



Translating the EU 2040 climate target into action: building the 2040 policy package

POLICY BRIEF
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Introduction

With the agreement of the EU institutions on amendments to the European Climate Law, attention now shifts towards the development of the EU's post-2030 climate policy framework to deliver 90% of net emissions reductions by 2040. As was the case with the Fit for 55 package following the adoption of the 2030 climate target, **the challenge ahead lies in translating the 2040 climate target into a coherent, science-aligned policy architecture able of delivering it in practice and in time for climate neutrality by 2050.**

This task is not a simple extension of the existing framework. The revised Climate Law introduces significant new elements that affect how the post-2030 framework will be designed. In particular, **the inclusion of international carbon credits means that progress towards the 2040 target will no longer rely solely on emission reductions within the EU.** At the same time, the role of land use, land-use change and forestry (LULUCF) is likely to be reshaped. There is currently no explicit or capped contribution towards the 2040 target, a possible downward revision of the 90% target if LULUCF targets are not met, and a possibility that in the case of overperformance, LULUCF removals could compensate for a lack of action in other sectors. Nevertheless, the text explicitly acknowledges the need for the contribution of removals to be 'realistic'.

These changes must be understood in the context of the EU's broader climate trajectory. The Union has committed to achieving climate neutrality by 2050, aiming to achieve net negative emissions thereafter. Importantly, the Climate Law legally defines climate neutrality as a domestic objective: greenhouse gas emissions and removals must be balanced within the Union. **While flexibility mechanisms may be used during the transition, the end point remains an EU economy in which emissions are largely eliminated and, over time, removals exceed any remaining emissions.**

The EU post-2030 climate framework should be firmly grounded in science, while providing clarity on the respective roles of emissions reductions, land sinks, permanent carbon removals and international credits through dedicated, separate contributions and policies. The EU must facilitate the development of carbon removals without diluting the ambition and urgency of cutting emissions at source. **Above all, the framework must prioritise deep emissions reductions within the EU.** Domestic mitigation is what drives investment in clean infrastructure, industrial transformation and innovation, and is essential for delivering a credible pathway to climate neutrality.

Key design choices must include:

- ✓ A post-2030 framework fit for 90% domestic reductions with a limited strategic reserve of international credits
- ✓ Extending the land use climate framework beyond 2030, including measures to protect and strengthen land sinks, and to reduce emissions
- ✓ An EU ETS focused on driving domestic decarbonisation
- ✓ A separate, limited role for domestic permanent carbon removals

