WE MEAN BUSINESS COALITION

In collaboration with CISL Corporate Leaders Group Europe

The EU's Next NDC: An Opportunity To Strengthen Energy Security And Industrial Competitiveness

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Foreword

Now is the time for Europe to stay firmly on the path to climate neutrality. This is not just about climate: robust targets and a predictable policy environment are essential to drive private-sector investment, unlock innovation, and secure long-term competitiveness. Climate action has become a strategic necessity in a fast-changing world, as well as being a moral imperative for a safer and more resilient future.

Businesses across the continent are ready to scale clean technologies, modernize supply chains, and lead in global markets. But they need clear signals. When policy is predictable and provides a clear direction of travel and a level playing field, businesses can invest with confidence.

The European Union's next Nationally Determined Contribution (NDC) is a test of leadership — not symbolic, but strategic. It must send a clear message: that Europe intends to compete and thrive in the low-carbon economy that climate science demands. It also matters internationally – the world will be watching, and a robust NDC will provide confidence in the EU's commitment to achieving its climate objectives, helping to build trust with global trading partners.

Europe has the talent, capital, and technology to lead. A target to reduce greenhouse gas emissions by at least 72.5% by 2035 — in line with the EU's 2030 and a 90% 2040 target — would provide the clarity and continuity needed to anchor investment and guide industrial transformation.

This report, a collaboration between We Mean Business Coalition and the Corporate Leaders Group Europe (CLG Europe), calls for policymakers and businesses to work together to deliver a NDC that not only puts the EU on track to achieve climate neutrality by 2050, but is actionable and investible — one that aligns policy with the scale of business capabilities already in motion. Done right, it will strengthen Europe's energy security, competitiveness, and global standing, while delivering a more resilient and prosperous future.

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Executive Summary

As a party to the Paris Agreement, the European Union (EU) is due to submit its next Nationally Determined Contribution (NDC) in 2025. This NDC will define the EU's climate ambition for 2035 – the midpoint between the legally binding 2030 climate target and the proposed 2040 target. It comes at a crucial time as the EU explores how to enhance its competitiveness, sustainability, and prosperity in an increasingly complex global context.

A key delivery mechanism for the NDC will be the Clean Industrial Deal, which has the potential to unlock opportunities in clean technologies, secure energy supply, reduce energy costs, and help future-proof business models. The EU spent EUR 376 billion on importing fossil fuels in 2024 alone. Reducing this dependence is not only a climate priority — it is a geopolitical and fiscal imperative. The NDC and the Clean Industrial Deal are an opportunity for the EU to increase its **energy security**, improve **industrial competitiveness**, and **mitigate risk** by decarbonising operations and supply chains, while demonstrating its continued **global climate leadership.**

For business, the NDC is more than a policy update: it's a signal. For businesses to act at the pace and scale required - and for investors to channel their investments into climate-resilient, net-zero-aligned, and nature-positive activities - they need strategic clarity and regulatory consistency. In particular, the NDC should provide clarity on the EU's direction of travel by 2035 in terms of scaling up **renewable energy capacity** and other zero- and low-emission technologies, improving **energy efficiency**, and **transitioning away from fossil fuels** – core priorities highlighted in the UN's first Global Stocktake that are also a route to enhanced European competitiveness. The NDC is also an opportunity to improve **resource efficiency**, while promoting efforts to **protect and restore nature** and enhance biodiversity.

Delivering the NDC and attracting investment will require clear and consistent **plans and policies for implementation**. This means combining cross-sectoral levers such as electrification and creating new markets with tailored sectoral approaches for energy, transport, industry, buildings, and food and land use, as well as finance and innovation.

Building on the We Mean Business Coalition's global "Business Call to Action for Ambitious and Investible NDCs", this document sets out how European policymakers and businesses can work together to develop and deliver a robust and investible EU NDC. A reduction of at least **72.5% by 2035**, relative to 1990 levels, would reflect a straight-line path between a 55% reduction by 2030 and a 90% reduction by 2040.[1] This would align the EU's NDC with its existing commitments and provide a clear signal of policy continuity and stability to businesses.

Strengthening dialogue and collaborative processes between policymakers and businesses will also be a key ingredient for successful implementation of the next NDC. **Public-private collaboration** can help to ensure the NDC enables economic growth, accelerates decarbonization and strengthens Europe's position in global markets.

The EU has led by example on climate policy in recent years. It now has the opportunity to turn that legacy into a lasting advantage. A bold NDC will not only reinforce the EU's role as a credible global partner and raise international standards – it will also demonstrate to the world how decarbonization enhances energy security, economic strength, and industrial competitiveness.

1 Business and investors signed a letter calling on the EU to set a GHG reduction target of at least 90% by 2040. Read the letter and find out more at: https://www.corporateleadersgroup.com/news/business-and-investors-call-eu-set-greenhouse-gas-emissions-reduction-target-least-90-2040.

Introduction and context

Businesses in Europe face multiple interlinked challenges including unpredictable geopolitics, high energy costs, and increasing competition from overseas competitors. These risks are being exacerbated by the continuing high share of imported fossil fuels in parts of the EU's energy system, particularly transport and industry, which exposes businesses to volatile fossil fuel markets and energy supply risks. This prevents them from fully reaping the competitiveness benefits of increased climate action.

The EU has reduced its fossil fuel imports from Russia in recent years and the European Commission has presented a roadmap to stop imports of Russian gas by 2027.[2] However, coal, oil and gas currently account for over 70% of the EU's total energy supply,[3] and the EU spent EUR 376 billion on importing fossil fuels in 2024.[4] Decarbonization and homegrown electricity production are therefore set to play a key role in improving the EU's energy security and competitiveness. Businesses get this. Recent polling of business leaders found that 98% of business leaders in Germany and Italy and 89% in Poland want to see a transition away from fossil fuels to a renewables-based power system.[5]

EUR59 billion

The expansion of wind and solar power has enabled the EU to avoid EUR 59 billion in fossil fuel imports since 2019

Businesses in Europe are also already having to deal with the intensifying impacts of climate change. In 2024, the continent experienced record-breaking heatwaves, severe droughts affecting agricultural productivity, and heavy rainfall resulting in devastating floods in Germany during the summer and in Central-Eastern Europe and Spain in autumn. Economic losses in the EU from extreme weather events were over EUR 161 billion between 2021 and 2023[6] and are set to increase.

