June 11, 2025

Open letter against international credits integration into the EU 2040 climate target and NDC

To:

President of the European Commission Ursula von der Leyen, Executive Vice-President of the European Commission Teresa Ribera, European Commissioner Wopke Hoekstra;

Environment and Climate Ministers of the EU Member States; Members of the European Parliament

We are extremely concerned by the option, currently supported by some policymakers, to open the EU 2040 climate target and Nationally Determined Contribution (NDC) under the Paris Agreement to international credits. We are convinced that the EU should continue with the practice of achieving its binding climate targets domestically, as enshrined in the EU Climate Law, for the 2030 target and the climate neutrality goal.

Europe has the means and the potential to achieve its goals at home, as highlighted by the European Commission Impact Assessment on the 2040 target and the European Scientific Advisory Board on Climate Change (ESABCC), which both recommend a 90-95% net domestic target. As also reiterated in its latest report (June 2025), the ESABCC clearly states that mitigation measures outside the EU should be additional to this domestic target level for a fair EU contribution. Various assessments[1], including the same Commission Impact Assessment, stress how an ambitious domestic decarbonisation target would benefit the EU in economic, social, environmental and security terms.

Opening up the EU target to international credits has severe downsides:

1. **It undermines EU international climate leadership and credibility** by weakening the EU's level of domestic ambition, which already lags behind its fair share, as highlighted by the ESABCC. After expectations from international partners have been set based on last year's 2040 target Communication from the EU Commission and the domestic scope of the 2050 target, introducing international credits would represent an evident reduction in the ambition of the domestic target. Specifically in the current geopolitical context, countries are looking at the EU to lead the way on climate ambition and to build momentum to leverage greater ambition from other big emitters, and restore trust in the UN multilateral process; to this end, the EU needs to demonstrate actual commitment by presenting an ambitious and science-aligned 2040 target and NDC with no further delay.

[1] CAN Europe & The Together For 1.5 project (2024). Paris Pact Payoff: Speeding up the green transition for socio-economic co-benefits.
https://caneurope.org/content/uploads/2024/01/CAN-Europe-co-benefits-of-climate-action_REPORT.pdf
Strategic Perspectives (2023). Choices for a more Strategic Europe.
https://strategicperspectives.eu/strategic-transition-choices-ahead-for-europe/

2. **It poses serious reputational risks to the EU due to the lack of environmental integrity and social and environmental safeguards** of international credits as regulated under Article 6 of the Paris Agreement. The Article 6 Rulebook finalised at COP29 lacks many of the key requirements for robust carbon trading and quality control measures that the EU itself has pushed for during nearly a decade of UNFCCC negotiations. As a result, it opens the door to credits of questionable environmental quality and/or causing negative impacts locally, which could include human rights abuses. The earliest Article 6 deals already testify to problems: Switzerland-Thailand[2], Switzerland-Ghana[3], and Guyana[4], for example. An assessment[5] of the first batch of credits that will be issued under Article 6.4 also uncovered that they likely account for 26x more carbon credits than what would reflect reality.

3. **It does not lead to the much-needed climate ambition to address climate change.** Using Article 6 to meet climate targets is no suitable alternative for the rapid and deep emission cuts we need to make in every part of the world, including the EU, to meet our Paris Agreement goals: it merely justifies continued dependence on fossil fuels. At best, through the use of Article 6 credits ongoing carbon pollution in the EU would be compensated by emission reductions elsewhere, and even this is highly questionable: a recent systematic assessment published in *Nature Communications* found only 16% of carbon credits represent real emission reductions[6].

4. **It does *not* qualify as climate finance**, as trading Article 6 credits would represent a transaction instead of **an obligated climate finance contribution**. Making use of them would not strengthen the EU's contribution to that aim. Given the EU's longstanding position not to use international credits, a change in approach would risk eroding the EU's negotiating position and credibility at the UNFCCC.

5. **It delays and increases the costs of the inevitable transition of the EU economy, harming investment certainty, competitiveness and posing serious financial risks**. Each year, the EU would need to transfer up to tens of billions of euros outside of its borders to buy credits: credits can only be used towards a target once, so to meet yearly targets, this would require yearly recurring expenses, whereas investments into domestic emission reductions only have to be made once. This raises important questions regarding the acceptability of this operation to the general public, as investments are needed at the EU level for decarbonisation of the Union's economy, as well as for accompanying social measures. The long-term costs of the decarbonisation of the Union would only increase as an unclear climate policy signal risks locking in investment in technologies that will become stranded assets in a climate-neutral European economy. These financial risks would even be exacerbated if Article 6 credits were to be

---

[2] Alliance Sud (2023). New electric buses in Bangkok – no substitute for climate protection in Switzerland. https://www.alliancesud.ch/en/new-electric-buses-bangkok-no-substitute-climate-protection-switzerland
[3] Alliance Sud (2024). Switzerland in the dense fog of carbon offsetting. https://www.alliancesud.ch/en/schweizer-CO2-Kompensation-in-Ghana
[4] https://carbonmarketwatch.org/2024/03/27/corsia-hot-air-carbon-credits-cannot-offset-polluting-planes/
[5] Carbon Market Watch (2025). First wave of Article 6 carbon credits misfire spectacularly. https://carbonmarketwatch.org/2025/04/10/first-wave-of-article-6-carbon-credits-misfire-spectacularly/
[6] The study looked at a sample of 20% of all carbon credits issued to date. Probst et al. (2024). Systematic assessment of the achieved emission reductions of carbon crediting projects. https://www.nature.com/articles/s41467-024-53645-z

integrated into the EU Emissions Trading System (ETS)[7], which could lead to EU industries paying their competitors for credits and to reduced ETS auctioning revenues for Member States.

In conclusion, introducing international credits within the EU climate targets **would open a Pandora's box** of relying on other countries and market actors for due diligence and risking serious reputational damage if the credits allowed turn out to be of poor quality, in addition to far-reaching financial implications. **It is by far not the easy or cheap solution to achieve climate targets, which it appears to be in the eyes of some proponents**.

In view of the above, **we are calling on your leadership to hold the line to deliver a <u>domestic,</u> ambitious, and science-based EU 2040 climate target of at least net 90% or higher[8], and an accordingly ambitious NDC under the Paris Agreement**, in line with 1.5°C science and equity, building upon last year's European Commission Impact Assessment on the 2040 climate target and the advice of the ESABCC.

Both the EU 2040 climate target and NDC should ensure environmental integrity and live up to the EU's role in the UN multilateral process as a historic emitter and affluent region. This is the fundamental, concrete signal the world is waiting for from the EU in order to join forces to protect the credibility of the Paris Agreement and its urgently needed implementation, exactly ten years after its historical adoption.

---

[7] When the EU allowed 1.6 billion international credits into the EU ETS up to 2020, these flooded the EU carbon market crashing the carbon price for almost a decade.

[8] Some signatories support higher targets, including for net climate neutrality by 2040. To enhance the transparency and accountability of the target, the EU should make its plans for much-needed and ambitious absolute emissions reduction explicit, by establishing separate targets for a) greenhouse gas emission reductions, b) net sequestration in the LULUCF sector, c) permanent industrial removals.