QUESTIONNAIRE TO THE COMMISSIONER-DESIGNATE Wopke HOEKSTRA

Climate, Net-Zero and Clean Growth

1. General competence, European commitment and personal independence

What aspects of your personal qualifications and experience are particularly relevant for becoming Commissioner and promoting the European general interest, particularly in the area you would be responsible for? How will you contribute to implementing the political guidelines of the Commission? How will you implement gender mainstreaming and integrate a gender perspective into all policy areas of your portfolio? How will you implement youth mainstreaming?

What guarantees of independence are you able to give Parliament, and how would you make sure that any past, current or future activities you carry out could not cast doubt on the performance of your duties within the Commission?

It has been an honour and privilege to serve as European Commissioner for Climate Action in the outgoing Commission led by President Ursula von der Leyen. I am deeply motivated to continue to do my part for a European Union that delivers for the good of its citizens and economy, their future in prosperity and safety, and a Union that takes its place and responsibility in the world seriously.

One of the historically defining elements of the years I grew up in the 1970s and 1980s have undoubtedly been the Cold War, the painful separation of Europe by a curtain and a wall. I learnt from a young age to never take the privilege of peace, prosperity and cooperation for granted, and to work for it. And so my years in Rome, and later in Berlin and Fontainebleau gave me the opportunity to live and work abroad, to study foreign languages, to experience different ways of life, but most importantly to also learn about the values and dreams we share as Europeans. We must stand in for them. Serving the public cause and assuming responsibility is what led me to abandon my career in the private sector and dedicate myself to public service, first in the Netherlands and since October 2023 in the European Union.

Looking at my professional path, I have had the opportunity to work with many different partners across the Union. As a Minister of Finance, I worked together in the Coalition of Finance Ministers for Climate Action and on files like the Capital Markets Union, greening Dutch finances, and the launch of the 'Growth Fund' (*Groeifonds*) to increase investments in sustainable growth. Also, under my supervision the Netherlands introduced legislation against letterbox companies and addressed the issue of royalty payments to non-cooperative and low tax jurisdictions.

During my time as Dutch Minister of Foreign Affairs, I worked with my colleagues on the big challenges of our times, including war, security, threats, climate change, showed me the importance of cooperation. As Minister of Foreign Affairs, I did my utmost to work towards a more geopolitical Europe, delivering weapons to Ukraine and holding Russia legally accountable. We, as the European Union, can best tackle these challenges by working together – domestically in Europe but also globally.

In my most recent position, as Commissioner for Climate Action, together with the College, I have worked with the European Parliament and the Council towards developing, adopting and implementing the policies necessary for achieving climate neutrality by 2050, and our climate goals for 2030. It is my deep conviction we need to couple climate action with increased competitiveness and a prospering economy that leaves no one behind. I worked towards facilitating on climate legislation, such as the CO2 emission standards for heavy duty vehicles and carbon removals certification.

However, Europe cannot solve the challenges of climate change alone. Therefore, I have driven forward the Commission's global action on climate change, honouring our commitment to the Paris Agreement. Together with

President von der Leyen, I worked with our partners around the world for a successful outcome of the COP28 negotiations, resulting in a global commitment of doubling energy efficiency improvements, tripling renewable energy capacity and transitioning away from fossil fuels as part of the Global Stocktake.

I hope I can say I have lived up to the commitments I made 12 months ago when I was questioned as Commissioner-designate in Parliament and I assure that this will be the case once again if Parliament honours me with its confidence. If confirmed as Commissioner for Climate, Net Zero and Clean Growth, I will do my utmost that we stay the course to achieve climate neutrality while growing our economy.

In this context, it is important to create favorable conditions for our companies to embark on the transition. Tools like the Carbon Border Adjustment Mechanism (CBAM) will support the EU's increased climate ambition and ensure that climate action is not undermined by production relocating to countries with less ambitious climate policies. I will help develop the next stage in this transition. This will include a proposal to enshrine a 90% net emission-reduction target for 2040 in our European Climate Law. Securing competitiveness and a just transition will enable us to achieve the 2040 target. I will also drive forward a European Climate Adaptation Plan, in line with the President-elect's political guidelines and following our work on climate resilience, preparedness and risk management. Our efforts of mitigating climate change while adapting and preparing for climate change provide us with opportunities to be economic frontrunners. Therefore, together with the Executive Vice-President for Prosperity and Industrial Strategy, and liaising with other concerned Commissioners, I will develop the Clean Industrial Deal with a focus on decarbonization, clean technologies and incentivizing investments.

I am firmly convinced that the area of taxation plays a crucial role in supporting competitiveness, prosperity and fairness and for the implementation of the twin transition. If confirmed as Commissioner, I would invest my efforts in finding ways for our tax systems to support these objectives. I would notably work towards energy taxation and tax measures that incentivize the uptake of clean technologies, and explore how to further green the VAT systems. Fairness in taxation depends also on fighting tax fraud, evasion and avoidance. Therefore, I would work towards keeping the highest level of ambition in Europe. Complementary to our domestic efforts, I would work together with Member States on the implementation of the global agreement on international tax reform.

If confirmed as Commissioner, I would be honoured and proud to join a College led by a Commission President who made history by becoming the first-ever female President in 2019. In my entire professional career, I have supported gender equality, including by ensuring that my own teams were gender-balanced. But diversity goes further than gender equality. Diverse teams are teams that perform best, and I will therefore promote diversity where I can. As a father, I am deeply conscious that part of my responsibility as parent but also in public service is to make sure that they inherit a continent and planet where they can prosper and seek happiness. For this, their voices must be heard. In my current role, I have regularly engaged with young people on climate policies, be they Climate Pact Ambassadors, young farmers or young individuals supporting a specific cause, to make sure their perspectives are taken onboard. I am committed to continuing this involvement of young voices through Youth Dialogues, which I look forward to launching in the first 100 days of the mandate.

If confirmed as Commissioner, I would act fully in line with the letter and spirit of the Treaties and the Code of Conduct for Commissioners. I would not take instructions from any Government or other entity, and I would always act in the European interest. In case any situation arises that might lead to a conflict of interests, or where my impartiality might be questioned, I would immediately inform the President. My declaration of interests is public and complete, and I commit to making sure that it is updated should my personal circumstances change.

2. Management of the portfolio and cooperation with the European Parliament

Can you commit to duly informing Parliament about your actions and those of your departments? In what respect do you consider yourself accountable to Parliament?

What specific commitments are you prepared to make in terms of your engagement with and presence in Parliament, both in committee and in plenary, transparency, cooperation and effective follow-up to Parliament's positions and requests for legislative initiatives? In relation to planned initiatives or ongoing procedures, are you ready to provide Parliament with timely information and documents on an equal footing with the Council?

Having worked closely with the European Parliament in my current role as Commissioner for Climate Action, I have gained first-hand experience of the leadership, expertise and commitment of the Parliament to our climate

action agenda towards 2050. If confirmed as Commissioner, I will re-commit to working with Parliament and fully respecting its institutional role and rights in the area of climate, net zero, clean growth and taxation. I would also ensure that the services under my responsibility apply the same spirit of cooperation and respect towards the role of Parliament in the respective policy areas.

Under the leadership of the President, I would work closely together with all Members of the College. To ensure full coherence and consistency of our work, close cooperation both with the Executive Vice-President for a Clean, Just and Competitive Transition and the Executive Vice-President for Prosperity and Industrial Strategy will be central for me, as will be the work with other Commissioners, including on financial services, environment and water resilience, agriculture, energy, transport, trade but also simplification.

I have always firmly upheld the view that working towards shared objectives and securing successful outcomes relies on regular dialogue, cooperation, mutual trust and transparency to the fullest extent possible. I fully commit to cooperating in good faith with the European Parliament in line with the Framework Agreement. This applies to the Committee on Environment, Public Health and Food Safety (ENVI), the Committee on Economic and Monetary Affairs (ECON) and its Subcommittee on Tax Matters (FISC), the Committee on Industry, Research and Energy (ITRE) and any other Committees with an interest in climate, net zero, clean growth and taxation, and a need for dialogue.

Having gained first-hand experience of many different direct interactions with Parliament, I not only consider them an institutional duty but a cornerstone of our relations and the foundation for successful policy-making and implementation. If confirmed as Commissioner, I will continue to participate in parliamentary debates and engage with Parliament and its Members in the various formats in the areas under my responsibility. I am committed to exercising the Commission's role within the legislative process, including in trilogue meetings between Parliament, Council and Commission, in full respect of the Inter-Institutional Agreement on Better Law-Making and the Framework Agreement between our two institutions. As an honest broker, I will treat Parliament and Council on an equal footing and provide information and documents accordingly, respecting their institutional rights and obligations under the EU Treaties.

In line with the Framework Agreement, I am also committed to do my utmost to ensure that European Parliament resolutions under my portfolio are replied within three months. In her Political Guidelines, the President-elect committed to even further strengthening of the Commission's cooperation on Parliament's Article 225 resolutions, by Commissioners taking part in structured dialogues with Parliamentary Committees on these resolutions. I am committed to ensuring this dialogue in the areas under my responsibility. As I have shown through my manifold formal and informal interactions with Parliament so far, I would continue to accept meetings, letters, and questions from Members of Parliament to the best of my capacity and at utmost speed. It was important to me personally but also to the success of our work that I engaged proactively with the European Parliament across the political spectrum prior and during the COP28 negotiations and on all other files under my responsibility, and I will continue do so. I will monitor enforcement and implementation of policies under my areas of responsibility, and communicate on this to the relevant parliamentary committees in charge.

Through my experience as elected Member in the Dutch Senate from 2011 until 2017, and later on as Minister of Finance, Minister of Foreign Affairs and Vice Prime Minister, and now as European Commissioner, I am keenly aware and conscious of the importance of good working relationships and regular interactions. Therefore, I have always made it a point to proactively reach out to Members of Parliament, building trust and working together towards broad support. In my past experience, this has helped to deliver solutions not only in regular legislative processes but it allowed for building the necessary trust and respect required even more in times of urgency or major policy decisions, like addressing the COVID-19 pandemic, delivering support to Ukraine and addressing the consequences of Russia's war of aggression.

