

Pillars for an effective, successful and durable ETS reform

Brussels, 01 October 2026 | Feedback to [EU ETS revision \(COM\(2026\) 616 final\)](#) and [ENVI PR\(2026\)791997](#)

The EU ETS is the most effective carbon pricing system in the world - because investors trust it. It is the main reason that Europe has halved emissions in the sectors covered by the ETS in the last 20 years. Europe will not get close to its decarbonisation targets without it.

Do it once, do it right. The next reform must be one that lasts, with forward-looking changes to remain in place through 2040. It is now time to cement the ETS as the key driver of decarbonisation and future-proof it for the next two decades, reinforcing it around three pillars:

1. Stable and Predictable ETS

- a. *Linear Reduction Factor* - Certainty on the post-2036 cap trajectory is the foundation for industrial decarbonisation investments. The LRF should be fixed and aligned with the 2040 target, with a proportional rather than binary fallback reflecting the volume of international credits available upon assessment.
- b. *Market Stability Reserve* - A volume-based, rule-based MSR with pre-established parameters will ensure timely and proportionate intervention in case of shocks.
- c. *Investment Booster* - Current design must be preserved, awaiting for clarifications on T&C

2. Integrated ETS

- a. *International credits* - Commitment to purchase the full 705 Mt under the Climate Law, but with cost-efficiency utilization principle. Yearly monitoring should start from 2029 with assessment by 2032 on the proportional fallback. Preparatory work should kick off well ahead of the pilot phase, so that Member State can unlock the full benefits from 2036, or before via a voluntary platform
- b. *Carbon removals* - 250 Mt central purchase with complementary direct operator access will support the removals scale up needed for hard-to-abate sectors. All CRCF-certified permanent domestic removal should be allowed and long-term offtake agreements concluded already by 2029.
- c. *Aviation* - Existing global instruments (CORSIA and IMO) must be supported and enforced across Member States rather than fragmented. The extension of EU ETS to extra-EEA flights should be postponed at least until 2035.

3. Expanded ETS

- a. *Sectoral* - ETS2 must launch on time in 2028 to build confidence among investors in low-carbon solutions. Coverage should extend gradually and coherently to the entire waste sector, including not only waste incineration but also landfilling
- b. *Geographical* - EU-UK ETS linkage should be actively pursued, as larger systems are better able to deal with shocks.
- c. *Revenues* - Recycled proportionally to the sectors that generate them, with at minimum the 75% earmarking floor

In the following section, we set out **20 specific policy asks** - supported by targeted amendments - so that the **EU ETS continues to function as the world's most effective carbon pricing instrument.**

Table of Contents

1 Stable and Predictable ETS	3
1.1. Linear Reduction Factor	3
1.1.1. Clear LRF pathway aligned with 2035 and 2040 targets	3
1.1.2. Proportional LRF rather than binary fallback	3
1.2. Market Stability Reserve	4
1.2.1. Rule-based and volume-based	4
1.2.2. Invalidation with higher ceiling starting from 2030 levels	5
1.3. Investment Booster	6
1.3.1. Preserve current design against front-loading allowances	6
2. Integrated ETS	8
2.1. International credits	8
2.1.1. Mandate to purchase 705 mEUAs	8
2.1.2. Clarity and yearly monitoring from 2029, then fallback decision by 2032	9
2.1.3. Cost-efficient utilization and prioritization of domestic abatement	10
2.1.4. Early work on pilot phase and voluntary facility for Member States	10
2.2. Carbon removals	11
2.2.1. Equivalent 250 Mt purchase commitment	11
2.2.2. Technology neutrality principle and inclusion of biochar	11
2.2.3. Secure funding and same cap on net emissions	12
2.2.4. Complementary direct operators access and transferability	13
2.2.5. Earlier and longer offtake agreements by 2029	14
2.2.6. Yearly monitoring from 2030 and assessment by 2032	15
2.3. Aviation	16
2.3.1. Reject extension to extra-EEA flights and “stop the clock” until 2035	16
2.3.2. Monitor and support CORSIA, while enforcing it across Member States	16
3. Expanded ETS	18
3.1. Geographical and sectoral extension	18
3.1.1. Launch ETS2 by 2028	18
3.1.2. Gradual extension to the entire waste sector	18
3.2. Revenues	19
3.2.1. Greater earmarking and proportional distribution to ETS sectors	19

ENERGY TRADERS EUROPE AMENDMENTS PROPOSAL

1. Stable and Predictable ETS

1.1. Linear Reduction Factor

1.1.1. Clear LRF pathway aligned with 2035 and 2040 targets

Art.	European Commission proposal	Liese's proposal	Energy Traders Europe proposal
9	The linear factor shall be 3.7% from 2031 to 2035 and 1.7% from 2036.	The linear factor shall be ~~3.7%~~ 3.4% from 2031 to 2035 and ~~1.7%~~ 2.3% from 2036	Preserve European Commission proposal
	Justification: the cap should be aligned with the 2035 and 2040 target, towards climate neutrality by 2050. Decarbonisation efforts should be distributed cost-effectively across all sectors (ETS, ESR, LULUCF).		

