Open public consultation concerning the review of ETS1

Fields marked with * are mandatory.

1
Introduction

Since the start of the operation of the EU Emissions Trading System (ETS) from 2005, the policy instrument has been a cornerstone of the EU's policy to combat climate change. It puts a cap and a price on emissions from the energy, industry, maritime sectors and aviation in Europe, which account for approximately 40% of the EU's total emissions.

ETS emissions for electricity, heat generation and industrial production are now around 47.6% below 2005 levels and well on track to achieve the 2030 target of -62%. The observed trend confirms the effectiveness and efficiency of the EU's cap and trade system as one of the main policy incentives for the decarbonisation of the European economy.

While in principle the ETS covers emissions from all flights landing in and departing from the European Economic Area (EEA), the EU has temporarily, until 2027, limited the scope to intra-EEA flights, in order to encourage the development of an effective global carbon pricing scheme by the International Civil Aviation Organization (ICAO).

The MSR Decision introduced the Market Stability Reserve starting in 2019. The MSR removes allowances from EU ETS auction volumes adding them to the reserve whenever the number of allowances in the market exceeds a fixed threshold. The MSR releases allowances back to the market in times of scarcity. In this way, the MSR aims at rebalancing supply and demand as well as making the carbon market more resilient to major shocks.

The ETS Directive was revised in 2023 as part of the 'Fit for '55' package, to enhance its environmental ambition and extend its coverage. Certain aspects of the ETS are subject to review to ensure that the EU ETS continues to contribute in the most cost-efficient manner to the overall goal of reaching economy-wide carbon neutrality by 2050 as set out in the 2040 communication, taking into account the need for all sectors to contribute to the EU climate efforts.

The ETS Directive and the MSR Decision are due for an evaluation following the "evaluate first" principle. According to this principle, initiatives must be evaluated before being subject to a revision. The evaluation will look at the ETS Directive's implementation (covering stationary installations, aviation and maritime transport, i.e. ETS1) since the amendments introduced by Directive (EU)2018/410, and at the Decision's implementation relating to the functioning of the MSR from when it started functioning in 2019 to the

present.

The purpose of the present stakeholder consultation is to gather stakeholders' views on the elements of the evaluation and the impact assessment. The questionnaire consists of three chapters:

1. a first part identifying the participant's profile,
2. a second part focusing on backward-looking questions relevant for the evaluation of certain aspects of the ETS and,
3. a third part on forward-looking looking questions that are relevant for the impact assessment of possible policy options.

You are invited to answer questions on the chapters and sections which are relevant to you.

2 About you

* 2.1 Language of my contribution

English

* 2.2 I am giving my contribution as

Company/business

* 2.3 First name

Kari

* 2.4 Surname

KANKAANPAA

* 2.5 Email (this won't be published)

kari.t.kankaanpaa@fortum.com

* 2.9 Organisation name

255 character(s) maximum

Fortum Corporation

* 2.10 Organisation size

Large (250 or more)

2.11 In which sector do you / your members operate?

Energy sector

2.12 Please provide a short description of your activities in the above-mentioned sectors

50 character(s) maximum

Energy generation and delivery in Nordic countries

2.13 Please indicate your main area of focus or your area of competence

50 character(s) maximum

Energy, climate, policy advocacy

2.14 Transparency register number

Check if your organisation is on the transparency register. It's a voluntary database for organisations seeking to influence EU decision-making.

03501997362-71

* 2.15 Country of origin

Please add your country of origin, or that of your organisation.

This list does not represent the official position of the European institutions with regard to the legal status or policy of the entities mentioned. It is a harmonisation of often divergent lists and practices.

Finland

The Commission will publish all contributions to this public consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **Fo r the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

* 2.17 **Contribution publication privacy settings**

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- **Anonymous**

  Only organisation details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

◉ **Public**

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

☑ I agree with the personal data protection provisions

3 About You - Supplementary

3.1 What is your primary role in relation to the EU ETS?

Installation operator

3.3 How many years of experience do you have with the EU ETS?

More than 6 years

3.4 Please state if the sector/industry you represent falls under the scope of the EU ETS for the surrendering of allowances:

Yes

3.5 How would you categorise your level of involvement in the EU ETS?

Participant with surrender obligation

3.7 How familiar are you with the overall objectives and mechanisms of the EU ETS and the Market Stability Reserve (MSR) within the EU ETS?

	To a very large extent	To a large extent	To some extent	To a small extent	Not at all	Do not know
EU ETS	◉	○	○	○	○	○
MSR	◉	○	○	○	○	○

4 Evaluation

This section of the questionnaire focuses on the ETS1 implementation since the amendments introduced by Directive (EU)2018/410 and at the MSR Decision's implementation from 2019 to the present.

The implementation of new rules introduced in the review of the EU ETS that entered into force on 5 June 2023 is not part of the scope of the evaluation. This includes the new emissions trading system covering

CO2 emissions from fuel combustion in buildings, road transport and small industry (ETS2), which will start operating in 2027. Furthermore, any assessment of the feasibility of integrating the sectors under ETS2 into the ETS1 is also excluded as it is subject to a review clause due in 2031.

This part of the questionnaire aims to identify strengths, weaknesses and areas for improvement based on real-world outcomes and stakeholder experiences. The evaluation criteria will focus on the effectiveness, efficiency, coherence, relevance, and EU added value of the ETS Directive and MSR Decision.

4.1 Effectiveness

Effectiveness considers how successful EU action has been in achieving or progressing towards its objectives.

4.1.1 How effective do you think the ETS Directive has been in achieving its objective to reduce greenhouse gas emissions?

Very effective

4.1.2 How effective are current measures (free allocation and indirect cost compensation) in protecting against carbon leakage in non-CBAM sectors?

Very effective

4.1.3 How effective has the MSR Decision been in achieving its two main objectives?

	Very effective	Moderately effective	Slightly effective	Not effective	Do not know
Addressing the structural surplus of allowances that had accumulated in the EU ETS since 2009	◉	○	○	○	○
Improving the system's resilience to major shocks (by adjusting the supply of allowances to be auctioned)	○	○	◉	○	○

4.1.4 What feature of the MSR contributed most to its effectiveness so far?

The MSR reduced auction volumes in the EU ETS

4.1.5 Please provide specific examples or evidence to support your assessment of effectiveness of the ETS Directive and MSR Decision

1000 character(s) maximum

The performance figures speak for themselves: ETS has been effective and efficient, it has reduced emissions in its sectors by 50% since 2005 until end of 2024 whereas emissions in non-ETS sectors have declined by 20%. This demonstrates the ETS system's capacity to incentivize cleaner production methods and technologies.

Free allocation and indirect costs compensation have proved effective in mitigating the carbon leakage risk to a large extent (ref. Eurofer 2021).

MSR has been an effective adjustment tool to balance the supply and demand of allowances. After MSR was introduced, the total number of allowances in circulation (TNAC) decreased accordingly and allowance prices went up. Evidence of its effectiveness can be seen in the allowance prices, which increased from around €5 per tonne in 2017 to over €30 in 2021 and currently >€60. This price increase has reinforced the incentive to reduce emissions and invest in cleaner technologies.

4.2 Efficiency

Efficiency considers the resources used by an intervention for the given changes generated by the intervention.

4.2.1 How would you rate the efficiency of the ETS Directive in terms of achieving its objectives in a cost-effective manner? In your response, please consider the extent to which the costs involved in the implementation of the EU ETS have been justified and proportionate to the benefits it generated.

