



Briefing:

Next steps in setting up EU progress monitoring for climate neutrality

A review of the European Commission's assessment
of progress towards climate neutrality



Summary

Towards an EU net zero monitoring framework

In October 2023, the European Commission presented its first ever assessment of progress towards climate neutrality – and acknowledged the lack of depth in its current progress monitoring. Not checking the development of enabling conditions for the transition creates the risk that policymakers do not receive sufficiently actionable information to intervene where needed. The existing reporting system already delivers relevant information, but scattered across multiple reports. Now, the Commission's task is to develop a smart but comprehensive framework, which integrates relevant information on enablers and connects to existing planning and monitoring systems.

Here are the steps that could be taken in the next two years to improve the system and provide a compass for the path to climate neutrality:

- **Expand emissions tracking with enablers:** The Commission should develop a comprehensive framework that integrates the tracking of underlying enablers for the transition. The development should seek inputs from expert stakeholders and result in a transparent methodology. The framework could be applied across planning and reporting to reduce administrative burden.
- **Get the data right:** The Commission can draw on inputs from EU data sources, and integrate with existing EU monitoring systems but there is also an important need to assess current data gaps and improve data collection from Member States. To provide up-to-date benchmarks against which to assess progress, the EU Long-Term Strategy needs a formal update.
- **Update progress assessment in 2025:** The EU Climate Law demands the next assessment in 2028, which is too late to inform the next package of EU climate policy, for example. The Commission should assess the EU's progress in 2025 and repeat the exercise every two years instead of every five.

1. The EU's missing compass for the journey to climate neutrality

The European Union (EU) is firmly committed to the journey to a climate friendly future. The EU Climate Law (Regulation (EU) 2021/1119) enshrines the objective of climate neutrality by 2050 at the latest – and net negative emissions thereafter. This transition is an unprecedented project which comes with changes to many of the essential structures and practices in our society. Achieving this transition requires coordinated action at EU level and in the Member States, based on agreed long-term pathways, clear milestones and targeted policies to reach them. This needs to be accompanied by an adequate monitoring system to track progress. Without clarity on the real-world speed of the changes needed across the economy, policies cannot be refined effectively. Without such monitoring information as a compass to guide the journey, otherwise, the long-term destination may be missed or take much longer to reach.

October 2023: first ever European Commission assessment of the EU's progress towards climate neutrality

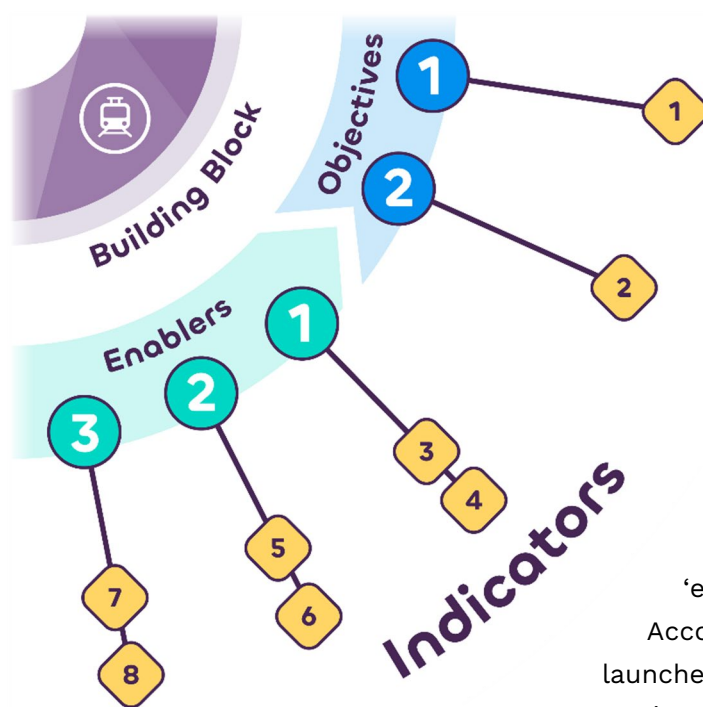
The EU Climate Law (EUCL) introduces new mechanisms and institutions to support the achievement of the climate neutrality goal, including on progress monitoring. Article 6.1 obliges the EU Commission (EC) to carry out an assessment of “the collective progress made by all Member States towards the achievement of the climate-neutrality objective [...] and on adaptation” every five years.

