National Centre for Emissions Management
Institute of Environmental Protection
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The National Centre for Emission Management (KOBiZE), Poland

Feedback on the EC proposal for a European Climate Law (ECL) from July 2025

(EU Public consultation)

12/09/2025

A. Main policy recommendations

- As the EU is committed to achieving climate neutrality by 2050, we believe that the transition should be **pragmatic and realistic**. The design of future climate action should prioritise cost-effectiveness and safeguarding the competitiveness of the EU economy.

- The European Commission's proposal to reduce emissions by 90% by **2040 depends heavily on rapid efficiency gains and technologies that are still in the pre-commercial stage**, such as e-fuels and DACCS. The future costs and timelines of these technologies remain uncertain. Without their large-scale deployment, emission limits risk being exceeded.

- **The target should be better aligned with what is feasible while remaining ambitious on the path to climate neutrality by 2050**. Achieving a 90 percent reduction would require the deployment of solutions that are still in early stages and would significantly increase costs. By comparison, KOBiZE analyses indicate that by 2040, an emissions reduction of around 83 percent appears achievable with currently foreseeable technologies and costs, similar to scenario S1 from the IA. In the interest of countries facing greater transformation challenges, such as Poland, the possibility of increasing the limit of available flexibility (i.e. **offsets and removals within the EU**) should be considered. **A quantitative limit for use of international credits towards the 2040 target should be set at 10% of 1990 EU net emissions.** These units, which meet certain quality criteria, can be used by Member States within the ESR sectors and by operators in the EU ETS to offset residual emissions.

- Additionally, to enable the offset market to develop continuously and sustainably, it is necessary to allow the **use of these credits** in the EU from the beginning of the decade (i.e. **from 2031**). This would allow for the gradual inclusion of these credits in EU climate policy objectives and an earlier launch of investment and supply. Introducing high-quality international credits early in the next decade could provide a valuable buffer and enhance market resilience.

- KOBiZE proposes supporting the flexibility and cost-effectiveness of climate policy while maintaining high environmental standards and system integrity. This justifies establishing a special agency for this purpose, i.e. the **European Central Carbon Bank (ECCB)**, which would purchase offsets that meet EU criteria on behalf of the EU and place them in a special reserve. These offsets would then be gradually released onto the market. This solution would promote transparency and quality in the offset market, while contributing to its liquidity and stability. The proceeds from these transactions could fund EU transformation measures and climate action in developing countries.

- As an option, we propose to introduce a transparent, regulated **CO_2 price cap mechanism** aligned with marginal abatement costs to safeguard market stability, limit socio-economic impacts, and maintain a strong decarbonisation signal while protecting competitiveness and resilience.

- KOBiZE supports the **integration of permanent CO_2 removals** into the EU ETS as a strictly limited flexibility tool, provided that the removals meet the highest standards of durability, additionality, transparency, and oversight. The ECCB could be responsible for this task. KOBiZE supports a phased approach: initially, the system could cover only permanent CO_2 removal, and only later – after assessing the availability, quality of units and effectiveness of MRV methods – would it be possible to extend the system to other types of units, such as carbon farming. Limitations resulting from available geological resources and CO_2 storage infrastructure should also be taken into account.

- KOBiZE supports setting **post-2030 national targets for non-ETS with the existing EU methodology** to ensure fairness and continuity, while also integrating security and resilience considerations to safeguard the EU's industrial and strategic autonomy.

- To have a clear picture of the proposal, the EC should conduct a **review of the availability of removals** and publish a report. The proposal should also include a **guarantee that revenues from potential offset fees would support transformation in lower-income countries**.

- KOBiZE highlights the need to apply the principle of "**energy efficiency first**", while safeguarding competitiveness, minimising carbon leakage, and supporting SMEs and energy-intensive industries. **District heating systems** should play a central role in the transition to climate neutrality, both for achieving climate goals and improving air quality, provided that adequate strategy, investment, and financial resources are ensured.

B. Political and analytical background

1) Political background

- The European Commission, acting under Article 4(3) of the ECL, has presented a proposal to amend the European Climate Law (ECL). The proposal introduces a new, binding net emission reduction target of 90% by 2040 (relative to 1990). This is an intermediate step towards achieving climate neutrality by 2050 and is intended to serve as the basis for the EU's new NDC at COP30 in November 2025.
- The legislative proposal selected the most ambitious option from the Impact Assessment (IA)[1] (S3) because, according to the EC, it:
  - provides the highest economic and environmental benefits;
  - minimises additional effort required after 2040;
  - is most in line with the EU's international commitments to the Paris Agreement;
  - provides predictability for businesses and investors by clearly setting the direction of transformation.
- The KOBiZE position refers to both the European Climate Law (ECL) and the Impact Assessment (IA).

