

# Making the *EU's Climate and Energy Policy* Fit for the 2030s

## KEY OPPORTUNITIES AND POLITICAL CHOICES FOR THE NEXT PHASE OF DECARBONISATION

Pepe Escrig, Leah Nyamey, Manon Dufour

Europe is entering a new phase of its climate transition. The upcoming review of the EU's climate and energy framework is set to shape the direction of the transition in the decade ahead, at a time when decarbonisation is increasingly linked to energy security and affordability, industrial competitiveness and geopolitical priorities. Policymakers can use the transition to tackle these objectives in upcoming negotiations, but political compromises will need to safeguard a credible package for the EU to hit its newly agreed 2040 target and mid-century climate neutrality goal.

### Key takeaways

- ▶ **The review is an opportunity to leverage decarbonisation to deliver on the political priorities of the time.**

The review is an opportunity to help unlock investment at scale and provide a stable foundation for Europe's industrial competitiveness, accelerating the shift away from fossil fuel dependency towards electrification and renewables. It can also be leveraged to strengthen EU ties with key partners at a time of heightened international competition and geopolitical instability.

- ▶ **Getting the fundamentals right is crucial for the framework to effectively deliver through the 2030s.**

Predictability, coherence and credibility are crucial for the revised framework to provide clear investment signals, support implementation across sectors, and provide the stability that governments, companies, investors and households need to make decisions throughout the next phase of the transition.

► **Political compromises will be needed to move the revision forward and secure broad political ownership for the package.**

---

While EU leaders have recently reaffirmed that decarbonisation is central to long-term competitiveness,<sup>1</sup> energy security and affordability,<sup>2</sup> EU countries are not aligned on how to get there. Amid pressure from parts of industry and continued support from progressive businesses and civil society, the Commission will try to balance long-term objectives with demands for simplification and flexibility, while the two possible Parliament majorities will simultaneously pull towards stability and rollbacks.

## **1. A new review in a new political time**

The EU is about to review its climate and energy policy framework for the 2030s, following its adoption of the target to reduce greenhouse gas emissions by 90% by 2040. As in previous cycles, this review covering a set of interconnected policy files will be shaped by the political and economic context in which it takes place.

Negotiations will be the stage for decision makers to find the compromises needed for the framework to meet the moment and renew the political ownership underpinning it. If done well, the resulting package will help crowd in investment at scale, provide a stable and long-term foundation for Europe's energy and industrial transformations away from fossil fuel dependence, and strengthen the EU's ties with key partners committed to a competitive clean economy and climate ambition – all on the way to bringing the EU to the doorstep of climate neutrality.

The policy framework has evolved through successive packages in the past decades, each reflecting the political priorities of the time and the needs of a different phase of the transition. At each stage, progress has been the result of both policy innovation and political compromise.

---

<sup>1</sup> European Council, October 2025. [European Council meeting \(23 October 2025\) – Conclusions](#)

<sup>2</sup> European Council, March 2026. [European Council meeting \(19 March 2026\) – Conclusions](#)

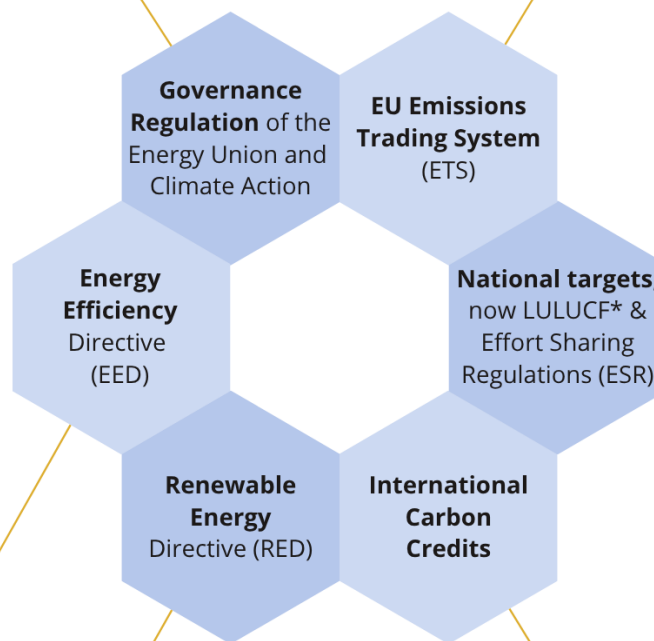


# The post-2030 climate & energy package

## ELEMENTS UP FOR REVIEW, DISCUSSION AND DECISION

**Planning, reporting and monitoring requirements**, including: structure of national plans (NECPs); indicators; compliance mechanisms; aligning climate and energy planning with economic governance, budgetary frameworks and industrial strategy.

