International Association of Oil & Gas Producers

POSITION STATEMENT | MAY 2026

IOGP Europe Position on the 2040 Climate Target: A Call for Realism and Flexibility

IOGP Europe acknowledges the 90% GHG reduction target by 2040 but considers it challenging given the currently insufficient enabling measures.

We welcome the inclusion of the principles of technology neutrality, flexibility, and cost-efficiency but they must be fully integrated into the future regulatory framework to support an achievable and economically viable path forward. Achieving this ambitious target will require, among other things, strong enabling conditions to stimulate demand for lower-carbon products at affordable prices, accelerate the development of essential infrastructure, and de-risk investments in key technologies such as carbon capture and storage (CCS) and low-carbon hydrogen. However, these critical technologies have not yet been commercially deployed at scale.

Key recommendations:

- Anchor the 2040 target in the successful delivery of the 2030 climate goals, using verified progress, rather than projections alone.
- Ensure enabling conditions – tackle barriers to investment, including permitting bottlenecks, infrastructure gaps, and the lack of demand-side support.
- Adopt technology neutrality – fully integrate this principle into all EU energy, climate, and funding policies to ensure innovation, cost-effectiveness, and resilience.
- Allow international credits and removals – support the use of international removals, without restricting them to domestic sources. International credits should be permitted not only under the Effort Sharing Regulation (ESR) but also within the EU Emissions Trading System (ETS) framework.
- Involve industry in shaping the post-2030 framework – ensure policies are grounded in economic realities and

1.The gap between 2040 ambition and 2030 reality

While the 90% GHG reduction target for 2040 reflects strong ambition, its success depends on a realistic and affordable pathway forward. Progress toward crucial 2030 objectives - such as the scaled deployment of CCS, renewable and low-carbon hydrogen, and supporting infrastructure - remains insufficient. This lag is also visible in other key sectors, including slow building renovation rates, limited electric vehicles (EVs) penetration, and delayed grid upgrades needed to support the energy transition.

Challenges including permitting delays, financing gaps, affordability and limited demand-side support continue to hinder investment in critical lower-carbon technologies. Well-functioning markets that appropriately value lower-carbon products – complemented by effective customers' ability and willingness to purchase lower-carbon products - are essential to create the conditions that help the EU achieve its climate ambitions.

Persisting on the current trajectory without addressing these structural gaps poses significant risks: rising energy costs, further diminished industrial competitiveness, increased reliance on a narrow set of technologies and suppliers, and vulnerability to global supply chain disruptions.
An approach overly focused on renewables and electrification alone may also undermine the system's resilience and innovation, so natural gas's role should continue to be acknowledged as vital for grid stability and energy security.
To bridge the gap between ambition and feasibility, the EU should align future climate targets with verified progress, embed enabling conditions across policy frameworks, and promote a diversified technological strategy that reflects economic, geopolitical, and industrial realities.

The final National Energy and Climate Plans (NECPs) indicate a promising trajectory toward meeting the EU's 2030 targets for renewables, energy efficiency, and emissions reduction, marking important progress. However, realizing

these goals in practice will depend on the effective and timely implementation of the measures outlined[1]. Matching ambition with delivery is essential to uphold the assumptions underpinning the Commission's 2040 Impact Assessment, particularly the expectation that the policy framework will be fully implemented by 2030 and that the 2030 targets will be achieved.

Therefore, it is crucial to predicate the 2040 target firmly in the successful delivery of the 2030 climate goals, relying on verified progress based on the actual implementation of the National Energy and Climate Plans rather than on projections alone. This approach will help ensure that long-term ambitions are grounded in tangible achievements, providing a solid foundation for the EU's climate strategy.

2. Making the Transition Work: Realism, flexibility, and affordability are essential

IOGP Europe calls for a realistic, flexible, and affordable pathway to support the 2040 climate target that safeguards industrial resilience and social and economic affordability while supporting the EU's long-term climate objectives. This pathway must also acknowledge global realities: if the ambition gap between the EU and competing economies continues to widen, it risks undermining both the feasibility and the effectiveness of the EU's efforts. Even the most optimal policy mix - far from today's reality - cannot fully offset the impact of such a disparity. The EU must therefore benchmark its 2040 ambition level against global competitors to ensure its approach remains credible, balanced, and globally aligned.

