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Dutch position on reliable, robust and investment-proof EU Climate Framework beyond 2030

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1. Key messages and strategic orientation

The EU has entered a decisive decade. Faced with growing competitiveness concerns, energy price pressures and climate impacts in a volatile world, the case for homegrown, clean energy and EU market leadership in clean and circular technologies and industries has never been stronger.

To ensure EU resilience and security, it is critical that the EU maintains its decarbonisation trajectory beyond 2030, delivering cost-efficient incentives and a level playing field across all sectors. A predictable path beyond 2030 does not only ensure progress towards the 2040 and 2050 targets in the European Climate Law, but also strengthens EU competitiveness and prosperity in a cost-effective manner. The transition is key to unlocking broader benefits such as energy security, improved air quality, public health gains, safeguarding biodiversity and ecosystems and green job creation. Going forward, it is important that the European Commission's forthcoming impact assessments related to the post-2030 architecture address the following issues:

- Ensuring **market confidence to catalyse investments** in decarbonisation which rewards frontrunners and stimulates future clean investments and innovation, particularly in sectors with long investment cycles.
- Consider how the 2040 net 90% target can be deployed in a **cost-effective manner,** ideally informed by an **assessment of different policy options**.
- Upholding the European Emissions Trading System (ETS) as the cornerstone of EU climate policy, complemented by appropriate **decarbonisation incentives and targeted carbon leakage protection** for at-risk sectors.
- Providing **assurance around the 2040 and 2050 EU climate goals** by continuing the current system and extrapolating binding national contributions and fit-for-purpose flexibilities, while ensuring Member States are equipped to make progress and, as needed, step up national contributions to level out the pace of the transition.
- Consider entry points to strengthen the national climate targets via **targeted regulations to drive EU-wide reductions across sectors**, particularly in sectors that represent a growing share in emissions, notably transport and agriculture, thereby bolstering the level playing field with due regard for carbon leakage risks.
- **The impact on the EU climate targets, as well as on the EU nature and biodiversity targets, of different target scope options**. This includes the option of combining non-energy related emissions from agriculture with the net removals from Land Use, Land Use Change and Forestry (LULUCF) into one Agriculture, Forestry and Other Land Uses (AFOLU) pillar at EU and national level. In addition, the impacts of trade between Member States within an AFOLU pillar.

- The **coherence between EU climate-, nature-, biodiversity-, forestry- and bioeconomy policies**, indicating possible synergies and trade-offs.
- Set up **robust governance of carbon dioxide removals (CDR)**, considering regulatory frameworks and safeguards, in addition to market instruments, to scale up removals with a view to achieving climate neutrality by 2050 and net negative emissions thereafter, without diminishing the urgency of emission reductions and ensuring co-benefits for biodiversity where applicable.
- Ensure that **international credit use** by the EU shall reinforce, not undermine, domestic climate ambition, while giving consideration to how international carbon credits could be used to **foster strategic climate and energy partnerships.**
- Adress **implementation bottlenecks** to keep the transition on track, including infrastructure, financing, and regulatory matters (e.g. permitting) as well as any (socio-economic) barriers to ensure that the **affordability and feasibility of the 2040 target** for households, transport users, businesses and societal institutions is embedded in all proposals.

2. The EU post-2030 climate framework: Dutch priorities

The Netherlands advocates for an **ambitious and coherent EU package that safeguards a level playing field** and provides the required stability for citizens, societal institutions and businesses to make informed investment decisions. The Netherlands proposes the following guiding principles in the development of the EU climate policy framework post-2030 and accompanying proposals:

2.1 Robust national contributions to maintain investment security and stay on track towards the EU target

The 2040 climate target is a powerful signal to invest in clean, homegrown and affordable energy, to decarbonise strategic industries, reduce dependencies and will help safeguard European competitiveness, resilience and employment in the long term.

Policy certainty and market confidence are essential for investments in decarbonisation[1], particularly regarding longer investment cycles. Clearly defined national contributions to the EU's 2040 climate target are essential to secure investments and increase the uptake of clean energy and sustainably sourced materials. Therefore, continuing the current system by extrapolating binding national climate targets, is essential to unlock sustainability investments from both member states and industries. Additionally, this is a prerequisite to ensure that the EU's 2040 and 2050 climate targets will be achieved.