**Emissions cap trajectory for 2030–2040 & parameters** such as: free allocation phase-out; functioning of the Market Stability Reserve; use of ETS revenues. Potentially: role of international credits and carbon removals; indirect impacts on the timeline and design of ETS2.



**Scope and structure of national targets**, including: distribution of efforts across sectors and countries; potential role of economy-wide approaches; interaction between emissions reductions and removals.

**Structure of energy targets and subtargets**, including: level; binding nature; sectoral scope. Also, implementation mechanisms; national flexibility in energy mixes; energy efficiency principles; interaction with system needs such as grids, demand-side flexibility and electrification.

**Conditions under which credits can be used**, including: quality criteria; eligible suppliers and sectors; governance arrangements and their integration into existing instruments.

\* LULUCF = Land use, land use change and forestry

The original “20-20-20” package focused on setting targets towards 2020, the carbon market, and distributing effort across member states in the context of emerging global climate commitments. The framework towards 2030, developed alongside the Paris Agreement and in the aftermath of the financial crisis, introduced stronger governance, greater flexibility and a more integrated approach to the energy system. It was then revamped in the context of the European Green Deal and Russia’s invasion of Ukraine through the Fit for 55 Package and REPowerEU, which marked a shift towards a whole-



economy approach and positioned the transition to climate neutrality as a long-term security strategy,<sup>3</sup> combining market-based instruments, regulation and massive investments.<sup>4</sup>

Conditions that will shape the upcoming review include: deep concerns about energy security and affordability; an increased focus on industrial competitiveness; the need to diversify partnerships amid heightened geopolitical instability; a growing investment gap;<sup>5</sup> and pressure for regulatory simplification and greater flexibility for member states. The resulting package also needs to be equipped to see the transition through a more demanding phase, where delivering emissions cuts becomes more complex, costly and politically sensitive as they deepen across all sectors of the economy. This could be achieved through a sharper focus on supporting implementation, integrated planning across sectors and revamped efforts to address structural bottlenecks such as the investment gap.

## 2. How this policy review can meet the moment

### Opportunities in the current political context

The current political and economic context provides an opportunity to realign the EU's climate transition to place it at the core of the EU's push for lower energy prices, a stronger industrial base and greater geopolitical autonomy – all through a simpler and more flexible framework that helps unlock investments at scale.

- ▶ **Energy system transformation as a response to structural vulnerabilities and a new energy crisis.** Against the backdrop of a new energy crisis raising costs for industry and households, concerns around energy security and affordability are reinforcing electrification and renewables as the clear direction of travel.<sup>6</sup> This creates an opportunity for the review to align key instruments – including the Renewable Energy and Energy Efficiency Directives and the Governance Regulation – with the needs of an increasingly electrified and renewables-based system, particularly through the expansion of grids, demand-side flexibility, efficiency, and storage.<sup>7,8</sup>

<sup>3</sup> E3G, March 2025, [Clean energy has already made the EU more secure – and more can be done](#)

<sup>4</sup> European Commission, 2021. [NextGenerationEU: for a stronger, more resilient Europe](#)

<sup>5</sup> European Commission, September 2025. [The Draghi report on EU competitiveness](#)

<sup>6</sup> European Council, March 2026. [European Council meeting \(19 March 2026\) – Conclusions](#)

<sup>7</sup> E3G, March 2026. [Industrial electrification in the EU – Blocked by the grid?](#)

<sup>8</sup> E3G, October 2025. [Capturing the benefits of the EU's electrification](#)