Ensure adoption of technology neutrality across all policies

There is a need for a more open, market-driven approach to reducing carbon emissions that moves away from rigid mandates and instead enables lower-carbon solutions to compete on equal footing based on effective GHG emissions impacts and market principles. Regulatory frameworks and funding instruments should treat all lower-carbon technologies equitably to drive innovation and cost-effectiveness.

For instance, the current hydrogen regulatory framework reflects a strong technological preference, which limits market development. Frameworks like the RED III, and ReFuelEU Aviation and Hydrogen Bank primarily support renewable hydrogen. To support scale-up and industrial decarbonization, these frameworks should be adapted to take a more technology-neutral approach, allowing all forms of clean or low-carbon hydrogen to develop and contribute to the objectives. This approach would enable industrial actors to access the most cost-effective hydrogen available in their region and suited to their specific needs, while ensuring substantial greenhouse gas emissions reductions.

Ensure enabling conditions for investment and deployment

Ensuring the right conditions for investment and deployment is essential to accelerate technologies like CCS and hydrogen. We expect that the Industrial Decarbonization Bank with Carbon Contracts for Difference (CCfD) and auctions under the Innovation Fund will help de-risk CCS investments by directing support toward the most cost-efficient and scalable technologies. In addition, provided that more than half of the EU's effort towards the 2040 target will be shaped by the post-2027 EU budget, it is crucial for the Commission to immediately allocate a significantly increased share of ETS revenues to the Innovation Fund in the next MFF (2028–2035) in particular to finance the emitters via the establishment of CCfDs. This could include part of the EU's receipts from CBAM, other new own resources, or exploring flexible budgetary instruments to secure a scalable and resilient Innovation Fund structure. Beyond targeted funding, the urgent priority is the implementation of robust demand-side measures that can unlock private investment and accelerate industrial decarbonisation. These include also the creation of lead markets through the Industrial Accelerator Act, offtake agreements, and other demand-side incentives. Such measures are critical to unlocking the large-scale commercially viable deployment of decarbonization solutions.

Allow international credits and carbon removals

To meet the 2040 target sustainably, the EU should broaden its use of carbon removals and credits, not limiting removals to domestic sources or small caps, and making international credits available under both ESR and ETS. IOGP Europe has flagged that the cap on international credits is likely too small to offset residual sector emissions, and that permanent removals (and high-quality non-permanent removals) from abroad must be part of a phased, transparent framework.[2]

3. Industry's role in shaping the post-2030 framework

Close and continuous cooperation with industry must be a core part of this process, particularly in the preparation of the post-2030 framework, to ensure that regulatory approaches align with market realities and effectively address

1 In Annex I you can find EU-wide assessment of NECPs and the deployment gap for key energy technologies.

2 IOGP Europe position on the revision of the EU ETS 1 from July 2025.

key industry needs such as technology neutrality, affordability, investment de-risking, and the viability of business models, supported by effective and adequate carbon leakage risk mitigation. By fostering this collaboration, advancing regulatory simplification and flexibility, and creating demand-side markets for lower carbon goods, the EU can unlock investment, accelerate industrial transformation, and strengthen Europe's long-term strategic resilience and global competitiveness.

Annex I – EU-wide assessment of NECPs and the deployment gap for key energy technologies

The Commission's EU-wide assessment of the final National Energy and Climate Plans (NECPs) published in May 2025 highlights progress made by Member States in closing the collective gap identified in the draft plans submitted by Member States in 2024. However, there is still a collective shortfall in meeting the existing 2030 targets:

	Draft NECPs	Final NECPs	Collective Gap	EU-wide objectives
Renewables	38.6-39.3%	41%	-1.5%	42.5% (ambition 45%)
Energy Efficiency	5.8%	8.1%	-3.6%	11.7%
GHG emissions reduction	51%	54%	-1%	55%

Even if Member States manage to fully implement the measures listed in the NECPs, which is often challenging in practice and often constitute targets without identified and committed concrete policies that guarantee that they will be achieved, the EU will still fall short in delivering the 2030 targets that are considered an essential precondition for achieving the proposed 2040 target.