The law does not prescribe any specific procedural steps or a clear methodology other than the use of a linear trajectory of net GHG emissions linking the climate targets for 2030 and 2040, when adopted, and 2050. It only prescribes several sources of information to be considered, such as the national reporting under the Governance Regulation (2018/1999), as well as relevant reports by EU and international scientific bodies (Article 8 EUCL). It is, however, stated clearly that the assessment must be based on “the best available and most recent scientific evidence” (Article 8.3.d).



The EC published the first of these assessments on 24 October 2023 as a section of its annual Climate Action Progress Report (CAPR) (COM/2023/653). The CAPR was released as part of the eighth State of the Energy Union report, which comes with several other documents that contain further information on a variety of aspects concerning progress towards the EU’s climate and energy policy and its targets. Many are based on reporting obligations in the Governance Regulation which lays down the current EU framework for planning, monitoring and reporting on energy and climate goals and policies (see Table 1 further below).

June 2023: ECNO’s flagship report showed what a comprehensive progress check towards climate neutrality could look like



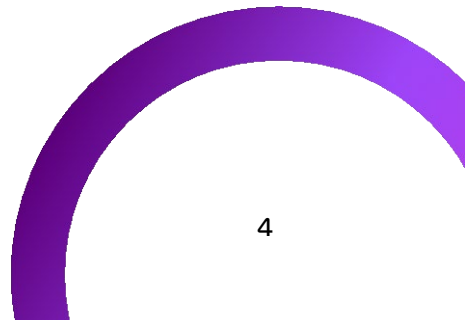
The European Climate Neutrality Observatory (ECNO) formed in 2023 to provide scientifically rigorous analysis of economy-wide progress and an impartial check on EU climate policy processes. Complementing the tracking of headline targets, ECNO uses an indicator-based framework to look under the emissions curve, analysing enabling conditions, or ‘enablers’, of the transition.

Accordingly, in its first flagship report, launched in June 2023, ECNO assessed progress in 13 sectoral and cross-cutting building blocks of a climate neutral future – using 104

indicators. The analysis identified key bottlenecks of the transition to climate neutrality, providing EU decisionmakers with specific pointers for targeted policy adjustments. The report demonstrates how comprehensive net zero monitoring can be done and the added value it brings over traditional “headline targets only” approaches.

Checking the EC’s progress assessment for adequacy

This briefing analyses the EC’s assessment of progress based on the ECNO methodology and insights from the first ECNO assessment. It seeks to provide input to the discussion on how the EU can create a more sufficiently detailed and robust progress tracking system.



The briefing focusses on structure, scope and results of the EC's assessment. It checks how accessible the information is presented (section 2.1), the content and clarity of the assessment (section 2.2), if there is detail on underlying enablers of the transition (section 2.3) and the outcomes and clarity of findings in comparison to those from the ECNO flagship report (section 2.4). It concludes with ideas and recommendations for the further development of the EU's assessment framework (section 3).

The analysis in this paper focusses on the CAPR's respective sub-chapter that implements the obligation in Article 6.1 (a) EUCL of assessing progress towards climate neutrality but in some instances also considers relevant information in other documents of the State of the Energy Union. As a benchmark we use the underlying premise of the ECNO approach: a net zero monitoring system needs to check whether the underlying conditions are met for the transition to happen. Without this information, decisionmakers cannot know where and what kind of additional policy action is needed.

2. A look inside the Commission's assessment

2.1 Locating the EC's check of progress towards climate neutrality

The series of reports published with the State of the Energy Union cover a range of EC reporting obligations with different timelines as outlined in Article 35 of the Governance Regulation. This 8th iteration included 12 documents (see Table 1). Many of these are accompanied by so-called Staff Working Documents, that provide more detailed information.