If confirmed as Commissioner, I would expect that, on occasion, we would also face challenges to find solutions and agreement. However, these are the moments in politics when an open, trusting and respectful exchange can help to identify the common ground. My door has been and will always remain open, and I am glad to know that many of you have successfully tested me on this commitment that I gave you one year ago.

Under the slogan of working together for Europe and working closer to Europeans, the President-elect has embarked with her new College on a Commission more present on the ground, more often and in more regions. I fully share this agenda. As the only institution directly elected by citizens across all 27 Member States, the European Parliament represents this unique voice. I am committed to visiting Member States regularly and whenever possible, I am keen to go local – in cities, villages, rural and remote areas – to meet with citizens and

discuss together with you their needs and objectives. Such exchanges have been among the most enriching and forward-looking in my past roles in public service and currently as European Commissioner.

Dialogue, respect, and a spirit of honest cooperation are key for me in serving the public interest. I commit to them in my work with you on climate, net zero, clean growth, taxation and beyond.

Questions from the Committee on Economic and Monetary Affairs

Corporate Taxation and Fighting Tax Fraud, Tax Evasion and Avoidance

3. How do you plan to support competitiveness in the EU through tax policies, to reduce the tax compliance costs and tax burden particularly for smaller companies, while continuing the fight against tax fraud, tax evasion and tax avoidance? What strategy do you have in mind to overcome unanimity in Council for the adoption of common EU corporate taxation initiatives, such as DEBRA, HOT and BEFIT, and anti-avoidance proposals such as tackling abusive shell companies within the EU? Will you make a proposal to ensure that the digital assets and currencies do not become a vehicle for tax evasion or avoidance?

If I am confirmed as Commissioner, I will work towards EU tax initiatives playing a crucial role in supporting Europe's competitiveness, prosperity, and social fairness while continuing the fight against tax fraud, tax evasion and tax avoidance.

Europe's sustainable prosperity and competitiveness is at the forefront of the European Commission's political agenda for the coming years. To achieve this, doing business should become easier and faster in Europe, especially for SMEs. This is why each Commissioner will be tasked with reducing administrative burdens and enhancing simplification. I plan to drive this agenda by prioritising the work necessary to simplify and consolidate the existing EU corporate taxation rules. A well-functioning internal market is key to our competitiveness, and it is vital to keep pace with the evolution of competing global markets. For this purpose, it will be important to address, where necessary, the fragmented landscape of corporate tax legislation in the EU. I will continue the work on the reform of corporate taxation in keeping with my mission letter, with the aim to simplify the legislative framework, tackle obstacles restricting the ability of our companies to scale up and make the most of the internal market.

I will start with stress-testing the current EU tax acquis to identify and address inconsistencies, for instance overlaps, contradictions or out-of-date rules, by e.g. carrying out evaluations of the existing legislation, to test the effectiveness, efficiency, relevance, coherence and added value of the current direct tax directives. So far, the Commission has launched evaluations for two directives in the field of direct taxation, notably the Anti-Tax Avoidance Directive (ATAD) and the Directive on Administrative Cooperation (DAC). This will form part of a wider agenda to declutter the EU direct tax acquis, where necessary, and bring greater simplification and burden reduction in line with the President's commitment to reduce reporting obligations by at least 25% and by 35% for EU SMEs. This examination of the directives will allow to identify potential overlaps but also gaps and areas where the legislation could benefit from clearer wording or strengthened provisions.

A better functioning of the internal market is also about creating the framework for a tax landscape that is resilient to tax fraud, tax evasion and tax avoidance. As technologies and circumstances constantly evolve and offer new opportunities for avoidance and evasion, I aim to continue to follow up on the implementation and enforcement EU direct tax legislation. A historic milestone has been the global agreement on international tax reform, which introduces a global minimum effective tax rate for large groups of companies. In addition to collecting tax information, eliminating or mitigating tax gaps is essential. In this regard, the EU can support tax administrations by sharing best practices and developing rigorous methodologies for calculating tax gaps.

The special legislative procedure requiring unanimous agreement between Member States is a challenging feature of EU tax policy creation. It remains relevant to Member States in maintaining sovereignty over matters directly affecting their economies and exchequers. This in turn explains Member States' reluctance on the prospect for adapting Council decision-making on taxation matters to qualified majority voting. If confirmed as Commissioner, I will use my best endeavours to continue achieving results on corporate taxation proposals through appropriate interaction with all Member States.

It is worth noting that during the mandate of the previous Commission, several key direct tax proposals were unanimously agreed by Member States; including Directives on Administrative Cooperation 7 (Digital Platforms) and 8 (Crypto Asset Transactions), the Directive on ensuring a global minimum level of taxation for multinational

groups in the Union (Pillar 2) and most recently, the Directive on Faster and Safer Tax Relief of Excess Withholding Taxes (FASTER).

The proposal to address the Debt Equity Bias (DEBRA) has not been actively discussed in Council since 2022. I will examine Member States' willingness to reconsider this initiative in light of the primary competitiveness agenda of the new mandate and the ambition to develop a Savings and Investment Union. In addition, I will work on identifying innovative solutions for a coherent tax framework for the EU's financial sector, with the aim to support further integration of the financial sector, facilitate cross-border operations and foster digitalisation and innovation. The Commission has already initiated a study to look into possible ways of taxing the financial sector.

The Business in Europe: Framework for Income Taxation (BEFIT) proposal is a long-term project. The development of a common corporate tax framework in the EU has been a key objective for many years and will continue to be a priority. In the coming years, we may need to look at this proposal through the lens of our experiences with Pillar 2, which has already begun to alter the international tax landscape.

I am aware of the difficulties in classifying, valuing and administering crypto-assets. This can pose challenges to tax administrations seeking to tax them fairly and effectively. Commission services have worked with Member States to facilitate and foster the sharing of experiences and good practices in this area. Together with the Markets in Crypto-Assets (MICA) regulation, which will regulate issuers of crypto-assets and those providing crypto-related services, the directive on Administrative Cooperation in the field of taxation (DAC 8) will enhance tax transparency on crypto asset transactions and will reduce the risk of tax fraud, evasion and avoidance. We stand ready to look further into these issues where needed.

OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (IF) agreement on Pillar One and Pillar Two

4. The OECD Pillar II agreement on the 15% minimum effective tax rate includes carve-outs that might leave opportunities for aggressive tax planning. What will you do to address corporate profit shifting and harmful tax competition within the EU and vis-a-vis third countries, considering the carve-outs of the global tax agreement? Does the European Commission intend to put forward a proposal, in case of an absence of the ratification of the MLC of the Pillar I agreement by a critical mass of countries?

Clamping down on aggressive tax planning by large groups of companies is a key objective of the Pillar 2 Agreement and clearly reflected in the OECD Model Rules and the EU 'Pillar 2' Directive (the "P2D"). These rules are part of a major reform that aims to put a floor on competition over corporate tax rates through the establishment of a minimum level of taxation at the global level.

According to recent data from the OECD (<u>The Global Minimum Tax and the taxation of MNE profit | OECD</u>), Pillar 2 will generate estimated revenue gains of USD 155-192 billion per year (based on data of the period 2017-2020). While around two-thirds of these gains are expected to come directly from the minimum tax, around one-third of these gains is expected to arise indirectly through reduced profit-shifting.

Few would have thought five years ago that a global deal on ensuring an effective minimum taxation of multinationals was possible. The carve-outs were an integral element of the agreed compromise package. The substance carve-out aims to take into account situations where the risk of aggressive practice is limited, because of the high presence of substance. The agreement already contains a progressive reduction path and has been carefully negotiated.

Now, it is critical to encourage as many jurisdictions as possible to implement the Pillar 2 framework. The Commission has been engaging in promoting Pillar 2 at various fora (OECD, UN, etc.). It is expected that around 90% of in-scope multinational enterprises will be subject to the new minimum tax by 2025, based on the jurisdictions that have implemented or announced implementation. Yet, this is not sufficient for preserving the integrity of the system. Instead, the key parameter is to ensure that as of 2025, the so-called 'backstop' rule (the Undertaxed Profits Rule - UTPR) captures taxpayers in non-implementing jurisdictions and results in subjecting the low-taxed ones to tax. This is the decisive component of the Pillar 2 framework which can ensure that the rules will not operate to the detriment of implementing jurisdictions.

In this light, I will keep encouraging all committed jurisdictions to implement the rules or to swiftly cooperate in effective exchange of information, to enable the application of Pillar 2 by those who have joined in. It will be

critical that the rules be applied in a uniform and coordinated way. All recent efforts at the OECD and Inclusive Framework go in this direction. If confirmed as Commissioner, I will engage with all major players, in particular the United States. Finally, if the rules are circumvented, for instance though inaccurate or even fraudulent reporting, Member States will have to use their assessment and enforcement powers to guarantee that Pillar 2 can operate smoothly.

I would also like to note that beyond Pillar 2, the Commission continues its wider efforts to address aggressive tax planning, for example through UNSHELL proposal, which is pending in Council since 2021.

When it comes to Pillar 1, I recognise the urgent need for a fair and effective taxation of the digital economy. The current international tax rules were designed for businesses with a physical presence and do not adequately capture the value created by digital business models. The Commission has been a strong supporter of the OECD work, which has been mandated by the G20/Inclusive Framework, as a multilateral solution is better than a proliferation of national solutions. Around 140 jurisdictions signed up to this objective initially, and I personally support it.

The OECD Multilateral convention is ready and is no longer under discussion. We need to come to an agreement on Amount B (a simplification of some transfer pricing rules) now, so as to unlock the whole package. It is a challenging task, as illustrated by the repeated postponements of the deal. But I believe it is not an impossible task, in light of what has already been achieved.