To help mitigate climate change, the EU has set legally binding targets to reduce its total net greenhouse gas emissions by at least 55% by 2030 relative to 1990 levels and to become a climate-neutral continent by 2050.[7] It is currently in the process of finalizing a new emissions reduction target for 2040.

As a Party to the Paris Agreement, the EU is required to submit a Nationally Determined Contribution (NDC) every five years, outlining the contribution it will make to achieving the global goals of the Paris Agreement. The first NDC for 2030 was submitted in 2015 (and updated in 2020). The next NDC for 2035 is due in 2025.

The EU is taking steps to meet its climate targets. It has started to implement its legislative framework for meeting the 2030 target (the Fit for 55 Package[8]), adopted the European Green Deal[9] (the EU's overarching strategy to achieve its sustainability and climate goals), and announced the Clean Industrial Deal and Affordable Energy Action Plan[10] (designed to set a framework fit for the EU to accelerate its decarbonization and competitiveness in line with a 90% greenhouse gas emissions target by 2040).

Even though more needs to be done, the EU has made progress towards its 2030 emissions target. Emissions declined by 37% between 1990 and 2023,[11] and the EU is currently on course to reduce emissions by around 54% by 2030 if Member States fully implement existing and planned national measures and EU policies.[12] Most of the emissions reductions achieved to date have come from transitioning away from fossil fuels to clean energy solutions in the power sector. Driven by expanding wind and solar power, the share of renewables in the electricity generation mix has risen from 34% in 2019 to 47% in 2024, as the fossil share declined from 39% to a historic low of 29%. Solar remained the EU's fastest growing power source in 2024, overtaking coal for the first time, while gas power generation declined for the fifth year in a row. The expansion of wind and solar power has enabled the EU to avoid EUR 59 billion in fossil fuel imports since 2019.[13]

2 European Commission, 2025. Roadmap to fully end EU dependency on Russian energy.
3 https://www.iea.org/regions/europe/energy-mix
4 https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20250321-1
5 https://powering-up-business-poll.com/
6 https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related
7 https://climate.ec.europa.eu/eu-action/climate-strategies-targets/2050-long-term-strategy_en
8 This package includes a revised EU Emissions Trading Scheme (EU ETS), targets for renewable energy and energy efficiency, a range of measures to help boost the energy efficiency of buildings, emissions performance standards for new passenger cars and light commercial vehicles, and regulations for emissions and removals from the land sector.
9 https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en
10 https://energy.ec.europa.eu/publications/action-plan-affordable-energy-unlocking-true-value-our-energy-union-secure-affordable-efficient-and_en
11 EU EPA, 2025. Annual European Union greenhouse gas inventory 1990-2023.
12 https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1337
13 https://ember-energy.org/latest-insights/european-electricity-review-2025/

Introduction and context (continued)

Climate action is already contributing to economic growth and creating jobs in the EU. Employment in the environmental goods and services sector increased by 9.5% on average between 2021 and 2022, with around 3.7 million people employed in this sector in the five largest EU economies (Germany, France, Italy, Spain and Poland).[14] In 2022, the environmental sector grew faster than the overall economy in 13 EU member states, and accounted for over 4% of total economic output in three member states (Finland, Austria and Estonia).[15] In France in 2024, green industry was the industrial sector with the greatest number of net plant openings and upsizings.[16]

In addition to transitioning away from fossil fuels, another key lever for reducing the EU's net emissions and adapting to climate change impacts is protecting and restoring nature. Beyond removing carbon from the atmosphere, the land sector provides a wide range of ecosystem services related to biodiversity, water regulation and water quality, soil heath and fertility, and resilience to climate impacts. At a regional scale, the EU's land sector currently removes more carbon than it emits - in 2023, net removals were around 200 million tonnes of CO_2 equivalent, which is equivalent to around 6% of the EU's emissions from other sectors. While carbon removals from the land sector can contribute to meeting the EU's targets for net emissions, the top priority must be reducing gross emissions at source. Further, the size of this carbon sink has decreased by over 40% since 2010 due to factors such as forest degradation, increased harvesting, and climate change impacts such as droughts and pest outbreaks.[17] In Finland, for example, the land sector switched from being a net sink to a net source of emissions in 2018.[18] Efforts are therefore underway to boost the EU's carbon sinks while enhancing biodiversity by protecting and restoring forests, wetlands and other ecosystems.

14 Eurostat, 2025. Environmental economy – statistics by Member State.
15 Ibid.
16 Euractiv, 2025. Green industry leads France's net plant openings while cars backtracks.
17 EU EPA, 2025. Annual European Union greenhouse gas inventory 1990-2023.
18 https://stat.fi/en/publication/clmpwhj34iw9n0cuntl6ngb08
19 https://sciencebasedtargets.org/target-dashboard
20 https://smeclimatehub.org/our-smes/
21 https://sciencebasedtargetsnetwork.org/news/blog/december-2024-newsletter-and-year-end-recap/

Corporate action on climate and nature in Europe

Businesses will play a critical role in the implementation of the EU's NDC, driving the innovation, investment, and practical action needed to meet emissions targets.