Very efficient

4.2.2 How would you rate the efficiency of the ETS Directive in terms of administrative burden?

Slightly efficient

4.2.3 Please provide suggestions for improving the efficiency of the ETS in terms of administrative burden / regulatory costs

1000 character(s) maximum

ETS has resulted in cost-efficient emission reductions, because due to its flexibility the operators have been able to choose between emission reduction measures and surrender of allowances, depending on which one is most suitable for them. The reduction of ETS emissions has been largely driven by the power sector, where the cost of abatement technologies has been the lowest.

Administrative burden has remained moderate. However, there are differences in MRV transaction costs depending on the type and size of companies and between member states. MRV requirements should be eased.

Administrative burden could be reduced by having all new requirements regarding reporting period ready and communicated before the year ends. In the past, there have been last-minute changes in the reporting forms for the previous year - then, ETS operators, consultants and verifiers are very busy and there is a risk of not meeting deadlines. The March deadline for MRV should be extended to later spring.

4.2.4 Please provide suggestions for potential simplification measures as regards the EU ETS, which could be envisaged without negatively affect the achievement of its objectives

1000 character(s) maximum

EU ETS is a complicated system and regulation, where simplification is desired. We encourage the Commission to make a benchmark study regarding how the system operates in various member states and which are the national differences and challences for the ETS operators.

The method to define the final supply of allowances is utterly complicated. The basic set-up with free allocation, auctions, and several specific funds is already complex, but on top of these there are numerous exceptions, derogations, conditionalities etc. Simplifying the allowance supply process would make the system more appealing and easier to approach, plus would decrease the uncertainties.

In addition, it would be important to provide longer-term visibility and certainty. The current situation where the operators, in 2025, do not yet know free allocation levels in 2026, or have very little information about the ETS setup after 2030, makes the system difficult to navigate and participate.

4.2.5 How would you rate the efficiency of the MSR Decision in terms of achieving its objectives in a cost-effective manner?

Very efficient

4.3 Relevance

Relevance looks at the relationship between the needs and problems at the time of introducing the intervention and during its implementation, as well as the relationship between the current and future needs and problems in the EU and the objectives of the intervention.

4.3.1 To what extent do the needs/problems addressed by the EU ETS Directive (cost-effective emissions reductions in the covered sectors to support the EU climate targets) continue to require action at EU level?

To a very large extent

4.3.2 To what extent is the MSR Decision still relevant for improving market resilience of the EU ETS?

To a very large extent

4.4 Coherence

Coherence means how well (or not) different interventions, EU/international policies or national/regional /local policy elements work together. At EU level, other policies with an interplay with the EU ETS Directive include the Renewable Energy Directive, the Energy Efficiency Directive, and the Industrial Emissions Directive. At international level, relevant measures include for example the Paris Agreement and ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

4.4.1 How coherent do you find the ETS Directive and MSR Decision with other EU policies and international climate agreements

To a large extent

4.4.2 Please provide suggestions for improving coherence

1000 character(s) maximum

The EU ETS interacts with other instruments, which lead to a direct or indirect change in emissions. Today's EU climate policy mix, consisting of the EU ETS and overlapping policies, is incoherent with respect to emission abatement and cost-effectiveness. Coherence of policies could be improved by a mechanism to deal with the overlap in a structured and predictable manner: adjusting the ETS for future policy overlaps rather than seeking to retroactively correcting for the surplus of allowances.

ETS reporting, implementation & revision deadlines should be aligned with other major EU energy and climate policies (i.e. RED, EED, Climate Law).

Global action to drive emission trading systems should be increased, and their gradual linking to the EU ETS should be assessed.

4.5 EU Added Value

EU Added Value considers whether the results of the ETS and the MSR operation could have been achieved without EU intervention, i.e. via national actions by the Member States. Under the principle of subsidiarity (Article 5 Treaty on European Union), and in areas of non-exclusive competence, the EU should only act when the objectives can be better achieved by Union action rather than action by the Member States.

4.5.1 In your opinion, what is the value added of the EU ETS and MSR as instruments aimed at reducing greenhouse gas emissions in the EU?

Very high

4.5.2 Please provide an explanation to support your view, in particular explaining which particular elements of the ETS you would signal out in terms of adding value or not adding value

1000 character(s) maximum

The EU as a single market area needs common policies and tools in climate action. EU ETS has established a European carbon price and market that adds value and harmonises the approach to climate change mitigation. The European-wide, market-based approach guarantees that the emission abatement is done cost-effectively. The key elements of the ETS are the decreasing emission cap, MSR taking care of the surplus and tradability of EUAs.

Elements adding value to the EU ETS include its market-based nature as well as the fact that this system provides a meaningful, long-term carbon price signal. Since 2013, the EU ETS has raised over €175 billion and has been a concrete enabler of decarbonisation in the EU.

However, also negative elements arise. ETS has been used as a funding mechanism for e.g. RepowerEU and this was counterproductive and undermined the credibility and functioning of the system. We advocate for minimal market distortions and to limit ad-hoc political interventions.

5 Impact assessment

The impact assessment will explore a number of options compared to the baseline (i.e. continued application of the current ETS Directive), including on:

- The geographical scope of ETS application to flights outside Europe: departing/ arriving flights other than those within the European Economic Area, to Switzerland or the UK;
- Changes to the ETS rules applicable to maritime transport with the objectives to avoid significant double burden on maritime operators and environmental backsliding in case the International Maritime Organization adopts a GHG pricing mechanism, to consider the inclusion of emissions from smaller ships into the ETS as well as measures to ensure the effective implementation of the system and to address possible evasion/circumvention trends and measures to further simplify and improve the system were possible;
- The design of measures to address the risk of carbon leakage for emissions not covered by CBAM post 2030;
- The parameters for the operation of the MSR in addition to other elements of the design of the MSR;
- The potential inclusion of carbon removals into the ETS, covering the scope, the criteria for any such trading, and the safeguards to ensure that carbon removals do not reduce the incentive to reduce emissions;
- The treatment of the capture and use of carbon in non-permanent applications, in a manner that all greenhouse gas emissions are effectively accounted for and double counting is effectively avoided;
- The inclusion of municipal waste incineration installations and of other waste management processes, in particular landfills;
- The potential inclusion of installations with total rated thermal capacity below 20MW into the ETS;
- The potential linkage of ETS market with other international carbon markets.

The initiative will also examine how to maximise the climate benefit of the use of ETS revenues.

This part of the questionnaire will aim to gather stakeholders' views on these elements.

5.1 Aviation emission

Based on the Climate Law and the Paris Agreement, all sectors of the economy, including aviation, have to contribute to reduce emissions. Currently transport accounts for around 30% of the EU's greenhouse gas emissions, with emissions nearly 30% above 1990 levels (Source: Figure 77, Annex 8, Climate Target Plan and underlying data). Aviation's share of EU transport emissions today is around 10%, by 2050 aviation's share is expected to grow to around 90%. Long-haul flights fuel this growth. Globally, the International Civil Aviation Organization (ICAO) projects international aviation emissions will continue to grow.