2) Analytical results: Impact assessment of 2040 target

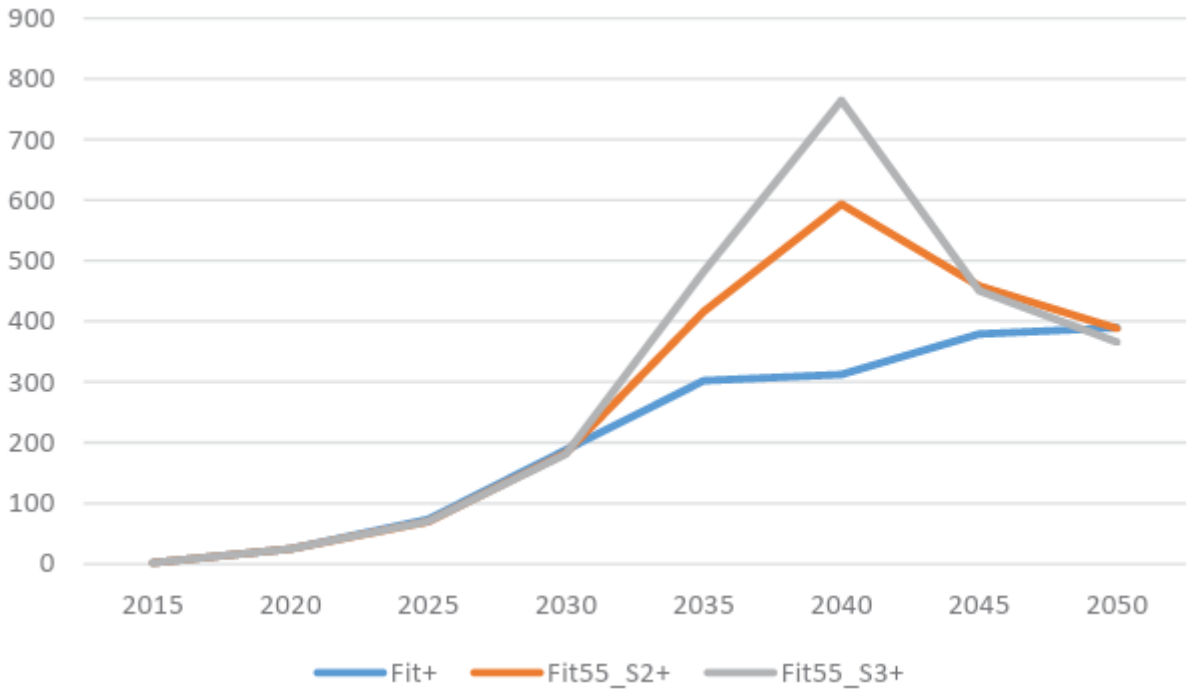
- The European Commission's Impact Assessment outlines three scenarios with emission reduction targets of -78.5% (S1), -88% (S2) and -92% (S3) by 2040, relative to 1990. A key feature of the IA is its reliance on the large-scale deployment of technologies that are not yet commercially available, such as hydrogen and synthetic fuels. The results are also shaped by optimistic assumptions about renewable energy. According to the EC, the macroeconomic effects are modest: by 2040, GDP under S3 is projected to be, at best, unchanged, and, at worst, 0.8% lower than under S2; meanwhile, S1 could be up to 0.6% higher. However, the analysis is presented at the aggregate EU level, without taking into account regional disparities.
- In contrast, the CAKE/KOBiZE analysis "VIIEW on EU ETS 2050: Exploring synergies between the EU ETS and other EU climate policy measures – carbon removal, hydrogen, and sectoral transport policy"[2] explicitly accounts for deployment limits and excludes highly experimental options such as e-fuels and DACCS.
- Under CAKE's Fit55+ baseline, it is possible to exceed the targets, whereas Fit55_S2+ and Fit55_S3+ are consistent with the IA's S2 and S3 scenarios. Those scenarios imply sharper emission cuts by

[1] Commission staff working document Impact Assessment Report accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Securing our future: Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society, EC, SWD(2024) 63 final.

[2] Pyrka M., Jeszke R., Boratyński J., Witajewski-Baltvilks J., Antosiewicz M., Tatarewicz I., Rabiega W., Wąs A., Lewarski M., Skwierz S., Rosłaniec M., Lizak S., Zborowska I., Chodor M., Kobus P., Cygler M., Gorzałczyński A., Tylka A., Lewarska I., Mzyk P., Sekuła M. (2024). VIIEW on EU ETS 2050: Exploring synergies between the EU ETS and other EU climate policy measures – carbon removal, hydrogen, and sectoral transport policy, Institute of Environmental Protection – National Research Institute / National Center for Emission Management (KOBiZE), Warsaw, April 2024.