Over 2,400 European companies have set validated net zero targets through the Science Based Targets initiative (SBTi), including around 1,100 SMEs,[19] while around 1,000 European SMEs are members of the SME Climate Hub.[20] Further, over 150 companies are preparing to set science-based targets for nature through the Science Based Targets Network (SBTN), of which around two thirds are based in Europe.[21]

Businesses are actively investing in decarbonization solutions, such as increasing energy efficiency, scaling renewable energy use, transitioning vehicle fleets to electric mobility, and developing low-carbon materials. For example, European member companies of the RE100 initiative led by Climate Group sourced 84% of their electricity consumption in 2022-2023 from renewables. More than 130 companies are part of Climate Group's EV100 and EV100+ initiatives, with companies acting to transition their fleets to electric vehicles by 2030 for light commercial vehicles and by 2040 for heavy duty vehicles.

These investments strengthen Europe's competitiveness, create resilient energy systems, and deliver economic growth. But corporate action – whether on decarbonizing power grids, scaling green steel or building resilient supply chains –hinges on supportive public policy. In many cases, the absence of enabling policy has become a bottleneck, stalling progress and amplifying risks. This isn't about politics – it's about creating the conditions in which sustainable business strategies can succeed, growing their clean products and services. To accelerate climate action, businesses need consistent, stable EU-wide policy frameworks to go further and faster.

Introduction and context (continued)

While the EU has made progress on climate, further efforts are needed to convert its targets into action.

This document sets out how businesses and policymakers can work together to develop and deliver a robust and investible EU NDC that also delivers on the EU's strategic priorities. It builds on We Mean Business Coalition's "Business Call to Action for Ambitious and Investible NDCs",[22] which outlined three key pillars to enhance private sector engagement across the whole NDC cycle:

1

Robust NDCs:
Setting an economy-wide target that provides a clear, achievable path to net zero.

2

Policies for NDC implementation:
Translating NDCs into policy frameworks that support private sector investment, align with other national policies, and promote international collaboration and coordination.

3

Government-business dialogue and transparency:
Increasing private sector participation and consultation at all stages of NDC development and implementation.

22 WMBC, 2024. Business call to action for ambitious and investible NDCs.

PILLAR 1

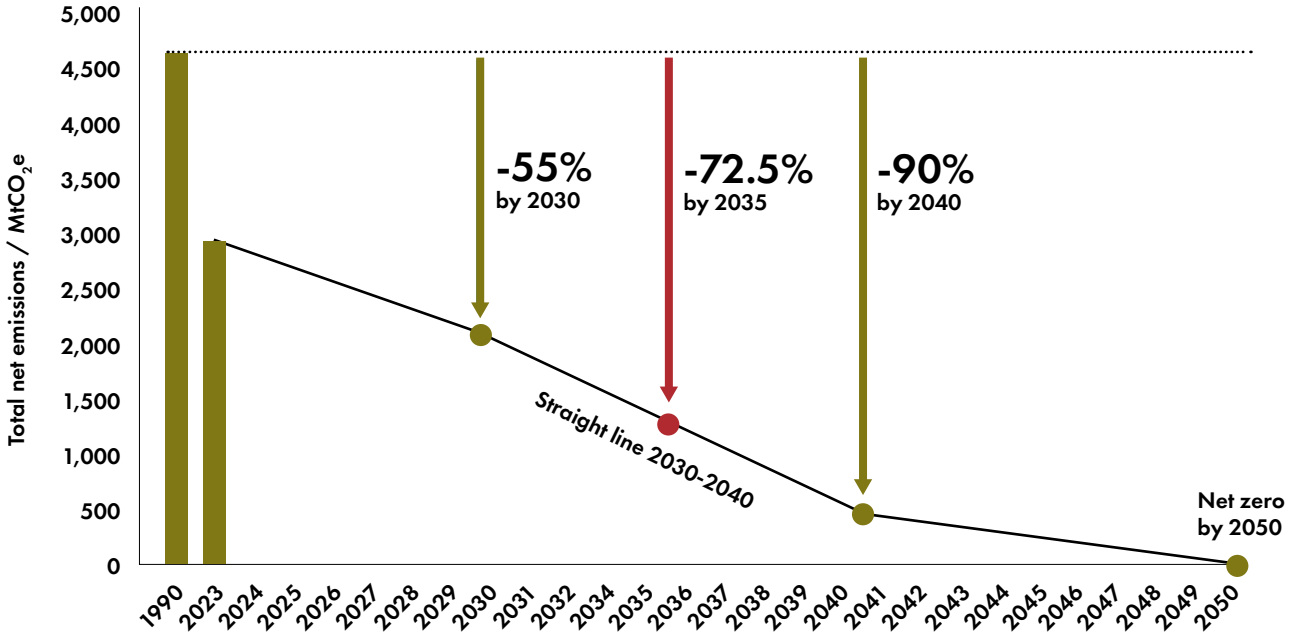
A robust 2035 target

The EU's next NDC needs to set an economy-wide emissions reduction target for 2035 that puts the EU on track to meet its 2040 and 2050 targets, while contributing towards other strategic priorities such as enhancing industrial competitiveness, increasing energy security, improving resource efficiency, and protecting and restoring nature. Taking a 'competitive sustainability' approach[23] to the NDC can help to accelerate systemic change across the EU.

2035 target

A target to reduce greenhouse gas emissions by at least 72.5% by 2035 compared to 1990 levels would be aligned with a straight-line trajectory[24] between a 55% reduction by 2030 and a 90% reduction by 2040 (see Figure 1). This would provide a clear signal of policy continuity and stability to businesses and reinforce the EU's commitment to enhancing energy security, increasing competitiveness, and achieving climate neutrality by 2050.

Figure 1: **How the EU's NDC for 2035 can send a strong signal of policy continuity and stability to businesses**



Source: Based on emissions data from EEA, 2025.

A robust 2035 target will send a strong signal to the private sector that the EU remains a competitive, stable, and attractive destination for investment in low-carbon industries. Conversely, a weaker target risks creating investor uncertainty and undermining the EU's competitiveness in the global low-carbon economy.