- ▶ **Industrial policy momentum with decarbonisation at its core.** The growing focus on industrial policy and competitiveness is positioning decarbonisation as an asset for rebuilding the EU's industrial base.<sup>9</sup> This creates an opportunity for the review to strengthen how the Emissions Trading System (ETS), the Governance Regulation and national climate targets guide investment towards industrial structural enablers of industrial decarbonisation and modernisation. This can be done in alignment with parallel initiatives like the Industrial Accelerator Act and the Industrial Decarbonisation Bank, which have the potential to bring a more proactive approach to developing and funding domestic clean production.<sup>10</sup>
- ▶ **A renewed focus on external partnerships in a shifting geopolitical context.** Amid shrinking international aid<sup>11</sup> and a growing need for the EU to diversify partnerships and strengthen its geopolitical autonomy, the external dimension of climate policy takes on renewed relevance. In this context, the foreseen introduction of a limited use of international carbon credits, if done well<sup>12</sup> and together with the Carbon Border Adjustment Mechanism (CBAM, currently under review), can contribute to supporting the clean economy transitions in partner countries, setting global standards and supplementing international climate finance.
- ▶ **A shift towards easing implementation and investments ahead of a more complex transition phase.** The growing push for simplification<sup>13</sup> and flexibility<sup>14</sup> reflects deregulatory pressures but also the need to facilitate implementation in a more complex phase of the transition. Aligning the governance of the framework with economic governance, budgetary frameworks and industrial policies would help to reduce complexity while maintaining regulatory predictability, clarity for investors and a more effective allocation of resources. Linking implementation more clearly to investability and financial incentives can complement compliance mechanisms and facilitate delivery in practice.

---

<sup>9</sup> European Commission, February 2025. [Clean Industrial Deal](#)

<sup>10</sup> E3G, March 2026. [The Industrial Accelerator Act \(IAA\): A long-awaited first step, still short on ambition and urgency](#)

<sup>11</sup> OECD, June 2025. [Cuts in official development assistance: Full Report](#)

<sup>12</sup> SWP, June 2025. [International Credits in EU Climate Policy: Old Conflicts, New Challenges](#)

<sup>13</sup> Politico, October 2025. [EU leaders demand even more simplification, setting tone for summit](#)

<sup>14</sup> European Commission, December 2025. [EU agrees on a 2040 Climate target that sets a clear path towards a decarbonised and competitive economy](#)



## Fundamentals for a successful policy review

At this stage of the transition, competing priorities across sectors and actors become more salient, adding complexity to the negotiations. As decision makers work to reach the necessary compromises, to achieve a package fit for the 2030s they will need to build it on a foundation of predictability, coherence and credibility.

### 1. Predictability: Ensuring regulatory stability now and into the 2030s

---

While the upcoming revision only concerns the climate and energy framework for the next decade, **deregulatory pressures**<sup>15</sup> could lead to changes to the current framework towards 2030 once key legislation is open for review.

This is already a salient concern for the ETS1 (power sector, heavy industry, aviation and shipping), which is under pressure from some industry players<sup>16</sup> and countries<sup>17</sup> facing high energy prices. Although ETS2 (buildings and transport) – set to start in 2028 – is theoretically not up for revision, the reopening of the ETS Directive will also create an opportunity for ETS2 opponents to try to further delay it or weaken it. Rollbacks would have a very limited impact on reducing bills<sup>18</sup> but **undermine the carbon market's role** as the backbone of the EU's decarbonisation framework by eroding the investment signals for innovation, electrification and reduced fossil fuel dependency. Maintaining the integrity of the existing framework through the upcoming revision is therefore essential to keep the 2030 targets within reach, provide certainty to ongoing investments and establish a **credible baseline** for the next decade.

Beyond 2030, the framework will also need to provide sufficient **predictability** to guide decision making across the transition. The existence of a biennial review clause in the 2040 climate target introduces additional uncertainty, making **broad political ownership** of the review and **regulatory stability** critical to sustain confidence among investors, public authorities, companies and households.

### 2. Coherence: Joining the dots between the package files and beyond

---

Negotiations will span interconnected files in parallel. Decisions in one area will directly affect others, making **cross-file consistency** central to the effectiveness of the package. For instance, choices in the energy framework, such as the definitions of renewable, clean or low-carbon energy, can encourage the use of biomass, which in turn would influence the absorption capacity of carbon sinks in the LULUCF<sup>19</sup> sector.

