

New EC 2040 emission reduction target: missed opportunity for combining climate and competitiveness

Brussels, 2 July 2025 – In response to the European Commission’s proposal to include a binding climate target of 90% emissions reduction by 2040 in the European Climate Law, IFIEC Europe – the European federation of industrial energy consumers – expresses serious concern about the impact of this proposal on both climate and the competitiveness of European industry.

IFIEC supports the end goal of climate neutrality by 2050 but stresses that the proposed 90% target by 2040 represents a disproportionate and unrealistic acceleration of this ambition. According to the Commission’s impact assessment, this would mean that emissions in the EU Emissions Trading System (ETS) would have to be reduced to near zero by 2040. This leaves energy intensive industrial companies insufficient room for an effective transition, facilitates de-industrialisation and undermines sustainable growth in Europe.

“A successful industry transition requires substantial investments in innovative technologies such as hydrogen, CCUS, and electrification,” says Hans Grünfeld, President of IFIEC. “Decisions on these investments require not only significant progress in developing these technologies, but also important conditions such as appropriate electricity, hydrogen and CO₂ infrastructure, as well as timely permits and financing opportunities. An overly steep reduction curve ignores this reality and runs the risk of accelerating de-industrialisation in Europe and massively importing CO₂ emissions.”

IFIEC therefore urges policy makers to review the 2040 target and advocates a climate target that aligns decarbonization with growth and is in line with the typical innovation pathway of industrial transformation. This means a gradual and realistic reduction of emissions until 2040, facilitating investments into a future proof industry which is both decarbonized and competitive and allowing the adoption and scaling up of low-carbon technologies. From 2040 onwards, the transition can then be accelerated through the widespread deployment of these low-carbon technologies.

Measures to increase effective carbon leakage protection and liquidity in the ETS market are urgently needed and need to include recognition of international credits and carbon removals within ETS. In addition, IFIEC considers an immediate freezing of the Market Stability Reserve mechanism is a straightforward way to relieve pressure on the carbon market during these economical difficult times.

Finally, IFIEC calls for the inclusion of a competitiveness test in every future climate target.

“Without guarantees for competitive energy prices – for electricity, gas, hydrogen, and CO₂ – Europe risks losing its industrial base to regions with less stringent climate regulations,” Grünfeld adds.