The specific section on progress towards climate neutrality, as part of the Climate Action Progress Report (CAPR), was not the only new element in 2023: It was also the first time that the assessment of integrated national energy and climate progress reports (NECPRs) (Art. 29.1 GovReg) was published. Member States had to submit the first NECPRs by 15 March 2023 and have to provide updates every two years. These reports need to, inter alia, include information on the progress accomplished at national level towards reaching the EU's climate neutrality target (Art 17.2.a). Both innovations are noteworthy considering that the EC has been preparing annual reports on progress towards climate goals for almost

20 years, however until now only focusing on near-term commitments and incremental change, and not the longer-term transition.

Table 1: State of the Energy Union: 12 documents to capture reporting obligations

Report published	Legal origin
State of the Energy Union Report (COM/2023/650) and 28 Country Sheets	GovReg, Art. 35: summary report showing the state of the EU's progress towards the objectives of the Energy Union.
Climate Action Progress Report (COM/2023/653) incl. Technical Annexes	GovReg, Art. 29.5: assessment of EU and Member State progress on Paris commitments, ESR targets, and NECP objectives GovReg, Art. 29.1: based on SWD/2023/646 EUCL, Art. 6.1: progress assessment towards climate neutrality
Technical Assessment of the National Energy and Climate Progress Reports (SWD/2023/646)	GovReg, Art. 29.1: assessment of EU and Member State progress towards the 2030 climate and energy targets
Bioenergy Sustainability Report (COM/2023/650 Annex I)	GovReg 35.2 (d): a report on EU bioenergy sustainability in accordance with Annex X
Report on Building Renovation (COM/2023/650 Annex II)	Energy Performance of Buildings Directive, Art. 2a: progress assessment of building renovation
Report on the Implementation of the Common Rules for the Internal Electricity Market (COM/2023/650 Annex III)	GovReg 35.2 (f): progress report on the application of the Internal Electricity Market Directive
2023 Competitiveness Progress Report (COM/2023/652)	GovReg 35.2 (m): progress report on competitiveness
Report on Energy Subsidies (COM/2023/651)	GovReg 35.2 (n): Member States' progress towards phasing out energy subsidies
Recommendation on Energy Poverty (C/2023/4080) and Accompanying Document (SWD/2023/647)	GovReg 35.2 (b): recommendations to Member States pursuant Article 34
Report on the Quality of petrol and diesel used for Road Transport (COM/2023/655)	GovReg 35.2 (l): overview of fuel quality in the Member States reported pursuant the Fuel Quality Directive
Report on implementation of Geological Storage of Carbon Dioxide (COM/2023/657)	GovReg Art. 35.2 (p): assessment of implementing the Directive on the geological storage of carbon dioxide
Report on the Functioning of the Carbon Market In 2022 (COM/2023/654)	EU ETS Directive, Art. 10.5 and 21.2

Source: own presentation



The CAPR contains several thematically distinct chapters, starting with an overall picture of GHG emission trends and targets with a sectoral break-down, as well as relevant developments on climate policy. The sub-chapter ‘Towards the climate neutrality objective’ is arguably the main segment of the report that implements Article 6.1 (a) while the implementation of Article 6.1 (b) on adaptation is provided in Chapter 5. A Staff Working Document (SWD(2023)339) attached to the CAPR, providing additional technical information and the report on the implementation of the EU strategy on adaptation to climate change.

The other chapters, as per previous CAPRs, present progress towards 2030 in the context of specific policy areas and climate policy instruments, including the EU Emissions Trading System (ETS), Effort Sharing, LULUCF, aligning investments, and international climate action. The structure of all chapters differs, with some having a dedicated section for progress assessment towards specific short-term goals (chapters on effort sharing, LULUCF, resilience), while others do not have explicit objectives that they are measured against.