2040, but result in much higher carbon prices of around 590 EUR/tCO_2 (S2+) and 740 EUR/tCO_2 (S3+) compared to 312 EUR/tCO_2 under the Fit55+.

Figure 1. Prices of emission allowances in the EU ETS system in the Fit55+, Fit55_S2+ and Fit55_S3+ scenarios [EUR/t CO 2 eq .]

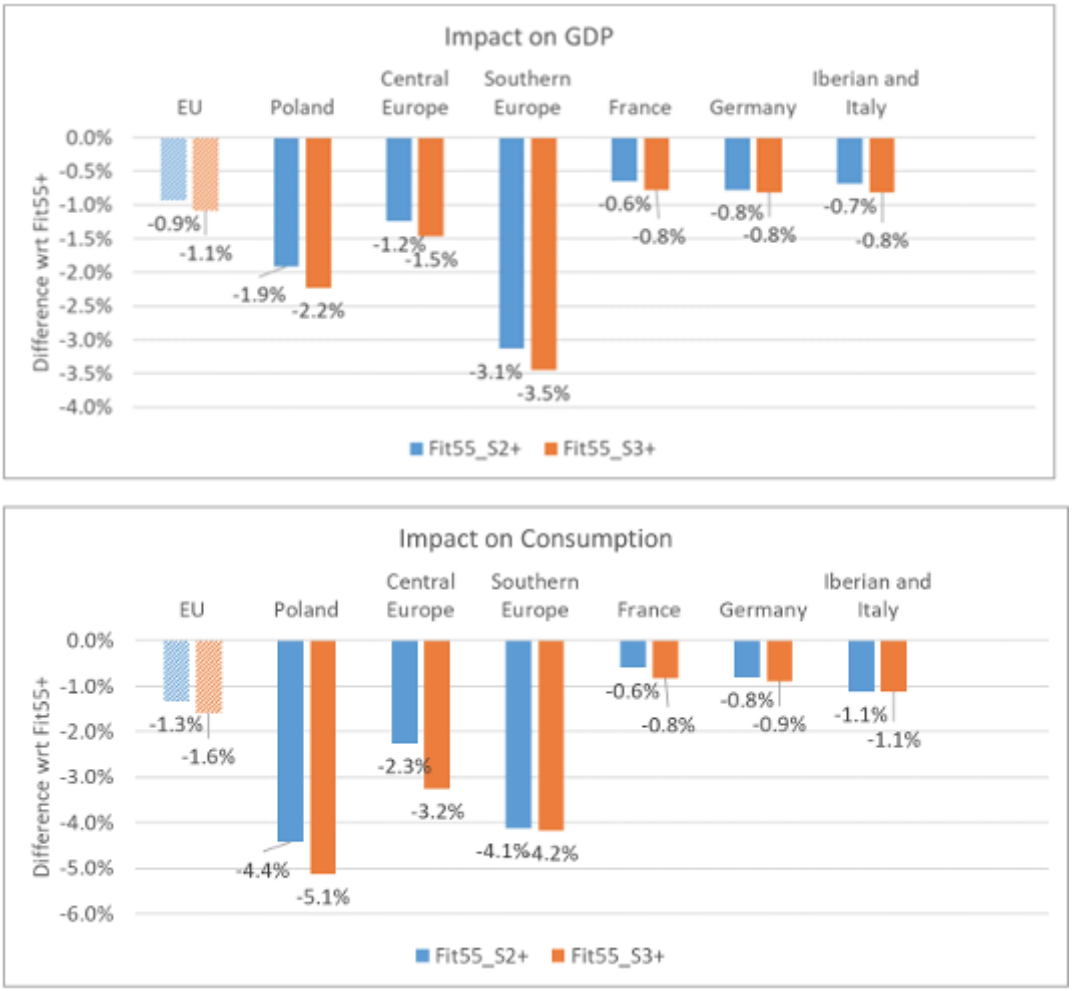


Source: CAKE/KOBiZE[3]

- The macroeconomic effects by CAKE/KOBiZE's differ significantly from the EC's assessment. In Fit55_S2+, EU GDP in 2040 is 0.9% lower than in the Fit55+ scenario, with losses reaching 1.9% in Poland and 3.1% in southern Europe. In Fit55_S3+, GDP losses deepen to 1.1% at the EU level and up to 3.5% at a regional level. The effects on consumption are even more pronounced: losses of 4–5% in Poland and Southern Europe versus 1–1.5% across the EU. These results reflect slower technology rollout, higher capital requirements and greater structural inertia.