The EU ETS Directive applies to aviation since 2012 and was last revised in 2023 to prolong the scope derogation one last time until the end of 2026. Internationally, ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) aims to offset emissions above a baseline through cancellations of international credits or the use of CORSIA eligible fuels. CORSIA participation is voluntary for countries since 2021. As of 2024, 126 States participate in CORSIA, while the scheme should become mandatory for countries with aviation activity above the threshold from 2027. Co-legislators have tasked the Commission to report on the geographical scope of application of the EU ETS to aviation, including a proposal as appropriate. In brief, the approaches envisaged in the Directive are:

- In the absence of a revision of the ETS Directive, from January 2027 the EU ETS will cover in addition to its current scope also flights departing from the EEA and arriving to other airports in third countries and, if not exempted through delegated acts (I.e. exercising the empowerment in Article 25a of the EU ETS Directive), incoming flights from third countries (With certain exemptions: Least Developed Countries and Small Island Developing States with a GDP lower than the EU's). All flights covered by the ETS, including long-haul, could request ETS-financed support for eligible sustainable aviation fuels.
- The EU ETS may be revised to maintain the current scope. The EU ETS would be applied exclusively on intra-European flights and departing flights to Switzerland and the UK, and CORSIA on extra-European international flights.
- The EU ETS may be revised to extend the scope to departing extra-European international flights (Intra-European flights as well as departing flights to the UK and Switzerland will remain under the EU ETS, as is the case today) and airlines could deduct any cost of CORSIA offsetting. Arriving flights would be covered by CORSIA (above the baseline) and any measures of the third country. This would mirror the approach taken for international maritime, and take into account CORSIA. All flights covered by the ETS, including departing long-haul flights, could request ETS-financed support for eligible sustainable aviation fuels.

5.1.1 How does action by the aviation sector measure up against its responsibility under the European Climate Law and the Paris Agreement? What level of effort to fight climate change should the aviation sector contribute and how should this develop over time? The aviation sector's level of action is…

- More than sufficient (on track to exceed targets)
- Sufficient (on track to meet targets)
- Somewhat sufficient (clearly better than business as usual, but unlikely to meet targets)
- Not sufficient at all (business as usual or only slightly better)
- Do not know

5.1.2 You are invited to substantiate with evidence

1000 character(s) maximum

Global aviation’s climate efforts are highly insufficient, falling well short of what’s needed under the Paris Agreement and EU Climate Law. Emissions have rebounded post-COVID and are on a rising trajectory, whereas a 1.5°C-aligned path requires steep cuts. Independent assessments show the sector is far from Paris-compliance: the Transition Pathway Initiative finds no major airline on track for a 1.5°C or even below-2°C pathway by 2050 . The IEA deems aviation “not on track” for net-zero , and Climate Action Tracker rates it “critically insufficient,” compatible with >3°C warming . Current measures – modest efficiency gains, minimal use of sustainable fuels, and offset schemes like CORSIA – amount to only slight improvements over business-as-usual. In conclusion, the aviation sector’s climate action is not sufficient at all, with a substantial gap between its trajectory and its fair-share responsibility under Paris and EU climate goals.

5.1.3 Does the current approach to international flights outside Europe adequately address emissions from these flights?

No

5.1.4 You are invited to substantiate with evidence

1000 character(s) maximum

5.1.5 The impact assessment will also consider other issues related to aviation emissions. How would you rate the priority of the EU addressing these issues?

- Consideration of environmental and climate impacts of flights of less than 1000km, including but not limited to increased SAF use
- Consideration of the environmental and climate impacts of flights performed ‘private/ business jets’, i.e. as defined in the ETS Directive: flights performed by operators exempted pursuant to point (h) or (k) of the entry ‘Aviation’ of the column ‘Activities’ in the table of Annex I
- Consideration of social and labour market impacts of the ETS Directive in the aviation sector
- Consideration of air connectivity of islands and remote territories taking into account competitiveness and carbon leakage
- The ETS-financed SAF support for the uptake of eligible fuels for flights covered by the ETS carbon price started in 2024 Consideration of first experience and feedback is welcome (e.g. what it supports, who can benefit, level of support, timing, available allowances, type of support mechanism)

	Top priority	Highly important	Moderately important	Somewhat important	Least important	Not important at all	Do not know
Flights of less than 1000km	◉	○	○	○	○	○	○
“Private/ business jets”	◉	○	○	○	○	○	○
Social, and labour market impacts	○	○	○	◉	○	○	○

Connectivity, competitiveness, carbon leakage	○	○	○	◉	○	○	○
ETS support for eligible fuels	◉	○	○	○	○	○	○

5.1.6 You are invited to substantiate with evidence

1000 character(s) maximum

SAF offers 70–90% CO_2 savings but costs 1.5–6× more than jet kerosene. The EU ETS can bridge this gap by raising kerosene's price (via carbon cost) and funding SAF's premium. EU already uses ETS revenue to support SAF: ~20 million allowances (~€1.6 B) cover SAF's extra cost on qualifying flights. To further narrow the SAF–kerosene price gap, ETS incentives could be enhanced (e.g. higher carbon prices or more SAF-specific credits) alongside SAF blending mandates and tax breaks .

Business jets emit 5–14× more CO_2 per passenger than commercial flights. Their wealthy users can absorb SAF's premium. ETS-funded SAF subsidies or mandates for private/business flights would cut these outsized emissions.

Targeted ETS reforms (strong carbon prices + SAF credits) and mandates for high-end air travel can make SAF cost-competitive where it matters most, driving deep emission cuts in line with EU climate goals.

5.1.7 Outermost regions: In your view, do you think the ETS aviation rules are effectively reflecting the challenges faced by outermost regions? You are invited to substantiate with evidence.

1000 character(s) maximum

5.1.8 Simplification: The Commission is constantly striving to improve the legislative framework, while maintaining the quality of the results. Without affecting the environmental integrity of the ETS as it applies to aviation, would you have any indications for areas for simplification of the Directive?

1000 character(s) maximum

5.2 Maritime emission

While maritime transport plays an essential role in the EU economy and is one of the most energy-efficient modes of transport, it represents 3 to 4% of the EU's total CO2 emissions, or over 126 million tonnes CO2 in 2023.

Since January 2024, the EU ETS covers also the maritime transport sector and more specifically, CO2 emissions from all large ships (of ≥5 000 gross tonnage) calling at EU ports, regardless of the flag they fly and following a route-based approach which covers:

- 100% of emissions that occur between two EU ports and when ships are within EU ports;
- 50% of emissions from voyages starting or ending outside of the EU (allowing the third country to decide on appropriate action for the remaining share of emissions).

The EU ETS extension to maritime transport is part of a broader basket of measures adopted by the European Union to ensure that the sector contributes to the increased EU climate effort and to the Paris Agreement commitments, alongside continuing to push for global action at the International Maritime Organization:

- The ETS Directive as revised in 2023 includes a specific review clause (Article 3gg) in relation to maritime activities. The aim is notably to assess the carbon pricing mechanism to be possibly adopted at the International Maritime Organization (IMO) in 2025 and review the ETS accordingly with the objective to avoid significant double burden on maritime operators and environmental backsliding;
- consider extending the EU ETS to emissions from smaller ships (i.e. the ones below 5 000 gross tonnage but not below 400 gross tonnage), including offshore ships;
- monitor the implementation of the recent EU ETS extension to maritime transport and consider legislative improvements to ensure its effective implementation and to address possible evasion /circumvention trends;
- simplify and improve the system where possible (e.g. coherence with other EU legislations in relation to biomass treatment and in particular the zero-rating of RED-compliant first generation-biomass, promoting the uptake of renewable and low-carbon maritime fuels on a lifecycle basis, streamlining monitoring, reporting and verification rules).