I will remain fully committed to a multilateral approach to digital taxation. It would be in the interest of the global community to secure a swift and coordinated solution under Pillar 1. The Commission Services responsible for taxation play an active role in the discussions on the future UN Framework Convention on International Tax Cooperation, that will most likely have a broad scope.

Finally, we should not forget the essential work carried out in the Code of Conduct Group for business taxation on the EU list of non-cooperative jurisdictions for tax purposes, which reflects the Commission's ambition to promote international tax good governance standards globally. Thanks to this work stream, 160 harmful tax regimes in more than 60 countries have been amended or rolled back. The Commission takes the lead in proposing changes to the EU listing criteria, which must continue to evolve, in order to adapt to new challenges. I recognise the need to continue the fight against tax abuse and stand ready to work on greater global coordination in this area.

Environmental Taxation

5. Concerning your portfolios on climate and taxation, how will you leverage taxation to drive forward climate goals and which initiatives will you put in place to assess energy tax policies? Will you come up with a new ETD proposal taking on board Draghi's report suggestions? How do you plan to reconcile the 90% emission-reduction target by 2040 within the current Council negotiations on the revision of the ETD? Will you propose during this mandate measures to tax aviation and maritime more effectively?

I strongly believe that taxation is a key pricing instrument for driving climate goals. It has the potential to act as a catalyst for transformation, encouraging individuals and businesses to make more sustainable choices. However, the EU's environmental taxes are currently not harmonised, leading to a disarray of environmental and carbon taxation across Member States. This lack of coherence creates confusion and undermines the effectiveness of our climate policies. If confirmed as Commissioner for taxation and climate, I will be well-placed to make the most of the available tools and ensure the alignment between taxation policy and climate goals. To address this issue, I aim to engage in discussions with Member States towards a more balanced and coherent approach to environmental taxation. By working together, we can create a more level playing field and ensure that all Member States are aligned with our common climate and environmental policies. There is, for instance, room to enhance the use of environmental taxes to ensure the application of the Polluter Pays principle.

Taxation of energy products and electricity in the EU comprises taxes beyond the scope of the Energy Taxation Directive (ETD). The Draghi report points out that energy taxes are part of a broader system of charges, levies, and network costs. I am well aware of the impact energy prices have on the competitiveness of EU industry and am concerned about their impact on businesses and households. I will reflect on the recommendations of the Draghi Report, including solutions based on cooperation between Member States to strengthen the internal market and to ensure that taxes, charges and levies do not have a negative effect on energy prices and on the competitiveness of EU industry, while supporting clean transition objectives, together with the Commissioner for Energy and Housing.

The proposed revision of the ETD, the last part of the Fit for 55 package not adopted yet and currently negotiated in the Council and the European Parliament, seeks to modernise this framework by aligning it with the EU's climate and energy objectives. One key aspect is the introduction of a ranking system where more polluting products are taxed more heavily, thereby encouraging the use of cleaner energy, and the introduction of new products such as ammonia and hydrogen. To further promote the uptake of electricity Member States would be able to reduce the taxation of electricity supplied to electric vehicles, planes or vessels (at shoreside) to zero. The revision will also update the structure of tax rates, limit the scope for national tax exemptions and derogations allowing reductions below minimum rates, and ensure greater harmonisation across the EU, while preserving Member States' ability to generate revenue. The revision of the ETD will support the EU in achieving its emission reduction targets, by promoting the use of more sustainable or renewable fuels, while backing competitive, socially fair, and sustainable growth in the EU. The energy crisis underscored the EU's dependence on fossil fuels from third countries. The revised ETD will play a key role in supporting the move from these imported energy sources to energy that can be produced in the EU such as renewable energy, making the EU less susceptible to international market shocks linked to third country supplies and less dependent on external sources of energy.

The Commission will continue to work with the Council to progress towards a compromise, while aiming to safeguard a high level of ambition. The adoption of the revised ETD can contribute to reaching the 90% net emission-reduction target by 2040.

As for taxation in the aviation and maritime sectors, I will not hide the importance that I attach to action in these sectors. To preserve the competitiveness of the European economy overall, we must involve all sectors in reaching our global emission reduction targets. Otherwise, the burden will be too high on those that are not exempted. The ETD revision proposal seeks to remove the mandatory exemption applicable to aviation and maritime fuel. This change should allow to differentiate tax rates per fuels according to their environmental performance. It would give an advantage to sustainable aviation fuels and sustainable and advanced fuels for ships over fossil fuels and help to boost investment in the production and supply of sustainable transport fuels in Europe. This has proven a politically sensitive topic for some Member States. Action at international level is crucial. For the aviation sector, the Commission strongly supports initiatives such as the Global Solidarity Levies Task Force, and the Carbon Offsetting Scheme for International Aviation under the auspices of the International Civil Aviation Organisation (ICAO). We expect the ICAO to have a system covering extra-EEA flights that ensures effective emissions reductions. For this, particular attention is to be paid to the upcoming ICAO Assembly in 2025. Otherwise, the Commission should propose to extend the ETS to departing flights, as is already stated in the EU law to guarantee all sectors of the economy contribute to climate neutrality in 2050. The Commission also supports the adoption of an ambitious greenhouse gas pricing mechanism for the maritime sector under the auspices of the International Maritime Organisation (IMO). At the same time, the EU Emissions Trading System (ETS) already sets a price for CO2 emissions from aviation and maritime transport, while addressing evasion risk.

In the area of passenger transport, there is currently a widespread application of zero VAT rates, particularly for international air and maritime transport, regardless of their environmental impact. While acknowledging the need to reconcile sustainable transport with connectivity and affordability, the taxation of the aviation sector is part of a wider reflection that the Commission has started on the future of the VAT. This discussion also encompasses VAT special schemes, including those applicable to travel agents and passenger transport operators, as highlighted in Enrico Letta's report on the Single Market.

To complement efforts to decarbonise the industry, there is also scope to better leverage tax policy tools to tackle biodiversity loss and environmental degradation. The relative lack of progress with environmental taxation implies that consumers currently purchase too many polluting products and fail to switch to cleaner alternatives, such as recycled products, where it would be economically efficient and socially desirable. Similarly, clean businesses may fail to attract financing, while polluting businesses benefit from inefficiently low capital costs. The Commission services are working on identifying policy gaps. Therefore, it is too early to commit to specific policy instruments — be it soft-law measures such as recommendations or more ambitious measures, for instance introducing EU minima for environmental taxes other than energy taxes — but I can commit to a more decisive push for market-based measures in tackling environmental issues more comprehensively.

In conclusion, taxation will play a critical role in achieving the EU's climate goals. I will work closely with you, the Commission services and Member States to reach a balance that reflects both our environmental ambitions and the economic needs of our citizens while ensuring the competitiveness of our industry.

Questions from the Committee on Environment, Public Health and Food Safety

6. As part of the EU's climate change diplomacy, what will you do to ensure collective efforts from all parties, especially major and emerging economies, to scale up actions towards the achievement of the long-term goal of the Paris Agreement? What are your priorities for COP29? What concrete measures will you propose to follow up on the agreement at the COP28 to transition away from fossil fuels in the energy sector? According to your mission letter, you will develop an EU framework to phase out fossil fuel subsidies. How do you intend to operationalise this framework to fulfil the requirement laid down in the 8thEAP, while still ensuring energy security and reduce dependencies?

The main objective of the **EU's climate diplomacy** is to stimulate ambition and investment. We want to encourage our partner countries to define and achieve ambitious climate targets aligned with the goals of the Paris Agreement. The EU's own successful emission reduction efforts mean that nowadays we only account for 6% of global emissions. Addressing the other 94% for the protection of our climate and planet is crucial. The upcoming update of countries' Nationally Determined Contributions will be key in delivering on the COP28 UAAE Consensus and the Global Stocktake agreed in Dubai. For COP30 in Brazil and beyond, with the help of other Members of College, I will contribute to setting our global climate and energy vision.

Concretely, I will promote carbon pricing as an essential element of a broader policy mix to achieve the goals of the Paris Agreement. It can create market conditions that enhance the business case for decarbonisation and accelerate the transition while generating revenues that can be reinvested in decarbonisation and the transition. Global carbon pricing will also help create a level playing field for businesses. The EU Emissions Trading System is a model for many aspiring carbon pricing systems. Since its launch in 2005, it has contributed to reducing greenhouse gas emissions by over 47% in the covered sectors. We want to share our experience and knowledge to encourage more countries to implement effective carbon pricing policies. Therefore, I want to enhance our engagement to support partners in establishing robust carbon pricing and markets as part of a broader climate and energy policy mix, building on existing cooperation. The recently established **Task Force on international carbon pricing and carbon markets diplomacy** that I have initiated has the potential to be a game-changer for the 94% of emissions mentioned earlier. Like for the EU, pricing carbon might be the most impactful measure they can take. The interest is there, as a growing number of countries, including most G20 countries are implementing or exploring carbon pricing policies, also in response to the Carbon Border Adjustment Mechanism. To date, 75 carbon pricing instruments covering 24% of global emissions are already in place. However, these policies are often translated into low ambition, low prices and limited coverage while some big emitters are still lagging behind.

The precondition for any meaningful conversation with other major and emerging emitters is the example and success of the EU's own climate action. The EU's international credibility rests on our domestic action, including the Fit-for-55 measures, as well as the vision we provided by putting forward a 2040 recommendation. Demonstrating that these measures work facilitates a domestic political consensus in other countries. Major and emerging economies can also provide an enabling regulatory environment and incentives to get industries and citizens onboard to accelerate the green transition and trigger sustainable investment decisions. And we do promote such actions at all political levels with many countries through G7 and G20, as well as bilateral Green Alliances, Green Partnerships, High Level Dialogues, Just Energy Transition Partnerships, and future Clean Trade and Investment Partnerships. We also use plurilateral processes such as the G7 Decarbonisation Agenda, the Climate Club, and the Clean Energy Ministerial. We will continue to assist partners, including financially, in exploring the feasibility of concrete solutions, adapted to their specific conditions. Finally, we are also actively leveraging our neighbourhood policy, our trade policy and our international partnerships in a way that supports the green transition. In parallel, we need to continue supporting countries and communities that are particularly vulnerable to climate change and are contributing little to global emissions today. It is also in our own interest: in a highly interconnected world, adapting and building resilience to climate change can help manage the risk of disruptions to trade routes and global supply chains (including food), and contribute to the EU's security, resilience and stability.