2.2 Net zero progress check limited to emissions

The assessment of progress towards climate neutrality takes up roughly 3.5 of the 45.5 pages in the CAPR (pages 7-10) with additional information on 7 of the 95 pages of the technical annex to the CAPR, of which however only some is directly related to climate neutrality. The section implements Article 6.1 (a) with a rather narrow focus on the development of greenhouse gas (GHG) emissions over time (historical data, projections, targets – EU level, sectoral, country specific) using the linear trajectory towards 2030 and 2050 as requested in Article 8 of the EUCL as a benchmark.

Specifically, it includes: a) a look at past emission reductions (total and sectoral) compared to what is needed to achieve the 2030 target (see CAPR, Figure 2.a, 3.b); b) a forward-looking exercise checking the collective ambition towards 2030 and 2050 of Member States in their planning (NECPs) and policy projections of net GHG emissions that consider existing policies (WEM) and additional policies (WAM) (see CAPR, Figure 2.b) and c) a comparison of emission reductions that Member States reported for specific policies and measures (PaMs) up to 2040 (see CAPR, Figure 4.b).

Net zero assessment does not identify needed policy changes

In the specific segment on progress towards climate neutrality, there is little information on developments of the policies in the EU and how they relate to the assessment of progress

towards 2050. The report highlights a significant increase in the number of individual policies and measures reported by Member States, but acknowledges the lack of detail provided, which makes “an aggregate assessment particularly difficult” (CAPR, p. 10).

More context on EU policy is then included in the subsequent sub-chapter called ‘progress on climate action in the EU’ which summarises the developments in policies, but focusses on the 2030 framework and the “Fit For 55” package. This focus on the near-term exists also in the sections on ETS, Effort Sharing and LULUCF. All told, there are no clear findings on required policy changes for further progress towards the achievement of climate neutrality.

The report does refer to the new ex ante “consistency check”, introduced by the EUCL (Article 6.4), which introduced a mandatory assessment for all new EU policy proposals regarding their consistency with the climate neutrality goal. This mechanism, was, however, not yet in place when the Fit For 55 package was published – and is thus applied only to individual proposals. As such, it does not provide a comprehensive perspective across policy areas or the whole economy. It cannot make up for the missing pointers to potential policy changes to unlock potential transition bottlenecks.

2.3 Looking under the emission curve – a blind spot of the EC’s assessment

Enablers reveal changes before they are reflected in emissions

Information on the progress of underlying enablers that drive emission reductions in a sector (or across the economy) is important to understand what drives or inhibits the emission reductions now and in the coming years. Monitoring enablers allows for the detection of change (and lack thereof) before it is reflected in emissions. Accordingly, ECNO’s approach has defined a set of 13 building blocks of a climate neutral future, including sectors and cross-sectoral elements, and identified both objectives and enablers for each of them, as well as related indicators to measure economic and societal change.

EC recognises the lack of information on enablers

The EC’s assessment of progress towards climate neutrality focusses almost entirely on GHG data and does not provide comprehensive information on enablers. It includes only one paragraph with specific indicators that look beyond emissions, and touch upon enabling conditions: newly installed renewable capacity, sales of heat pumps and electric

cars and publicly accessible chargers for these vehicles (CAPR, p. 8). These are, however, selective in nature and not part of a systematic assessment of enablers.

Crucially, the EC itself explicitly recognises the lack of information on the enablers and why they are necessary: ‘More detailed monitoring is needed to assess progress on enabling factors that drive emissions in the different sectors to better highlight areas where progress is lacking or more action is needed’ (CAPR, p. 10).

In some chapters of the CAPR and in other documents published with the State of the Energy Union, there are more indicators used to describe progress on climate action and enabling conditions e.g., on renewable energy shares (State of Energy Union report, p. 14) or fossil fuel subsidies (CAPR, p. 14; State of Energy Union report, p. 23) (see also Box 1). These could potentially be integrated into a more holistic assessment of whether the conditions for a path to climate neutrality are being created.