5.2.1 Coherence with a possible global market-based measure at IMO

5.2.1.1 In the event of the adoption by the IMO of a global market-based measure to reduce greenhouse gas emissions from maritime transport, please provide your views on coherence with international developments and suggestions on how to avoid any significant double burden, taking into account the need of preserving the environmental integrity and effectiveness of the EU climate action, the EU climate goals and its international commitments and EU competitiveness

1000 character(s) maximum

5.2.2 ETS maritime scope extension

5.2.2.1 Do you support extending the scope of EU ETS Maritime provisions to cover emissions from smaller ships (i.e. the ones below 5 000 gross tonnage but not below 400 gross tonnage, including offshore ships)

- Strongly agree
- Rather agree
- Neutral
- Rather disagree
- Strongly disagree
- Do not know

5.2.3 Ensuring the effective implementation of the ETS maritime rules and addressing possible risk of evasion/circumvention

5.2.3.1 Are the current measures effective in preventing shipping companies to evade the requirements of the EU ETS Directive?

- Strongly agree
- Rather agree
- Neutral

- Rather disagree
- Strongly disagree
- Do not know

5.2.3.3 In your view, do you think the ETS maritime rules are effectively reflecting the challenges faced by islands and remote territories, including outermost regions, where shipping services constitute essential services of territorial continuity?

- Strongly agree
- Rather agree
- Neutral
- Rather disagree
- Strongly disagree
- Do not know

5.2.4 Coherence with other EU legislations and possible simplification

5.2.4.1 Do you think the administrative costs linked to the implementation of the ETS extension to maritime transport are proportionate and reasonable?

- Strongly agree
- Rather agree
- Neutral
- Rather disagree
- Strongly disagree
- Do not know

5.2.4.3 Do you think the ETS should further incentivise the uptake of renewable and low-carbon maritime fuels based on Well-to-Wake emissions, taking into account the impacts of energy production, transport, distribution and use on board

- Strongly agree
- Rather agree
- Neutral
- Rather disagree
- Strongly disagree
- Do not know

5.3 Stationary installation

5.3.1 The Commission is constantly striving to improve the legislative framework, while maintaining the quality of the results. Without affecting the environmental integrity of the ETS as it applies to stationary installations, would you have any indications for areas for simplification of the Directive

1000 character(s) maximum

Predictability of the rules is crucial for the ETS operators and market participants. Making the free allocation rules including the benchmarks more predictable for the next years and decades would be beneficial. Apparently there is also room to simplify the calculation of the supply of allowances (see question 4.2.4)

The Directive includes several processes for the ETS operators, including the emission permits, surrender of emission allowances and MRV procedures. We encourage the Commission to make a benchmark study to find out the main challenges in these procedures in member states and based on that identify areas for simplification.

Article 29a and MSR rules should be simplified to better manage price shocks.

5.3.1 Measures to address the risk of carbon leakage for emissions not covered by CBAM sector

The introduction of the CBAM is intended to address the risk of carbon leakage in certain sectors. In these sectors, free allocation of ETS allowances will be phased out gradually from 2026 as CBAM is phased in. From 2034 CBAM sectors will not receive free allocation. It may therefore be necessary to consider what carbon leakage protection measures may be needed after 2030 for emissions not covered by CBAM.

5.3.1.1 If free allocation is continued beyond 2030 for sectors not covered by CBAM, should the future provision of free allocation be based upon

Maximum 3 selection(s)

- [ ] The same carbon leakage list as previously applied in Phase IV (2021-2030)
- [ ] An updated carbon leakage list
- [ ] Providing free allocation on the basis of an updated benchmark methodology
- [x] Making free allocation conditional on taking steps towards carbon neutrality (the 2023 revision of the ETS Directive already introduces new conditions based on emission intensity from 2026)
- [ ] Other
- [ ] Do not know

5.3.1.2 Please specify

300 character(s) maximum

5.3.1.3 Do you think indirect cost compensation will remain necessary after 2030 to protect against the risk of carbon leakage resulting from carbon costs passed on in electricity prices (in sectors where indirect emissions are not covered by CBAM)?

- ○ Yes, the current approach based on State aid should be maintained
- ◉ Yes, but the system for compensating indirect carbon costs should be harmonised at EU-level
- ○ No, indirect cost compensation should be phased out
- ○ Other views
- ○ Do not know

5.4 Revenue use

The sale of allowances in the EU ETS auctions raises a substantial revenue for Member States to support climate action and energy transformation. In 2023, the total auction revenue amounted to EUR 43.6 billion. Of this, EUR 33 billion went directly to the Member States and EUR 0.3 billion went to Iceland, Liechtenstein, Norway and Northern Ireland. EUR 7.4 billion supplied the ETS Innovation Fund and the ETS Modernisation Fund, and the remaining EUR 2.8 billion supplied the Recovery and Resilience Fund, which Member States use to advance the clean energy transition and boost energy security – by implementing the reforms and investments included to their resilience and recovery plans.

Under Article 10(3) of the ETS Directive, since June 2023 Member States are obliged to use 100% of the revenue collected (or an equivalent financial value) to support climate action and energy transformation, except for any revenue that Member States spend in aid for electricity-intensive industries for indirect carbon costs. The specific purposes are listed in Article 10(3) and include industrial decarbonisation, energy transformation, clean tech technologies, adaptation to climate change, international climate finance, decarbonisation of the transport sector including public transport and mobility, actions for just transition and social support, and administrative expenses of managing the EU ETS.

5.4.1 In your view, what should be the most important uses of ETS1 auction revenues in the future?

Use drag&drop or the up/down buttons to change the order or accept the initial order.

- ⠿ Decarbonisation of industrial installations
- ⠿ Development of a clean energy system
- ⠿ Development of innovative clean technologies
- ⠿ Upscaling clean technologies
- ⠿ Energy efficiency
- ⠿ Development of renewable energy sources
- ⠿ Climate adaptation

- Decarbonisation of maritime transport
- Decarbonisation of aviation
- Social support and just transition
- International purposes and international climate finance
- Public transport and mobility (rail, bus, metro, tram, micro-mobility)

5.4.2 Do you think that there is sufficient transparency on how Member States use the revenues generated through the EU ETS?

Rather disagree

5.4.3 Please explain what should be done to increase transparency (if anything)

1000 character(s) maximum

Revenues from EU ETS auctions are an increasing source of income for Member States. ETS Directive specifies relatively clearly how the revenues have to be used. Member States reported having disbursed 72% of the year's revenue for energy and climate purposes in 2023.

However, the definition of acceptable uses of the revenues is very broad. Climate-related activities are defined as any activities aimed e.g. at reducing emissions, avoiding deforestation, fostering renewables and energy efficiency, scaling up cleaner technologies, as well as deploying CCS and carbon removals, but nuclear energy should also be eligible.

Reporting by member states is not very transparent regarding the specific uses of the revenues and there are inconsistencies in Member States' reporting. Introducing an annual reporting requirement on the use of ETS revenues would enhance transparency and accountability.

5.4.4 Do you think support via the Modernisation Fund will remain necessary in the future?

Rather agree

5.4.5 If so, do you think the current scope of the Modernisation Fund is sufficient to address the decarbonisation challenges in lower-income Member States?

- ○ Yes, the current scope should be maintained
- ◉ No, the scope should be extended
- ○ I do not know

5.4.6 Please specify

300 character(s) maximum

The Modernization Fund is highly needed for example in the further decarbonisation of the Polish energy system and it includes a wide range of financing. The scope of the Fund should be expanded to biomass in addition to other permitted renewable energy sources.

5.4.7 Do you think support via the Innovation Fund will remain necessary in the future to support decarbonisation in any of the sectors not covered by the new Industrial Decarbonisation Bank?

Rather agree

5.4.8 Please substantiate your reply, in particular indicating which features of the current Innovation Fund should be maintained, strengthened, modified or removed?