My priorities for COP29 as agreed with Member States through the 8 October Economic and Financial Affairs Council and the 14 October Environment Council Conclusions on COP29 are: (i) achieving an ambitious and achievable outcome on the New Collective Quantified Goal on climate finance; (ii) concluding the negotiations on guidance to operationalise Article 6 of the Paris Agreement on international carbon markets; (iii) reconfirming the global commitment towards the implementation of the UAE consensus and laying the ground for the next round of Nationally Determined Contributions; (iv) ramping up adaptation action to the effects of climate change; and (v) calling on all Parties to submit the first Biennial Transparency Reports by the end of this year.

As regards the **follow up on COP28**, I will encourage our international partners, in particular major emitters, to come forward with ambitious Nationally Determined Contributions in 2025 that build on the global stocktake

outcomes on energy transition. I will tailor our political, technical and financial support to encourage developing countries' clean energy transition and ambitious industrial decarbonization.

On **fossil fuel subsidies**, a key measure that could reduce these in a coherent manner is agreeing on the review of the Energy Taxation Directive. I will therefore continue to work with Member States to swiftly find common ground for reaching an agreement. I will also tirelessly work with the Member States, since the competence to phase out these subsidies lies with national governments. Further, I will work towards sharing best practices and as much transparency on these subsidies as possible to increase the pressure, be it via the implementation of Member States' National Energy and Climate Plans or the revision of the Governance Regulation. Having said this, I have delivered on my commitment at my first hearing in Parliament one year ago, to create an inventory at the EU level, and I will continue working on this together with the Commissioner for Energy and Housing. In parallel, the European Semester and possibly the future Competitiveness Coordination Tool offer opportunities to give further guidance to Member States on tackling this with priority. Finally, we are introducing other policies that will put a price on the negative effects of fossil fuels, notably the new EU ETS for the buildings, road transport and additional sectors (ETS2), accompanied by the new Social Climate Fund to support those vulnerable to energy and transport poverty.

Removing fossil fuel subsidies aims at making the transition more cost-efficient and easier to achieve. It will ensure energy security and reduce dependencies, freeing up needed resources for investment in low carbon capabilities. If the concern is that removing fossil fuel subsidies may unduly impact lower income households, I do agree that this needs to be addressed, for instance through Member States' social policies. The most efficient tool is often to compensate households or assist them in making the transition, and not to keep fossil fuel subsidies in place.

7. Which concrete measures will you be taking to ensure the efficient and timely implementation of the EU climate legislative framework for 2030 and the achievement of the targets set therein? What role do you see for the Clean Industrial Deal in this context? What is your position on the targeted amendment of the regulation setting CO2 emissions performance standards for cars and vans that is mentioned in your mission letter? How will you ensure that the EU regulatory and financial instruments, including the Social Climate Fund and the Just Transition Fund, support a fair transition to a climate-neutral economy? Especially with regard to the EU ETS 2, what specific measures will you take to ensure that vulnerable groups are protected from energy price increases, including by monitoring the proper implementation of national Social Climate Plans and national ETS2 revenues?

The update of the **National Energy and Climate Plans** (NECPs) is a key process where Member States are setting out how they will enable timely implementation of the Fit for 55 package and help mobilise the needed investments. I will intensify contacts with Member States to ensure that they finalise their NECPs as soon as possible. I intend to work closely with Member States in the implementation of their NECPs, including through engaging with industry and social partners and organising discussions on how to remove important obstacles to the transition. My goal will be to facilitate cooperation and exchange of best practices on practical solutions to accelerate the transition while fostering competitiveness and supporting the most vulnerable. I will keep the European Parliament closely informed through regular exchanges.

The 2040 climate target, for which the Commission will soon make a legislative proposal to amend, in a targeted way, the European Climate Law, will provide greater and long-term certainty for investors, to support the decisions being made now for manufacturing facilities, infrastructure or skills, thereby also contributing to speeding up action and delivery of the 2030 targets.

The Clean Industrial Deal will focus on strengthening the EU industry's competitiveness while speeding up Europe's decarbonisation. We will work on a set of initiatives to simplify administrative processes to decarbonise industry, put a framework in place to develop lead markets, and mobilise private funding for the transition. We will develop actions notably on affordable energy prices, to address one of the EU's key competitive disadvantages, as well as an industrial decarbonisation accelerator act focusing mainly on energy intensive industries, and Clean Trade and Investment Partnerships focusing on our relationships with partner countries.

Delivering on the EU's net greenhouse gas emissions reduction target of at least 55% by 2030 compared to 1990 and the climate-neutrality objective by 2050, enshrined in the European Climate Law, calls for ambitious policies and action to ensure a swift and sufficient decrease in emissions from all sectors, including a significant share from buildings and transport. In this context, the **CO₂ emission performance standards for new cars and vans** set progressively tightened CO₂ emission targets reaching a 100% reduction target from 2035 onwards. The Political Guidelines state: "reaching climate neutrality by 2050 will require a wide range of innovative technologies, in

areas from mobility to energy. For instance, the 2035 climate neutrality target for cars creates predictability for investors and manufacturers. Getting there will require a technology-neutral approach, in which e-fuels have a role to play through a targeted amendment of the regulation as part of the foreseen review". This is also further confirmed in my mission letter. The Commission will therefore work on this targeted amendment as part of the review foreseen in 2026. This work will also consider the need for e-fuels in other sectors, where no other technological alternatives exist, such as aviation and maritime transport, taking into account their projected scarcity, their energy intensive production process, and their projected costs.

Our **just transition framework** needs to be fit for the next stages of the climate transition from here to 2030 and then 2040 and beyond. The first priority will be ensuring the use of the resources from NextGenerationEU and the current budget. The EU has a comprehensive financing framework, including with Cohesion Policy funds, notably the Just Transition Fund, and the Recovery and Resilience Facility. This will be further boosted with the roll out of the Social Climate Fund. We will work together for a simpler, more focused and responsive long-term budget that reflects European strategic priorities and our ambition to be an Investment Commission. While I cannot prejudge the next MFF, I welcome the President's commitment to foresee a significant increase in funding for just transition. If confirmed, I will make sure such an increase will target vulnerable workers, companies and citizens and the territories facing the toughest transition challenges. All should benefit from the opportunities the transition offers and no one should be left behind. Working together with the Executive Vice-President for People, Skills and Preparedness. We will make sure the Social Climate Fund delivers increased funding in advance of the launch of the new emissions trading system for buildings, road transport and additional sectors (ETS2). The Commission will work with Member States on the national Social Climate Plans to ensure resources are spent to support vulnerable households, vulnerable micro-enterprises and vulnerable transport users.

As regards the preparations for the Social Climate Fund, we are already working for a swift and effective roll-out together with a dedicated Member States expert group since 2023. 10 Member States are currently benefiting from the Commission's Technical Support Instrument to support them in estimating ETS2 impacts, defining vulnerable groups and identifying tailored measures and investments for their future plans. I will support the Executive Vice-President for People, Skills and Preparedness, in informing the European Parliament on the implementation of the Social Climate Fund. Under the "Social Climate Dialogue", the competent committees of the European Parliament may invite the Commission twice per year to discuss the submitted Social Climate Plans, the Commission's assessment, the achievement of milestones and targets and payments.

As regards the use of Member States' ETS2 revenues, we will monitor that they be fully used on climate action and social measures as mandated by the revised ETS Directive.

I will intensify outreach with Member States to identify how to overcome bottlenecks and offer opportunities to ensure a fair and just transition. I will strengthen the way just transition issues are dealt with when revising the Governance Regulation. I will work to ensure just transition is hardwired into our support policies for decarbonisation and I will cooperate with my fellow Commissioners to ensure that the just transition fosters quality jobs and that the goods and services our SMEs and households need for the transition are accessible and affordable.

8. What specific new actions do you plan to propose as an enabling framework to support the achievement of the new 2040 target and how will you design the post-2030 climate EU architecture in a simple, fair and cost-efficient way with the adequate financial resources? How will you ensure that all sectors of the economy will contribute in a fair and science-based manner? What is your position on the future evolution of the EU ETS? What would be your concrete plans for advancing carbon removals, both permanent and land-based, in addition to deep and sustained emission reductions? What is your position on setting Union targets on carbon removals, including a separate target for permanent carbon removals as part of the 2040 target? What concrete measures, legislative and/or others, and which new EU resources, as part of the new European Climate Adaptation Plan, would you like to propose to increase the resilience of EU society, including vulnerable groups, ecosystems and economy and better adapt to climate risks? How will you ensure that adaptation is systematically taken into account in each EU sectoral policy?

The Commission will soon make a legislative proposal to enshrine the climate target for 2040 in the European Climate Law. An ambitious 2040 target will need to go hand in hand with enabling conditions, such as a just and fair transition for people, lower energy prices, an improvement of the electricity grid etc. The Clean Industrial Deal will be the first opportunity address the enabling conditions, ensuring that climate ambition and industrial competitiveness can go hand in hand.