[3] Pyrka M., Jeszke R., Witajewski-Baltvilks J., Rosłaniec M., (2024). Economic impact of the European Commission's proposed 2040 GHG emission reduction target, KOBiZE, GO'250, Climate – Society – Economy, No.05/2024

Figure 2. GDP and consumption loss in 2040 under scenarios Fit55+, Fit55_S2+ and Fit55_S3+ for selected EU regions



Source: CAKE/KOBiZE

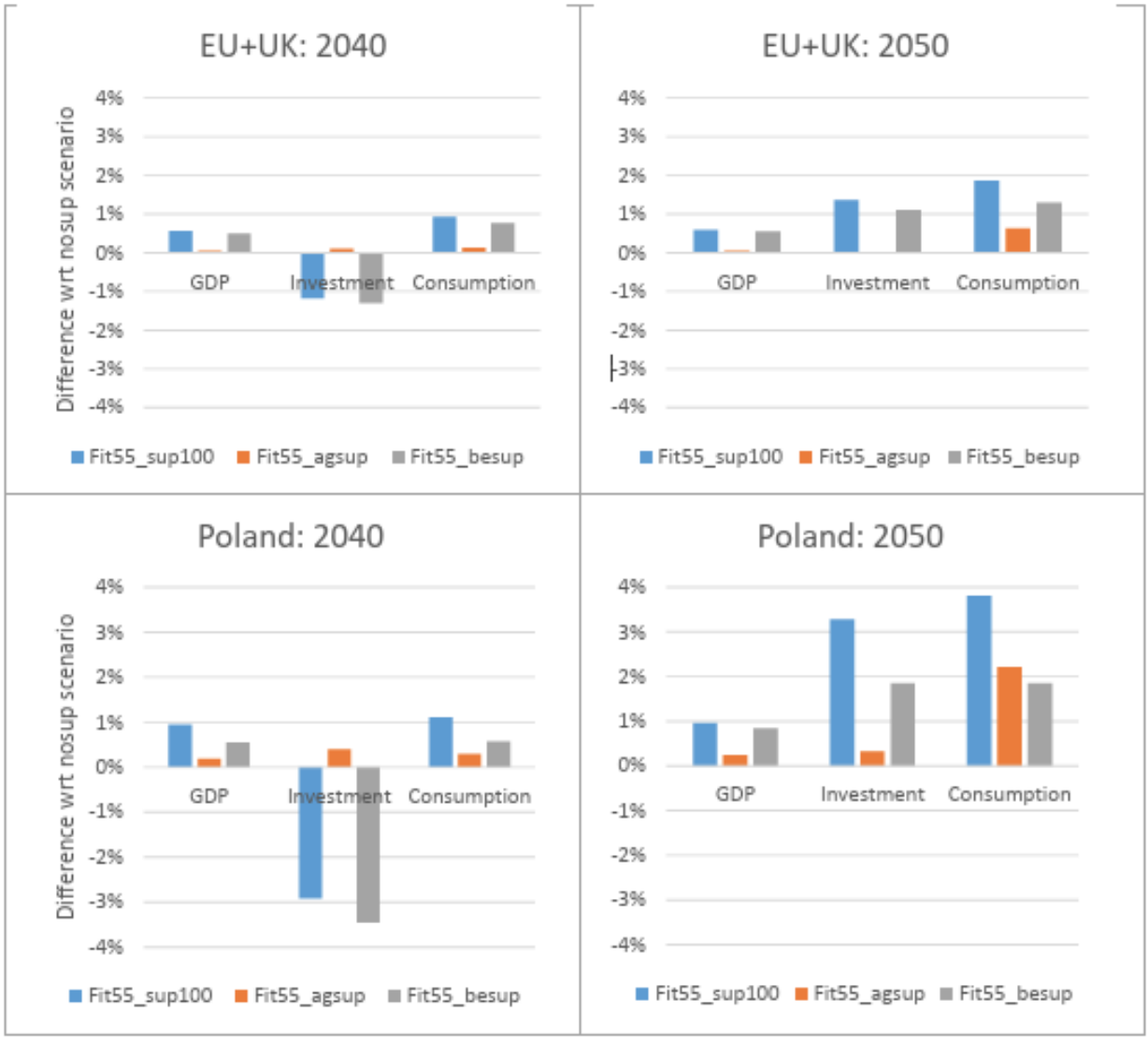
- Unlike the Commission's view that early investment builds a 'competitive advantage', CAKE/KOBiZE highlights risks such as delayed technology deployment, uneven regional costs and possible carbon leakage. Sectors such as land and maritime transport incur particularly high costs in Central and Southern Europe countries and Poland due to their high emission intensity. Furthermore, rapid structural shifts could negative impact households, workers and public budgets, raising concerns about social dissatisfaction and energy poverty.