1000 character(s) maximum

Broader technology coverage is needed: technology-neutral approach that includes both breakthrough innovation & early-stage commercial solutions particularly for industrial electrification (e.g., heat pumps, electric boilers)

5.5 New Industrial Decarbonisation support

While the EU carbon price already provides an incentive to invest in industrial decarbonisation, many of the investments needed currently have higher abatement costs than the prevailing carbon price. That’s why the Clean Industrial Deal fosters competitive industries and quality jobs notably by channelling investments into energy-intensive sectors and clean technologies and ensuring access to affordable energy supplies and raw materials.

Considering that this also requires instruments that provide public financial support in an adequately targeted manner and designed to meet the needs of the market, the Commission announced the creation of an Industrial Decarbonisation Bank to mobilise over €100 billion in funding, based on available funds in the Innovation Fund, additional revenues resulting from parts of the EU ETS as well as the revision of InvestEU. It should help to decarbonise at scale energy intensive industries, to harness competitive advantages across the EU vis-à-vis global competition and to prevent carbon leakage, de-industrialisation and new strategic dependencies.

The Industrial Decarbonisation Bank will maximise emission reductions. It will use ETS allowances reserved for this purpose as part of the architecture of the EU ETS to support projects with carbon emission reduction as a metric to enable technology-neutral support across industrial sectors, including through carbon contracts for difference. It will be designed to ensure a competitive selection and a fair distribution of support across Member States. It will complement the ETS price signal and help bridge the funding gap in

both capital and operational expenditures. The Innovation Fund and other support mechanisms developed under the EU ETS already provide examples of best practices to build upon.

5.5.1 Do you support the creation of an Industrial Decarbonisation Bank to support industrial decarbonisation efforts?

- (●) Yes
- ( ) No
- ( ) I don’t know

5.5.2 What type of instruments would best support the business case for industrial decarbonisation?

- ( ) Fixed premia support for specific products (e. g. Hydrogen Bank auction)
- ( ) Carbon contracts for difference
- ( ) Grants
- ( ) Promotional loans
- ( ) Production tax credits
- ( ) Blending
- (●) Other

5.5.3 Please specify

300 character(s) maximum

CCFD: This model reduces the risk of CO2 price volatility and allows for long-term financial planning.
Grants: de-risk the high upfront costs of the investments
Promotional loans: if funding gap stays too high, the loans would facilitate the financial plan of the project

5.5.4 Do you support additional national resources complementing European-level funding instruments, e.g. through “as-a-service” features?

- ( ) Yes
- (●) No
- ( ) I don’t know

5.5.6 In your view, what should be the balance between EU-level competition (funding the most cost-effective projects in the EU single market; focus on the EU’s global competitiveness) and geographical balance (quotas based on location)?

- (●) EU-level competition should prevail over geographical balance
- ( ) Geographical balance should prevail over EU-level competition
- ( ) Other

5.6 Market Stability Reserve (MSR)

The Market Stability Reserve started operating in 2019. It is a rule-based tool aimed at addressing the surplus of allowances that had accumulated in the EU ETS since 2009, as well as at improving the system's resilience to major shocks by adjusting the supply of allowances to be auctioned. Each year, the Commission publishes the total number of allowances in circulation (TNAC) in the previous year. When this indicator is above 833 million, allowances are withdrawn from the auction volume and placed in the reserve. The MSR intake is either at a rate of 24% of the TNAC, or the difference between the TNAC and 833 million when the TNAC is between 833 and 1 096 million allowances (in order to mitigate threshold effects). If the total number of allowances in circulation is less than 400 million, 100 million allowances are released from the reserve and auctioned. Allowances are either placed in or released from the reserve over the course of 12 months, by reducing or increasing the auction volumes on the primary market for allowances. Allowances in the reserve above 400 million are invalidated on 1 January every year.

So far, the MSR has reduced the structural surplus in the EU ETS. The TNAC in 2023 amounted to 1 112 million allowances. A decreasing market size of available allowances under the EU ETS, intrinsic to the system design (i.e. declining cap) leaves the question about the future role of the MSR: are the original problems still relevant and which potential future problems might it need to address.

5.6.1 Going forward, what should the MSR achieve to ensure the proper functioning of the EU ETS?

- (●) The MSR should continue to tackle the surplus in the market
- ( ) The MSR should serve as mechanism to increase market liquidity
- ( ) The MSR should be strengthened to prevent excessive EU ETS price volatility
- ( ) None of the above
- ( ) Other
- ( ) I don't know

5.6.3 What changes to the MSR would you propose?

Maximum 3 selection(s)

- [ ] Fixed thresholds for MSR intake (833 million allowances) and/or release (400 million allowances) need to be adjusted downwards
- [ ] Fixed thresholds for MSR intake (833 million allowances) and/or release (400 million allowances) need to be adjusted upwards
- [x] Intake and/or release thresholds should be dynamic, i.e. reflect market conditions at a specific point in time
- [x] A buffer should be added also for the release threshold, similarly to that for the intake threshold, in order to address potential threshold effects related to releases
- [ ] Intake rate should be kept at 24% beyond 2030
- [ ] Intake rate should revert to 12% after 2030

- [x] The response time of the MSR should be decreased from annual supply adjustments to adjustments with higher frequency
- [ ] The invalidation rule for holdings in the reserve above 400 million allowances needs to be adjusted
- [ ] The MSR should remain as it is
- [ ] Other
- [ ] Do not know

5.7 New technologies

5.7.1 Carbon Removals

Article 30(5) of the ETS Directive requires that the Commission report on how negative emissions resulting from GHG emissions that are removed from the atmosphere and safely and permanently stored (also called 'carbon dioxide removals', or 'CDR') (such as from biogenic emissions coupled with carbon capture and storage, BECCS, or direct air capture and storage, DACCS) could be accounted for and how those negative emissions could be covered, if appropriate, by emissions trading. This consideration needs to include (a) a clear scope, (b) strict criteria, and (c) safeguards to ensure that carbon removals do not reduce the incentive to reduce emissions as required by the EU Climate Law.

The Carbon Removal and Carbon Farming (CRCF) Regulation of 27 November 2024, which aims to create an EU-wide voluntary framework for certifying different types of carbon removal activities across Europe, including permanent carbon removals and temporary removals including via carbon farming and carbon storage in products. Certified units will be issued for carbon removal activities that take place within the EU.

The EU ETS currently regulates direct emissions to stimulate reductions, with a shrinking cap expected to result in no new allowances by 2045 based on the yearly reduction of the cap in application of the linear reduction factor to the current scope of the EU ETS. A shrinking cap may impact the functioning of the carbon market, in particular with lower liquidity (possibility to quickly buy allowances) making the market more liable to price spikes. Moreover, emissions reductions in regulated sectors may be more challenging to achieve in the next period if the majority of emissions that remain in the system are increasingly those that are hardest to abate, leading to an interest in considering alternative means of achieving EU GHG targets. Allowing EU ETS regulated entities to use removal units towards their EU ETS compliance could address some of these concerns, but is also subject to important challenges, such as ensuring that carbon removals do not reduce the incentive to reduce emissions as required by the EU Climate Law. At the same time, allowing use of removals under the EU ETS could provide regulatory clarity and incentivize investments in carbon removals.

The following questions on the potential inclusion of carbon removals in the EU ETS do not preclude complementary or alternative policies from being developed for the scaling up carbon removals.

