Non-paper by the Netherlands and France, to be further developed in close cooperation with other countries and stakeholders

A comprehensive approach on the EU carbon footprint and corporate value chain emissions reduction for a better climate, circular economy and industrial competitiveness

While the EU is reducing its territorial emissions, its consumption-based emissions have alarmedly remained at high levels over the past decade, despite sustainable measures being taken. Aside from the 3.3 Gt CO_2e of the EU's annual territorial emissions, 1.4 Gt CO_2e is emitted elsewhere for the EU's consumption. Thus, more than one third of the EU's total carbon footprint originates outside the Union. **The current focus on territorial emissions alone creates a bias in our policies by neglecting the carbon impact of our imported goods and the risk of carbon leakage.** This gap could be filled by a more comprehensive approach on the EU's carbon footprint, which would support emission reductions linked to consumption and imported products, promoting the shift to a circular economy and the use of more sustainable materials, while incentivising international partners to do so.

We thus highlight the need for a more comprehensive approach that addresses the full carbon impact of the EU, including the 'imported' emissions from third countries. With such an approach, circular policies also become more attractive, as these often lead to a decrease in imported emissions. Integrating these into EU policy contributes to achieve both global climate goals and EU sovereignty.

Therefore, we call for including the following in the publications on the Post-2030 Climate Framework and the Circular Economy Act:

An improvement of the data, methodologies, and reporting of the EU carbon footprint. This would apply to the various entities that measure and estimate the carbon footprint at the European level (Eurostat, ESABCC, JRC, EEA, and the statistical offices of member states), which should provide more detailed data (product categories) more frequently and in a more accessible format.

An indicative, non-binding target on the EU carbon footprint, specifically aimed at the imported emissions related to consumption in the publications on the Post-2030 Climate Framework. The European Scientific Advisory Board (ESABCC), Joint Research Centre (JRC) and/or European Environmental Agency (EEA) could be tasked to produce a report on how to set such a target, the underlying methodology, its benefits, and the policies and measure levers that could be used. This target could be complemented by "guiding principles" (see Appendices) to help effectively integrate the carbon footprint in the development of climate policies and boost circular business models and policies.

Harmonisation and standardisation of value chain (scope 3) emission measurement and reporting methods. A multitude of frameworks already exist, with the merger of the international Greenhouse Gas (GHG) Protocol of the World Business Council on Sustainable Development (WBCSD) and the international ISO Standards, and the Product Environmental Footprint (PEF) and Organisational Environmental Footprint (OEF) methods of the Commission. Yet, it is vital that these yield robust results that are coherent between different levels (product, organizational, national and international) while clearly assigning responsibility along the value chain. The risk of not standardising these existing, scientific and leading frameworks is that more industry-led initiatives will emerge, leading to market fragmentation and a lack of credibility. Standardising these frameworks and applying harmonized product-level methods across EU product legislation, building on relevant standards, and the Delegated Act established under the ESPR would help businesses differentiate themselves, especially on circular strategies. Also, it should become possible to disclose value chain emissions through Digital Product Passports, for example via the sector-specific ESPR Delegated Acts or Delegated Acts based on sector-specific Union legislation.

SME support on value chain emissions reporting and transition plans and the rewarding of value chain emissions-reporting companies in public procurement. The Commission could support SMEs, for example, through the availability of free data or tools. Various relevant EU institutions could reward SMEs that report on their value chain emissions (Scope 3) in their own public procurement.

Appendices

On addressing value-chain emissions: The territorial approach to emission reduction results in our developed climate policy to only focus on direct (scope 1 and 2) emission reduction of companies operating within the EU. This approach fails to address the complete range of emissions that occur throughout companies' entire production process. Emissions in the value chain (scope 3) can become a vulnerability, as these fossil dependencies could form a lock-in and hinder a company's future competitiveness. Meanwhile, these emissions are just as well contributing to climate change.

Addressing value chain emissions allows for a company to consider the complete range of its emissions, including upstream or downstream emissions. Existing EU policies such as the CSRD and CBAM are contributing to this integral approach. However, these policies are not enough to fully address value chain emissions in all products and to realise an international level playing field.

On the report about an indicative, non-binding target on the European Union carbon footprint. This report should build upon the vast amount of work already done on the matter.[1]

On the requested "guiding principles": In order to structurally integrate the carbon footprint into the development of climate policies, we call upon the Commission to introduce so-called 'guiding principles' for policy advisers and decisionmakers when considering and evaluating climate measures. These guiding principles should at least include:

- Territorial emission reductions should not simply shift emissions abroad.[2]
- Recognizing the positive effect on emission reduction in foreign value chains.
- Steering towards the most cost-effective option in achieving global emission reductions.