3) Analytical results: Impact assessment of removals

- The CAKE/KOBiZE analysis "VIIEW on EU ETS 2050: Exploring synergies between the EU ETS and other EU climate policy measures – carbon removal, hydrogen, and sectoral transport policy"[4] explores the role of removals and demonstrates how their deployment could affect carbon prices and macroeconomic outcomes. It then moves on to a quantitative analysis showing outcomes at various levels of support for removals. The results demonstrate that the systematic integration and full pricing of carbon removals yield universally positive outcomes: carbon prices are significantly reduced, while GDP and consumption are boosted. Under full pricing, the EU ETS carbon price falls from 880 EUR/tCO_2 to 310 EUR/tCO_2 by 2040, with a further reduction by 2050, alongside lower carbon prices across non-ETS sectors. This approach increases the supply of carbon allowances, enabling high-abatement-cost sectors to purchase rather than invest, thereby freeing up economic resources for broader production.
- At the macro level, pricing removals increases EU consumption by 0.9% in 2040 and 1.9% in 2050, as well as raising GDP by 0.6% in both years. In Poland, these gains are even stronger: +1.1% in consumption in 2040, rising to +3.8% in 2050, compared to scenarios without removal pricing. This demonstrates that the economic impact varies across different regions and reflects the uneven distribution of the burden among Member States.
- Breaking down the mechanisms: BECCS (Bioenergy with Carbon Capture and Storage) reduces in EU ETS prices, while afforestation lowers costs in the non-ETS sectors, which is especially influential in Poland. Including removals enables the EU to achieve a gross emissions reduction of 75% by 2040 compared to 1990 levels. Factoring LULUCF absorptions in (-396 Mt CO_2 eq.) increases this figure to around 83%.

[4] Pyrka M., Jeszke R., Boratyński J., Witajewski-Baltvilks J., Antosiewicz M., Tatarewicz I., Rabiega W., Wąs A., Lewarski M., Skwierz S., Rosłaniec M., Lizak S., Zborowska I., Chodor M., Kobus P., Cygler M., Gorzałczyński A., Tylka A., Lewarska I., Mzyk P., Sekuła M. (2024). VIIEW on EU ETS 2050: Exploring synergies between the EU ETS and other EU climate policy measures – carbon removal, hydrogen, and sectoral transport policy, Institute of Environmental Protection – National Research Institute / National Center for Emission Management (KOBiZE), Warsaw, April 2024.

Figure 3. Impact on GDP, investment and consumption with respect to Fit55_nosup scenario under alternative scenarios of pricing removals in 2040 (left panel) and 2050 (right panel) for the EU (top) and Poland (bottom)