1) EU CCS deployment falling short of targets

Carbon Capture and Storage (CCS) is widely recognised as a key technology for decarbonisation, relies on a fully developed carbon management industry by 2040 able to capture over 300 $MtCO_2$ per year - of which approximately 75 $MtCO_2$ should come from industrial carbon removals - as the Impact Assessment shows. This would also entail developing over 200 $MtCO_2$/year of storage capacity and utilising around 100 $MtCO_2$/year. However, based on current deployment trends and policies, reaching these targets appears highly optimistic, with only 0.67 $MtCO_2$/year in operation (July 2025) and 2.9 $MtpaCO_2$ if we include all projects that concluded Final Investment Decision (FID). Furthermore, the European Commission's EU-wide assessment of the final NECPs, published in May 2025, identifies planned CO_2 capture capacity of only 42 $MtCO_2$/year by 2030 (including 14.9 $MtCO_2$/year from biogenic sources), and a corresponding CO2 injection capacity ranging from 27.1 to 45.1 $MtCO_2$/year. This means that even in the best-case scenario the EU still falls short by 9 $MtpaCO_2$ of the Net-Zero Industry Act (NZIA) injection target of 50 $MtpaCO_2$ by 2030.

Therefore, amendments to NZIA are needed to ensure a realistic, investment-enabling framework for the full CCS value chain, aligned with market readiness, infrastructure development, and the EU's competitiveness objectives. Moreover, the EU remains far from achieving commercial deployment of CCS at scale, partly due to the absence of a robust enabling framework that effectively de-risks investment across the full value chain. Transport and storage infrastructure remains largely underdeveloped and considering typical project lead times of 5–10 years, scaling up CCS capacity by a factor of five to six within the next 15 years poses significant infrastructure and implementation challenges.

Without urgent and coordinated policy intervention, including stronger regulatory support and investment incentives, it is unlikely that the EU will meet its 2040 CCS ambitions.

2) EU hydrogen targets at risk amid slow progress

Hydrogen production, use and infrastructure are also lagging. The RED III sets binding targets for renewable hydrogen use (42% in industry, 1% in transport), and REPowerEU aims for 10 Mt domestic plus 10 Mt imports by 2030. Yet, total EU hydrogen demand was only 7.3 Mt in 2023, being almost all fossil based. Latest estimates predict only 2.5–4.4 Mt of renewable hydrogen production by 2030, far below targets, and Member States are struggling to implement measures to achieve the RED III hydrogen objectives.

3) Gas-fired power remains crucial in the EU energy transition

According to the Commissions' Impact Assessment, the share of fossil-fired power generation in the EU is expected to drop sharply from 36% in 2021 to just 3% by 2040. However, ENTSOE finds that more than 50GW on new natural gas flexible capacity is needed by 20353, while natural gas is also projected to supply about 8% of power generation by 20404. Europe's ongoing construction of 15 GW of new capacity, along with plans for an additional 45 GW of gas-fired power5, underscores the continued role of gas in an increasingly electrified energy system. In addition, gas power plants play an important role in decarbonization, not only in transitioning from coal but also as they can be retrofitted with CCS or converted to run on hydrogen or other low-carbon gases. A natural gas capacity mechanism with a defined timeline could more effectively encourage State Aid beneficiaries to consider integrating CCS technologies or transitioning to hydrogen or other low-carbon gases, where technically feasible. This should be combined with a more technology-neutral approach to decarbonization investments in industrial production based on natural gas.

4) Lack of demand for low-carbon products fails to de-risk projects

The absence of a functional market for lower-carbon products continues to undermine investment certainty, largely due to the lack of market-based mechanisms to create demand to absorb the green premium. To build a business case at the scale required - beyond a limited number of individually funded projects - robust demand-side measures are essential. EU policy should help create a market environment where society recognizes and is willing to value the higher capital and operational costs of lower-carbon goods. This is critical to unlocking scalable solutions such as low-carbon hydrogen and CCS.

5) Permitting and financing hurdles stall EU growth

Permitting bottlenecks and supply chain constraints continue to delay key enabling technologies deployment, and financing gaps threaten to stall the energy transition. While European Commission efforts to simplify permitting through the Environmental Omnibus and Industrial Acceleration Act are highly welcome, they will take time to be adopted, implemented, and enforced at national level before translating into tangible changes in project delivery. Without substantial acceleration in permitting processes and targeted financial instruments, the EU risks falling behind its own ambitions.

3 European Resource Adequacy Assessment 2024 Edition

4 Rebalancing Europe's Gas Supplies 2nd edition. December 2023

5 Global Energy Monitor

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