Flexibilities must be fit for purpose and count towards the overall climate target. It is important that flexibilities do not undermine achieving the overall EU target nor unduly increase the complexity of implementation. This means that the impact assessment accompanying the proposals should compare options to reach the net 90% target taking into

[1] Decarbonisation also refers to defossilisation of raw materials used for products.

account cost-efficient design and use of flexibilities, including possible use of international carbon credits.

If the Effort Sharing Regulation (ESR) is continued past 2030, it is critical to make necessary adjustments to ensure **all Member States will contribute more equally** towards the targets of net 90% reduction in 2040 and climate neutrality in 2050.

2.2 EU post-2030 energy targets

EU energy targets for 2040 should be **simple and consistent**. In developing the post-2030 framework, lessons learned from the 2030 framework should be taken into account: the sub-targets for energy sometimes lack consistency which makes implementation difficult and reduces flexibility. All technologies that contribute to climate neutrality by 2050 should be given room to develop, including nuclear energy. Continued efforts on energy savings and efficiency remain important. Clear and consistent EU energy targets, supported by enabling measures to resolve implementation bottlenecks, complement the ETS and ensure that the EU's 2050 climate target will be achieved. Primarily for hard to abate emissions, the availability of these clean energy sources, such as renewable fuels, is an instrumental precondition for reaching EU climate targets.

2.3 Credible carbon pricing and strengthened carbon leakage protection

The European Emissions Trading System (ETS) is and remains the **cornerstone of EU climate policy**, delivering cost-efficient incentives and a **level playing field** across all sectors covered. The EU ETS has proven its effectiveness, contributing to a decline in emissions by 50% in the covered sectors since the start in 2005. By relying on a market mechanism, the EU ETS ensures that emission reductions occur where they are most **cost-effective**, while incentivising **innovation** to boost green growth.

The Netherlands advocates for aligning the emissions cap with the 2040 climate target in the most cost-effective manner for achieving climate neutrality in 2050, thereby sending a clear and credible market signal. The Commission should clarify how the ETS emissions cap will be calibrated against the 90% target, given the implications of the 2026 revision for the supply of new allowances after 2040.

Additionally, ETS auction revenues should be channelled back more directly into **decarbonisation investments**, especially to support industries to decarbonise and become future proof. Special attention is needed for the decarbonisation investments in sectors at risk of carbon leakage. The upcoming ETS-review should include a scope expansion to waste incineration and smaller ships (400 – 5000 GT) and (if CORSIA proves to be insufficient in contributing to reaching the Paris target) international aviation.The review should also ensure that MRV- and ETS-rules become workable for offshore and minimise the risks of evasion or displacement of offshore activities to non-EU ports. Furthermore it should address the interaction with future climate measures by the International Maritime Organisation, including avoidance of double payment and double administrative burden. The Netherlands advocates for the implementation of an effective ETS-2 without further delays.

In light of the recent European Council discussion and the letter by President Von der Leyen on EU Competitiveness, several possible short-term measures were announced to help ensure the ETS remains effective under evolving market and geopolitical conditions. The Netherlands will assess the proposals based on safeguarding investment certainty and the integrity of the ETS, while effectively addressing concerns related to carbon leakage.

The Carbon Border Adjustment Mechanism (CBAM) is essential in providing carbon leakage protection and ensuring a level playing field between EU and non-EU producers by equalizing carbon costs. The Netherlands advocates further strengthening carbon leakage protection through:

- Expanding CBAM to additional sectors and downstream products where feasible, and indirect emissions incurred through electricity use in the production process. This would also reduce the need for the Indirect Cost Compensation scheme (ICC) in CBAM-sectors and could therefore enhance the internal level playing field.
- Utilising clean demand creation as a promising solution that establishes a long-term business case for decarbonisation and defossilisation, specifically for the steel and chemical sector.
- Considering adjustments to free allocation – without changing the emissions cap – to improve overall carbon leakage protection, especially for non-CBAM sectors with a high carbon leakage risk (e.g. chemical industry).
- A permanent and WTO-compatible solution should be designed at the EU level to effectively address the residual carbon leakage risk for exporting.

A well-functioning and effective ETS should be backed with investment opportunities and growth prospects for clean industry, including through the Clean Industrial Deal. The new framework must embody the interplay between decarbonisation, circularity and competitiveness.