<sup>15</sup> Corporate Europe Observatory, March 2026. [Deregulation Watch](#)

<sup>16</sup> [Joint Statement](#) coordinated by Cefic, February 2026

<sup>17</sup> Politico, February 2026. [Von der Leyen and Merz clash over future of EU's core climate law](#)

<sup>18</sup> E3G, March 2026. [Facts over Fiction: Why the EU ETS is key for a competitive, secure Europe](#)

<sup>19</sup> Land use, land use change and forestry



The framework will also need to align with the **EU's broader strategic priorities**. The review of the Governance Regulation is an opportunity to better align the climate and energy framework with economic governance, budgetary frameworks and industrial policy through aligned targets, indicators and processes.<sup>20</sup> More broadly, the interaction of the new framework files with key upcoming negotiations – such as on the Grids Package, the Industrial Accelerator Act, the Industrial Decarbonisation Bank, the Multiannual Financial Framework, the Climate Resilience Framework and the Circular Economy Act – will shape its ability to support energy security and affordability, strengthen the EU's industrial base, mobilise investments and reinforce the EU's geopolitical agency. This is crucial for the review to meet the moment and stay politically resilient.

### 3. Credibility: Ensuring simplification and flexibility do not come at the expense of effectiveness

---

The 2030s will herald a new phase of decarbonisation that will require deep emissions cuts across all sectors, including politically sensitive ones such as buildings, transport and agriculture. This will require a sharper focus on supporting implementation, integrated planning across sectors, and revamped efforts to address structural bottlenecks such as a growing investment gap, sluggish electrification,<sup>21</sup> last-mile emissions cuts, declining carbon sinks<sup>22</sup> and mounting sociopolitical friction.

Ongoing attempts to adapt the framework to this new phase focus mainly on **simplification and flexibility** for member states, which can facilitate implementation but also compromise the **credibility** and effectiveness of the framework in delivering emissions cuts and economic transformation if not carefully calibrated.

Simplification can reduce administrative burden, but it should not turn into a simplistic approach that hinders clarity for investors and social buy-in, and makes it harder for public administrations, companies and households to **manage an inherently complex transition**. Flexibility can help member states prioritise efforts and maximise results based on their own circumstances, but it shouldn't lead **to sectoral coverage gaps or overreliance on assumptions** about future emissions reductions, foreign offsets or carbon removals.

<sup>20</sup> Ecologic Institute, December 2025. [Smarter, Simpler, More Effective: Options to Improve EU Clean Transition Policy](#)

<sup>21</sup> Ember, October 2025. [Shockproof: how electrification can strengthen EU energy security](#)

<sup>22</sup> European Environment Agency, November 2025. [Greenhouse gas emissions from land use, land use change and forestry in Europe](#)



### 3. How will the key choices be made

#### Key choices across interconnected policy files will shape the direction and effectiveness of the package

- ▶ **EU Emissions Trading System (ETS):** The complexity of the ETS review lies in designing an effective and politically viable system for the final, hardest stages of decarbonisation amid growing pushback from some industries facing short-term competitiveness struggles. Decision makers will need to find the right balance when adjusting key design elements (free allocations, reinvestment of revenues, and the functioning of the Market Stability Reserve) to preserve a clear carbon price signal and make sure the system remains effective in supporting industrial transformation.
- ▶ **Governance Regulation of the Energy Union and Climate Action:** This revision will be key to ensuring that the different instruments work together and align with economic governance, budgetary frameworks and industrial policy. Simplification can either be used to strengthen implementation, policy coherence and investment planning, or to weaken accountability, leading to management and planning gaps, economic misalignment and reduced visibility for investors.<sup>23,24</sup>
- ▶ **Energy Efficiency Directive (EED) and Renewable Energy Directive (RED):** The review of these files will need to reconcile greater flexibility for member states – such as designing their own energy mixes to accommodate different starting points – with the need to maintain a clear pathway for electrification, harness the potential of efficiency and fast-growing renewables,<sup>25</sup> and avoid cross-border inefficiencies. There is a risk for the revision to result in the dilution of the energy targets, sub-targets and measures currently applicable, despite not yet having been fully implemented by EU countries.
- ▶ **National targets (ESR and LULUCF):** The choices here are about how to increase flexibility for and ownership by member states without creating gaps in sectoral coverage or weakening accountability for emissions reductions (for example, by blurring the distinction between emissions reductions and removals).<sup>26</sup> The redesign of these national targets can complement carbon pricing in ETS sectors with additional enablers of decarbonisation in these sectors.