5.7.1.1 With regards to the possible use of CRCF removal units* by EU ETS regulated entities towards their compliance obligations, please indicate whether you agree or disagree with the following options:

	Strongly agree	Somewhat agree	Neutral	Somewhat disagree	Strongly disagree	Do not know
Removals certified under the CRCF should NOT be allowed for use by EU ETS regulated entities towards their compliance obligations	○	○	○	○	◉	○

5.7.1.2 With regards to the possible use of CRCF removal units* by EU ETS regulated entities towards their compliance obligations, please indicate whether you agree or disagree with the following options:

	Strongly agree	Somewhat agree	Neutral	Somewhat disagree	Strongly disagree	Do not know
Removals certified under the CRCF should NOT be allowed for use by EU ETS regulated entities towards their compliance obligations	○	○	○	○	◉	○
Permanent removals** certified under the CRCF should be allowed for use by EU ETS regulated entities towards their ETS compliance obligations	◉	○	○	○	○	○
Temporary removals*** certified under CRCF should be allowed for use by EU ETS regulated entities towards their ETS compliance obligations	◉	○	○	○	○	○
CRCF removals should be acquired by a central agency and inserted into the EU ETS under specific conditions	◉	○	○	○	○	○
EU ETS regulated entities should be allowed to purchase CRCF removals directly from removal suppliers and use them to fulfil surrender obligations	○	○	○	○	◉	○

EU ETS installations should be allowed to deduct from their compliance obligations any removals generated from their own activities, i.e. an ETS installation is able to obtain negative emissions by capturing and storing any of its emissions which are rated zero, without having to obtain a CRCF credit.	○	◉	○	○	○	○
The use of CRCF removals by ETS regulated entities should not be unlimited, but subject to restrictions	○	◉	○	○	○	○
The use of CRCF removals by EU ETS regulated entities should be phased in slowly over time	○	◉	○	○	○	○
There should be a limit on gross emissions by EU ETS regulated entities (not only net ones)	○	○	○	○	○	◉

* The CRCF certifies the following activities which are defined as one or more practices or processes carried out by an operator, or a group of operators, resulting in (i) a permanent carbon removal, (ii) a temporary carbon removal through carbon farming or through carbon storage in products, (iii) or soil emission reductions through carbon farming where such carbon farming, overall, reduces the emissions of carbon from soil carbon pools or increases carbon removals in biogenic carbon pools.

** The CRCF defines ‘permanent carbon removal’ as any practice or process that, under normal circumstances and using appropriate management practices, captures and stores atmospheric or biogenic carbon for several centuries, including permanently chemically bound carbon in products, and which is not combined with enhanced hydrocarbon recovery;

*** The CRCF certifies the activity resulting in temporary carbon removal through carbon farming or through carbon storage in products. These are defined as follows:

- ‘carbon farming’ means any practice or process carried out over an activity period of at least five years, related to the management of a terrestrial or coastal environment and resulting in the capture and temporary storage of atmospheric or biogenic carbon in biogenic carbon pools, or in the reduction of soil emissions;
- ‘carbon storage in products’ means any practice or process that captures and stores atmospheric or biogenic carbon for at least 35 years in long-lasting products, allows on-site monitoring of the carbon stored and is certified throughout the monitoring period;

5.7.1.3 Please provide explanation or examples to support your view.

1000 character(s) maximum

Both permanent and temporary technological carbon removals should be priced through ETS1 and ETS2. They leverage private capital for investments and are well functioning instruments for market participants. However, there should be an assessment of the potential impact of removals and associated credits on the ETS. Also, standard requirements for carbon removals are needed (on MRV, removal duration, baseline and additionality) before the integration.

Integrating carbon removals into the ETS could be a win-win situation. It could enable continuation of the ETS as a liquid and robust system and at the same time create an incentive for further development of removals.
In the beginning, scaling up carbon removals needs extended financing from the existing EU funds (e.g. ETS Innovation Fund). Also increased funding in the next multiannual financing framework in 2025 should be ensured. Funding should be based on project quality and excellence to promote innovation.

5.7.1.4 Do you consider that **alternative or complementary** policies to the integration of carbon removals in the EU ETS are necessary to scale up carbon removals?

- ○ Alternative policies are needed
- ◉ Complementary policies are needed
- ○ None
- ○ I don’t know

5.7.1.5 Please list and explain which

1000 character(s) maximum

Additionally, the introduction of guarantees and risk-sharing instruments at the national level (e.g. carbon contracts for difference that guarantee a certain price for CCU-based products) may be required to facilitate the first-of-a-kind industrial CCU investments and related carbon removals.

While scaling up the supply of CCU products is important, boosting the demand for CCU products is equally key. To boost the demand, an EU framework that makes circulated carbon a wanted commodity is needed. For this, instruments like public procurement obligations for products using captured CO2, clean standards for CCU products, and blending mandates for fuels should be considered.

5.7.2 Non-permanent Carbon Capture and Usage (CCU)

Industrial carbon management involves the use of a range of technologies to capture, store, transport and use CO_2 emissions from industrial facilities, as well as to remove CO_2 from the atmosphere. The EU Industrial Carbon Management Strategy seeks to develop these technologies and the regulatory and investment framework to support them.

Emissions from some industrial processes and forms of transport or agriculture are more difficult or expensive and the challenge to reduce emissions will increase as we approach the 2040 and 2050 targets. In some cases, where a carbon-based feedstock is required, alternatives to fossil feedstock are necessary. This is why there is a role to play for technologies to remove, capture, store and re-use carbon.

The EU already has a number of policies in place to support the capture and storage of CO_2, including the possibility to avoid surrendering allowances in the EU ETS if emissions are captured and permanently stored. The 2023 revision of the EU ETS also introduced the possibility to avoid surrendering allowances where emissions are captured and stored permanently in CCU products in compliance with the requirements set out in Article 12(3b), as an equivalent to the possibility to capture and store emissions geologically under Article 12(3a).

Concretely, the ETS recognizes mineral carbonates used in construction products: carbon capture and utilization (CCU) products as permanently chemically binding CO_2 under Delegated Regulation C(2024) 5294. The mineral carbonates are considered permanent when used in the following construction products:

- Carbonated aggregates used unbound or bound in mineral based construction products;
- Carbonated constituents of cement, lime, or other hydraulic binders used in construction products;
- Carbonated concrete, including precast blocks, pavers or aerated concrete;
- Carbonated bricks, tiles, or other masonry units.

With this framework, the EU ETS has implicitly established accounting (Accounting in this context refers to emission accounting, i.e. monitoring and reporting emissions associated with certain processes, and, in the context of the EU ETS the surrender of the corresponding number of emission allowances) of non-permanently captured emissions upstream, at the first point to release. Until all stages of the life of a product in which captured carbon is used are subject to carbon pricing, in particular at the stage of waste incineration, reliance on accounting for emissions at the point of their release from products into the atmosphere (‘downstream’ accounting) might result in emissions being undercounted. At the same time, the current framework of upstream accounting places non-permanent CCU products at a disadvantage in comparison to products that use virgin fossil carbon feedstock and does not take into account the CCU benefits in terms of displacing virgin fossil fuels and the related emissions.

Taking into account in particular the potential inclusion of waste incineration and landfills into the EU ETS and the need to provide a level-playing field for the replacement of fossil carbon feedstock by alternative sources, it is necessary to assess whether the CO_2 potentially released from non-permanent CCU products and fuels should be accounted at the point of emission to the atmosphere (‘downstream accounting’), and if so in a manner equal to any products whose manufacturing is based on virgin fossil fuel carbon feedstocks, or when the CO_2 is initially captured (‘upstream accounting’).

