformation, technological innovation, and research and development are also important drivers for achieving the climate-neutrality objective.
- (7) The Union has been pursuing an ambitious policy on climate action and has put in place a regulatory framework to achieve its 2030 greenhouse gas emission reduction target. The legislation implementing this target consists, inter alia, of Directive 2003/87/EC of the European Parliament and of the Council²⁶, which establishes a system for greenhouse gas emission allowance trading within the Union, Regulation (EU) 2018/842 of the European Parliament and of the Council²⁷, which introduced national targets for reduction of greenhouse gas emissions by 2030, and Regulation (EU) 2018/841 of the European Parliament and of the Council²⁸, which requires

²² European Environment Agency’s The European environment – state and outlook 2020 (Luxembourg: Publication Office of the EU, 2019).

²³ Article 2.1.a of the Paris Agreement.

²⁴ Article 2.1.b of the Paris Agreement.

²⁵ Article 2.1.c of the Paris Agreement.

²⁶ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (OJ L 275 of 25 October 2003, p. 32).

²⁷ Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

²⁸ Regulation (EU) 2018/841 of the European Parliament and of the Council of 30 May 2018 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework, and amending Regulation (EU) No 525/2013 and Decision No 529/2013/EU (OJ L 156, 19.6.2018, p. 1).

Member States to balance greenhouse gas emissions and removals from land use, land use change and forestry.

- (8) In addition, the Commission has, in its Communication of 28 November of 2018 entitled ‘A Clean Planet for all: A European strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy’, presented a vision for achieving net-zero greenhouse gas emissions in the Union by 2050 through a socially-fair and cost-efficient transition.
- (9) The Union has, through the ‘Clean Energy for All Europeans’ package²⁹ been pursuing an ambitious decarbonisation agenda notably by constructing a robust Energy Union, which includes 2030 goals for energy efficiency and deployment of renewable energy in Directives 2012/27/EU³⁰ and (EU) 2018/2001³¹ of the European Parliament and of the Council, and by reinforcing relevant legislation, including Directive 2010/31/EU of the European Parliament and of the Council³².
- (10) The Union is a global leader in the transition towards climate neutrality, and is determined to help raise global ambition and to strengthen the global response to climate change, using all tools at its disposal, including climate diplomacy.
- (11) The European Parliament called for the necessary transition to a climate-neutral society by 2050 at the latest and for this to be made into a European success story³³ and has declared a climate and environment emergency³⁴. The European Council, in its Conclusions of 12 December 2019³⁵, has agreed on the objective of achieving a climate-neutral Union by 2050, in line with the objectives of the Paris Agreement, while also recognising that it is necessary to put in place an enabling framework and that the transition will require significant public and private investment. The European Council also invited the Commission to prepare a proposal for the Union’s long-term strategy as early as possible in 2020 with a view to its adoption by the Council and its submission to the United Nations Framework Convention on Climate Change.
- (12) The Union should aim to achieve a balance between anthropogenic economy-wide emissions and removals, through natural and technological solutions, of greenhouse gases domestically within the Union by 2050. The Union-wide 2050 climate-neutrality objective should be pursued by all Member States collectively, and the Member States, the European Parliament, the Council and the Commission should take the necessary measures to enable its achievement. Measures at Union level will constitute an important part of the measures needed to achieve the objective.
- (13) The Union should continue its climate action and international climate leadership after 2050, in order to protect people and the planet against the threat of dangerous climate

²⁹ COM(2016) 860 final of 30 November 2016.

³⁰ Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012, p. 1)

³¹ Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

³² Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13).

³³ European Parliament resolution of 15 January 2020 on the European Green Deal (2019/2956(RSP)).

³⁴ European Parliament resolution of 28 November 2019 on the climate and environment emergency (2019/2930(RSP)).

³⁵ Conclusions adopted by the European Council at its meeting on 12 December 2019, EUCO 29/19, CO EUR 31, CONCL 9.

change, in pursuit of the temperature goals set out in the Paris Agreement and following the scientific recommendations of the IPCC.