To be effective, the 2035 NDC must be investible - underpinned by clear, predictable and stable policy frameworks that reduce uncertainty, catalyze innovation, and unlock private sector investment. These frameworks guide business decisions towards clean technologies and sustainable infrastructure, while businesses in turn can reinforce ambition through their advocacy and capital allocation. With its potential to create and foster new markets for clean technologies and services, the NDC also plays a role in positive economic system transformation.

For EU policymakers, the NDC is a tool to mobilize private sector means effectively, prioritize the use of limited public resources, and channel investments into climate-resilient, net-zero, and nature-positive economies that benefit all. To be credible and effective it must be backed up by concrete policies and incentives that drive private sector participation and deliver measurable outcomes.

23 CISL, 2024. 2024 Competitive Sustainability Index: Shaping a new model of European competitiveness 'Beyond Draghi'.

24 At COP29 in Baku, a group of countries plus the EU committed to submit NDCs that are "aligned with steep and credible emissions reductions toward their respective mid-century net zero goals, consistent with a linear or steeper trajectory". DG-CLIMA, 2024. COP29: Joint Press Release on 1.5°C-Aligned Ambition in NDCs Toward Net Zero.

PILLAR 1

A robust 2035 target (continued)

In addition to the 2035 target, the NDC should include a clear summary of the sectoral objectives, plans and policies that the EU intends to use to meet its 2035 NDC. This will help businesses plan their low-carbon investments and understand how EU-level and national policies fit together.

Alignment with other strategic priorities

Industrial decarbonization improves competitiveness and presents a major economic opportunity for EU companies and economies.[25] The global clean technology market is expected to grow to around US$650 billion annually by 2030,[26] and the value of 'green industries' is likely to exceed US$10 trillion by 2050.[27] A strong NDC with supporting measures can position the EU to lead the global race in the development of sustainable industrial ecosystems and clean technology manufacturing industries.

The NDC should also align with the set of policies the EU is putting in place to accelerate the decarbonization of the economy and enhance its competitiveness - the Clean Industrial Deal - which has been recognized by the Commission as a pathway towards a 90% greenhouse gas emissions reduction target by 2040.

US$650 billion

The global clean technology market is expected to grow to around US$650 billion annually by 2030

The NDC should also support the EU's strategy to improve its energy security by accelerating clean energy deployment and energy efficiency. Rising energy costs and high fossil fuel dependence remain challenges. The EU's NDC can chart a course to greater resilience for its citizens and businesses while showing international leadership by significantly increasing its renewable electricity generation capacity, accelerating other zero- and low-emission technologies, and improving energy efficiency rates, while reducing reliance on fossil fuel imports.

Monitoring the evolution of electrification in the EU will also be key. This could be done through introducing a key performance indicator on electrification in Member States' National Energy and Climate Plans.

The policy framework to implement the EU NDC also holds opportunities to better link resource efficiency and decarbonization. Circular economy measures such as systemic circular designs, repair, reuse and recycling can reduce the demand for raw material extraction and lower emissions from energy-intensive production processes.

Restoring nature and sustainable land use are also essential to enhancing the EU's resilience and ability to address climate change. Integrating climate and nature policies will help to accelerate private sector investment and facilitate transformative action towards a sustainable and resilient economy. The EU NDC should therefore clearly align climate and nature goals. A robust 2035 target would send a strong signal on the importance of investing in nature-based solutions and transitioning towards a nature-positive and net-zero emissions economy.

Competitive sustainability

A 'competitive sustainability' approach – one that integrates economic, social, governance, and environmental dimensions into measuring competitiveness - can help ensure that the EU's early adopters and collaborative leaders become the most competitive by leading systemic change. It incorporates the financial value of Environmental, Social, and Governance (ESG) assets for investors, going beyond traditional Gross Domestic Product (GDP) metrics and emphasizing purpose-driven innovation. It promotes a holistic, forward-looking economic model and focuses on solutions that enhance social benefit within our planet's boundaries, instead of viewing economic productivity solely as an indicator of growth.[28]

25 CISL, 2024. 2024 Competitive Sustainability Index: Shaping a new model of European competitiveness 'Beyond Draghi'.
26 IEA, 2023. Energy Technology Perspectives 2023.
27 Portala, 2023. Green industries could be worth $10.3 trln to economy by 2050 - study.
28 CISL, 2024. 2024 Competitive Sustainability Index: Shaping a new model of European competitiveness 'Beyond Draghi'.

PILLAR 2

Clear and consistent policies for NDC implementation

Beyond the headline 2035 target in the NDC, what matters most to businesses are the specific plans and policies put in place for NDC implementation. To mobilize private sector investment, the EU needs to provide a clear and consistent policy framework. This includes sector-specific policies (e.g. for energy, transport, industry, buildings, agriculture, food and nature) and cross-cutting policies at the EU level (e.g. for finance and innovation), which set the framework for country-specific policies in EU Member States. Businesses need policies that provide financial support, long-term visibility, level playing fields, regulate supply or demand, and provide consistent support at all stages of the innovation and deployment process. Since each sector and each EU Member State faces unique challenges and barriers to development and deployment, tailored interventions are needed.

Clean energy

The EU should chart a clear path towards reliable, fully decarbonized power systems by 2035.[29] These power systems are essential to electrify industry and transport – making them the backbone of a competitive, secure, low-carbon economy. Delivering this transition requires a robust and predictable policy environment that rapidly scales up renewable energy and low-carbon electricity generation, accelerates electrification across sectors, and sets clear timelines for transitioning away from fossil fuels.

Timely and effective implementation of the 2030 targets in the Fit for 55 Package is critical. These include binding targets to achieve at least 42.5% of energy from renewable sources under the Renewable Energy Directive (RED)[30] and an 11.7% reduction in final energy consumption relative to projected 2030 levels under the Energy Efficiency Directive (EED).[31]

To support high shares of variable renewable energy, the EU must invest in flexible, resilient power infrastructure, including smart grids, energy storage, and demand-side management. At the same time, accelerating the roll-out of energy efficiency measures—particularly in industry and the built environment—is needed to lower energy demand, cut energy costs, and strengthen grid reliability.