THE POST-2030 CLIMATE ARCHITECTURE

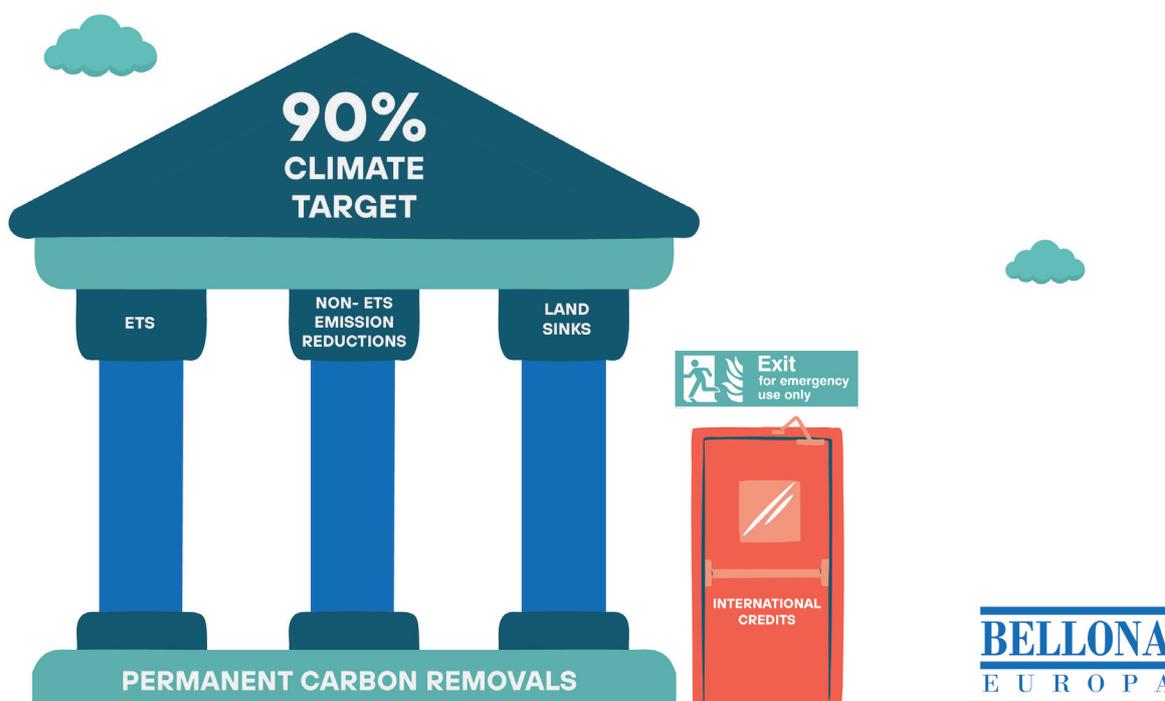


Figure 1: Illustrative representation of the post-2030 EU climate architecture (2036-2040) recommended by Bellona Europa

The climate architecture should be based on three pillars: the EU Emissions Trading System (ETS); emissions reductions from sectors not covered by the EU ETS; and land sinks which include both emissions and permanent removals from the LULUCF (Land Use, Land Use Change and Forestry) sector. Permanent removals function as a foundation underpinning the framework. They are necessary to accelerate net emission reductions and address residual emissions, which should be kept to a minimum. However, removals cannot carry the weight of emissions reductions, which must rest on the three pillars of the EU's climate mitigation framework. From 2036 to 2040, the use of international credits to meet the climate target should be a last resort measure only, expressed in the image as an emergency exit.

Design a post-2030 framework fit for 90% domestic reductions with a limited strategic reserve of international credits

The 2040 climate framework should be designed to achieve 90% domestic emissions reductions, allowing up to 5% of international credits only if domestic efforts fall short. The Climate Law is clear that priority should be given to reducing emissions domestically. **Target revisions should be kept to a minimum to maintain ambition and provide regulatory certainty** for investors and businesses.

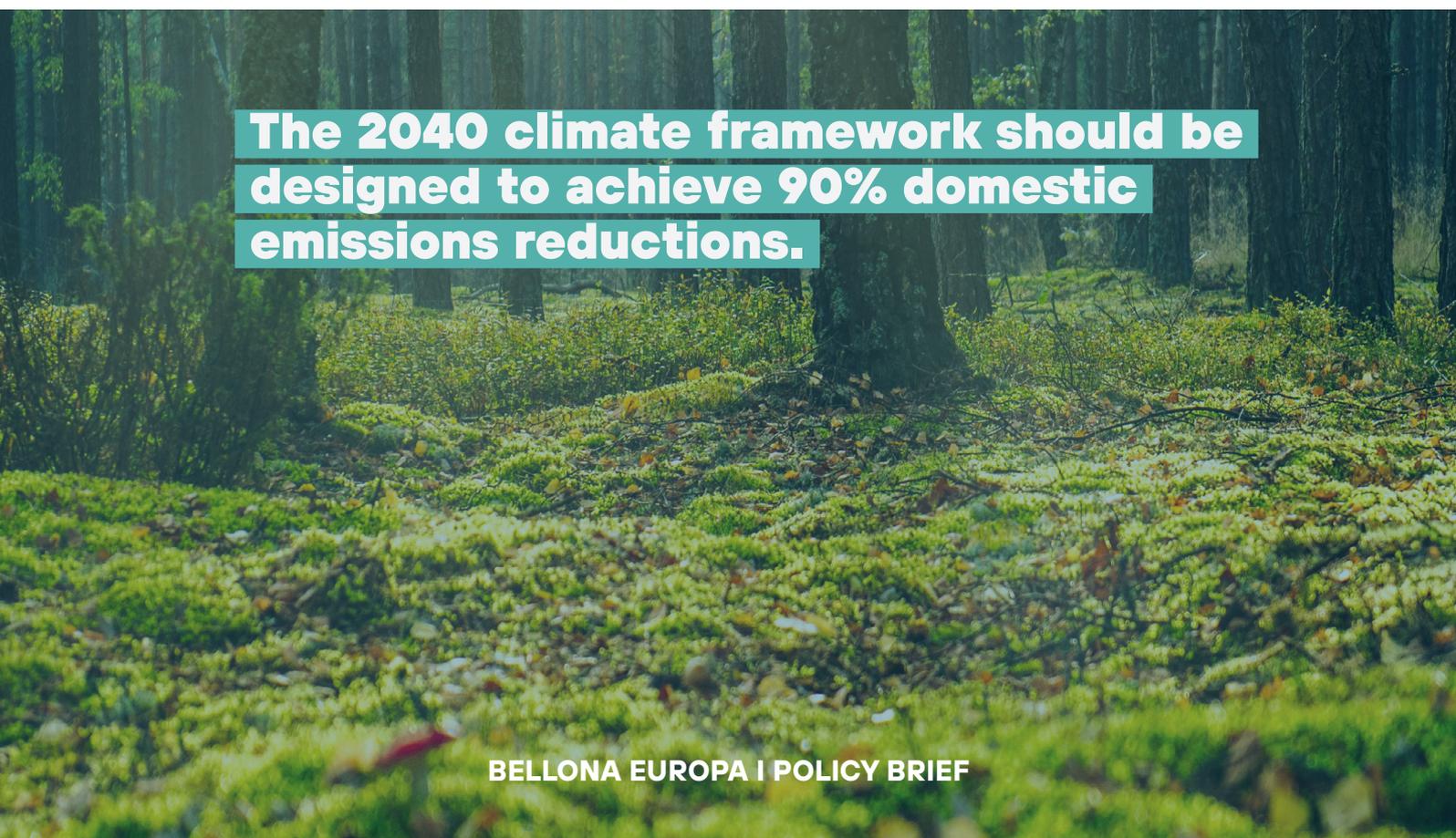
This framework should include **separate and clear roles for emissions reductions, the LULUCF (Land Use, Land Use Change and Forestry) sector and domestic permanent carbon removals.** Their binding nature is essential to send a credible market signal, ensure planning certainty for economic sectors and drive the necessary structural changes in production and consumption, while ensuring accountability. Moreover, such differentiation is key to prevent substitution between fundamentally different climate actions and to ensure environmental integrity.

