

While the proposed climate target is relatively uncontroversial, it risks becoming a victim of heated negotiations over a €1.8 trillion financial package, which includes €750 billion in coronavirus recovery funds.

Poland and Hungary could block efforts to strengthen the EU's 2030 climate goal over a separate dispute on democratic standards. EU leaders are expected to agree on cutting collective emissions by at least 55% from 1990 levels, up from 40% currently, at a critical two-day Council meeting. Member states are under pressure to approve the new target ahead of a virtual climate ambition summit on Saturday co-hosted by the UN, the UK and France to celebrate five years since the Paris Agreement was signed.

"The EU's leadership and competitiveness are at stake," said Manon Dufour, head of think tank E3G's office in Brussels, adding that EU Commission president Ursula Von der Leyen could not arrive empty-handed at the summit.

The European Commission has proposed making access to the funds conditional on respecting the EU's rule of law principles. The clause could cost Poland and Hungary billions of euros, with both countries accused of backsliding on democratic standards enshrined in the EU's founding treaties, including on the independence of the judicial system, the media and other institutions. They have threatened to veto the budget, which would hold up funds to support countries meet the enhanced 2030 climate target. This includes support for communities dependent on the fossil fuel industry to transition to new sectors of employment, which would benefit workers in both countries.

"It's possible that if there is no deal on the rule of law, there is no deal on the climate target," Dufour told Climate Home News.

In a joint declaration, Polish prime minister Mateusz Morawiecki and his Hungarian counterpart Viktor Orbán said they respected common European values but that neither country "will accept any proposal that is deemed unacceptable by the other". Writing in Euractiv, Morawiecki said the current proposal threatened "the future of the entire union" at "a time of great test for Europe".

They are heading for a showdown with more liberal member states and Commission officials.

"The level of negotiations between Brussels and Warsaw has never been as high as it is now," said Justyna Piszczatowska, a Polish financial journalist specialising in the energy sector.

The absence of an EU announcement at Saturday's ambition summit would dampen momentum for climate action and be deeply embarrassing for the union. Both Von der Leyen and German chancellor Angela Merkel, who holds the EU Council's rotating

presidency, have made achieving a climate deal at the meeting a top priority. The increased 2030 target would put the EU on a credible path towards its 2050 climate neutrality goal and drive green investments for the next decade.

"It will be a very bad look for the EU not to agree on a new target if the EU fails where the UK has succeeded," Dufour said, citing the UK's recent pledge to deepen emissions cuts to 68% between 1990 and 2030.

Marcel Beukeboom, climate envoy for the Netherlands, told Climate Home the EU "wants to shine" on the global stage as the incoming US administration is about to reverse four years of retreat of climate action under Donald Trump. As Poland and Hungary focus their political capital on fighting the conditionality to accessing EU funds, observers fear it will leave little time to negotiate on the climate issues. In private, European negotiators have expressed confidence a resolution can be found and leaders will approve enhanced 2030 ambition. The latest draft on the 2030 climate target presented to member states on Monday, recommended the EU Council adopt a "binding" 2030 target of "net domestic reduction of at least 55%" from 1990 level - reflecting the Commission's proposal earlier this year. While there is widespread support for cutting emissions by 55%, including from eastern European countries, Poland, Czechia and Hungary have pushed back on the inclusion of "at least" in the target and called for additional financial support to meet it. In an annotated version of the Council's draft conclusion, seen by Climate Home, the three countries demand the extension of EU funds to support their energy transition beyond 2027 and full flexibility over how the money is spent. They argue nuclear energy and methane gas should be recognised as "mid-term low carbon transition" energy sources. Meanwhile, a small alliance of progressive member states are opposing the "net" in the target, which would count carbon sucked from the atmosphere and stored by forests and soils towards meeting the 55% reduction goal. This could reduce real emissions cuts needed from energy and industrial sectors by five or more percentage points, according to some estimates.

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