By adopting these measures, the EU will provide businesses with the necessary investment signals and market conditions to drive innovation, mobilize private capital, and deliver an inclusive and competitive net-zero energy transition.

We Mean Business Coalition's Fossil to Clean Campaign

The Fossil to Clean campaign is a global business-led initiative launched in 2023 ahead of COP28, aiming to accelerate the transition from fossil fuels to clean energy. It envisions global fossil fuel consumption peaking and declining by 2030 and promotes a well-managed, just transition to clean energy. The campaign urges governments to set clear targets and timelines for the phase-out of unabated fossil fuels, backed by policies that support clean energy deployment.

Through the campaign, We Mean Business Coalition and its partners have mobilized over 260 companies (of which around 80 have headquarters in the EU) to urge governments to set ambitious targets and implement the domestic plans and policies to deliver them. The campaign also supports companies to seize opportunities to reduce risk by going from fossil to clean in their own operations, with tools such as Business Action Checklists.[32]

29 CISL, 2023. Raising European Climate Ambition for 2040: A CLG Europe position paper.
30 https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-directive_en
31 https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficiency-targets-directive-and-rules/energy-efficiency-directive_en
32 https://www.wemeanbusinesscoalition.org/fossil-to-clean-business-action-checklists/

PILLAR 2

Clear and consistent policies for NDC implementation (continued)

Transport

Businesses in the EU face several persistent barriers to decarbonising transport. High upfront costs and limited availability of zero-emission vehicles—particularly for heavy-duty and long-haul freight—remain major obstacles. Inadequate charging infrastructure for electric vehicles further hampers the transition. Fragmented regulatory frameworks and inconsistent incentives across EU Member States create uncertainty and complicate investment planning. Moreover, a lack of clear standards for sustainable transport technologies limits market development and investment. If not addressed adequately, the EU risks lagging further behind international competitors like China, which is already developing modern and affordable electric vehicles at scale.[33]

To accelerate progress, businesses need coherent EU-wide policies, targeted public investment, and a faster scale-up of enabling infrastructure. The EU should ensure the full and timely implementation of the regulation related to phasing out the sale of new internal combustion engine vehicles by 2035. The implementation of the legislation and its supporting framework will provide market certainty and boost innovation. Accelerating a modal shift towards more sustainable freight solutions, scaling up clean public transport and ensuring accessible, affordable mobility solutions remain key to delivering a just and inclusive transition.

Industry

Improving the competitiveness of EU industries is key to securing European sovereignty. Switching inputs from imported fossil fuels to homegrown renewables, low-carbon electricity, and energy carriers such as green hydrogen – as well as incorporating net zero technologies and materials such as fossil-free steel and zero carbon concrete - will help the EU's industries prosper and provide technological innovations and employment to EU citizens. The transition should be supported by a future-proof Clean Industrial Deal and Net Zero Industry Act that improve public-private collaboration to develop lead markets for climate neutral products and ensure that the transition is powered by clean electricity, alongside sufficient financing to derisk the technologies of the future.

Green steel and low-carbon concrete present significant opportunities for the EU to decarbonize heavy industry, enhance industrial competitiveness, and support the development of climate-resilient infrastructure. With global demand for clean construction materials set to rise, early EU leadership can unlock export potential and position European producers at the forefront of sustainable industrial innovation. Achieving this requires a mix of adequate policies, including clear carbon performance standards, demand-side measures such as green public procurement and product labelling, targeted support for first-mover projects, and ensuring access to affordable clean energy.

To succeed, the EU's industrial decarbonization strategy must also embed a more ambitious and integrated circular economy strategy that goes beyond end-of-life solutions to include measures that reduce material consumption at source. Circularity must be treated as a core pillar of industrial strategy, a driver of innovation, competitiveness and resilience.[34] This means accelerating the shift from resource efficiency alone to high-value circular economy approaches, including product design for longevity, reuse, and demand-side material reduction. By positioning the development and adoption of net-zero technologies and direct electrification (beyond energy-intensive industries) and increasing uptake of energy efficiency as key enablers of the industrial transformation, as well as embracing circular practices, the EU can significantly lower industrial carbon footprints.

Harmonising end-of-waste criteria (i.e. creating consistent rules across EU Member States for when recycled materials are no longer considered waste), removing regulatory barriers to secondary raw

33 EPRS, 2024. The future of European electric vehicles.

34 https://www.corporateleadersgroup.com/files/cisl-no_time_to_waste_report_2024.pdf

PILLAR 2

Clear and consistent policies for NDC implementation (continued)

materials, and coordinating raw materials purchasing across EU Member States are critical enablers of this shift. Aligning policies and financial instruments, including green public procurement, will accelerate the uptake of these solutions and mitigate carbon leakage. However, lacking clear targets for resource reduction, strong incentives for high-value circular economy strategies mean progress could fall short of its ambition to be world leader in the circular economy by 2030 and to achieve the target of 24% circular material use rate (CMUR) by 2030. Clear targets and supportive regulations can mobilize private investment into innovative industrial processes, reinforcing Europe's global competitiveness as markets shift toward cleaner, more sustainable supply chains.[35]

Buildings

Businesses face a range of barriers to decarbonising the built environment in the EU, despite growing awareness of the economic and environmental benefits. High upfront costs for energy-efficient retrofits and low-carbon construction materials remain a major hurdle, particularly in the absence of long-term financial incentives or consistent carbon pricing. Fragmented and often inconsistent building codes across Member States create regulatory uncertainty and slow innovation. Limited access to skilled labor and technical expertise further constrains the deployment of advanced building technologies. To overcome these challenges, businesses need stable policy frameworks, targeted financial support, and harmonized standards that drive demand for net-zero buildings and enable cost-effective decarbonization at scale.