International carbon credits can play a **very limited and carefully defined role** in the 2040 climate framework, but only if they **go beyond the Article 6 of the Paris Agreement, do not undermine domestic emissions reductions, and are of high environmental and social integrity.** The [European Scientific Advisory Board on Climate Change](#) (ESABCC) has warned that credits could weaken the EU's pathway to climate neutrality.

- **Impact assessment:** It must consider not only implementation details, but also potential impacts on the EU's trajectory to climate neutrality. This should also include safeguards to prevent the use of credits from deterring domestic emission reduction efforts, the conditionalities on the quality of credits, and the methodologies for eligible credits.
- **Reserve and contingency role:** Credits should serve only as a strategic reserve, to be used to meet the climate target only if domestic emissions reductions fall behind schedule. Clear thresholds for use should be defined ahead of time and be triggered only if these thresholds are met. They must not reduce incentives for sectoral decarbonisation. The purchase of international credits may still proceed even if they are not used in the achievement of the domestic climate target.
- **Funding and purchase rules:**
 - Credits should be purchased via dedicated funds but not from ETS revenues, to avoid diverting resources from supporting the decarbonisation of domestic emitters.
 - International climate finance:
 - International credits used for target compliance should not count towards EU international climate finance commitments.
 - The purchase of credits should also not divert funds dedicated to EU contributions to international climate finance, and should be additional to climate finance.
 - Where credits have been purchased but are not ultimately used for compliance with the climate target, the Commission could assess – subject to international

accounting rules and the avoidance of double counting – whether the corresponding financial contributions may be recognised as part of the EU's international climate finance commitments, notably the New Collective Quantified Goal.