Enabler information needs to be unified for an integrated framework

Integrating this additional information into a common net zero assessment framework is possible but would require effort. The indicators are currently not deployed or presented in a unified format, which makes it difficult to compare trends and assess the degree of progress. Some data is provided just for one year, others are shown as compared to the previous year or another point in time, showing sometimes absolute change and sometimes relative change. Moreover, for indicators that do not directly relate to existing official targets, there are no benchmarks provided against which to measure if progress has been sufficient or not. A comparison of the historical trend with EU-level benchmarks on a modelled path to climate neutrality is needed to understand if the development is going in the right direction and whether it is happening at the right speed.

Data needs to be improved for a comprehensive progress check

A closer look at enabling conditions of sectors and cross-sectoral elements also reveals that important information is missing completely in places. We demonstrate this for two examples, one sectoral element (see Box 1 for mobility) and one cross-sectoral element (see Box 2 for finance). The EC itself recognises problems with the existing data. Specific gaps mentioned in the CAPR include the data gaps in green finance (p. 39), land monitoring and soil data (p. 33) as well as in adaptation (p. 93). Additionally, the EC highlights that some Member States’ reporting has to improve particularly in the context of policy projections (p. 13-14), emission reductions from policies and measures (p. 10), and national long-term strategies (p. 102).



Box 1: Information on progress in mobility (sectoral example)

In **mobility**, the EC's assessment mainly focusses on EU wide targets for zero emission vehicles, and does not look at the shift to public mobility and managing transport demand overall – the only other area mentioned is a shift to freight railways (CAPR p. 8). Zero emission transport is covered by the emission intensity of the new vehicle fleet (in line with existing vehicle standards), the share of EVs in new vehicles, charging stations (CAPR) and the share and composition of renewable energy in the transport sector (State of Energy Union report). A data series is only provided for vehicle standards; for chargers the increase is compared to the previous year; for EVs only a recent data point and for renewables the change between two past years. There is no data on the railways shift. The narrow focus chosen by the EC misses out on important enabling policy areas for the transition in the sector, including public transport incentivisation, non-motorised infrastructure planning and urban planning.

The EC's assessment finds that progress in terms of GHG emission reduction is “sluggish” and “moving in the wrong direction” (CAPR, p. 3). Moreover, notes in the State of the Energy Union report (p. 19) mention that the ‘EU needs to significantly pick up the pace of change’. This assessment is generally in line with the ECNO's ‘far too slow assessment’.

Beyond GHG emissions, the EC qualitatively states that revised CO₂ standards for new vehicles ‘require a further decrease in emissions’ (CAPR, p. 28). For the renewable energy share in transport a “more modest” progress than in other sectors was found (State of Energy Union report, p. 20). However, it remains unclear what drivers and policies need attention to bring the transport sector on course overall. The high count of policies in the transport sector as underscored by the EC does not sufficiently help in this regard, as this lacks a view on their impact.



Box 2: Information on progress in finance (cross-cutting example)

Aspects related to **finance** are featured throughout the CAPR and its technical annex but not in the sub-section on progress towards climate neutrality. Chapter 6 of the CAPR describes the evolution of the alignment of financial flows in the EU through several aspects. It gives an overview of the size of the climate investment gap, shows changes in the proportion of green bonds issued on the financial markets, and describes the evolution of various EU public funds and the share of EU budget estimated to be dedicated to the transition financing. In addition, the technical assessment of the NECPRs features a chapter on energy subsidies with single data points (Chapter 2.6) and the sub-chapter on ‘progress on climate action in the EU’ includes a paragraph on fossil-fuel subsidies (p. 12). They are also included similarly in the State of the Energy Union report (p. 23) – both qualitatively describing past progress while providing data for the past two years.

In the CAPR, private finance is mostly seen through the lens of financial markets – they are cited as being ‘enabl[ing] [for] the transition’ (CAPR, p. 38). The EC highlights the demand for better monitoring practices in several instances, e.g., the implementation of the EU’s sustainable finance regulatory framework which mandates disclosures of investments (CAPR, p. 39) that not only focus on climate finance instruments. So far, no information on fossil fuels financing by the private finance is disclosed, nor are their plans to progressively phase out these financing and redirect them towards the transition. In addition, the lack of data on private finance as a whole limits policy makers’ capacity to understand the real-economy dynamics. There are for instance no data on the use of households’ savings or company profits. Those datasets will help understand to what extent actors can rely on financial markets and banks, or have to fall-back on self-financing options.

