

Denmark's position paper on an ambitious EU 2040 climate target and a cost-effective EU climate architecture

Denmark's main priorities for the 2040 target and implementing climate architecture:

The need for ambitious global climate action has never been more evident. Global warming is set to intensify a number of adverse effects putting the welfare and security of the world at risk. At COP28, it was agreed to accelerate emission reductions towards net zero by 2050 in line with the best available science, to keep the 1.5°C objective within reach. It is crucial that the EU translates this into ambitious action to lead by example. The EU therefore needs to set a net target on at least 90 pct. in 2040 compared to 1990 levels including an EU 2035 target well before COP 30 in line with the Paris Agreement.

Higher climate ambition beyond 2030 requires a cost-effective EU regulation to ensure that an ambitious transition is feasible and provides the right incentives to reduce emissions of greenhouse gases across all Member States and sectors of the European economy while staying competitive. EU can only lead by example if we continue to show that the implementation of higher ambitions is achievable in a way, which is economically sustainable, socially balanced and ensures cohesion within our societies.

An ambitious EU climate target backed by effective policies will also be crucial to safeguard EU's resilience and energy autonomy, not least by incentivising a faster expansion of renewables and the phasing out of fossil fuels. It will be central to EU's security and industrial policy ambitions by strengthening the EU's energy independence, security of supply and the EU domestic development and manufacturing of net-zero technologies, putting the EU at the forefront of the global race.

2040 Climate target:

- The EU's 2040 climate target needs to be at least 90 pct. in line with the long-term goal of 1.5 °C and ensure that the EU is on the right trajectory to reach climate neutrality by 2050 at the latest and aiming to achieve negative emissions thereafter.
- <u>The 2040 target should also include an EU 2035 target in accordance with the five-year timeframes for Nationally Determined Contributions decided at COP26.</u>

Cost-effective EU climate architecture based on three main pillars:

- An EU Emissions trading system for all emissions from energy consumption and industry to ensure a cost-effective transition with a consistent CO₂ price signal across the economy. This should include integration of negative emissions on conditions of credible accounting, long-term storage and sustainability.
- An agricultural pillar with a common EU target for agricultural emissions (including net emissions from agricultural land), achieved to the greatest extent possible through emissions trading and underpinned by EU-wide climate and environmental sectoral regulation and an EU common agricultural policy with a greater focus on climate and environment.
- A forestry pillar with common EU regulation of emissions and removals from forests and other land use.

Supported by:

- An ambitious and coherent climate and energy framework with EU-wide enabling sectoral standards that contributes to a cost-effective reduction effort and technology development. This should include an assessment of existing regulatory instruments, including whether the nature and extent of current national obligations and sectoral targets are fit for addressing the EU's challenges beyond 2030.
- Strengthened leakage protection for emissions covered by emissions trading in the EU at risk of leakage through measures such as the EU's carbon border adjustment mechanism (CBAM) in full accordance with WTO rules.

