

PRI RESPONSE

PROPOSAL FOR AMENDING REGULATION (EU) 2021/1119 – ESTABLISHING THE FRAMEWORK FOR ACHIEVING CLIMATE NEUTRALITY

September 2025

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

ABOUT THIS CONSULTATION

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the call for feedback on: [Proposal for amending Regulation \(EU\) 2021/1119 establishing the framework for achieving climate neutrality](#)

This initiative will amend the [European Climate Law](#) to include the 2040 climate target, putting the EU firmly on a path towards climate neutrality by 2050. This follows up on the [Communication](#) on the EU climate target for 2040, that starts a process to establish a 2040 climate target. The initiative may also include other elements linked to the operation of the European Climate Law.

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PRI RESPONSE

The PRI welcomes the European Commission's proposal to target a 90% reduction of net GHG emissions by 2040. [More than 150 companies, investors and organisations](#) call for a target of at least 90% to decarbonise the economy and strengthen its competitiveness, innovation, and resilience to shocks and energy security. It should clarify how the net target is calculated across emission reductions, and nature-based or technological carbon removals; what part of reductions if any should take place outside of the EU; and if any other 'flexibility' measures are included. Companies and investors need this policy certainty to accelerate financial flows towards a competitive, clean and fair transition.

- **Science-based target.** A climate target of 90% GHG emission reductions is feasible and aligns with the lower range of [recommendations](#) by the European Scientific Advisory Board for Climate Change (ESABCC) for amending the EU Climate Law. Implementation of the 2040 target should focus on absolute emission reductions to incentivise the decarbonisation of domestic industries.
- **International carbon credits.** Whilst high integrity and permanent carbon removals – in line with Article 6 of the Paris Agreement – will be essential for global mitigation efforts, international high-quality carbon credits will entail [significant costs](#) and move decarbonisation investments outside Europe, without the co-benefits of industrial innovation, technology leadership, and green jobs. This is contrary to recommendations of the [Draghi report](#) and broad [scientific guidance](#), including the [ESABCC](#). However, high-quality credits will be useful to support international mitigation measures in addition to 2040 target emission reductions.
- **National transition and investment plans.** Investors rely on regulatory certainty and clear policy signals to make long-term capital allocation decisions for transition investments. Next to the climate target, a coherent policy ecosystem also requires [National Energy and Climate Plans \(NECPs\)](#) that include transition investment plans. Such plans should include quantifying national transition capital needs, investment gaps, expected public-private split, public funding plans, and financial mechanisms to support private sector investments.
- **Sectoral roadmaps.** Investors also stress the importance of sectoral roadmaps that provide technology pathways, cost estimates, timelines, and sector-specific financial support instruments, like guarantees, power purchasing agreements, or carbon contracts for difference. For the energy transition, accelerating the deployment of renewable energies, increasing electrification, and expanding grid infrastructure need to go hand in hand with applying the energy efficiency first principle.
- **Clean industry and markets.** The [Clean Industrial Deal \(CID\)](#) is another important step in providing investors with the transparency and confidence they need to shift portfolios and redirect capital flows for the net zero transition. The CID includes [mechanisms](#) that are highly valued by investors, such as supporting lead markets to create more demand and planning security for green products, sectors, and circular business models, supported by strong pricing signals combined with de-risking mechanisms that help shift market incentives. Social and environmental factors are important to investors and deserve more attention, ensuring social safeguards, equity and affordability for a just transition, and respect for planetary boundaries.

- **International climate commitments.** With COP30 less than two months away, the EU has an opportunity to show leadership and align an equally ambitious NDC for 2035 with the 2040 target. This would ensure staying on track with climate neutrality by 2050 and position the EU to drive the [global tripling of renewables and doubling of energy efficiency by 2030](#), while phasing out fossil fuels and strengthening energy security. EU leadership would build trust, deepen international partnerships, strengthen green value chains, and grow shared markets for clean technologies and circular business models.

Investors are ready to back the EU transition but need an enabling environment that allows long-term capital allocation decisions. A strong 2040 climate target with 90% domestic GHG emission reductions, aligned with investment-oriented NECPs and granular sectoral roadmaps for orientation, and market incentives and de-risking mechanisms for implementation, will accelerate investments for a clean, competitive, and resilient European economy.

Business and Investors call on the EU to Set a Greenhouse Gas Emissions Reduction Target of at least 90% by 2040. <https://www.corporateleadersgroup.com/news/business-and-investors-call-eu-set-greenhouse-gas-emissions-reduction-target-least-90-2040>