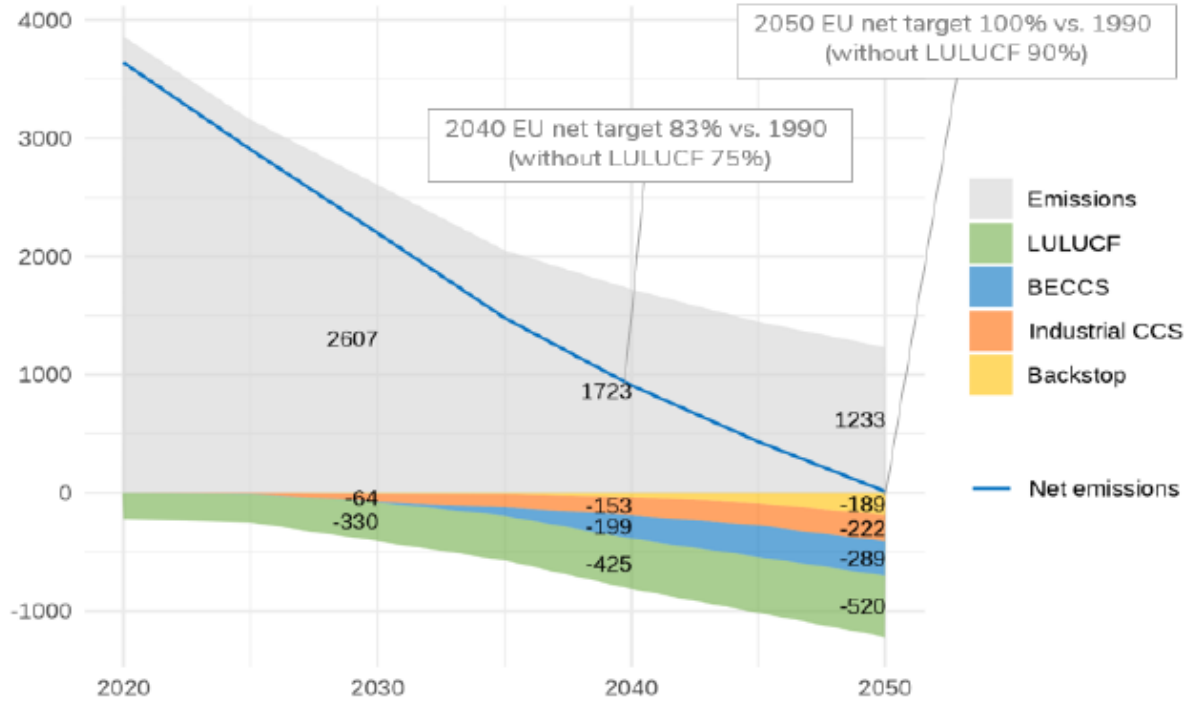
Source: CAKE/KOBiZE

C. KOBiZE's perspective on the main elements of ECL

4) 2040 emission target

- In April 2023 CAKE/KOBiZE published the report: „VIIEW on EU ETS 2050: Changing the scope of the EU ETS"[5] as part of the LIFE VIIEW 2050 project. The report analyses six scenarios covering possible solutions for extending the EU ETS. The scenarios consider the inclusion of either the road transport sector both the buildings and road transport sectors (BRT) in the current EU ETS, the creation of two separate systems (EU ETS and BRT ETS), or a single system for all sectors of the economy.
- In our report, all scenarios follow the Union's commitments, assuming the 2030 net GHG emissions reduction target to 55% versus 1990 levels, and putting the EU on the path to achieving climate neutrality by 2050. Without taking removals into account, the estimated reduction in GHG emissions was 53% in 2030 compared to 1990 levels. For 2050, the EU's GHG emissions reduction target without removals was set at 90%. Based on previously set reduction targets for 2030 and 2050, the EU will have achieved a 75% reduction (without LULUCF) and an 83% reduction (with LULUCF) by 2040 compared to 1990 levels.

Figure 4. The role of emission absorption (negative emissions) in achieving net zero emissions in 2040 and 2050 in the EU27+UK



Source: CAKE/KOBiZE

[5] Pyrka M., Jeszke R., Boratyński J., Witajewski-Baltvilks J., Antosiewicz M., Tatarewicz I., Rabiega W., Wąs A., Tobiasz I., Lewarski M., Skwierz S., Gorzałczyński A., Lizak S., Zborowska I., Chodor M., Kobus P., Krupin V., Cygler M., Mzyk P., Sekuła M. (2023). VIIEW on EU ETS 2050: Changing the scope of the EU ETS. Institute of Environmental Protection - National Research Institute / National Centre for Emissions Management (KOBiZE), Warsaw.

- Our report shows that the EU's net-zero target for 2050 (and the 2040 target) would be practically impossible to reach without adopting a wide range of carbon removal technologies, including CCS/CCU and negative emissions from BECCS and AFOLU. It will be critical to adopt climate policies that support negative emissions. In this context, we should explore and support the development of technologies, such as direct air capture with carbon storage (DACCS).
- The 2040 target proposed by the EC will require a significant improvement in energy efficiency and the implementation of new technologies, including those currently in the pre-commercialisation stage, such as e-fuels and DACCS. The future commercialisation costs of these technologies are uncertain, and their implementation may be delayed. If we adopt the EC's proposed milestones without implementing these technologies on a large scale, there is a risk of exceeding emission limits.
- Looking ahead, the EU faces major challenges in meeting its climate targets. Setting the 2040 objective cannot be done in isolation from the future of the EU ETS. For the system to remain the backbone of EU climate policy, comprehensive reform will be indispensable. This reform must address the expected exhaustion of allowances around 2040 and the resulting liquidity constraints, as well as integrating new instruments such as CBAM and ETS2. It must also incorporate removals and offsets, adjust the Linear Reduction Factor (LRF) and establish stronger governance structures, such as a European Central Carbon Bank. In addition, the potential sectoral and geographical expansion of the system must be considered. The latter dimension on expansion of the EU ETS will be the focus of our LIFE ENSPIRE project.
- Considering the discrepancy between the reduction path projections and the European Commission's proposed targets, a thorough reassessment of the 2040 reduction objectives is recommended. This would involve aligning the targets more closely with potential future achievements, while ensuring that the milestones on the path to climate neutrality by 2050 are realistic yet ambitious.
- In our opinion, in the interest of countries facing greater transformation challenges, such as Poland, the possibility of increasing the limit of available flexibilities (i.e. offsets and removals within the EU) should be considered.

5) Offsets and removals

- KOBiZE advocates a structural approach to integrating international offsets into EU climate policy, including the EU ETS market. The EC's approach wastes the potential of the external reduction measures and weakens the incentive for such actions outside the EU, while also limiting the system's flexibility. A mechanism to manage the supply of such units would be preferable, as this would support the development of the offset market and stabilise emission allowance prices.
- From a market functioning perspective, it is crucial that the offset portion of EU emissions is set at a higher level than the 3% proposed by the EC. Only then will it be possible to generate stable demand, which will stimulate the development of the offset market and encourage the necessary investments in third countries.
- If the development of CDR technology in the EU proves insufficient, any shortfall in availability of removals could be supplemented with the increased use of international offsets. Therefore, increasing the overall limit to 10% should be considered as solution which would provide a valuable buffer and enhance market resilience.