- (14) Adaptation is a key component of the long-term global response to climate change. Therefore, Member States and the Union should enhance their adaptive capacity, strengthen resilience and reduce vulnerability to climate change, as provided for in Article 7 of the Paris Agreement, as well as maximise the co-benefits with other environmental policies and legislation. Member States should adopt comprehensive national adaptation strategies and plans.
- (15) In taking the relevant measures at Union and national level to achieve the climate-neutrality objective, Member States and the European Parliament, the Council and the Commission should take into account the contribution of the transition to climate neutrality to the well-being of citizens, the prosperity of society and the competitiveness of the economy; energy and food security and affordability; fairness and solidarity across and within Member States considering their economic capability, national circumstances and the need for convergence over time; the need to make the transition just and socially fair; best available scientific evidence, in particular the findings reported by the IPCC; the need to integrate climate change related risks into investment and planning decisions; cost-effectiveness and technological neutrality in achieving greenhouse gas emissions reductions and removals and increasing resilience; progression over time in environmental integrity and level of ambition.
- (16) The transition to climate neutrality requires changes across the entire policy spectrum and a collective effort of all sectors of the economy and society, as illustrated by the Commission in its Communication ‘The European Green Deal’. The European Council, in its Conclusions of 12 December 2019, stated that all relevant Union legislation and policies need to be consistent with, and contribute to, the fulfilment of the climate-neutrality objective while respecting a level playing field, and invited the Commission to examine whether this requires an adjustment of the existing rules.
- (17) The Commission, in its Communication ‘The European Green Deal’, announced its intention to assess and make proposals for increasing the Union’s greenhouse gas emission reduction target for 2030 to ensure its consistency with the climate-neutrality objective for 2050. In that Communication, the Commission underlined that all Union policies should contribute to the climate-neutrality objective and that all sectors should play their part. By September 2020, the Commission should, based on a comprehensive impact assessment and taking into account its analysis of the integrated national energy and climate plans submitted to the Commission in accordance with Regulation (EU) 2018/1999 of the European Parliament and of the Council³⁶, review the Union’s 2030 target for climate and explore options for a new 2030 target of 50 to 55 % emission reductions compared with 1990 levels. Where it considers necessary to amend the Union’s 2030 target, it should make proposals to the European Parliament and to the Council to amend this Regulation as appropriate. In addition, the Commission should, by 30 June 2021, assess how the Union legislation implementing that target would need to be amended in order to achieve emission reductions of 50 to 55 % compared to 1990.

³⁶ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

- (18) To ensure the Union and the Member States remain on track to achieve the climate-neutrality objective and progress on adaptation, the Commission should regularly assess progress. Should the collective progress made by Member States towards the achievement of the climate-neutrality objective or on adaptation be insufficient or Union measures inconsistent with the climate-neutrality objective or inadequate to enhance adaptive capacity, strengthen resilience or reduce vulnerability, the Commission should take the necessary measures in accordance with the Treaties. The Commission should also regularly assess relevant national measures, and issue recommendations where it finds that a Member State's measures are inconsistent with the climate-neutrality objective or inadequate to enhance adaptive capacity, strengthen resilience and reduce vulnerability to climate change.
- (19) The Commission should ensure a robust and objective assessment based on the most up to date scientific, technical and socio-economic findings, and representative of a broad range of independent expertise, and base its assessment on relevant information including information submitted and reported by Member States, reports of the European Environment Agency, best available scientific evidence, including the reports of the IPCC. Given that the Commission has committed to exploring how the EU taxonomy can be used in the context of the European Green Deal by the public sector, this should include information on environmentally sustainable investment, by the Union and Member States, consistent with Regulation (EU) 2020/... [Taxonomy Regulation] when such information becomes available. The Commission should use European statistics and data where available and seek expert scrutiny. The European Environment Agency should assist the Commission, as appropriate and in accordance with its annual work programme.
- (20) As citizens and communities have a powerful role to play in driving the transformation towards climate neutrality forward, strong public and social engagement on climate action should be facilitated. The Commission should therefore engage with all parts of society to enable and empower them to take action towards a climate-neutral and climate-resilient society, including through launching a European Climate Pact.
- (21) In order to provide predictability and confidence for all economic actors, including businesses, workers, investors and consumers, to ensure that the transition towards climate neutrality is irreversible, to ensure gradual reduction over time and to assist in the assessment of the consistency of measures and progress with the climate-neutrality objective, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission to set out a trajectory for achieving net zero greenhouse gas emissions in the Union by 2050. It is of particular importance that the Commission carries out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making³⁷. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.
- (22) In line with the Commission's commitment to the principles on Better Law-Making, coherence of the Union instruments as regards greenhouse gas emissions reductions should be sought. The system of measuring the progress towards the achievement of