<sup>23</sup> See [E3G's response to the Commission public consultation](#)

<sup>24</sup> E3G, December 2025. [Making national strategies in the EU investable](#)

<sup>25</sup> Ember, January 2026. [Wind and solar generated more power than fossil fuels in the EU for the first time in 2025](#)

<sup>26</sup> Oeko-Institut, January 2026. [National targets and the ETS in a post-2030 climate target architecture](#)



- ▶ **International carbon credits:** It will be crucial to define a limited and credible role for these credits that preserves domestic action, while potentially supporting international partnerships and supplementing international climate finance. The design will need to work alongside CBAM and ensure it does not weaken domestic emissions cuts,<sup>27</sup> divert financial resources or undermine the proper functioning of the EU's carbon market.

## Who will make these choices

The role of the different actors during the 2040 climate target negotiations and recent discussions on the future of the EU ETS indicate that the review will be highly contentious. Political compromises will be needed to move the revision forward and secure enough political ownership of the new framework.

- ▶ **European Council and Council of the EU:** EU leaders have reaffirmed the role of decarbonisation for competitiveness, energy security and affordability, alongside a continued push for simplification. The most contentious elements of the review may land on their desk, as has already happened with the EU ETS. While member state positions are topic-dependent, Spain<sup>28</sup> tends to lead high ambition, Italy the calls for significant concessions,<sup>29</sup> and Poland, Czechia, Slovakia and Hungary the opposition.<sup>30</sup> Ahead of national elections in major member states – such as France, Italy, Spain, Poland – in 2027, national governments are likely to avoid decisions that could be perceived as politically risky, or even try to exploit opposition to some EU policies.
- ▶ **European Commission:** The EU executive is emphasising the need to maintain long-term objectives and ensure the proper functioning of core instruments such as the EU ETS, while also advancing simplification and policy adjustments in response to member states' demands.<sup>31</sup> The current approach points to a departure from established processes, with reduced space for broad stakeholder input in the preparation of proposals.<sup>32</sup>

---

<sup>27</sup> Clean Energy Wire, March 2026. [CORRECTION: International carbon credits would allow EU to emit up to 50% more in 2040 – researchers](#)

<sup>28</sup> EU News, March 2026. [ETS: eight EU Member States sign non-paper against suspension proposal](#)

<sup>29</sup> Politico, February 2026. [Italy calls for suspension of carbon price in major attack on EU climate policy](#)

<sup>30</sup> Euronews, March 2026. [Ten EU countries revolt over carbon rules threatening industry ahead of key summit](#)

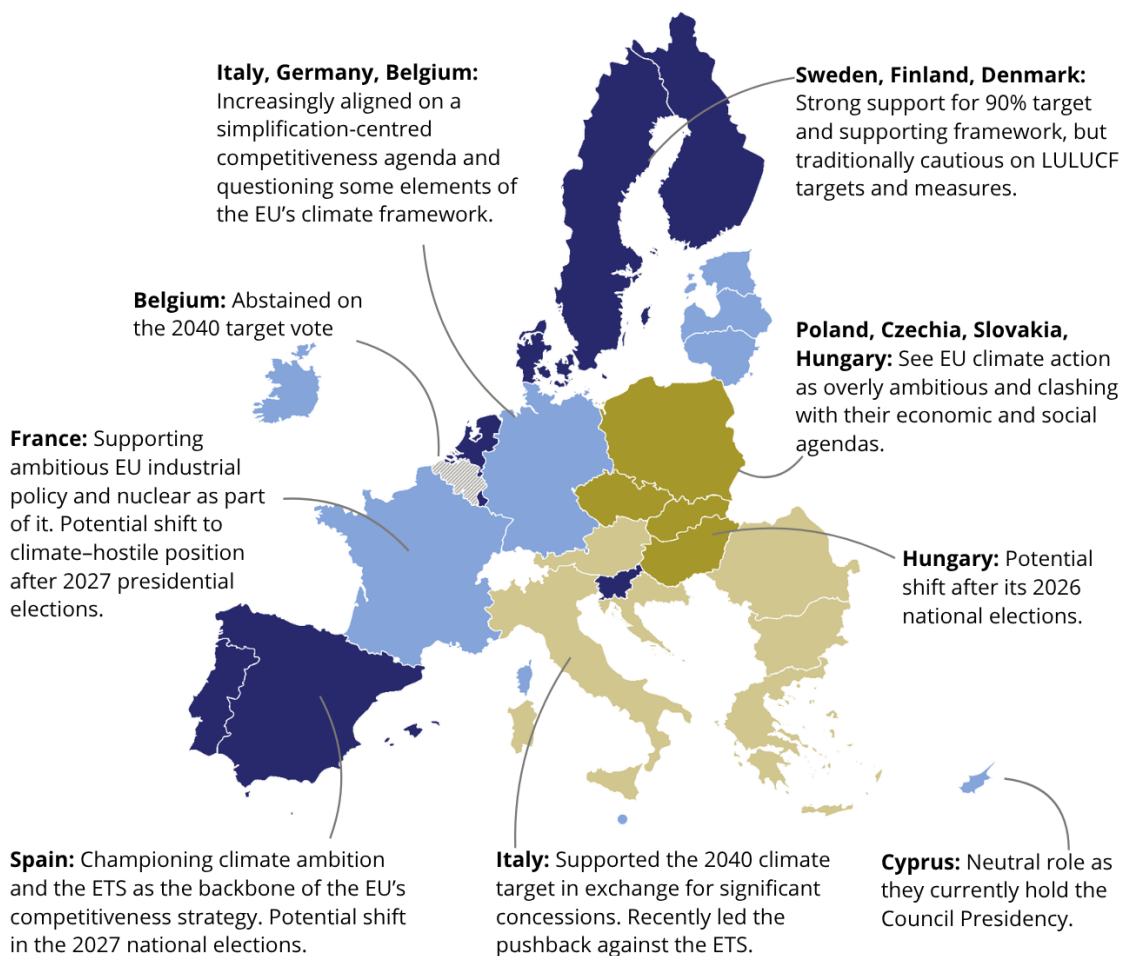
<sup>31</sup> President von der Leyen, March 2026. [Letter to EU heads of state and government](#)