- We recommend that the overall share of international offsets should be split evenly between the EU ETS and non-ETS sectors, with each of these two policy pillars allowed to utilize up to 5% of the 1990 EU net emissions.
- Due to the high level of uncertainty surrounding the pace and cost of permanent CO_2 removal technologies, such as DACCS or BECCS, it is crucial to introduce a conditional flexibility mechanism that would act as a 'safety net' in the event of delays to the implementation of the removal measures after 2030. This would only be necessary if Member States do not achieve their target scale of domestic removals.
- Increased flexibility in achieving EU climate goals would act as a strategic reserve mechanism, providing flexibility in case of unexpected delays in domestic mitigation technologies or infrastructure, while offering a limited, regulated back-up in case of delayed domestic technological deployment.
- From the perspective of countries with higher emissions, such as Poland, the early implementation of the offset mechanism is particularly important. Due to their economic structure and the larger share of high-emission industries, these countries face more challenges during transition. Early implementation of the offset mechanism would enable reduction efforts to be spread more evenly over time, triggering the necessary investments in zero-emission technologies and reducing the cost of the transition, particularly for industries for which the proposed high decarbonisation rate poses a significant challenge.
- KOBiZE proposes the use of international credits from the beginning of the 2031–2040 period. Using international credits to account for EU emissions towards the 2040 target would reduce the cost of meeting reduction targets where decarbonisation options are limited. However, given the profound reform of the EU Emissions Trading System and the introduction of new tools, constraints on market liquidity and stability can be expected by the end of this decade, causing significant fluctuations and price sensitivity. Opening the EU to the international credit market from the beginning of the 2031–2040 period could play a significant supportive role.
- Incorporating international credits into the new climate regime beyond 2030 would enable the EU to develop a mechanism that stimulates cost-effective carbon reductions and removals in third countries, delivering broader economic, social, and environmental benefits. There is still huge potential for high-quality, additional and real emission reductions in developing countries, and the EU's creation of significant demand could help unlock much-needed investment and trigger high-quality project development. This approach would support global mitigation efforts and advance the achievement of the long-term temperature objectives of the Paris Agreement. It is also a possibility for Europe to effectively turn this flexibility into an additional instrument to reinforce its competiveness, trade and industrial policy by making strategic use of its leverage to promote EU clean technology transfer and deployment.
- From a climate diplomacy perspective, enabling the use of high-integrity international offsets would reinforce the EU’s role as a global leader in cooperative climate action. It would signal openness to Article 6 mechanisms under the Paris Agreement, strengthen bilateral and multilateral partnerships, and provide much-needed climate finance to developing countries.
- In order to supervise the orderly use of international credits and removals units, particularly within the EU ETS, and to ensure that these units meet high environmental standards, it would be necessary to establish an independent body, such as the European Central Carbon Bank (see

below). This institution would be responsible for the quality control, monitoring and marketing of international credits and removals. It would ensure the stability and transparency of the EU ETS market by, among other things, monitoring the supply and demand of allowances in the EU ETS, purchasing and managing international credits and carbon removal units, exchanging these for allowances in the EU ETS, and stabilising the price of EU ETS allowances through the sale and purchase of allowances. The European Commission recognises that the management of new units must be implemented in a manner that ensures their integrity, quality, and predictability, and has already proposed that offsets and their purchase will be managed centrally at the EU level.

- The current shape of international standards (scope and criteria) suggests that the EC will have to introduce restrictions and requirements in EU regulations to prevent the market from being flooded with low-quality units, as occurred in the EU ETS between 2008 and 2020.

6) Other flexibilities

a) Introducing flexibility between sectors

- The EC proposal allows for flexibility in meeting targets across sectors (in our understanding: ESR, EU ETS and LULUCF), but lacks a detailed framework. When designing the climate architecture for 2040, extending this flexibility to all Member States, particularly under Article 6 of the ESR, could improve efficiency, fairness, predictability and resilience. Introducing offsets in the non-ETS area would also indirectly create inter-sectoral flexibility. Furthermore, proposals to increase flexibility between the ESR and LULUCF should be carefully considered in light of the current ESR requirements and LULUCF restraints. It should be noted that if the possibility of using offsets in the ESR is introduced, it will also indirectly affect the EU ETS when creating the flexibility between sectors.

b) The proposal to establish a mechanism for managing the carbon market (ECCB)

- The stability, transparency and predictability of the EU ETS require an independent body with a clear mandate to oversee the market and intervene in the event of disruption. Established under the European Climate Law and further regulated by the dedicated legal act, this body would assume certain powers currently held by Commission (e.g. those relating to the MSR) and become part of the EU's climate governance system. Its main responsibilities would include supervising the supply and demand of EUAs, deciding on the purchase and management of offsets and removals within a balancing reserve, stabilising the supply of allowances in crisis situations and operating new instruments, such as the carbon safety reserve and price buffer. By ensuring transparency and effective interventions, the agency would safeguard market stability while supporting the achievement of EU climate objectives.