Overall, the capture of carbon should be regulated in a way that reduces net emissions and ensures that all emissions are accounted for in an equal manner and that double counting is avoided. This could take into account the potential climate benefit of non-permanent CCU applications as alternative to a fossil-based product and therefore their role in complementing mitigation efforts for hard-to-abate emissions, as well as

considering the energy consumption to power this energy-intensive process and the need to support investments in CCU as a technological pathway to reduce strategic dependencies on imported virgin fossil fuels, promote the re-use of carbon and circular business models.

5.7.2.1 Please indicate to what extent you agree with the following statements.

	Strongly agree	Somewhat agree	Neutral	Somewhat disagree	Strongly disagree	Do not know
The surrender obligation should be moved downstream for non-permanent products produced with captured CO_2	◉	○	○	○	○	○
The ETS should adjust the surrendering obligations where emissions are captured and used (CCU) in products that do not result in the permanent storage of the captured carbon, to acknowledge the potential climate benefit of the capture and use of the carbon	◉	○	○	○	○	○
There should be restrictions or conditions to adjusting surrendering obligations to recognise the climate benefit of the capture and non-permanent use of carbon (e.g.: minimum emission savings, displacement of fossil carbon, avoiding double counting/pricing of the same emissions)	◉	○	○	○	○	○

5.7.2.2 Please provide your main views regarding the treatment of capture and non-permanent use of carbon in the ETS, and potential adjustments in surrendering obligations to recognise its climate benefits.

1000 character(s) maximum

We prioritise the utilisation of captured CO2 (CCU) over permanent storage, advocating for the use of CO2 in producing synthetic fuels, chemicals, polymers, and other materials. This approach supports the circularity of carbon, reducing reliance on virgin fossil sources and improving material independence.

In practice, there should not be an obligation to surrender emissions allowances for CCU. If the utilised CO2

is later on released to atmosphere, this downstream activity should have a surrender obligation. However, the current upstream system could stay as is with e-fuels, because the legislative framework is already quite developed for them. The purpose of fuel is to produce energy and the lifetime is short.

To ensure accurate accounting and to prevent double counting, a clear and transparent registry should be established to ensure that the credit exchanges are accurately registered and tracked and credits used for offsetting emissions are correctly cancelled.

5.7.2.3 What accounting approach should be applied to ensure the integrity and effectiveness of the EU ETS, i.e. avoiding underpayment or double payment of ETS emissions, to non-permanent CCU technologies in the ETS?

- Upstream accounting (i.e. emissions are accounted/paid for at capture, unless permanently stored)
- Sharing the accounting between the producer of the CCU product and the user of the product that leads to the final emission.
- Downstream accounting option where the final emitter pays, provided that municipal waste incineration would be included in the ETS
- Downstream accounting option with 'chain of custody' approach, where the liability for allowance submission is associated with the captured carbon and passed along the value chain, provided that municipal waste incineration would be included in the ETS
- Life-cycle assessment-based surrender obligation with upstream accounting option
- Life-cycle assessment-based surrender obligation with downstream accounting option

5.7.2.4 Please provide explanation to support your view.

1000 character(s) maximum

Article 12 3(a) of the ETS Directive excuses installations from the obligation to surrender allowances for emissions that are captured and geologically stored and this exemption should be explicitly extended to installations where emissions are captured for later use in applications that offer permanent or temporary storage.

The climate benefits of binding CO2 to products with shorter lifespan should be acknowledged in the legislation, as these applications reduce the need to produce virgin fossil hydrocarbons.The final emitter should bear the cost of allowances to be surrended.

5.7.2.5 Currently, CO_2 transport activity in the ETS Directive is limited to transport with the objective of storage. Do you think it is important to alter this to also cover CO_2 transport for any purpose to have a level playing field for CCS and CCU?

- (●) Yes
- ( ) No

5.7.2.6 Please provide explanation to support your view.

1000 character(s) maximum

Infrastructure and transport activity should not distinguish between storage and utilisation. Transport in various forms is most likely needed in both cases.

5.8 Potential expansion of the scope of the Directive

5.8.1 Municipal Waste Incineration (MWI) and other waste management processes

By June 2026, the Commission will assess the feasibility of including municipal waste incineration (MWI) installations in the EU ETS, with the aim of doing so from 2028, and with an assessment of the potential need for an option for Member States to opt out until 31 December 2030. This assessment should also cover the possibility of including other waste management processes in the EU ETS, in particular landfills, which create methane and nitrous oxide emissions.

Following the 2023 review of the EU ETS, MWI installations must monitor and report their emissions under the EU ETS starting in 2024. The collected data is intended to feed into to the Commission’s assessment. Currently, MWI installations do not surrender allowances for their emissions under the EU ETS.

Emissions of pollutants to air, including greenhouse gases, from waste incineration, waste co-incineration and from waste management activities over a certain size are currently regulated by the Industrial Emissions Directive (IED) (Directive 2010/75/EU amended by Directive 2024/1785). These emissions are regulated via operating permits based on the use of Best Available Techniques (BATs) and on associated emission levels.

An inclusion of emission from MWI installations and other waste management processes in the EU ETS does not prejudge the implementation and further development of EU’ s waste policy.

5.8.1.1 Do you agree that MWI installations should be fully included in the EU ETS if possible?

Strongly agree

5.8.1.2 Please provide explanation to support your view.

1000 character(s) maximum

Waste sector should become part of EU ETS targeting to reduce emissions from waste management. Regarding MWI it is important to create a level playing field in EU. In a few EU countries MWI is already included. Inclusion earliest in 2028 is giving sufficient predictability hence MRV has already started from 2024. National flexibility for the transitional period should be given but not to be extended.

ETS inclusion of MWI will not be effective by it's own without other supportive mechanisms (e.g. CCU) because there exists either no or very limited possibility of "fuel switch" or of "fuel non-acceptance" for MWI operators. The inclusion of MWI is not likely to foster separate waste collection at source and thereby more quality recycling. Other more effective measures are needed to boost the achievement of higher recycling rates.
With the inclusion of MWI nationally determined multiple taxation schemes should be cancelled to avoid overlapping steering.

5.8.1.3 Do you agree that installations for the incineration of hazardous waste should also be included in the EU ETS (together with MWI installations)?

Rather disagree

5.8.1.4 Please provide explanation to support your view.

1000 character(s) maximum

Waste incineration plants treating primarily hazardous waste should remain out of the scope of the EU ETS, as now. The purpose of hazardous waste incineration is not primarily energy production but decontaminating hazardous substances in the material cycles. Incineration is in most cases the preferred treatment option for such hazardous waste, and no other alternative exists.

Hazardous waste has to be treated thermally within the EU and based on the proximity principle. The number of treatment facilities and their capacity is limited and planned to provide service based on the actual and estimated amounts of hazardous waste, usually at national level. Access to incineration capacity for hazardous waste is critical for the competitiveness of EU industry. Inclusion into EU ETS would probably only have a marginal impact on CO2 reduction and instead would increase the risk of HW leakages outside EU. Instead, developing and supporting CCSU for HWI would likely be more effective.

5.8.1.6 Do you agree that the emissions from any of the following waste management activities should be included in the EU ETS if waste incineration is included? Choose all that apply.

- [x] Landfilling
- [ ] Compositing
- [ ] Anaerobic digestion
- [ ] Mechanical recycling
- [ ] Chemical recycling

- [ ] Other recovery or conversion technologies, such as pyrolysis or gasification, to turn waste into energy and/or synthetic fuels
- [ ] Do not know

5.8.1.7 Please provide explanation to support your view.

1000 character(s) maximum

When MWI is included in the EU ETS, the impact assessment must consider the whole waste sector, including the huge methane emissions from landfills, as this is a low hanging fruit based on precedence from the Nordic countries. Policy decisions to divert waste from landfills have so far been made mostly by a few member states which has created large national differences and many countries are not complying with the landfill reduction targets. Thus the inclusion of landfilling into EU ETS should be promoted together with MWI.