As these principles could contradict each other[3], they must not be strictly applied. They serve as criteria that should always be considered in the following steps:

a) The standard format of impact assessments that are required for new EU climate policies.
b) The political decision-making on new EU climate policies, based on this impact assessment.

There are already several national initiatives from individual Member States along these lines, showcasing that these steps are not only possible but desirable. Introducing these on the European level supports a level playing field. By setting a non-binding carbon footprint target and structurally integrating the carbon footprint in EU climate policies, we can catalyse footprint-based thinking, making climate policies more effective and boosting circular business models and policies.

On improvement of data, methodologies and reporting: Eurostat is already doing a great effort in improving data and methodologies to calculate the EU's carbon footprint with its Multi-Regional Input-Output (MRIO) model, despite the dependencies on external factors such as receiving the right data in time from third countries.

Still, improvement is possible, both in the short and long term. These improvements could, for example, include:

- Product detail in emission-intensive sectors, such as distinguishing steel from aluminium and other metals, cement from glass and ceramic, and fertilisers from other chemicals.

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[1] For example IEEP (2026a), IEEP (2026b), CE Delft (2025), EEA (2025), SEI (2024) and JRC's K4P Consumption Footprint Platform. It could be set up like the scientific advice for the EU 2040 climate target by the ESABCC (2023).

[2] Currently, stringent environmental policies cause greater carbon leakage by increasing the quantity of foreign carbon emissions embodied in EU's domestic final demand. Specifically, carbon leakage increases within the range 0.051–0.111% as environmental policy stringency rises by 1% (Olasehinde-Williams & Akadiri, 2024).

[3] The guided principles could contradict each other if, for example, a measure leads to slightly higher territorial emissions but a lower global carbon footprint. Or, if the cost-effectiveness of a measure is also considered as a guiding principle, some measures that lead to a lower carbon footprint could also be more expensive.

- Country coverage, prioritising partners that matter for CBAM, which are currently modelled together in a single 'rest of the world' block.
- Digital services (cloud computing, data centers, artificial intelligence), which are currently merged with other IT services.

Other additions to the published results could be equally important for policymakers. These include:

- The final producer: identifying the country and sector that make each finished product, so that emissions can be traced through value chains. This would show, for instance, how much of the emissions from steel production reach EU consumers inside imported machinery or vehicles, which is directly relevant to the proposed extension of CBAM to downstream goods.
- Electricity: attributing emissions from power generation to the sectors that use the electricity, across the whole supply chain.
- Land-use change: estimating the emissions from deforestation and ecosystem conversion embodied in EU imports, which the footprint currently excludes, and reporting them as a separate component.

The aforementioned cooperation must be improved to establish a better exchange of more granular data, including more detailed product categories.[4] We call upon the Commission to demand more transparency in data, reflected in higher quality and frequency, from both Member States and third countries, so we gain better insight into the EU's carbon footprint. In its trade and investment negotiations, the Commission should work with its partners to make this data more accessible.

On data transparency and accessibility. Besides data improvements, EU carbon footprint reporting must be elevated to a level more suitable for policymaking; sustainability improvements should be reflected by a decrease in the carbon footprint, and the reports should be updated more frequently. This information should be readily and easily available for both consumers and producers, as well as policymakers and officials. The current Eurostat webpage[5] is a good starting point, but improving the level of detail, how easily it can be found and how often it is updated would make it easier to track the EU's carbon footprint and the associated imported and exported emissions related to both consumption and production when making new policies.[6] Both the Consumption Compass[7] and the Traded Emissions Tracker[8] may serve as good examples of how to present the data and reports.

On the SMEs reporting. Even with the narrower scope in which SMEs are exempt from direct reporting obligations, many SMEs might need to supply emission data to larger CSRD-compliant corporate clients through trickle-down effects.[9] Also, SMEs sometimes need to provide this information to unlock access to public procurement, or because clients need it for marketing purposes.

On product carbon footprint requirements. Where EU product legislation sets information requirements, this information should be made available through the Digital Product Passport (for example, via the ESPR) in a structured and practical form. This solution would also allow downstream economic operators to reuse the information for their value chain reporting without additional data requests, in particular for SMEs. The value shown in the passport should not include any correction factor or transfer of attributes between production sites.

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[4] For example, it should become possible to estimate not only the total carbon footprint of the automobile industry, but also the different imported parts that cars consist of.

[5] Greenhouse gas emission footprints - Statistics Explained - Eurostat

[6] Consumption-based emissions: a new frontier for EU climate policy | SEI

[7] Consumption Compass (Stockholm Environment Institute)

[8] Traded Emissions Tracker (European Climate Foundation)

[9] Data Requests in Value Chains: The Effects of Corporate Sustainability Reporting on SMEs in The Netherlands