Once the target is agreed, the Commission will be able to bring forward proposals for the post-2030 climate policy

framework. I will ensure that the EU stays the course, building on the comprehensive policy framework we have in place, learning the lessons from the past and making sure that it is fit for 2040. As we get closer to climate neutrality, we know that all sectors need to contribute and that many technologies are needed. We need the clarity provided by the 2040 target to define policies and provide long-term certainty to investment decisions, which will also contribute to delivering our 2030 goals. I will work with my colleagues to enable achieving the 2040 target with a Clean Industrial Deal, and to ensure that private investment towards our common goals of a competitive and decarbonised EU economy can be adequately leveraged and de-risked through European action. We need to invest in people, skills and the just transition and use climate policy to increase people's well-being. Carbon pricing, via the ETS at EU level, is essential for cost-effective mitigation action and as a financing tool generating revenues for innovation, and to support measures benefitting the most vulnerable groups. In short, well-designed carbon pricing addresses both environmental, economic and social objectives. This will need to be flanked by sectoral measures, for instance in energy, transport or the land sector, and by a wider enabling policy framework, putting the sectoral needs of the transition central.

The Commission bases its climate policy proposals and recommendations on thorough impact assessments in full consistency with its Better Regulation requirements. The advice of the Scientific Advisory Board on Climate Change is also taken into due account. Let me underline that these analyses make use of the most advanced economic analysis tools, which are also extensively used in the scientific literature and allow to fully cover the EU economy and its different sectors, as illustrated recently in the 2040 Climate Target Impact Assessment that the Commission published in February. This ensures that the Commission's policy decisions on the role of the different sectors is, and will remain, informed by in-depth analysis grounded on a scientific approach, allowing for the design of policy packages that can deliver our objectives in a cost-efficient, fair and effective manner. In this endeavour I will remain open to a frank and transparent dialogue with all sectors to achieve our climate objectives in a balanced and cost-effective way.

As regards specifically the **EU ETS**, the review of the ETS Directive and of the Decision on the Market Stability Reserve is due in 2026. In particular, it will consider whether to include waste management in the EU ETS from 2028, and whether, how and when to integrate removals and incentivise the use of captured carbon in products, such as renewable fuels.

The 2026 review will determine ETS coverage of international flights from January 2027, and the feasibility of widening coverage in maritime transport. The review will be accompanied by an evaluation (i.e. an evidence-based, backward-looking assessment) of the ETS Directive and the Market Stability Reserve (MSR) Decision. We will also examine if adjustments are needed to the EU ETS towards the 2040 target. The direction of travel with the EU ETS as the EU's cornerstone climate policy is evident.

I cannot emphasise enough that reducing emissions in a deep and sustained manner must remain our priority. At the same time, there are benefits in providing more certainty to industries on the **role of permanent carbon removals** in achieving the 2040 EU climate target. We will assess the best set of policies to provide incentives for both emissions reductions and carbon removals in the 2040 policy framework. An efficient carbon removals policy will be necessary to achieve a 90% net reduction in greenhouse gas emissions by 2040 and climate neutrality by 2050, as clearly highlighted in the Communication and accompanying impact assessment. I will make sure this policy is in place at the end of my mandate, while supporting, together with public and private partners, the early-stage development of what should become over time a single European market for carbon removals. Industries, farmers or foresters providing the service of carbon removals should be rewarded while efforts in reducing emissions are not hampered.

Turning to **climate adaptation**, the increasing climate hazards are some of the greatest risks to our security and our prosperity, and we need to strengthen EU climate resilience and preparedness and reduce the exposure of our economy and society. This requires concerted and scaled up efforts both at EU and Member State level. Current policies and actions are not keeping pace with the climate impacts. We need resilience and risk management by design. I envisage a European Climate Adaptation Plan that supports Member States and ensures that climate risks are fully embedded in all EU policies: from agriculture and critical infrastructure to the economy, with particular attention to vulnerable groups. The exact scope of the Plan will be developed closely together with stakeholders. Based on the European Climate Risk Assessment and the Communication on Managing Climate Risks, I see a clear need for stronger alignment of approaches between the EU and Member States. This would include agreed baselines for assessing climate hazards and for determining the level of acceptable risk in policy and investment decisions. For any proposal I will keep in mind the implications for administrative burden. In line with my mission letter, I will assess the need for future legislation on climate resilience and preparedness, as also called for by the Parliament in the context of the recent plenary debate and resolution on floods. Specifically, I will carefully

consider how to ensure that legislation in policy areas which are particularly exposed to climate risks is fit-for-purpose. I want, as a minimum, all EU-financed assets to be designed for the future, among others through climate proofing approaches and the do-no-significant-harm principle.

Questions from the Committee on Industry, Research and Energy

9. What is your vision for your portfolio over and above your mission letter and what would you like your legacy to be? What legislative proposals and other initiatives will you suggest to the College of Commissioners for adoption in the next five years and in particular in the first 100 days? How will you ensure that these proposals, as well as the implementation of existing legislation, would strengthen European competitiveness? Do you intend to base those legislative proposals on dedicated impact assessments? What are your plans in particular for the Clean Industrial Deal? How do you define 'clean growth'? What role will circular economy play in your work? How do you plan to oversee and support the implementation of the existing legal framework to achieve the 2030 targets and what are your plans and measures envisaged to achieve the announced 2040 emission-reduction target? How will you ensure that those measures will work together with the EU industrial policy?

Science is clear: we have no alternative to ambitious climate action if we want to make sure that both current and next generations can thrive. The effects of climate change since are felt by everybody in the world, like rising sea levels, increased flooding, threaten food supply, human health and infrastructure. Protecting our planet but also our prosperity means that climate action has to go hand in hand with securing a flourishing and competitive economy, and supporting a just and fair transition for people, regions and sectors that are most vulnerable It is my firm conviction that this requires decisive action domestically and internationally, even more so in the turbulent and rocky years that are likely to lie ahead of us in the years to come For me, this means more leadership, more assertiveness, and more cooperation, and I believe we can achieve this. At the end of my mandate, I want to be able to say that we secured the path to climate neutrality by setting the parameters for Europe's economic leadership and turning our policy agenda on clean growth into a model that others around the world will strive to copy.

Regarding **legislative and other initiatives in the next five years and in particular in the first 100 days**, in line with the Political Guidelines, I will develop with the Executive Vice-President for Prosperity and Industrial Strategy and work with the Executive Vice-President for a Clean Just and Competitive Transition on a **Clean Industrial Deal** which will strengthen the EU industry's competitiveness and speed up Europe's decarbonisation, described more broadly in my reply to question 7. The Clean Industrial Deal will need to address these areas with a coherent set of policy initiatives. The mission letters capture several of them, including the Action Plan on Affordable Energy, the Industrial Decarbonisation Accelerator Act, the European Competitiveness Fund, the Chemical Industry Package, or the upcoming Industrial Action Plan for the automotive sector.

We are facing a pivotal moment for European industry and research. Our technological leadership, our capacity to respond to industrial challenges, and to actively capture new opportunities are at stake.

Carbon pricing through the EU ETS will continue to have a central role in guiding economic decisions to the most cost-effective decarbonisation actions. At the same time, the EU ETS will continue to generate revenues which should be used, notably through the Innovation Fund, to accelerate the demonstration and scale up of innovative climate neutral solutions in a wide range of sectors (industrial decarbonisation, clean tech manufacturing).

All these topics relate to **clean growth** which ensures economic prosperity and the well-being of our societies within planetary boundaries by leveraging leadership in the fast-growing clean technologies. It implies that human societies continue to prosper without putting the well-being of future generations at risk or compromising other forms of life and ecosystems. Such growth cannot be based on fossil fuels dependencies. Clean growth decreases import dependency and increases security and resilience. Operationally, growth can be considered clean if it helps stabilising the climate, it keeps ecosystems and habitats healthy and it preserves biodiversity and clean air and water.

Circularity is an inherent part of clean growth. A well-designed circular economy will offer large opportunities for competitiveness from raw material recycling to eco-design, touching the whole supply chain including demand side measures for clean products. By setting a price on carbon, we incentivise many sectors to become more circular, with secondary production of carbon-intensive goods being typically much less energy intensive than primary production. We will assess as part of the planned EU ETS review how to promote more circular and sustainable use and re-use of carbon in our industries. We will ensure that policies that impact waste and end-of-life are coherently formulated with climate policies. This includes the assessment whether to incorporate or not

waste incinerators in the EU ETS, which is yet another part of the planned 2026 review.

Early in the mandate, described in greater detail in the reply to question 7, we will propose to **amend the European Climate Law to include the net 90% emission-reduction target for 2040**. Once the target is in place, and in line with the better regulation guidelines, all climate legislative proposals which are likely to have significant economic, environmental or social impacts will be accompanied by dedicated impact assessments. Furthermore, a revision of the Governance Regulation to simplify and update it, would support delivering on the climate ambition for 2040, towards climate neutrality and resilience.

As stated above, I will ensure that the EU stays the course on our climate action, building on the comprehensive policy package we have in place, learning the lessons from the past, and making sure that it is fit for 2040. In doing so, we will take action to ensure the competitiveness of EU industry and a just transition for all. In this endeavour I will remain open to a frank and transparent dialogue with all sectors to achieve our climate objectives in a balanced and cost-efficient way.

Another important topic is the 2035 target for CO₂ emissions reduction for cars, described more broadly in my reply to question 7.

Looking further ahead, in line with my mission letter I will lead the work on the **European Climate Adaptation Plan**, and support Member States, notably on preparedness and planning and ensure regular science-based risk assessments.

I will also assess the need for **future legislation on climate resilience and preparedness** and present options. I will do this based on the first-ever European Climate Risk Assessment and have already taken due note of the discussions in Parliament, in the context of the recent debate on floods. I will carefully consider how to ensure that adaptation relevant legislation is fit-for-purpose and how to reduce administrative burden. This requires working closely with other Members of the College, to see how we can streamline across sectoral policies, e.g. by identifying where Member States are already reporting adaptation relevant sectoral information and also whether we can better use satellite-based information, and maybe AI. This will allow for identifying synergies, bringing different sectoral planning and reporting workstreams closer together, and identifying possible redundancies. At the same time, adaptation is an increasing challenge and new area for action, and therefore some new limited additional requirements are likely to be needed, to make us more resilient to the fast-accelerating climate risks.