<sup>32</sup> European Law Blog, October 2025. [The Great EU Reversal: Fast-Track Deregulation and the Erosion of Europe's Sustainability Ambition with the Omnibus](#)



## EU member states' position on the 2040 climate target and recent EU ETS discussions

- Supported the 2040 target, and recently championed ETS
- Voted in favour of the 2040 target
- Voted in favour of the 2040 target but recently challenged ETS
- Opposed the 2040 target and recently challenged ETS



- ▶ **European Parliament:** The Parliament is likely to play a decisive role, and with two possible majorities votes could go different ways, with either a more traditional Grand Coalition backing a framework in support of the EU's transition to climate neutrality, or a far-right to EPP coalition voting to roll back key measures. The position of national governments will strongly influence the position of national delegations in the European Parliament.
- ▶ **Industry actors:** Some incumbent industries are emphasising concerns around costs, competitiveness and regulatory burden, while other segments of industry continue to



position decarbonisation as a driver of investment, innovation and long-term competitiveness.<sup>33</sup>

- ▶ **Civil society and citizens:** Civil society organisations continue to play an active role in the debate, despite facing increasing political pressure and, in some cases, more limited access to decision-making processes.<sup>34</sup> Although public support for climate action remains broadly stable, other concerns, such as the cost of living and security<sup>35</sup> are increasingly shaping citizens' voting choices ahead of 2027, when more than half of Europeans will be called to vote in national elections.

## 4. Looking ahead

The review of the post-2030 framework is currently planned to start with Commission proposals in July (ETS) and December 2026 (Governance Regulation, national targets, energy directives, international credits). The Council and the Parliament may set expectations ahead of these moments and will discuss the content of the ETS revision in the second half of 2026 – at which point Europe is likely to be grappling with the impacts of an unfolding global energy crisis.

The remainder of the files will be discussed through 2027, a year marked by national elections in major member states. Discussions will intersect with parallel legislative processes – such as the negotiations on the Multiannual Financial Framework (MFF), the EU Grids Package and the Industrial Accelerator Act – and contentious elements could escalate to European Council summits of EU leaders. The final adoption is expected at the end of 2027 or beginning of 2028.