- More information on the proposal on the ECCB can be found in the report: "VIIEW on EU ETS 2050: Linking EU ETS with other carbon pricing mechanisms" and Policy Brief: "European Central Carbon Bank (ECCB) Introducing the ECCB as the new institution to manage the future EU carbon market"[6].

[6] Jeszke R., Lizak S., Rosłaniec M., Pyrka M. European Central Carbon Bank (ECCB) Introducing the ECCB as the new institution to manage the future EU carbon market (2025). Institute of Environmental Protection – National Research Institute / National Center for Emission Management (KOBiZE), Warsaw, 2025

c) Implementation of solutions to ensure the reduction of carbon dioxide emission allowance prices in the EU ETS/ETS2

- To limit excessive socio-economic costs and ensure market stability, the KOBiZE's proposal is to implement a price cap mechanism for CO_2 allowances, set at around €290/tCO_2 in line with the marginal abatement cost identified in the Impact Assessment (scenario S3). Should the ETS or ETS2 price exceed this threshold, additional allowances or offsets would be released into the market. The revenues generated would be used to purchase international emission reduction units under Article 6 of the Paris Agreement. Clear activation rules (e.g. based on a 30-day average price, triggered no more than quarterly) would prevent short-term volatility. The alternatives include setting a progressive ceiling with several thresholds (€150–€290) and releasing allowances gradually. Any mechanism must be transparent and strictly supervised to ensure it maintains the decarbonisation signal while protecting competitiveness and resilience.

d) Defining additional indicators and methods for assessing progress

- Given the number of uncertainties, including of the economic and political conditions during the period leading up to the 2040 reduction target, the provisions on monitoring and reporting progress should indicate that the assessment of progress be expanded to include additional elements, such as the monitoring of various factors and variables that may influence the reduction effort implemented by the country. Such an assessment should include, among other things:
    - Diverse needs of the Member States, e.g. in terms of developing the potential of sectors related to the country's defence and external security.
    - Diverse conditions of countries related to ensuring energy security.
    - Use of marginal abatement costs (MAC).
    - Monitoring the availability and cost of reduction and absorption technologies.
    - Assessment of the maturity and readiness for implementation of technologies that are key to the European economy's ability to achieve ambitious reduction targets.
    - The impact of the transformation on energy poverty and employment rates.
    - The pace at which removal units and offsets are implemented in climate policy architecture and in terms of actual feasibility.

e) Improving the legislative process, monitoring and implementing process

- The European Commission should conduct a comprehensive review of the availability of removals and publish a detailed report. This is essential to provide a clear picture of the scale, reliability, and sustainability of removals, thereby ensuring that policy design rests on realistic assumptions and avoids unintended market distortions.
- The proposal should include a binding pleadge that revenues from potential offset fees will be directed towards supporting transformation in lower-income countries. This would ensure fairness, foster global climate solidarity, and strengthen the EU's leadership role in implementing the Paris Agreement.

f) Sharing efforts among the Member States

- Post-2030 targets for the Member States should be determined using the methodology applied in Regulations (EU) 2018/842 and 2023/857. This ensures a fair distribution of effort based on national capacities and cost-effectiveness. Continuing this approach will provide policy continuity,

transparency and credibility while reflecting real economic conditions and access to clean technologies, which are key to achieving realistic and socially acceptable climate pathways. At the same time, EU policy must integrate geopolitical and security considerations to strengthen industrial resilience, reduce dependence on external raw materials and energy, and safeguard technological and industrial sovereignty.

g) Emphasis placed on energy efficiency and district heating sector

- Appropriate emphasis has been placed on aspects such as: 'energy efficiency first', including: the impact on energy-intensive industries, energy costs and investment needs in Member States, a reference to small and medium-sized enterprises, the need to reduce the risk of carbon leakage, greater flexibility within and between sectors.
- In the transition to achieving climate neutrality, district heating systems should play a particularly important role, especially in urban centres. This is because they are significant not only in terms of achieving climate goals, but also in improving air quality in urban areas. Therefore, district heating systems must be included in the ECL to support the transition away from inefficient individual heating sources and towards district heating systems. Together with heat generation sources, district heating systems can stabilise power systems by acting as energy storage facilities and utilising surplus energy in the summer to generate useful heat in electrode boilers. However, a strategy, investment and financial resources are needed to exploit this potential. It is necessary to emphasise the distinctiveness of heating systems from electrical power systems to highlight their individuality after many years of neglect in this area.