- A centralised entity such as the European Commission should manage the purchase and hold credits in reserve.
- **Strict quality safeguards:** Credits must come from countries with ambitious Nationally Determined Contributions (NDCs), avoiding perverse incentives for countries to keep NDCs weak in order to sell credits. They should meet high standards for additionality, permanence, and environmental and social integrity, explicitly going beyond Article 6 of the Paris Agreement. The framework should establish a “gold standard”, allowing the EU to influence high-quality international credits.
- **Eligible sectors:** Linking the use of these international credits to addressing the EU's consumption-based emissions originating from outside the EU could be explored. International credits could serve as a targeted instrument to help close the gap between production- and consumption-based emissions, which amounted to approximately 700 million tonnes of CO₂e in 2023. Such an approach could focus on sectors not covered by the Carbon Border Adjustment Mechanism (CBAM). Properly designed, international credits could function as strategically targeted investments in key supply chains on which the EU depends. In this context, defined preferential treatment could be considered, subject to high-quality criteria.
- **Separate instrument:** Credits must be treated as a distinct instrument, separate from domestic compliance pillars (ETS reductions, non-ETS reductions, LULUCF), but which may indirectly influence the emission trajectory of the EU's flagship climate policies.



The 2040 climate framework should be designed to achieve 90% domestic emissions reductions.

Extend the land use framework beyond 2030 with measures to protect and strengthen EU land sinks, and reduce emissions

The framework must extend the LULUCF Regulation beyond 2030, maintaining its standalone treatment and the separate, limited contribution of land sinks to the EU climate targets.

Article 1 of the Climate Law explicitly establishes a framework not only for the reduction of greenhouse gas emissions, but also for the enhancement of removals by sinks regulated in EU law. This confirms that land sinks (and other sinks regulated by EU law) are a core but distinct element of the EU's climate strategy, complementary to emissions reductions.

While land sink capacity has declined in recent years, this must not be interpreted as a reason to weaken ambition or deprioritise the sector for climate action. On the contrary, the increasing vulnerability of EU land sinks to fires, pests, droughts and other climate-induced impacts makes a dedicated and strong framework even more essential. The main driver has been biomass harvesting. To design a coherent climate policy framework, **the carbon neutrality assumption of biogenic emissions should be revisited to reflect actual carbon flows and climate impacts of biomass use. This is needed to better align land-based climate targets with incentives on the harvesting and use of biomass**, which currently reward the burning of biomass over a cascading use putting at the centre the preservation and enhancement of land sinks.

Maintaining LULUCF as a **separate governance pillar** is particularly important given the **higher risks and uncertainties associated with land-based removals**, including reversals due to natural disturbances. There are already flexibilities within the framework notably to account for these disturbances. Given the uncertainties associated with long-term carbon storage in land sinks, counterbalancing long-lived GHG emissions with short-term carbon absorption would result in GHGs staying in the atmosphere longer than they are removed from the atmosphere, ultimately resulting in a further accumulation of GHGs in the atmosphere. This would mean that real atmospheric concentrations would continue to increase even if the numbers add up on paper.

Importantly, **extending LULUCF beyond 2030 must be accompanied by dedicated incentives and targeted measures to protect and strengthen EU land sinks, and reduce emissions.** These measures should address the full range of drivers behind declining sink capacity, including increased harvesting, land-use pressures and climate impacts, and must include sustainable forest management practices.

Finally, any revisions of the target should be strictly limited to cases clearly linked to natural disturbances, and only where such impacts are demonstrated with clear evidence.

Preserve the EU ETS as a domestic decarbonisation tool

The EU Emissions Trading System (ETS) must remain a domestic decarbonisation instrument, and this role should be safeguarded in the post-2030 framework. In particular, **international carbon credits should not be allowed in the ETS**, as their inclusion would weaken domestic incentives and undermine the integrity of the market, as was the case when Clean Development Mechanism credits were allowed in the EU ETS.

Rather than directly integrating carbon removals in the ETS, other options should be considered, notably [indirect interaction between permanent removals and the ETS](#). **Any such interaction should be strictly limited in quantity, and focused on addressing residual emissions.** If removals are ever integrated into the ETS, this should happen only at a later stage, once strong MRV and accounting systems are in place and storage permanence is ensured. CCS-based removals would be the primary candidate for such integration in a first instance, given the existence of a robust MRV and liability framework for geological storage. For BioCCS (and other biomass-based industrial removals) however, this would mean first revisiting the carbon neutrality assumption of biogenic emissions and considering the carbon payback period of biomass as mentioned above.

Free allowances should be phased out at the rate already agreed in 2022. If there is any slower phase out, this would weaken the carbon price signal, discourage investment in clean technologies and undermine the regulatory stability needed for industries to decarbonise.