---

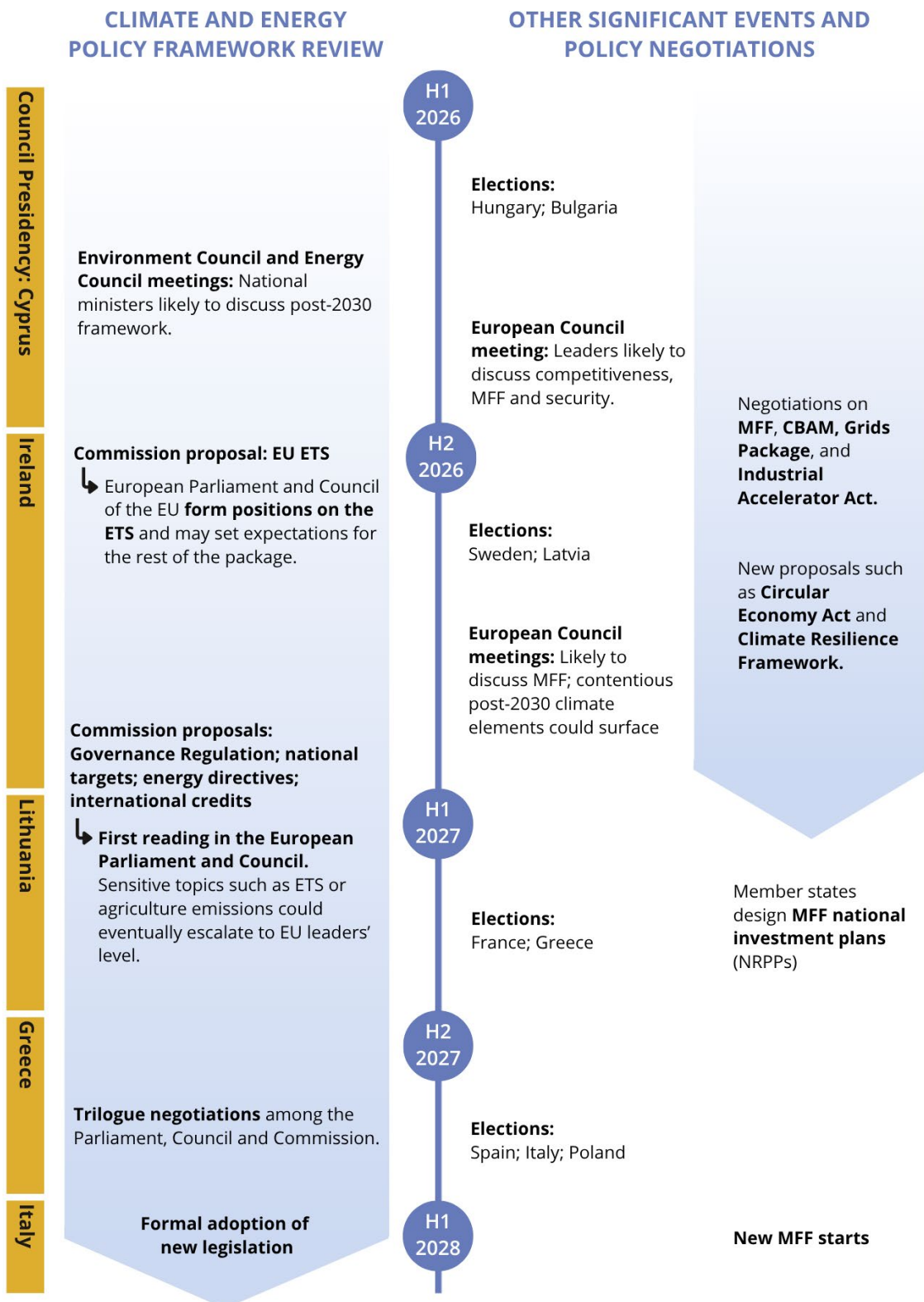
<sup>33</sup> Cleantech for Europe, March 2026. [OPEN LETTER - European Industry needs the predictability of a robust ETS to Compete and Invest](#)

<sup>34</sup> ClientEarth, November 2025. [Threats to civic space](#)

<sup>35</sup> Eurobarometer, 2025. [EP Winter 2025 survey](#)



# What's next for the EU's climate and energy policy framework review?



▶ **ABOUT E3G**

E3G is an independent think tank working to deliver a safe climate for all.

We drive systemic action on climate by identifying barriers and constructing coalitions to advance the solutions needed. We create spaces for honest dialogue, and help guide governments, businesses and the public on how to deliver change at the pace the planet demands.

More information is available at [www.e3g.org](http://www.e3g.org)

▶ **COPYRIGHT**

This work is licensed under the Creative Commons Attribution – NonCommercial - ShareAlike 4.0 License. © E3G 2026