The EU should at least double the current energy renovation rate by 2030, ensure the swift and effective implementation of the Energy Performance of Buildings Directive (EPBD). Accelerating the pace of deep renovation will be critical to significantly reducing energy demand, lowering costs, and addressing energy poverty. Encouraging greater circularity in building materials and construction processes, alongside stringent energy efficiency standards and scaling up the electrification of heating, will further reduce carbon footprints and foster new market opportunities. By prioritizing these measures, the EU creates a clear investment roadmap for businesses, stimulates innovation, and generates high-quality jobs within the built environment.[36]

Food and land use

In the land sector, the EU's climate and biodiversity policies are closely interlinked. The Nature Restoration Law[37] is a pivotal component of the European Green Deal. It mandates the restoration of at least 20% of the EU's land and sea areas by 2030, aiming for all ecosystems in need of restoration to be addressed by 2050. EU Member States are required to develop National Restoration Plans by 2026, detailing strategies to rehabilitate degraded habitats, including forests, wetlands, rivers, and urban green spaces. Specific targets include restoring 30% of degraded habitats by 2030, increasing to 60% by 2040, and 90% by 2050. The EU has also established a goal of achieving "no net land take" by 2050.[38] The EU's Biodiversity Strategy for 2030[39] complements this by setting targets to protect 30% of the EU's land and sea areas, with 10% under strict protection. The strategy also emphasizes the restoration of degraded ecosystems, enhancement of biodiversity governance, and integration of biodiversity considerations into climate and other policy areas.

Emissions from the agriculture sector will need to drop significantly if the EU is to reach its greenhouse gas reduction target. Nature-based solutions (NbS) such as regenerative agriculture, catchment restoration, and reforestation can play an important role in restoring ecosystems, enhancing carbon sinks, and reducing soil degradation while providing additional income to farmers and rural communities.[40] Reducing reliance on fossil fuel–intensive agricultural inputs offers both environmental and economic benefits for farmers and will lower the demand for petrochemical inputs in food.

35 https://www.corporateleadersgroup.com/files/clg_europe_business_agenda.pdf
36 https://www.corporateleadersgroup.com/files/clg_europe_business_agenda.pdf
37 https://environment.ec.europa.eu/topics/nature-and-biodiversity/nature-restoration-regulation_en
38 https://www.eea.europa.eu/policy-documents/com-2011-571-roadmap-to
39 https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en
40 CISL, 2021. Towards a sustainable food future for Europe.

PILLAR 2

Clear and consistent policies for NDC implementation (continued)

To deliver for climate, nature, and people – including safeguarding livelihoods of farmers – a holistic policy framework that links land use and food systems is essential.[41] Food-related policies, including the Common Agricultural Policy (CAP), should be leveraged to support higher environmental and climate ambition through financial incentives tied to specific environmental outcomes and well-funded "eco-schemes", alongside technical and training support for farmers, thereby incentivizing and de-risking the transition to low-carbon, nature-positive agricultural practices that enhance resilience for rural communities. Further, criteria for sustainable food procurement, the harmonization of labelling schemes and tax incentives from Member States can help to create markets for sustainable food products.[42]

Public policy must also set ambitious sectoral standards and provide financial support to make sustainable farming the norm and eliminate unsustainable practices. The Vision for Agriculture and Food[43] presented by the European Commission in February 2025 is a step in the right direction – now the focus must be on implementation, including aligning future trade agreements with the Green Deal and biodiversity strategies to avoid moving unsustainable production outside the EU borders and create sustainable, fair and inclusive supply chains, as well as ensuring deforestation-free supply chains and linking high-biodiversity products - led by Indigenous Peoples and local communities - to corporate markets.

Approximately 91% of funding for NbS in Europe currently comes from public sources.[44] Private investment remains limited due to unclear revenue models and high perceived risks. These perceived risks could be mitigated and NbS could be scaled up by setting verifiable standards for NbS, protecting carbon-rich ecosystems like forests, peatlands and wetlands, and ensuring robust carbon and nature markets support large-scale land restoration. With coordinated action, the NDC can drive the systemic transformation needed to align land use, agriculture, and climate policy with the EU's 2030 and 2050 goals.

Finance

The updated EU NDC must be accompanied by a clear and credible investment roadmap that anchors it within the EU's main financing channels in order to maximize mobilization of both public and private capital. Public finance must play a catalytic role: the upcoming Multiannual Financial Framework (MFF),[45] national budgets, the Innovation Fund,[46] Recovery and Resilience Facility,[47] Emissions Trading System (EU ETS) revenues, and the proposed Decarbonization Bank[48] should be earmarked by default for green transition objectives. These tools should stimulate both public and private investment, support infrastructure deployment, and reward the transformation of the economy towards climate neutrality in a way that also benefits people and nature. As some current funding mechanisms will expire over the coming years, they should be reviewed and, where necessary, replaced with new instruments designed to future-proof the transition.

Public-private partnerships will be essential to unlock capital for large-scale infrastructure projects, and complementary measures – such as more flexible financing rules or tax incentives for green technologies – could help lower upfront costs. Funding for industrial decarbonization should prioritize high-impact, scalable decarbonization and resilience investments, particularly in areas not yet at full market maturity, while supporting a just transition by contributing towards distributing the costs of the transition equitably. To maximize their effect, funding instruments must also be better aligned with Europe's industrial and climate goals and made more accessible, addressing administrative complexity and permitting bottlenecks.[49]

41 CLG Europe, 2023. Raising European Climate Ambition for 2040: A CLG Europe position paper.
42 https://www.corporateleadersgroup.com/files/clg_europe_business_agenda.pdf
43 https://agriculture.ec.europa.eu/overview-vision-agriculture-food/vision-agriculture-and-food_en
44 https://www.nature.com/articles/s41598-022-23983-3
45 https://www.europarl.europa.eu/factsheets/en/sheet/29/multiannual-financial-framework
46 https://climate.ec.europa.eu/eu-action/eu-funding-climate-action/innovation-fund_en
47 https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility_en
48 https://commission.europa.eu/topics/eu-competitiveness/clean-industrial-deal_en
49 https://www.corporateleadersgroup.com/files/clg_europe_business_agenda.pdf

PILLAR 2

Clear and consistent policies for NDC implementation (continued)

However, the bulk of investment needed to reach climate neutrality will need to come from the private sector.[50] To unlock capital at scale, investors need a clear and coherent investment environment with stable and predictable regulation and incentive policies.[51] That means aligning the EU NDC with the 2040 target, ensuring national budgetary strategies and sectoral plans are consistent with EU-wide goals, and embedding corporate transition plans within a broader European decarbonization framework. In addition, blended finance instruments, such as those under InvestEU,[52] must be scaled up to de-risk early-stage technologies and attract institutional investors. Additional tools, including public guarantees, long-term offtake agreements, and contracts for difference, can help address the "green premium" and accelerate market deployment.