10. What concrete measures will you propose to promote industrial decarbonisation, notably for energy intensive industries and hard-to-abate sectors? Which sectors and areas should be prioritised and on the basis of what criteria? In that regard, what role do you see for the Emissions Trading Scheme and the Innovation Fund? What actions will you propose to ensure long-term investment in European net zero infrastructure? What concrete measures do you envisage in particular for the Industrial Decarbonisation Accelerator Act and how do you see its relationship with the Net Zero Industry Act, the Critical Raw Materials Act and STEP? How will you ensure in general that climate policy instruments continue to provide economic incentives for private decarbonisation investments, while strengthening the framework for a social and just transition? How do you envisage the future framework for CO2 capture, transport and storage and how will you ensure sufficient incentives for industry along the entire CCUS value chain? What are your plans on the single market for CO2, in particular for CO2 stemming from hard-to-abate sectors, taking into account EU competitiveness? What is your position on the role of a technology-neutral approach in relation to the foreseen review of the regulation setting CO2 emission performance standards for cars and vans as mentioned in your mission letter?

The pricing incentive from the **EU ETS**, combined with effective protection against the risk of carbon leakage through the **Carbon Border Adjustment Mechanism** (**CBAM**), are our primary tools to **decarbonise industries in the EU**, by putting a price on carbon and levelling the playing field within the EU. But achieving climate neutrality means going beyond marginal emissions reductions. It requires major investments in deep decarbonisation technologies, and our current policies are not always sufficient to ensure these investments are bankable. Therefore, we will have to work on other levers too. **The Clean Industrial Deal** is an opportunity to strengthen the EU industry's competitiveness and speed up Europe's decarbonisation, described more broadly in my reply to question 7. We will work towards a set of initiatives which aim to support decarbonisation of hard to abate sectors, put a framework in place to develop lead markets, and mobilise funding for the transition.

Enhancing availability of and access to affordable clean energy is a horizontal measure that will benefit all

industries, including SMEs. The faster the decarbonisation of the electricity grid can be achieved, the faster our industries can reap its benefits. However, this requires a timely strengthening of the grid and the successful handling of renewables intermittency. Considering the importance of energy intensive industries in many value chains, accelerating and enabling their decarbonisation and the production of low carbon products will have specific attention. Equally, further strengthening the clean tech value chain in the EU, building on the Net Zero Industry Act, is of strategic importance. The Commission will also propose an EU industrial plan for the automotive sector, as one of Europe's key industrial economic sectors that should reap the opportunities of the green and digital transformation. Horizontal technological enablers such as digital technologies, advanced materials and circular solutions also have a key role to play.

Returning again to the **EU ETS**, it is our cornerstone climate instrument. It fosters industrial decarbonisation in two main ways: by putting a price on carbon and by re-investing the revenues generated in decarbonisation solutions. It is a system that works! It is a market-based instrument that achieves emission reductions, rewards the most carbon-efficient industries, and channels the cost of carbon pollution back into climate solutions through systems such as the Innovation Fund. However, we need to look at how the EU ETS will continue to support decarbonisation of industry beyond 2030, as the success of decarbonisation would mean that we move to a world where emissions are very low and where carbon removals would have a role for addressing emissions in hard-to-abate sectors. By mid-2026, the Commission will assess several elements relevant for sustainable industrial carbon management. It will develop policy options and support mechanisms for industrial carbon removals, including if and how to account for them under the EU ETS. It will look at how to account carbon capture and use, development of new products, as well as how to deal with the accounting of CO₂ stored in neighbouring third countries. With the review of the EU ETS, we can look at how to further enhance its role in funding the green transition.

Free allocation of emission allowances under the EU ETS has been a source of investment for industry in recent years and has helped avoid carbon leakage. ETS allowances which are no longer used for that purpose will instead be auctioned and the proceeds will go to the Innovation Fund, giving special attention to projects from the CBAM sectors (iron and steel, aluminium, cement, fertiliser, hydrogen).

With the introduction of ETS2, around 75% of all European emissions will be subject to a carbon price signal. Carbon pricing has a social dimension, especially in the ETS2 sectors that put a price on fossil fuels used by citizens when they heat their homes and drive their cars. That is why the ETS2 is complemented with a EUR 86.7 billion Social Climate Fund, funded from the revenues of the sale of ETS2-allowances. Member States have to make sure support under the Social Climate Fund is targeted with precision, according to specific national circumstances, to those in need.

Experience shows that the **Innovation Fund** plays an increasingly crucial role in funding the decarbonisation of industry. To continue the success of the Innovation Fund, we will foster "auctions-as-a-service" or "grants-as-a-service" to enable Member States to fund projects on their territory screened by the Innovation Fund. I will further seek to facilitate pooling of EU and national resources, so as to tap into the benefits of the single market.

More broadly, we will need to redouble our efforts to mobilise and catalyse private investment, as public funding alone will not be sufficient. I will work with my colleagues to scale up sustainable finance, in particular **transition finance**, to support industrial decarbonisation. Pan-European energy and related decarbonisation infrastructure will be crucial to allow our economy to decarbonise. Implementation of existing planning under the TEN-E policy framework, the electricity and gas market framework as well as the National Energy and Climate Plans is key. Facilitating cross border infrastructure development, will remain important.

I will work closely with the Executive Vice-President for Prosperity and Industrial Strategy, and the Executive Vice-President for a Clean, Just and Competitive Transition to contribute to the new **Industrial Decarbonisation Accelerator Act**. Through this act, we will look at how best to provide access to markets, skills, permitting, access to and mobilisation of finance as key enablers to support industries to decarbonise and prosper.

Finally, as regards CO₂ capture, transport and storage (CCS), carbon capture and use (CCU) and the single market for CO₂, I will work towards a speedy implementation of the Net-Zero Industry Act as well as the actions identified in the Industrial Carbon Management Strategy published last February to enable the deployment of carbon capture, utilisation and storage solutions and the necessary infrastructure towards the objective of a single market for CO₂ in Europe. On CCS, the Commission will implement actions aimed at supporting the value chain, CO₂ storage operators and competent authorities. Such actions include the creation of dynamic market mechanisms, permitting support and guidance for Member States, as well as the development of an investment atlas of CO₂ storage sites. On carbon removals, the Commission will develop further policy and support

mechanisms for scaling up of removals. This includes, among other things, an assessment of how removals with permanent storage could be accounted for under the Emissions Trading System and an assessment of overall objectives for removals in the context of the 2040 climate target. On CCU, the Commission will look at the uptake of carbon as a resource and as well as the treatment of CCU in the ETS. On CO₂ transport infrastructure, as key enabler for all technological pathways, the Commission intends to work on a network planning mechanism and to potentially propose a regulatory transport package. At the same time, work will be done to develop emission accounting rules, to establish minimum standards for CO₂ streams and to develop guidelines for maritime transport. For all technologies, enabling actions are proposed, such as investments and funding, public awareness, research and innovation, as well as cross-border cooperation. I will work closely with the Member States towards these objectives, in particular to attract the necessary private investments for deployment of CO₂ infrastructure.

As regards the planned review of the CO₂ standards for cars and vans, please see my reply to question 7.

11. What actions do you envisage to boost EU demand for clean tech made in Europe and how will you support EU value chains for clean tech manufacturing including through supply-side measures? What level and mix of private and public investment do you consider necessary, and how do you assess the specific role of EU financial instruments? How will you reduce EU dependencies notably on China? What framework will you propose to further scale down and phase out the use of fossil fuel subsidies as part of the work to reduce Europe's dependencies? What are your plans on the Carbon Border Adjustment Mechanism (CBAM)? What measures do you envisage for the competitiveness of the European automotive sector?

The EU ETS Innovation Fund will be essential to boost EU clean tech. As we have already done, we will continue to organise calls focused on clean technologies, including their manufacturing, with appropriate resilience criteria in light of NZIA objectives. Project proposals submitted to the Innovation Fund and exceeding the minimum evaluation thresholds defined in the calls will receive the STEP (Sovereignty) Seal introduced under the Strategic Technologies for Europe Platform (STEP), regardless of whether the proposal obtains or not funding under the Innovation Fund. The Seal aims at facilitating access for those projects to other funding opportunities, including under Cohesion Policy Funds and the Resilience and Recovery Facility.

When it comes to the **mix of private and public**, private financing should cover most needs. In other words, there needs to be a business case for private investment. To ensure this, it is crucial: first, to improve the depth of private capital markets as suggested in both the Letta and the Draghi report; second, to scale up sustainable finance, in particular transition finance; and third, to ensure the bankability of as many decarbonisation investments as possible. Public financing should be limited to the latter objectives and to those investments where bankability cannot be otherwise ensured (for instance some infrastructural investments).

Whenever the problem for private investing is one of access to finance, financial instruments should be preferred to grants. InvestEU has demonstrated the added value of having a EU tool to leverage private finance.

The Innovation Fund is another example of a well- functioning instrument to leverage private finance for investments in the riskier industrial projects. Finding better ways to combine grants with financial instruments can result in a more cost-effective use of public money, as well as accelerate reaching financial close for companies. Scaling up sustainable finance, in particular for transition and resilience, is also critical. In addition, facilitating availability of information for corporations and investors, and credible and climate law-aligned transition plans, will contribute to shifting finance flows to support meeting our climate and growth objectives.

Trade policy has a role to play to support energy intensive industries as they decarbonize and for clean tech industries to diversify, to boost export opportunities, protect against unfair competition and ensure a fair and level playing field. As regards clean tech, different sectors face different challenges in terms of global competition, where trade policy can support them by opening export opportunities, defending the EU market or securing supply notably of critical raw materials. The EU is a net exporter in some net-zero industry sectors. For instance, in wind, based on 2022 data, the EU industry holds about 30 % of the global market share. This is why it is important to promote access to third countries' markets for our industry as well.

Reducing EU dependencies is both about promoting our own competitiveness and innovation capability at home, and about partnering to open up new markets and sources of supply abroad. We will continue to work closely with partners with a view to strengthening supply chain resilience, both through bilateral cooperation as in the case of the EU-Japan Working Group on supply chains, and plurilaterally (i.e. in the G7 context). These efforts will be bolstered by existing tools like Global Gateway, and new tools, like Clean Trade and Investment Partnerships.