CAPR information points to progress being far too slow or even going into the wrong direction which is in line with the analysis undertaken by ECNO. The climate investment gap requires ‘substantial amounts of finance’ (CAPR, p. 38); progress on green bonds has ‘soared in recent years’ (CAPR, p. 39) but it remains unclear if it was sufficient; the uptake of green loans was described as ‘limited’ (CAPR, p. 40) which suggest that progress was far too slow. Fossil fuel subsidies doubled between 2021 and 2020 and the EC noted that ‘Member States must accelerate action to end fossil fuel subsidies’ (CAPR, p. 14) which all point at developments going into the wrong direction.



2.4 Some alignment on high-level findings

So, what is the overall result of the assessment, and how does it compare to ECNO's findings?

The EC's assessment of progress towards climate neutrality concludes that 'although GHG emissions continue to fall [...] and there are encouraging signs of action on the ground, progress towards the EU's climate objectives appears insufficient' (p. 10). Based on past data, the EC states that 'the pace of emission reduction needs to pick up, to almost triple the average annual reduction achieved over the last decade' (CAPR, p. 7).

The overall findings are generally in line with the outcome of the ECNO assessment which states that 'the EU is moving in the right direction, but the pace is too slow'. On the level of sectors, ECNO finds that agriculture, buildings and mobility are moving far too slow which the EC also identifies as sectors in need of faster change. However, ECNO also finds that progress in industry must speed up which is not mentioned by the EC.

Looking at the two example elements analysed in more detail, **mobility** and finance (details in Box 1 and Box 2 above), the EC provides an overall classification of progress for mobility based on GHG emission reductions which is 'sluggish' – ECNO has it clearly as "far too slow". For **finance**, there is no statement if progress has been sufficient but information points to progress being far too slow or even going into the wrong direction which would be in line with the ECNO's findings. For the enablers for these two elements that are covered by the EC's assessment, there is some detail on past progress, but it often omits whether the speed of change has been sufficient.

In sum, the results presented by the EC show a degree of alignment and similarity with those arrived at by ECNO, but the comparison underlines the lack of detail and specificity in describing the state of play, resulting in a lack of identification of specific action points.

2.5 Outlook: connecting with existing resources and systems

The CAPR is clear about the need for a more detailed monitoring system to identify enabling factors – and our analysis identifies relevant information in various places throughout the existing climate and energy related reporting that is published with the State of the Energy Union. At the same time, national authorities have limited resources available for reporting and the Better Regulation agenda demands a reduction of the administrative effort, including through the streamlining of reporting obligations. One key next step in devising a more in-depth system looking at enablers for the transition will thus be to figure out which existing resources are available that could be drawn upon. This section provides some initial ideas in this regard.

Opportunities for integration with other EU monitoring exercises

EU policy already has existing monitoring and accountability frameworks for a range of different purposes, and supporting bodies like Eurostat or the European Environment Agency to help manage them. The broad scope of the transition to climate neutrality implies that there could be linkages made with tracking systems from a variety of different policy fields.

One potential source – and a recent addition to the EU monitoring landscape - could be the annual check of progress towards the objectives of the 8th Environment Action Programme (EAP) which looks at 28 indicators (EEA 2023) of which several describe enablers for the transition to climate neutrality (more than half of them feature also in the ECNO progress tracking approach in some form).

Another existing effort to integrate with could be the EU bioeconomy monitoring (JRC 2023) which tracks economic, environmental and social progress towards a sustainable bioeconomy with 19 headline indicators and a large set of supporting indicators – relevant as enabler indicators are for example indicators on primary production and waste and circularity.