Fossil fuel subsidies in Europe

Phasing out fossil fuel subsidies is identified as a key lever for reducing the EU's greenhouse gas emissions in the EU's 8th Environmental Action Programme for 2030.[53] After being roughly stable at around EUR 60 billion over 2015-2021, fossil fuel subsidies in the EU Member States more than doubled to nearly EUR 140 billion in 2022 in response to the energy crisis, before declining to around EUR 111 billion in 2023. While many of these subsidies are crisis measures that have an end date by 2030, 48% of them have no end date.[54]

Nine EU Member States[55] are members of the Coalition on Phasing Out Fossil Fuel Incentives Including Subsidies (COFFIS), which was launched at COP28. Members of this Coalition have agreed to work together to publish regular inventories of fossil fuel subsidies, identify international barriers to phasing out fossil fuel subsidies, share lessons learned at annual international dialogues, and to develop national strategies for phasing out fossil fuel subsidies.[56]

Innovation

Europe has been at the forefront of cleantech innovation in areas such as wind power, smart grids, electrolyzers and green steel. However, it now risks falling behind because funding for innovation is insufficient and fragmented, access to the funding is difficult (particularly for SMEs), and there is insufficient support for technologies at the demonstration and scaling stages of the innovation process.[57]

The EU can strengthen its performance on cleantech innovation by increasing innovation funding (especially for the scaling up phase) and combining it with de-risking instruments, promoting a strategic approach to innovation that focuses on creating synergies and building innovation ecosystems, and simplifying the application processes for funding (particularly for SMEs). The next Multiannual Financial Framework for the period 2028-2035 will be an important opportunity to provide better support for research and innovation in the EU.[58]

50 ECB, 2025. Green investment needs in the EU and their funding.
51 https://www.corporateleadersgroup.com/files/clg_europe_business_agenda.pdf
52 https://investeu.europa.eu/index_en
53 https://environment.ec.europa.eu/strategy/environment-action-programme-2030_en
54 https://www.eea.europa.eu/en/analysis/indicators/fossil-fuel-subsidies
55 Austria, Belgium, Denmark, Finland, France, Ireland, Luxembourg, the Netherlands, and Spain.
56 https://www.government.nl/documents/publications/2023/12/09/joint-statement-on-fossil-fuel-subsidies
57 https://www.corporateleadersgroup.com/files/clg_europe_business_agenda.pdf
58 Ibid.

PILLAR 2

Clear and consistent policies for NDC implementation (continued)

International leadership

For many years the EU has demonstrated global leadership on climate action, with initiatives like the European Green Deal and the Fit for 55 package reinforcing its position as a frontrunner. These efforts have strengthened the EU's credibility internationally and helped to accelerate global climate action and investment. In 2022, the EU and its Member States provided EUR 28.5 billion in public climate finance and mobilized an additional EUR 11.9 billion in private finance to support developing countries in cutting greenhouse gas emissions and adapting to climate change—making the EU the world's largest provider of climate finance. The EU is also actively engaged in Just Energy Transition Partnerships (JETPs), which support clean energy transitions in developing countries.[59] In the current context, with some other G20 economies stepping back from leading on climate action, the EU's role as a leader in this area is more important than ever.

To ensure fair competition for EU businesses, especially given the bloc's high environmental standards, it is crucial that similar standards are promoted internationally. Instruments like mirror clauses in trade agreements can help prevent a regulatory "race to the bottom" and support a level playing field. This is particularly important because the EU imports many raw materials, which means much of its environmental impact—including greenhouse gas emissions, biodiversity loss, and water stress—occurs beyond its borders. Another instrument that is intended to provide a more level playing field for EU industries is the Carbon Border Adjustment Mechanism (CBAM),[60] which prices the carbon emissions associated with certain imports. It will be phased in alongside the gradual phase-out of free EU Emissions Trading Scheme (EU ETS)[61] allowances for industries in the sectors covered by the CBAM.

The Clean Industrial Deal announced in February 2025 outlines a range of trade, investment, and partnership tools designed to extend the EU's climate influence, reinforce fair competition, and reduce dependence on high-emission imports.[62] In addition to the CBAM, these tools include Clean Trade and Investment Partnerships (CTIPs) and stricter foreign direct investment screening. Their aim is to align economic and environmental goals across borders. While these tools could help to further integrate trade policy with climate goals, questions remain around implementation, enforcement, and the extent to which these measures can effectively promote fair and sustainable trade.

59 DG CLIMA, 2025. Joint article on Just Energy Transition Partnerships.
60 https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en
61 https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets/free-allocation_en
62 https://commission.europa.eu/topics/eu-competitiveness/clean-industrial-deal_en

PILLAR 3

Enhancing public-private collaboration for NDC implementation

Strengthening institutions and processes to promote dialogue and collaboration between policymakers and businesses can help to ensure that plans and policies for NDC implementation are effective at driving private sector action and investment. Examples of how this can be implemented in practice at the Member State level include Denmark's Climate Partnerships 2030, the Fossil Free Sweden initiative, and National Climate Platform in the Netherlands, while an example at the EU level is the European Battery Alliance.