Diversion of waste from landfills can be advanced also by other measures (bans, taxes, caps) but we consider that until now only rigorous bans have demonstrated to be effective. The currently allowed national landfill cap derogations (above 10%) should be reconsidered and their timeline tightened in parallel with EU ETS inclusion.

5.8.1.8 What methodology is most appropriate for the MRV of the emissions from different waste activities (considering data reliability and cost-effectiveness)?

1000 character(s) maximum

Since 2024 it has been allowed to use various methods, both a sample method and C14 method from stack. Based on our knowledge and experience, both methods should be allowed although there are differences in accuracy and costs. It could be decided nationally which method(s) would be allowed to maintain a sufficient level playing field and comparability at national level.

5.8.1.9 Do you think that the inclusion of MWI installations in the EU ETS may help reduce the current emissions from waste?

- [ ] MWI inclusion will significantly reduce GHG emissions without considering any further actions
- [x] MWI inclusion will significantly reduce GHG emissions if other waste sectors, such as landfill, are incorporated
- [x] MWI inclusion will significantly reduce GHG emissions if the non-permanent use of carbon is recognised in the ETS
- [x] MWI inclusion will significantly reduce GHG emissions if carbon removals are integrated in the ETS
- [x]

MWI inclusion will contribute to significant reductions in GHG only if complementary circular economy policies are effectively implemented, such as extended producer responsibility schemes, material recovery targets, and/or other targets aiming to reduce virgin fossil feedstock use and disposal

- [ ] MWI inclusion will have some impact on reducing GHG emissions, but this will be negligible compared to other sectors
- [ ] MWI will not contribute to any GHG emission reduction at all
- [ ] MWI will not contribute to any GHG emission reduction at all and may even present a detrimental effect
- [ ] Other views
- [ ] Do not know

5.8.1.10 Please, add any comments

300 character(s) maximum

Instead of choosing only one alternative from the above list, we consider that the MWI inclusion should be done in parallel with (2) landfill inclusion, (4) carbon removals to be integrated in the EU ETS and (5) with complementary circular economy policies.

5.8.2 20 MW threshold

With the aim of increasing the level of ambition of the EU ETS, there may be the need to extend the EU ETS' coverage to include those installations that are not currently under the scope concerning the combustion of fuels. The current scope applies to those installations with a capacity exceeding 20MW total rated thermal input. A change on this Annex I activity should also consider that in many cases emissions from fuel combustion in these installations will be covered by EU ETS2.

It should also be noted that emissions of pollutants to air, including greenhouse gases, from some of the activities listed in Annex I and subject to the potential scope extension are currently regulated by the Industrial Emissions Directive (IED) (Directive 2010/75/EU amended by Directive 2024/1785). This concerns refining of oil as well as production and processing of metals above the thresholds of IED Annex I. These emissions are regulated via operating permits based on the use of Best Available Techniques (BATs) and on associated emission levels. Emissions from combustion of fuels in installations with a total rated thermal input below 20 MW and above 1 MW are covered by the Medium Combustion Plants Directive (Directive 2015/2193) but do not include emissions of CO_2.

5.8.2.1 The EU ETS ambition could be strengthened by lowering the threshold of installation capacity thus to expand the pool of eligible installations. Do you agree with lowering the threshold?

Rather disagree

5.8.3 Linking with other carbon markets

The European Commission is analysing how linkages between the EU ETS and other international carbon markets can be established in accordance with Article 25 of the EU ETS Directive to support cost-effective climate change mitigation. The EU ETS is a key instrument to achieve the EU climate targets cost-effectively, and any linking must safeguard its environmental integrity and effectiveness. Linking carbon markets can offer advantages to both the EU and its partners. These include price convergence and mitigation of carbon leakage risks, access to more cost-effective mitigation options, increased market liquidity as well as resilience to shocks. A robust linking, however, presents challenges regarding (and not limited to) the alignment of ambition levels, scopes, market stability measures and oversight mechanisms across systems. Such an alignment would need to be carefully negotiated to ensure that the benefits of linking are gained. To date, the EU has established one link with the Swiss ETS. The following questions aim to gather stakeholder views on the priorities, criteria, and timing for potential linkages between the EU ETS and other international carbon markets.

5.8.3.1 Since 2020, the EU ETS and the Swiss ETS are linked, and the ETS Directive governs how links with other emission trading systems can be set up. Should the EU pursue further linking opportunities and if so, what would be the main motivations for the EU to do so?

Maximum 3 selection(s)

- ☐ The EU should pursue linking to increase access to mitigation options for the ETS sectors
- ☑ The EU should pursue linking to improve cost-effectiveness of the emissions reduction under the ETS via price convergence
- ☐ The EU should pursue linking to reduce the risk of carbon leakage for ETS sectors
- ☑ The EU should pursue linking to support liquidity in the EU carbon market
- ☑ The EU should pursue linking to reinforce its leadership on global carbon pricing and climate change mitigation as well as to expand cooperation with third countries
- ☐ The EU should pursue linking efforts for other reasons [please specify]. (open text) [Max 300 characters]
- ☐ The EU should not pursue further linking opportunities
- ☐ Do not know

5.8.3.2 For EU ETS to link with other international compliance carbon markets, certain critical criteria must be met. These include robust monitoring, reporting, and verification (MRV) of emissions; transparent governance processes with strict respect to the rule of law; and a Paris-aligned Nationally Determined Contribution (NDC).

What are the most important additional characteristics that a potential partner ETS must have for linking with the EU ETS?

at most 3 answered row(s)

	1st	2nd	3rd
Identical approach to cap setting (i.e., no linking with intensity-based systems)	◉	○	○
Compatible (but not necessarily identical) market stability mechanisms	○	○	○
Compatible (but not necessarily identical) approach to allowance banking and borrowing	○	○	○
Similar (but not necessarily identical) approach to offsets, particularly removal credits	○	○	◉
Similar (but not necessarily identical) scope of coverage in terms of GHGs and sectors	○	◉	○
Similar share of allowances allocated via auctioning	○	○	○
Similar allowance price levels in the lead-up to the link	○	○	○
Similar (but not necessarily identical) approach to leakage protection	○	○	○
Similar (but not necessarily identical) approach to market rules on participation, derivatives, etc.	○	○	○
Other	○	○	○
Do not know	○	○	○

5.9 Final question

5.9.1 Would you have any additional comments on points not raised in the previous questions, submit evidence or position paper on topics falling under the scope of this review?

1000 character(s) maximum

The level of ambition of the EU ETS has to be aligned with overall climate targets (EU 2040 and beyond). In addition, there has to be a fair distribution of climate targets between ETSI, ETS II and non-traded sectors, as well as across member states and greenhouse gases.

Strong market-based EU ETS has to be maintained. Any market distortions and the risk for ad-hoc political interventions has to be minimised (cf. REPowerEU). Attention has to be paid to the market liquidity and optimal functioning of the EU ETS and it has to be ensured that the market stability reserve (MSR) and its parameters are fit for purpose and reflect the new market conditions.

Based on an impact assessment, the EU should consider reopening its climate target and ETS for a limited quantity of high quality Paris aligned international credits based on article 6 of the Paris Agreement. This is important for the global climate diplomacy and for linking of ETS with other systems.

Contact

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