The Commission has taken important steps to address dependencies on China, but more is needed. Both the Net Zero Industrial Act and the Critical Raw Materials Act focus on the need and means to diversify the supply of critical components and materials, as well as the need for a sufficient manufacturing base in the EU. Likewise, last month, we proposed the rules for the next hydrogen auction under the Innovation Fund, which will have explicit criteria to allow us to shape our diversified supply chains, including the production of electrolysers in the EU. This is key for maintaining security of supply as well as data security. The Clean Industrial Deal should allow us to address this further. The CBAM will contribute to the EU's climate objectives, address carbon leakage concerns, while allowing investments in a decarbonised EU industry. As regards fossil fuel subsidies, I have stated my position in response to question 6.

Turning to the Carbon Border Adjustment Mechanism, if I am confirmed as Commissioner, I will closely monitor the CBAM's full and timely implementation during the transitional period and beyond. I will work with the Executive Vice President for Prosperity and Industrial Strategy and other Commission services to prepare the delegated and implementing acts, as required by the CBAM Regulation. That will ensure the smooth implementation of the CBAM while the administrative burden for all actors involved is kept to a minimum, in particular for SMEs. I will ensure that the Commission continues to listen to stakeholders, including businesses and national administrations, but also third-country partners, as we want the implementing measures to be as effective and efficient as possible. I will make sure that the Commission considers all lessons drawn from the current transitional period. We will present a review report to the European Parliament and the Council by the end of next year. The report will include an assessment of possible extensions of the CBAM to more goods, of the potential extension of coverage of indirect emissions to all sectors covered, of the CBAM's governance, and of the international impact of the regulation on developing countries and especially Least Developed Countries.

Finally, the **competitiveness of the European automotive sector** is of critical importance for the EU economy It accounts for over 7% of GDP and provides, directly and indirectly, about 13 million jobs. It is essential to lay out the appropriate framework to support the competitiveness of the EU industry throughout this transition.

The CO₂ standards, both for cars and vans and for heavy-duty vehicles, provide the market with long term certainty and predictability on the scale of transformation needed in the automotive sector. This channels investments in clean technologies, the development of new value chains in the EU, infrastructure as well as upskilling and reskilling of workers. Other actions have already been put in place to support the successful transition towards zero-emission mobility, and their full implementation will be key, including: the Alternative Fuel Infrastructure Regulation (to accelerate the deployment of recharging and refuelling infrastructure), the Battery Regulation (to ensure that batteries put on the EU market are sustainable and circular throughout their lifetime), the Critical Raw Materials Act (to ensure access to a secure and sustainable supply of critical raw materials), and the EU Action Plan for Grids (to ensure the modernisation of the electricity grid for the integration of electromobility). Further initiatives will also be needed to support the competitiveness of the sector, and in that respect, if confirmed I will notably work with other Commissioners on the Clean Industrial Deal in view of unlocking investment, creating lead markets for clean tech and putting in place conditions for companies to grow and compete. The Industrial Decarbonisation Accelerator Act will aim at channelling investments and further support to industries undergoing this transition, notably accelerating the related planning, tendering and permitting processes. Finally, I will contribute to the Commissioner's for Sustainable Transport and Tourism task of developing an EU industrial plan for the automotive sector.

Question from the Committee on Employment and Social Affairs

12. Your mission letter mentions that you "will further strengthen the framework for a social and just transition". The current framework for just transition in the European Green Deal is a mix of guidance, monitoring and funding instruments. In the face of high energy and living costs and growing inequalities, the EU should establish a more ambitious and robust framework, including binding measures, and address the environmental and social dimensions in a complementary way from the outset.

As Commissioner-designate for Climate, Net Zero and Clean Growth, what concrete legislative actions will you take to ensure a social and just transition for all? What measures will you propose as part of a strengthened just transition framework and how will you promote the availability, accessibility and affordability of sustainable products and services? How will you contribute to the creation of sustainable quality jobs, the application of collective agreements and the enforcement of information and consultation rights of workers? And how will you involve the social partners in that work?

The transition will not be successful if it is not fair. In the previous mandate, we have put forward important measures that place fairness at the heart of the European Green Deal, with funding delivered and planned

notably through the Recovery and Resilience Fund, the European Social Fund Plus, the Just Transition Fund and the Social Climate Fund. The Council Recommendation to ensure a fair transition towards climate neutrality provided concrete guidance to Member States on how to address the employment and social aspects of the transition. We enshrined important fairness elements, such as tackling energy poverty, in initiatives such as the Energy Efficiency Directive and the Energy Performance of Buildings Directive.

There is more to be done. I will work closely with the Executive Vice-President for Clean, Just and Competitive Transition and the Executive Vice-President for People, Skills and Preparedness in order to maximise the use of existing instruments, such as the National Energy and Climate Plans to that effect. In the review of the Energy Union and Climate Action Governance Regulation, I will look at strengthening how just transition challenges and opportunities are dealt with. I will work closely with my colleagues in the College to ensure a just transition for all and to create the right conditions for companies to reach our common goals, including through facilitating monitoring and implementation on the ground and with an analysis on possible gaps and achieving a joint, proactive way forward.

Funding is crucial for a fair and just transition. Boosting the competitiveness of European companies is also about creating jobs and equipping people to successfully manage change. Investments needed for a successful green transition include those to support people and companies in the transition. Special attention should be given to providing the reskilling and upskilling opportunities that will allow them to seize the opportunities and face the challenges of the transition. The first priority will be ensuring the use of the resources available via the NextGenerationEU and the current budget. Together with my colleagues, I will make sure that the Social Climate Fund delivers from its launch to support vulnerable people, in particular those affected by energy or transport poverty. Without prejudice to the discussions on the next Multiannual Financial Framework, I support the commitment of the President in the Political Guidelines 2024-2029 to significantly increase the funding for just transition across the long-term budget. We will work together for a simpler, more focussed and responsive long-term budget that reflects European strategic priorities and our ambition to be an investment Commission.

On the broad question of sustainable products and services, the Sustainable Products Ecodesign framework allows to step up the important work of standard setting for energy consuming products, thus preventing that products that cause excessive energy bills can be sold. Many existing requirements need updating, as available technologies are constantly improving – a work that I will fully support. With provisions on repairability, but also on overall functionality, and on avoidance of hazardous emissions, we will protect consumers from undue costs, and will further push unsustainable and harmful products from the market. In parallel, up-to date energy and sustainability labelling, supported by the future EU Digital Product Passport, will enable consumers to select products with the lowest total costs of ownership and environmental footprint. We will also work with Member States to improve market surveillance and enforcement of the ecodesign and energy-labelling requirements, and to prevent fraud. In view of the upcoming implementation of the Green Claims Directive currently subject to codecision, we will work for proposing clear rules against climate-greenwashing, while enabling companies and consumers to identify climate-friendly products. For construction products and key industrial products, we will provide reliable climate footprint information, thus enabling the creation of lead markets for the European industry. When addressing the affordability of sustainable products, it is essential to keep in mind the most vulnerable and ensure affordability of goods and services. I will closely cooperate with other Commissioners, starting with the Commissioner for Energy and Housing, to foster affordable and sustainable housing as well as cheaper and clean energy. The Social Climate Fund has a key role to play in that regard. Together with the Commissioner for Energy and Housing and the Executive Vice-President for Clean, Just and Competitive Transition, we will also look at taxation and harmful fossil subsidies. We need to improve the current incentives to move away from fossil fuels and redirect the relevant resources to investments in decarbonisation and the just transition.

While working on just transition, I will implement the principle that the President set out in her Political Guidelines that "people and their jobs must always remain at the heart of our social market economy even as our industries and economies change shape". The transition to climate neutrality will continue to generate additional skills needs, both in new 'clean' sectors, and in the transformation of existing ones. These additional needs emerge in a context of persistent labour and skills shortages, and growing replacement needs due to an ageing workforce. I will work together with the Executive Vice-President for People, Skills and Preparedness on making the EU a Union of Skills.

I believe there can be no just transition if we do not listen to those who are facing the greatest challenges. I will **engage with social partners** to discuss how to overcome important obstacles to the transition and ensure the creation of high-quality jobs. In particular, I will contribute to the work on the **Quality Jobs Roadmap**, which will be developed together with social partners. Where relevant, I will also support my colleagues in ensuring that

the existing EU rights in the area of information and consultation of workers are applied and enforced to contribute to a social and fair transition. In addition, the Commission will continue to provide financial support to social partners' projects to ensure these rights apply on the ground to accompany changes resulting from the transition.

Finally, we must manage **climate risks** for safeguarding and improving living standards, fighting inequality and protecting people. Building on the 2024 Communication on Managing Climate Risks, I will work on strengthening just resilience through the upcoming European Climate Adaptation Plan. Working with other Commissioners, I will look at the potential for EU level tools that can help decision-makers to bring information about climate risks into their democratic processes, to design just resilience and socially fair climate adaptation policies.

Question from the Committee on Transport and Tourism

13. President von der Leyen tasked the future Commissioner for Climate, Net Zero and Clean Growth to support the implementation of the existing climate legal framework for 2030, including upcoming reviews as well as ensuring sufficient investments into European net-zero infrastructure. How do you intend to contribute to the proper and timely implementation of the transport related legislation while ensuring a level playing field for European transport companies, the competitiveness of the European transport sector and high-quality and attractive jobs in Europe? What would be your strategy and timeline to ensure sufficient investments, including into net-zero technologies, fuels, recharging and refuelling infrastructure to decarbonise the transport sector?

Transport is the backbone of Europe's economy and an enabler of people mobility. The transport sector contributes around 5% to the EU's GDP and employs more than 10 million people. It directly facilitates growth in other sectors. Tourism – with Europe still the number one destination worldwide – depends on connectivity to help its 3.5 million enterprises and 20.4 million employees prosper.