The Netherlands advocates for demand creation to secure a future proof decarbonised European industry and secure an EU frontrunner position in clean technology, which may include product standards (such as a maximum CO_2 footprint for steel) and the use of European preference criteria in selected core and critical strategic areas, when less restrictive measures are insufficient and in a manner that is temporary, targeted and proportional, in line with international obligations. Additionally, care should be taken to ensure that like-minded trade partners are affected as little as possible. This provides businesses with the prospect of a sufficiently large market for clean and circular products, without loss of – and ideally with a gain in – international competitiveness.

2.4 Levelling up contributions across all sectors

Every sector must deliver on their contribution. Robust EU-level policy benefits all sectors. Particularly those sectors at the highest risk of carbon leakage, because EU policies drive reductions across all Member States. This reduces the need for additional national measures that could undermine countries' competitive position on the internal market. The EU climate policy framework post-2030 and accompanying national targets should reflect this and ensure that all sectors contribute. National climate targets should therefore be complemented by and supported with effective regulatory and pricing instruments, with a view to an EU level playing field.

The Netherlands emphasises the importance of achieving emission reductions through ambitious EU-level regulation such as existing CO_2 emission standards for light and heavy duty vehicles and product standards for energy efficiency and Ecodesign. These serve to maintain a level playing field and prevent carbon leakage, as well as providing long term policy predictability. In these efforts, the EU should keep in mind the impact any regulation has on (trade) relations with third countries and ensure consultation and assistance in implementation where necessary.

Targeted and additional EU policies are needed to scale up mitigation in sectors that represent a growing share of EU emissions, notably agriculture and transport.

Regulations targeting **(non-energy) emissions from agriculture** are largely absent from the current EU framework. The Commission proposal for national targets and flexibilities post-2030 should address this current gap whilst leaving room for decision making at the farm level. At the same time, the new EU climate policy framework should include opportunities for new sustainable business models, using the 'whole-of-food-sector approach', and enhance sustainability through the Common Agricultural Policy. The Netherlands welcomes further discussion on incentives for climate action in the agri-food sector that was started late 2025. For the LULUCF sector the Commission proposal should address MS-specific conditions, and challenges regarding the uncertainties and downward trend in carbon sinks, whilst ensuring the overall integrity of the climate targets. This could possibly be done via a buffer on top of the national targets needed to reach the EU target and EU instruments that incentivise enhancing climate resilience and synergies with nature restoration targets. Additional steps can be taken in the transportation sector, such as related to **inland navigation emissions.**

Furthermore, it is important to take coordinated action in policy domains that cut across different sectors, such as **public health**. The Nertherlands has been advocating for an EU Strategy on Climate and Health, which could extend to mitigation opportunities in addition to emerging climate-related public health risks.

2.5 Scaling up carbon removals

Strong governance of Carbon Dioxide Removals (CDR) is essential with a view to climate neutrality by 2050 and net negative emissions thereafter. Scaling up CDR, both natural and industrial CDR, must not come at the expense of emission reductions and should aim to deliver biodiversity co-benefits where applicable. The following points are key to establish a robust CDR governance.

The Netherlands advocates for separate frameworks and contributions for emission reduction, temporary carbon removal and permanent carbon removal, with due regard for potential, feasibility and cost-effectiveness. Notably, removals address atmospheric balances but not the full societal harms associated with emitting pollutants, such as impacts on air quality and public health. It is important to have transparent and clear rules for monitoring, reporting and verification.

Furthermore, the Netherlands emphasizes the importance of the 'like for like' principle: using only permanent carbon removal methods (BioCCS, DACCS, possibly DOCCS/mineralisation) to offset emissions of long-lived greenhouse gases from fossil

sources. It is important to establish clear rules regarding which types of removals (permanent or temporary), can be used for the compensation of which types of emissions (of long-lived or short-lived greenhouse gases from fossil or biogenic sources).

Financial instruments are needed to stimulate CDR innovation and roll-out. With the right incentives, European companies can lead the way in developing CDR techniques and become leaders in this growing market. CDR should be included in relevant European financial and innovation instruments, including exploration of funding mechanisms (e.g. via an IPCEI). Demand creation is key to achieve the necessary volumes of CDR.

Hard-to-abate emissions can be compensated through a role for domestic permanent carbon removals in the ETS, provided that safeguards are established to protect the environmental integrity of the EU ETS. Scaling up the supply of carbon removals, also prior to possible linkages to ETS stimulate innovation in different carbon removal technologies.