³⁷ OJ L 123, 12.5.2016, p. 1.

the climate-neutrality objective as well as the consistency of measures taken with that objective should build upon and be consistent with the governance framework laid down in Regulation (EU) 2018/1999. In particular, the system of reporting on a regular basis and the sequencing of the Commission's assessment and actions on the basis of the reporting should be aligned to the requirements to submit information and provide reports by Member States laid down in Regulation (EU) 2018/1999. Regulation (EU) 2018/1999 should therefore be amended in order to include the climate-neutrality objective in the relevant provisions.

- (23) Climate change is by definition a trans-boundary challenge and a coordinated action at Union level is needed to effectively supplement and reinforce national policies. Since the objectives of this Regulation, namely to achieve climate neutrality in the Union by 2050, cannot be sufficiently achieved by the Member States alone, but can rather, by reason of the scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary to achieve those objectives,

HAVE ADOPTED THIS REGULATION:

Article 1

Subject matter and scope

This Regulation establishes a framework for the irreversible and gradual reduction of greenhouse gas emissions and enhancement of removals by natural or other sinks in the Union.

This Regulation sets out a binding objective of climate neutrality in the Union by 2050 in pursuit of the long-term temperature goal set out in Article 2 of the Paris Agreement, and provides a framework for achieving progress in pursuit of the global adaptation goal established in Article 7 of the Paris Agreement.

This Regulation applies to anthropogenic emissions and removals by natural or other sinks of the greenhouse gases listed in Part 2 of Annex V to Regulation (EU) 2018/1999.

Article 2

Climate-neutrality objective

1. Union-wide emissions and removals of greenhouse gases regulated in Union law shall be balanced at the latest by 2050, thus reducing emissions to net zero by that date.
2. The relevant Union institutions and the Member States shall take the necessary measures at Union and national level respectively, to enable the collective achievement of the climate-neutrality objective set out in paragraph 1, taking into account the importance of promoting fairness and solidarity among Member States.
3. By September 2020, the Commission shall review the Union's 2030 target for climate referred to in Article 2(11) of Regulation (EU) 2018/1999 in light of the climate-neutrality objective set out in Article 2(1), and explore options for a new 2030 target of 50 to 55% emission reductions compared to 1990. Where the Commission considers that it is necessary to amend that target, it shall make proposals to the European Parliament and to the Council as appropriate.

4. By 30 June 2021, the Commission shall assess how the Union legislation implementing the Union's 2030 target would need to be amended in order to enable the achievement of 50 to 55 % emission reductions compared to 1990 and to achieve the climate-neutrality-objective set out in Article 2(1), and consider taking the necessary measures, including the adoption of legislative proposals, in accordance with the Treaties.

Article 3

Trajectory for achieving climate neutrality

1. The Commission is empowered to adopt delegated acts in accordance with Article 9 to supplement this Regulation by setting out a trajectory at Union level to achieve the climate-neutrality objective set out in Article 2(1) until 2050. At the latest within six months after each global stocktake referred to in Article 14 of the Paris Agreement, the Commission shall review the trajectory.
2. The trajectory shall start from the Union's 2030 target for climate referred to in Article 2(3).
3. When setting a trajectory in accordance with paragraph 1, the Commission shall consider the following:
 - (a) cost-effectiveness and economic efficiency;
 - (b) competitiveness of the Union's economy;
 - (c) best available technology;
 - (d) energy efficiency, energy affordability and security of supply;
 - (e) fairness and solidarity between and within Member States;
 - (f) the need to ensure environmental effectiveness and progression over time;
 - (g) investment needs and opportunities;
 - (h) the need to ensure a just and socially fair transition;
 - (i) international developments and efforts undertaken to achieve the long-term objectives of the Paris Agreement and the ultimate objective of the United Nations Framework Convention on Climate Change;
 - (j) the best available and most recent scientific evidence, including the latest reports of the IPCC.