To provide controlled 'breathing room' for the industry, **the linear reduction factor (LRF) could be adjusted in a curved way. This would reallocate allowances over time, removing some from circulation earlier and making them available later, while keeping the cumulative emissions cap unchanged.** By designing the reduction trajectory in this manner, a limited amount of emissions are allowed to persist beyond 2040 (i.e., until 2045) and industries benefit from flexibility without compromising the carbon budget and the temperature target of the Paris Agreement.

Establish a separate, limited role for permanent carbon removals

The framework should include a **separate, limited contribution for domestic permanent carbon removals**. This would clearly define the role they should play in achieving climate neutrality, avoid overreliance and provide a demand signal to support investment. **Temporary carbon storage and permanent removals should both be scaled up, but must be treated and accounted for separately**, reflecting their different features and levels of storage permanence.

This legally binding contribution should be based on a scientific impact assessment. It must strike the right balance: enough removals to ensure that residual emissions can be counterbalanced for climate neutrality and net negative emissions, but restricted with clear safeguards so that it respects planetary boundaries and maintains continuous pressure to reduce emissions. Importantly, **this contribution should not be treated as a flexibility to justify a less ambitious emissions reductions pathway but recognised as an essential additional measure for achieving both climate neutrality and net negative emissions**, as highlighted by the Intergovernmental Panel on Climate Change (IPCC) and ESABCC.

Carbon removals must be subject to strong Monitoring, Reporting and Verification (MRV). Storage permanence, the provision of co-benefits and the additionality of removed carbon should serve as guiding principles, while relying on conservative assumptions and buffers to account for uncertainty and possible reversals of carbon storage. Methodologies under the Carbon Removals and Carbon Farming Regulation (CRCF) should be developed in a consistent and interoperable manner, and in alignment with these principles.

At the same time, financing mechanisms should support the deployment of removals, which can contribute to industrial transition and help maintain jobs in sectors adapting to a net-zero economy.

In the Governance Regulation, permanent removals should have a distinct accounting and reporting separate from LULUCF and from emission reductions. There should be three separate pillars for 1) gross emissions reductions, 2) LULUCF (gross LULUCF removals minus gross LULUCF emissions), 3) permanent removals (gross permanent removals minus all associated life-cycle GHG emissions). In addition, international credits should also be accounted and reported for separately.

The European Climate Law is not limited to achieving climate neutrality by 2050, it also sets the objective to achieve net negative greenhouse gas emissions thereafter. This makes it essential to define a clear pathway beyond 2050, including consideration of a **science-based net negative emissions target by 2055**. Planning for this must begin well before 2050 and include a **strategy for minimising and addressing residual emissions, including non-CO₂ emissions** in the lead-up to climate neutrality, as well as ensuring that sufficient capacity for permanent removals is in place to deliver net negative emissions after 2050.

However, the existence of a longer-term net negative objective must not weaken or delay the need for a clear plan to achieve net zero by 2050. Setting a distant target carries risks, including

postponing action or over relying on future removals to justify slower short-term efforts. **This is why planning for net negative emissions must go hand in hand with a well-defined strategy for achieving climate neutrality on time.**

Conclusion

This briefing highlights only a subset of the measures required to design the post-2030 framework. Achieving climate neutrality will also depend on decisive action notably to transform energy systems to sustainable energy, as well as protect and restore land biodiversity and oceans.

The EU should avoid any revision of the 90% climate target itself. At a time when a clear cap and long-term direction are essential, reopening the target would create regulatory uncertainty, increase administrative burden and run counter to the objective of simplification. And crucially, it would undermine the stable and predictable framework needed to deliver long-term investment signals for the industry. **This framework should rely on built-in review points that allow for technical adjustments without weakening ambition and renegotiating targets.** Any downward revision would be in tension with the Paris Agreement, which requires Parties to progressively enhance ambition over time. This obligation has been recently reinforced by the advisory opinion of the International Court of Justice.

Finally, policy design must move beyond a narrow focus on annual targets and place greater emphasis on cumulative emissions and the remaining carbon budget.

Policy Recommendations

1

A post-2030 framework fit for 90% domestic reductions with a limited strategic reserve of international credits

2

Extending the land use climate framework beyond 2030, including measures to protect and strengthen land sinks, and to reduce emissions

3

An EU ETS focused on driving domestic decarbonisation

4

A separate, limited role for domestic permanent carbon removals





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