Temporary carbon removals could be used to offset short-lived greenhouse gases. The **scaling-up of temporary carbon removal** is therefore valuable and requires at the very least the **protection and restoration of biogenic carbon pools**, such as organic soils and living biomass. Apart from public investments, this may also be supported through **demand creation** for Carbon Removals and Carbon Farming (CRCF) units through European instruments. The Netherlands looks forward to EU proposals, including for a possible EU Buyers' Club.

Finally, domestic carbon removals should be prioritised over international credits if and when cost-effectiveness allows.

2.6 Strong governance of the 2040 target

The Netherlands supports the flexibility mechanisms within and between the pillars of the existing framework (ETS, RED, ESR, LULUCF). The post-2030 governance mechanism should guarantee that the EU's 2040 and 2050 climate and energy targets will be achieved.

Regardless of the scope and design of national targets, a strong governance framework is indispensable. This requires robust compliance mechanisms, which may include multi-year accounting and regular, credible course corrections based on implementation gaps as well as strengthened Monitoring, Reporting and Verification (MRV) with independent review of projections. Financial incentives for compliance concerning reporting obligations under the Energy Union and Climate Action governance process can be explored as a complementary tool.

2.7 Cost efficient and fair approach on international carbon credits

International credit use by the EU should reinforce, not undermine, domestic climate ambition.

Consideration should be given to how international carbon credits could be used to foster climate and energy partnerships and thereby contribute to the EU strategic autonomy, while reducing dependencies. In this context, their potential to support the development of value chains for clean products and emerging markets should be explored, for instance by helping

to stimulate the creation of an international hydrogen market, thereby also contributing to decarbonisation efforts within Europe.

- Member States should retain the flexibility to prioritise domestic emission reductions. We ask the Commission to evaluate a range of options for the possible contribution of international carbon credits, including lower percentage options than the maximum of 5%. Taking into account the projected costs of the credits themselves, as well the costs of the (delayed) mitigation within the EU that still needs to be realised before 2050, and the costs for developing projects before 2036 to have credits available at the right time.
- International credits should only be used to compensate for hard to abate emissions, and only where their use is cost effective, does not create competitive disadvantages for EU industry and (preferably) reduces the carbon footprint in the own value chain.
- The impact assessment should analyse advantages and disadvantages to applying a 'like-for-like' approach (to all sectors or limited to specific sectors).
- International credits should not be financed from ETS funds. Using ETS revenues to purchase credits reduces the funds available for domestic transition investments.
- Any use of international carbon credits should be subject to strict quality safeguards, where procurement from countries with ambitious NDCs can contribute to global mitigation and strengthen strategic (energy and critical materials) partnerships.

The EU should position itself globally as a credible and trustworthy partner by paying a fair price for high quality credits and ensuring the sharing of mitigation outcomes. The EU should only use credits that meet quality standards of article 6.4.

2.8 Enabling framework

The 2040 target design should be accompanied by a strong enabling framework to ensure timely delivery of the climate and energy transition. This framework should address the roll-out of essential infrastructure, including for transporting and storing CO_2, and of the (critical) raw materials and resources required. As well as the development of a well-educated and flexible EU workforce by stimulating investments in skills, removing unnecessary barriers related to diploma recognition and overall fostering a skill infrastructure, while respecting national competences.

Also important is a strong Circular Economy Act (CEA) to enable the realisation of a circular economy, as this enhances climate neutrality of materials and reduces the overall need of energy and dependencies on the import of materials from outside the EU. The CEA should continue the EU's strong focus on product regulation, limiting the use of raw materials and promoting the use of recycled and biobased materials, e.g. through mandatory (recycled) content targets.

Additionally, the full implementation of the EU's Nature Restoration Regulation is important to restore and protect natural ecosystems, which are vital for achieving climate neutrality. Likewise, the EU's Deforestation Regulation is of vital importance to protect forests both inside and outside the EU.

Furthermore, it remains important to ensure the feasibility and affordability of the transition for EU households, businesses and societal institutions, in support of a just climate and

energy transition to ensure no one is left behind. In addition, any measures taken should be in line with international law and obligations the EU has under its trade agreements.

Finally, sufficient financial resources within the EU budget should be made available as these are indispensable for the climate and energy transition.