Yet, transport also comes at a cost to our society and the environment. **Transport is the only major sector in the EU economy where emissions are still higher than in 1990,** due, to a large extent, to significant increase in transport demand. Delivering on the EU's net greenhouse gas emissions reduction target of at least 55% by 2030 and the climate-neutrality objective by 2050 calls for ambitious policies and action to ensure a swift and sufficient decrease in emissions from all sectors, including transport. As shown in the Impact Assessments for the 2040 and 2050 targets, emissions in transport need to be reduced by 90% by 2050, to reach climate neutrality. This transition towards zero-emission mobility – whether for people or goods - offers great opportunities for better quality of life through reduced pollution, and for European industry across the value chains to continue to innovate and create high-quality jobs. This is critical to strengthen our industries' competitiveness and help them pursue global leadership as other markets are moving fast towards zero-emission mobility. The green transition should be implemented in a manner that does not jeopardise and improves connectivity and affordable access to sustainable transport options for all EU citizens.

I will work closely with the Commissioner for Sustainable Transport and Tourism to deliver on the different aspects.

In this context, the EU has put in place a **comprehensive framework for the transition**, based on the polluter-pays-principle, and it is now essential to move forward with its implementation. As regards road transport, the CO_2 emission standards for vehicles set clear targets: a 100% emission reduction target for new cars and vans as well as urban buses registered in the EU from 2035 onwards, and a 90% emission reduction target for heavy-duty vehicles by 2040. Demand for zero-emission vehicles is rising globally, and it is therefore necessary to continue driving investments in technologies, infrastructure, skills and development of the new value chains, in order to strengthen the competitive position of EU industry in the global transition towards zero-emission mobility. In that respect, the stability and implementation of the CO_2 standards is crucial, as they provide a clear long-term predictability for rolling out the necessary investments required in the sector. As announced in the political guidelines and confirmed in my mission letter, a targeted amendment will be made to the regulation as part of the foreseen review, in order for efuels to play a role in the technologically neutral approach. In addition, the introduction of carbon pricing for road transport with ETS2 will complement the CO_2 standards (as well as other policies such as energy efficiency and renewable energy) with economic incentives for investments. We are ready to start the monitoring and reporting of emissions in January 2025. The Commission is providing support to the Member States to smooth start the system and to ensure uniform implementation across the EU.

The EU has also put in place supporting measures, including the Alternative Fuel Infrastructure Regulation and the Battery Regulation, which will ensure the deployment of the necessary recharging infrastructure for zero-emission vehicles across Europe, further increasing their attractiveness for EU citizens and businesses.

To ensure a level playing field for the EU industry, the Commission will also use trade defence instruments where justified, as it has done with the anti-subsidy measures on electric cars imported from China.

The increased role of **carbon pricing for aviation and its introduction for maritime transport** will improve the level playing field for decarbonised transport solutions in these sectors, which remain critical for these international sectors. This is why the EU ETS is based on equal treatment on routes for all airlines and is flag-neutral for maritime transport. Internationally, the Commission is working to raise ambition by strengthening the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and encouraging participation of third countries. At the same time, the EU ETS includes safeguards for the competitiveness of our airlines. The EU ETS is complemented by other measures to incentivise the decarbonisation of aviation, notably the ReFuelEU Aviation Regulation, the Alliance for Zero-Emission Aircraft, and the Renewable and Low-Carbon Fuels Value Chain Industrial Alliance.

For **maritime** transport, the FuelEU Maritime Regulation and the extension of the EU ETS to the maritime transport sector frame the sector's clean transition and present significant industrial and competitiveness opportunities for the full EU waterborne value chain. With this strong EU regulatory framework and measures in place to address evasion risk, the EU industry is well placed to become a leader in sustainable and digitally enhanced shipping. The Commission will continue to monitor the factors impacting the competitiveness of the sector as well as future opportunities and challenges linked to its energy transition. I will support the Commissioner for Sustainable Transport and Tourism in developing the maritime industrial strategy and will contribute to his work to achieve a comprehensive set of measures at the International Maritime Organisation (IMO) to decarbonise shipping by 2050.

The competitiveness of European transport companies depends on the availability of skilled and trained personnel. I will work with the Commissioner for Sustainable Transport and Tourism to address the current shortage of workers in the sector and respond to the challenges linked to re-skilling and upskilling of the workforce across transport modes. If confirmed, I will support the work with national authorities and relevant stakeholders to intensify their efforts in ensuring that the workforce has the necessary skills to also adapt to new technologies and innovation. I will also continue to support the work of the Pact for Skills large-scale partnerships on Automotive and on Shipbuilding and Maritime Technology. Programmes and funds such as the European Social Fund+ and the Recovery and Resilience Facility represent important opportunities.

The **EU ETS Innovation Fund** has played an important role in decarbonisation while maintaining competitiveness of the transport sector. For aviation, an additional incentive of 20 million ETS emission allowances was set up to accelerate the use of sustainable aviation fuels. For the shipping sector, 20 million ETS allowances are available to support investments in the sector until 2030. Investments in the production of sustainable alternative fuels, electric ferries, fleet renewal services to make existing ships more energy efficient or in the deployment of EU made wind propulsion assistance solutions, are good examples of a large potential to combine efficient climate action with industrial leadership. In addition to the ETS Innovation Fund, the Modernisation Fund, also financed by EU ETS revenues, may finance zero-emission mobility infrastructure in 13 lower-income Member States. ETS revenues can be used by Member States to invest in climate action in the transport sector. Some Member States are already using a significant share for it.

I will support the adoption of a comprehensive **Sustainable Transport Investment Pact** early on in the mandate, outlining a strategic approach to scale-up and prioritise investments in transport decarbonisation solutions - in particular for hard-to-abate sectors such as aviation and maritime and ensure access to cheap, sustainable and secure energy supplies. It is important to develop Europe-wide instruments to avoid a patchwork of national instruments that risks distorting the internal market or creating a subsidy competition between Member States.

Finally, clean modes of transport, such as rail, can provide alternatives for many journeys, for both passengers and goods and need to be better integrated into the transport system.

Question from the Subcommittee on Tax Matters

Tax Framework for the EU's Financial Sector

14. Your mission letter states that "you will identify innovative solutions for a coherent tax framework for the EU's financial sector". What specific changes to EU tax-policy will you propose to i) achieve the latter ii) increase private investment and reduce tax avoidance and evasion by companies and individuals iii) simplify the tax system to ensure the removal of tax obstacles to cross-border investment and to increase equity in business financing,

thereby accelerating the completion of the Capital Markets Union and iv) continue the reform of corporate taxation in the EU? How do you see the role of capital tax harmonisation in the context of the development of the Saving and Investments Union, as envisaged in the Letta report?

The financial sector plays a critical role in the economy. Beyond its material importance in creating jobs (4.9 million in 2023) and GDP (EUR 618 billion, roughly 4.3% of EU GDP in 2022), it collects savings and redirects them via the form of financing and investments going back to citizens and corporates. This role of intermediation is crucial, and the proper functioning of financial services is instrumental in having resilient economic growth via the efficient financing of our economies, including innovation. It is therefore an essential building block of European competitiveness. If confirmed as Commissioner, I will strive for taxation rules to be modernised to support the key functions that the financial system performs in the economy.

An important step was taken during the mandate of the previous Commission. The FASTER Directive (Faster and Safer Tax Excess Relief) in the area of withholding tax relief procedures was adopted by the Council. This is already a very important step in the right direction and a steppingstone for the European Savings and Investment Union, as envisaged in the political guidelines. FASTER will make it easier and quicker for investors to get their refunds on excess taxes withheld at source thereby avoiding double taxation. It also includes robust relief procedures for fighting against tax abuse for the benefit of investors, financial intermediaries and tax administrations. These standardised procedures will save investors an estimated EUR 5.17 billion per year.

However, more needs to be done. For this reason, I will aim to look comprehensively at the current tax framework and will propose reforms wherever they are needed. Much has been done on the regulatory side to tackle issues related to excessive risk taking from the financial sector and alleviating the consequences of the financial crisis. Going forward, it is equally important to ensure that tax rules applicable to the financial sector contribute to developing the EU Savings and Investment Union and enhance the competitiveness of the EU.

Tax rules applicable to the financial sector differ substantially across the Union, with numerous and diverse sector-specific taxes being applied by Member States, creating complexity and distortions in the Single Market. Businesses operating in the EU's financial sector are exposed to a patchwork of non-harmonised sectoral taxes, including Insurance Premium Taxes, financial institution levies, special payroll taxes and financial transaction taxes, on top of taxes applied to the entire economy such as corporate income taxes. In the EU, many financial services are exempt from VAT. This exemption, compulsory under the EU VAT Directive, has been in place for more than 40 years and is, in some respects, outdated. Indeed, the increasing integration of digital technologies into the financial industry and wider society is resulting in new services that did not exist when the current tax framework was adopted. This exemption is not leaving the financial sector undertaxed, as VAT is cost-neutral for businesses.

In light of this, if confirmed, I will make sure that the reflection on the appropriate rules for the taxation of the financial sector cover all aspects mentioned above, including VAT and whether national rules on sectoral taxes applied across EU Member States hinder cross-border operations and hamper digitalisation, competitiveness, and innovation in the Single Market. This is why an in-depth study has been launched to explore the matter. As this may imply changes to taxes that are currently entirely regulated at national level, it will require a broad reflection, involving Member States and the financial industry.

Realising the difficulties start-ups and scale-ups backed by venture capital or other forms of growth capital face in accessing funding sources within the EU, I am committed to exploring different options to incentivise investors to invest in innovative companies or activities taking into account global best practices.

Any new initiative or proposal will require thorough consultation, engagement with all stakeholders and an assessment of the various potential options. If confirmed as Commissioner, I will also engage with other Commissioners and Executive Vice-Presidents involved, as well as with the Parliament, Council and stakeholders.