Of relevance also could be integration with the European Semester process, which monitors developments in Member States also beyond economic issues, including on progress towards the sustainable development goals and “the green transition”. A source worth exploring could be the European Social Scoreboard, that looks at EU and Member States’ performance with respect to the European Pillar of Social Rights with a set of 16 headline indicators and additional indicators. There is also a dedicated Energy Poverty Advisory Hub with its own set of national indicators.

The list goes on. Noteworthy options to be assessed for integration could be, for example, the performance framework for the Multiannual Financial Framework (SWD/2021/133) and the performance monitoring and evaluation framework (PMEF) of the common agricultural policy (CAP).

Streamlining reporting to reduce administrative effort

Integrating the assessment of progress towards climate neutrality with other EU monitoring frameworks would be in line with the crosscutting nature of the transition and could be a means to demonstrate the “whole of government” approach needed to manage it. A comprehensive and integrated net zero monitoring could provide also a solid basis for more detailed progress tracking of the European Green Deal itself.

Moreover, smart integration could reduce overall administrative burden. Duplication of data submissions could be avoided through a streamlining of climate neutrality transition related indicators. Importantly, an agreed framework could be applied throughout the different stages of the framework established by the Governance Regulation, further supporting its integrating function. Indicators could be used in the drafting of national climate and energy plans, then reported on by Member States every two years and used ultimately for EU level monitoring to detect bottlenecks. The development of a net zero progress tracking system could have the potential to significantly enhance consistency across relevant EU and national policy-making.

Contributions to climate neutrality monitoring can come from multiple sources

There are also several other resources to draw on, which could facilitate the development of an EU transition tracking system. The European Commission, often constrained by resources, can draw on the support of the EEA (mandated under Article 8 of the EU Climate Law), and the EU’s Joint Research Centre (JRC) is also doing important work to

provide science-based inputs to pathways towards climate neutrality and tracking developments.

Moreover, the EU Scientific Advisory Board on Climate Change (**ESABCC**) has provided input to the Commission’s efforts on monitoring progress an item for its work programme (ESABCC 2023). Other DGs and their respective supporting bodies may also be able to provide relevant inputs.



Civil society actors can also play a role in supporting further development of a more comprehensive tracking system. There are several existing independent progress checking initiatives, including ECNO, that can provide input and serve as a resource to the Commission's work in this area.

Moreover, a number of EU Member States already have transition tracking systems in place. **France** has developed a comprehensive indicator set to measure progress on its national long-term climate strategy (*le suivi de la stratégie nationale bas-carbone*), which is updated every two years. The **Netherlands** have developed a *Climate Policy Dashboard* (*Dashboard Klimaatbeleid*) that also explicitly includes enabling conditions and cross-cutting issues. In Sweden, three governmental bodies, including the scientific Climate Policy Council, have jointly developed a monitoring system called *Panorama* that presents an “overview of ongoing and potential transitions in various sectors”. These and other non-governmental initiatives at national level could provide inspiration for the development of an EU level indicator set for climate neutrality. ECNO also plans to explore the analysis of national level developments to complement EU level progress monitoring.

Lastly, there are other **international initiatives** that could be linked with to reduce effort in development and maintenance of an EU system. Both the OECD and the IEA carry out data related monitoring exercises. The UK's Climate Change Committee has a detailed monitoring framework. Investing in the development of an EU level system could provide opportunities for international collaboration that could ultimately improve also the implementation of the Enhanced Transparency Framework under the Paris Agreement.

3. Towards a monitoring system that looks beyond emissions

The journey to climate neutrality requires coordinated action, agreed long-term pathways and targeted policies between the EU and Member States. Progress monitoring at the EU level is necessary as a compass on this path, to provide key information to policymakers for course correction through targeted policy changes.