Article 4

Adaptation to climate change

1. The relevant Union institutions and the Member States shall ensure continuous progress in enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change in accordance with Article 7 of the Paris Agreement.
2. Member States shall develop and implement adaptation strategies and plans that include comprehensive risk management frameworks, based on robust climate and vulnerability baselines and progress assessments.

Article 5

Assessment of Union progress and measures

1. By 30 September 2023, and every 5 years thereafter, the Commission shall assess, together with the assessment foreseen under Article 29(5) of Regulation (EU) 2018/1999:
 - (a) the collective progress made by all Member States towards the achievement of the climate-neutrality objective set out in Article 2(1) as expressed by the trajectory referred to in Article 3(1);
 - (b) the collective progress made by all Member States on adaptation as referred to in Article 4.

The Commission shall submit the conclusions of that assessment, together with the State of the Energy Union Report prepared in the respective calendar year in accordance with Article 35 of Regulation (EU) 2018/1999, to the European Parliament and to the Council.

2. By 30 September 2023, and every 5 years thereafter, the Commission shall review:
 - (a) the consistency of Union measures with the climate-neutrality objective set out in Article 2(1) as expressed by the trajectory referred to in Article 3(1);
 - (b) the adequacy of Union measures to ensure progress on adaptation as referred to in Article 4.
3. Where, based on the assessment referred to in paragraphs 1 and 2, the Commission finds that Union measures are inconsistent with the climate-neutrality objective set out in Article 2(1) or inadequate to ensure progress on adaptation as referred to in Article 4, or that the progress towards either the climate-neutrality objective or on adaptation as referred to in Article 4 is insufficient, it shall take the necessary measures in accordance with the Treaties, at the same time as the review of the trajectory referred to in Article 3(1).
4. The Commission shall assess any draft measure or legislative proposal in light of the climate-neutrality objective set out in Article 2(1) as expressed by the trajectory referred to in Article 3(1) before adoption, and include this analysis in any impact assessment accompanying these measures or proposals, and make the result of that assessment public at the time of adoption.

Article 6

Assessment of national measures

1. By 30 September 2023, and every 5 years, thereafter the Commission shall assess:
 - (a) the consistency of national measures identified, on the basis of the National Energy and Climate Plans or the Biennial Progress Reports submitted in accordance with Regulation (EU) 2018/1999, as relevant for the achievement of the climate-neutrality objective set out in Article 2(1) with that objective as expressed by the trajectory referred to in Article 3(1);
 - (b) the adequacy of relevant national measures to ensure progress on adaptation as referred to in Article 4.

The Commission shall submit the conclusions of that assessment, together with the State of the Energy Union Report prepared in the respective calendar year in

accordance with Article 35 of Regulation (EU) 2018/1999, to the European Parliament and to the Council.

2. Where the Commission finds, under due consideration of the collective progress assessed in accordance with Article 5(1), that a Member State's measures are inconsistent with that objective as expressed by the trajectory referred to in Article 3(1) or inadequate to ensure progress on adaptation as referred to in Article 4, it may issue recommendations to that Member State. The Commission shall make such recommendations publicly available.
3. Where a recommendation is issued in accordance with paragraph 2, the following principles shall apply:
 - (a) the Member State concerned shall take due account of the recommendation in a spirit of solidarity between Member States and the Union and between Member States;
 - (b) the Member State concerned shall set out, in its first progress report submitted in accordance with Article 17 of Regulation (EU) 2018/1999, in the year following the year in which the recommendation was issued, how it has taken due account of the recommendation. If the Member State concerned decides not to address a recommendation or a substantial part thereof, that Member State shall provide the Commission its reasoning;
 - (c) the recommendations should be complementary to the latest country-specific recommendations issued in the context of the European Semester.

Article 7

Common provisions on Commission assessment

1. In addition to the national measures referred to in Article 6(1)(a), the Commission shall base its assessment referred to in Articles 5 and 6 on at least the following:
 - (a) information submitted and reported under Regulation (EU) 2018/1999;
 - (b) reports of the European Environment Agency (EEA);
 - (c) European statistics and data, including data on losses from adverse climate impacts, where available; and
 - (d) best available scientific evidence, including the latest reports of the IPCC; and
 - (e) any supplementary information on environmentally sustainable investment, by the Union and Member States, including, when available, investment consistent with Regulation (EU) 2020/... [Taxonomy Regulation].
2. The EEA shall assist the Commission in the preparation of the assessment referred to in Articles 5 and 6, in accordance with its annual work programme.