Denmark's Climate Partnerships 2030 were set up to accelerate progress towards the Danish Government's target of a 70% decrease in greenhouse gas emissions by 2030. There are 14 public-private partnerships[63] and they have collectively developed over 400 policy recommendations. Each partnership was tasked with presenting a proposal for reducing emissions in its sector by 2030 while strengthening competitiveness, exports, jobs, welfare and prosperity.[64] At COP29 in Baku, the World Business Council for Sustainable Development (WBCSD) and State of Green[65] announced a partnership to develop new approaches and best practices in public-private collaboration and to share lessons learned from the Danish model with other countries.[66]

The **Fossil Free Sweden** initiative was launched in 2015 to accelerate Sweden's transition to a fossil-free economy and to help meet its target of reaching net zero emissions by 2045. An important part of the initiative was the development of 22 sectoral roadmaps[67] for fossil-free competitiveness that were created, owned and run by the industries themselves. The roadmaps set out opportunities, barriers and solutions for each sub-sector, and a set of 54 policy proposals was presented to the Swedish Government. The next phase of the initiative is the development of cross-sectoral implementation strategies focussing on biogenic carbon capture, batteries, hydrogen, biomass, finance and energy efficiency.[68]

In the Netherlands, the **National Climate Platform** was established in 2022. Its purpose is to accelerate action on climate change by providing a bridge between policymakers in the Hague and businesses, NGOs and citizens. The platform provides solicited and unsolicited advice to the Minister for Climate and Energy on various aspects of climate policy. It also undertakes public engagement, monitors the implementation of its recommendations and assesses progress, and facilitates dialogue through webinars, reports and events, with a focus on sharing practical experience and lessons learned.[69]

The aim of the **European Battery Alliance** is to establish a competitive and sustainable battery manufacturing industry in Europe.[70] It is a network of more than 800 stakeholders representing all stages of the battery value chain. The priority work areas are sourcing battery raw materials, sustainable battery technology, battery manufacturing, creating new markets, research and innovation, citizen education, and safety and standardization. The alliance contributes towards the EU's objective of increasing competitiveness by capturing a larger share of the global battery market, which is expected to increase from around USD 120 billion in 2024 to around USD 500 billion by 2030.[71] It also contributes to enhancing energy security by reducing reliance on external suppliers – the EU is on track to meet 89% of its increasing demand for batteries by 2030.[72] A similar collaborative approach could be considered for other strategic value chains.

At the EU-level there is a need for increased dialogue between all stakeholders, including industry, on the upcoming policies that will be developed to implement the NDC and the 2040 target. With the current Fit for 55 Package structured to deliver the 2030 targets, critical questions remain about what comes next and how to evolve existing mechanisms like the EU ETS and sectoral regulations. Open, early, and structured engagement will be essential to ensure that the policy frameworks post-2030 are both ambitious and implementable, providing clarity for businesses to invest in the net-zero transition and ensuring public support through inclusive, transparent decision-making.

63 The 14 sectors covered are: aviation; shipping and maritime; retail and commercial; construction; defence; energy; energy-intensive industry; finance; food and agriculture; inland transportation; life science and biotech; manufacturing; service, IT and consultancy; wastewater and circular economy.
64 https://climatepartnerships2030.com/
65 State of Green is a not-for-profit, public-private partnership between the Danish government and three leading business associations (Danish Industry, Green Power Denmark, and the Danish Agriculture and Food Council).
66 https://www.wbcsd.org/news/wbcsd-and-state-of-green-announce-partnership-to-explore-and-internationalize-new-approaches-to-public-private-collaboration/
67 The 22 roadmaps are: aggregates; agriculture; automotive - heavy transport; automotive – passenger cars; aviation; cement; concrete; construction; digitalisation consultancy; electricity; fast-moving consumer goods; food retail; forestry; gas; heating; heavy road haulage; maritime; mining and minerals; petroleum and biofuels; recycling; ski resorts; steel.
68 https://fossilfrittsverige.se/en/start-english/
69 https://nationaalklimaatplatform.nl/home/default.aspx
70 https://www.eba250.com/
71 https://www.iea.org/reports/batteries-and-secure-energy-transitions/executive-summary
72 https://ec.europa.eu/commission/presscorner/detail/pt/qanda_22_1257

Next steps

With energy costs, energy security, and competitiveness currently high on the political agenda, the NDC should be viewed as a strategic opportunity to contribute towards addressing these issues while putting the EU on a path to meet its 2040 and 2050 emissions targets. One of the aims of the proposed Clean Industrial Deal and Affordable Energy Action Plan is to help reduce high energy costs over time, reinforcing the economic case for an ambitious NDC. We Mean Business Coalition and CLG Europe stand ready to engage with and support the EU to ensure that its next NDC is effective at driving accelerated corporate climate action and investment.

About We Mean Business Coalition:
We Mean Business Coalition works with the world's most influential businesses to take action on climate change. The Coalition is a group of seven nonprofit organisations: BSR, CDP, Ceres, Climate Group, CLG Europe, The B Team and WBCSD. Together, we catalyse business and policy action to halve emissions by 2030 and accelerate an inclusive transition to a net-zero economy.

Find out more at wemeanbusinesscoalition.org

About Corporate Leaders Group Europe:
CLG Europe develops credible, ambitious positions amongst its membership and deploys effective strategic communications to engage with the highest levels of policy audiences. CLG Europe is diverse in its membership and representative of Europe in both geography and sector, welcoming the innovative talent of SMEs as well as leading established companies. The group works closely with policymakers – particularly the Green Growth Group of EU climate and environment ministers, and supportive Members of the European Parliament through its Green Growth Partnership. The group also maintains a network of sister groups across the EU and works in partnership with some of the largest business-focused organisations in support of climate action as one of the founders of the We Mean Business Coalition, for which it provides the EU policy lead.

Find out more at www.corporateleadersgroup.com

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