Key findings from the assessment undertaken:

- **The EC assessment re climate neutrality is limited to GHG emissions.** The CAPR essentially limits the analysis to historical data and Member State projections of future emissions, using the linear trajectory specified in the EU Climate Law as a benchmark. Information on the existing policy instruments is not connected to this assessment. This narrow focus does not produce actionable insights for policymakers.
- **The EC acknowledges the need for a more detailed monitoring based on enablers.** The progress check includes only limited insights on enabling conditions, many of which are scattered across the different themes in the CAPR, and the other documents of the State of the Energy Union. They could provide the basis for a comprehensive framework, though.
- **A systematic net zero check needs unified and new data.** There is relevant information already in the existing reporting under the State of the Energy Union – but formats are diverse requiring some streamlining to allow for comparisons and to assess the degree of progress. Not all relevant enabling conditions are currently covered and benchmarks to assess progress effectively are often missing.

3.1 Recommendations for building an effective and efficient EU monitoring system for climate neutrality

The EC's current approach to monitoring for climate neutrality creates the risk that policymakers will not get the actionable information they require to make targeted adjustments. A more comprehensive monitoring system is needed – which the EC recognises.

The EU Climate Law only requires the next assessment to be carried out in 2028 – clearly too late to inform, for instance, a “Fit For 2040” package that the EC will likely have to produce in its next cycle to revise the current toolbox for the time after 2030 (to achieve the 2040 target that is still to be set at the time of writing), when several EU climate policy instruments will run out.

Accordingly, here are six steps that could be taken to improve the system and provide relevant and reliable information for decisionmakers in the period 2024-2026.

- **Develop a net zero monitoring framework** to comprehensively check the progress towards climate neutrality, integrating GHG emission trajectories, as well as underlying enabling condition and related policies. The framework would provide a consistent and data-driven approach to assessing key trends in the transition.
- **Get the data right.** The framework can build on existing information at the EU level, but there may be (initial) data gaps and therefore the need to check for additional data and improve data gathered by Member States.
- **Integrate the climate neutrality monitoring smartly with** other reporting obligations, EU statistics and other monitoring exercises to create synergies and prevent overlaps and repetition inside of the State of the Energy Union but also with other monitoring exercises. This would reduce overall administrative burden.
- **Use the framework for EU and Member State planning and reporting** to align the focus and content of NECPs, long-term strategies (LTSS) and NECPRs with the net zero monitoring framework which will allow the use of the same information and data, making planning, reporting and monitoring more coherent and efficient – potentially further reducing overall effort.

- **Update the EU Long-Term Strategy** to provide a common vision of the pathway towards climate neutrality, that will deliver benchmarks needed to assess progress across all policy areas. An updated long-term strategy should consider the outcomes of the EU's process around the 2040 target.

- **Assess progress again in 2025** based on the new framework and using data from the next NECPRs - and then repeat the exercise regularly every two years, not only every five years.



General acceptance of the framework and political buy-in to its implementation could be enhanced if the EC would develop the methodology in an **open and transparent** process – a more inclusive approach enables a broad audience to contribute to the development of a net zero tracking framework and upcoming progress checks. Such an inclusive approach will also increase the acceptability of results and related policy changes.

What does it take? Revisions of the Governance Regulation and the EU Climate Law

While the EC bases its current approach on a - albeit narrow - interpretation of the EUCL's Article 6.1 (a), a more comprehensive system could be developed without a new legal mandate – and an earlier implementation is also possible (although not obligatory). The underlying work to define the overall framework and identify key dimensions and the respective indicators can start already. However, for an effective and efficient implementation – and the integration across planning and reporting to monitoring – some adjustments to the underlying legislation are needed.

At the very least, changes to the implementing act providing guidance on national reporting are likely needed to adjust Member States' inputs to the assessments. Similarly, future guidance on the drafting of NECPs should be revised. With the GovReg specifying templates for both NECPs and LTSs and listing reporting obligations, respective changes could be made in the law itself.

Moreover, a formal change to the frequency of the progress assessment to the EC producing this every two years would need a change in the EU Climate Law. And finally, a formal extension of the scope of the assessment and relevant sources of information could be formalised in the EUCL.

As both GovReg and EUCL are due to be reviewed “within six months of the Global Stocktake under the Paris Agreement”, and the EC already preparing for a possible proposal, there is a clear window of opportunity to get these legal adjustments underway straight away.

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