Article 8

Public participation

The Commission shall engage with all parts of society to enable and empower them to take action towards a climate-neutral and climate-resilient society. The Commission shall facilitate an inclusive and accessible process at all levels, including at national, regional and local level and with social partners, citizens and civil society, for the exchange of best practice and to

identify actions to contribute to the achievement of the objectives of this Regulation. In addition, the Commission may also draw on the multilevel climate and energy dialogues as set up by Member States in accordance with Article 11 of Regulation (EU) 2018/1999.

Article 9

Exercise of the delegation

1. The power to adopt delegated acts referred to in Article 3(1) is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Article 3(1) shall be conferred on the Commission for an indeterminate period of time from ...[OP: date of entry into force of this Regulation].
3. The delegation of power referred to in Article 3(1) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to Article 3 shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of that act to the European Parliament and to the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 10

Amendments to Regulation (EU) 2018/1999

Regulation (EU) 2018/1999 is amended as follows:

- (1) in Article 1(1), point (a) is replaced by the following:

‘(a) implement strategies and measures designed to meet the Union’s climate-neutrality objective as set out in Article 2 of Regulation .../... [Climate Law], the objectives and targets of the Energy Union, and for the first ten-year period, from 2021 to 2030, in particular the Union’s 2030 targets for energy and climate;’;
- (2) in Article 2, point 7 is replaced by the following:

‘(7) ‘projections’ means forecasts of anthropogenic greenhouse gas emissions by sources and removals by sinks or developments of the energy system, including at least quantitative estimates for a sequence of six future years ending with 0 or 5 immediately following the reporting year;’;
- (3) in Article 3(2), point (f) is replaced by the following:

‘(f) an assessment of the impacts of the planned policies and measures to meet the objectives referred to in point (b) of this paragraph, including their consistency with Union’s climate-neutrality objective set out in Article 2 of Regulation .../... [Climate Law], the long-term greenhouse gas emission reduction objectives under the Paris Agreement and the long-term strategies as referred to in Article 15;’;

(4) in Article 8(2), the following point (e) is added:

‘(e) the manner in which existing policies and measures and planned policies and measures contribute to the achievement of the Union’s climate-neutrality objective set out in Article 2 of Regulation .../... [Climate Law].’;

(5) Article 11 is replaced by the following:

‘Article 11

Multilevel climate and energy dialogue

Each Member State shall establish a multilevel climate and energy dialogue pursuant to national rules, in which local authorities, civil society organisation, business community, investors and other relevant stakeholders and the general public are able actively to engage and discuss the achievement of the Union’s climate-neutrality objective set out in Article 2 of Regulation .../... [Climate Law] and the different scenarios envisaged for energy and climate policies, including for the long term, and review progress, unless it already has a structure which serves the same purpose. Integrated national energy and climate plans may be discussed within the framework of such a dialogue.’;

(6) In Article 15(3), point (c) is replaced by the following:

‘(c) achieving long-term greenhouse gas emission reductions and enhancements of removals by sinks in all sectors in accordance with the Union’s climate-neutrality objective set out in Article 2 of Regulation .../... [Climate Law];’

(7) Annex I, Part 1, is amended as follows:

(a) in section A, point 3.1.1., point (i) is replaced by the following:

‘(i) Policies and measures to achieve the target set under Regulation (EU) 2018/842 as referred in point 2.1.1 and policies and measures to comply with Regulation (EU) 2018/841, covering all key emitting sectors and sectors for the enhancement of removals, with an outlook to the climate-neutrality objective set out in Article 2 of Regulation .../... [Climate Law]’;

(b) in Section B, the following point 5.5. is added:

‘5.5. The contribution of planned policies and measures to the achievement of the Union’s climate-neutrality objective set out in Article 2 of Regulation .../... [Climate Law]’;

(8) in Annex VI, point (viii) of point (c) is replaced by the following:

‘(viii) an assessment of the contribution of the policy or measure to the achievement of the Union’s climate-neutrality objective set out in Article 2 of Regulation .../... [Climate Law] and to the achievement of the long-term strategy referred to in Article 15;’.

Article 11

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President