1.1.2. Proportional LRF rather than binary fallback

Art.	EC proposal	Liese's proposal	Our proposal
9b(4)	Subject to the report in paragraph 3, by way of derogation from Article 9, in the event that high-quality and high-integrity, cost-effective international credits referred to in paragraph 1, are not available, the linear factor shall revert to 2.7% from 2036.	Deleted	Subject to the report in paragraph 3, by way of derogation from Article 9, in the event that high-quality and high-integrity, cost-effective international credits referred to in paragraph 1 are not available is lower than the quantity set out therein, the linear factor shall ~~revert to 2.7% from 2036~~ be adjusted from 2036 within a range of 1.7% and 2.7% to reflect the quantity of such credits available for purchase, as determined by the Commission in accordance with the criteria set out in paragraph 3.
	Justification: In case fewer credits are available than the target procurement volume, The LRF should be adjusted to the volume of international credits available at the time of the assessment, at the latest by 2032, rather than via a binary fallback (0 Mt vs 260 Mt). In fact, 259 Mt and 0 Mt would produce the same outcome: a jump from 1.7% to 2.7%. Furthermore, a 31 December 2032 deadline as proposed below gives market participants 3 years notice before 2036.		

1.2. Market Stability Reserve

1.2.1. Rule-based and volume-based

Art.	European Commission current text	Liese's proposal	Energy Traders Europe proposal
29a	If the average allowance price for the six preceding calendar months is more than 2,4 times the average allowance price for the preceding two-year reference period, 75 million allowances shall be released from the market stability reserve in accordance with Article 1(7) of Decision (EU) 2015/1814.	If the average allowance price for the ~~six~~ three preceding calendar months is more than ~~2,4 times~~ 25% higher than the average allowance price for the preceding ~~two~~ one -year reference period, ~~75~~ 25 million allowances shall be released from the market stability reserve in accordance with Article 1(7) of Decision (EU) 2015/1814.	No amendment, retain present European Commission text
	/	If the average allowance price for the three preceding months is more than 25% lower than the average allowance price for the preceding one-year reference period, 25 million allowances shall be placed in the market stability reserve in accordance with Article 1(7) of Decision (EU) 2015/1814.	No amendment, retain present European Commission text
	The preceding two-year reference period referred to in the first subparagraph shall be the two-year period that ends before the first month of the period of six calendar months referred to in that subparagraph.	The preceding ~~two~~ one -year reference period referred to in the first and second subparagraphs shall be the ~~two~~ one -year period that ends before the first month of the period of ~~six~~ three calendar months referred to in ~~that~~ those subparagraphs.	No amendment, retain present European Commission text
	When the condition for release of allowances from the market stability reserve pursuant to paragraph 1 has been met, the condition referred to in that paragraph shall not be considered to have been met again until at least twelve months after the end of the previous release.	When ~~the~~ either condition for release of allowances from the market stability reserve or for placement of allowances in the market stability reserve pursuant to paragraph 1 has been met, the conditions referred to in that paragraph shall not be considered to have been met again until at least ~~twelve~~ the month after the end of the ~~previous~~ last release from, or of the placement, in the market stability reserve pursuant to this Article.	No amendment, retain present European Commission text

	Justification: We support the European Commission proposal, which preserves the MSR as a rule-based and volume-based mechanism with pre-established parameters, ensuring predictable intervention in case of surplus, scarcity and to withstand external shocks. Furthermore, we flag that reducing the “cool-down” period from 12 to 1 month would open to the potential scenario where the allowances could be repeatedly released, leading to a depleting of the Market Stability Reserve, therefore reducing its stabilisation potential in the late 2030s.
--	---

Decision (EU) 2015/1814			
Art.	European Commission proposal	Liese’s proposal	Energy Traders Europe proposal
1(5)	From 2029, the thresholds of 400 million and of 300 million and the amount of 100 million allowances to be released from the reserve, set out in the previous subparagraph, shall decrease annually by 4 %, rounded to the nearest million, as specified in the Annex.	From 2029, the thresholds of 400 million and of 300 million and the amount of 100 million allowances to be released from the reserve, set out in the previous subparagraph, shall decrease annually by ~~4%~~ the linear factor referred to in Article 9 of Directive 2003/87/EC , rounded to the nearest million, as specified in the Annex	Preserve European Commission proposal
	Justification: The Market stability Reserve should remain a rule-based and volume-based mechanism with pre-established parameters, ensuring a timely and proportionate intervention in case of shocks.		

1.2.2. Invalidation with higher ceiling starting from 2030 levels

Decision (EU) 2015/1814				
Art.	European Commission proposal	Parliament proposal	European Council proposal	Energy Traders Europe proposal
5	Article 1(5a) shall cease to apply from [insert date of entry into force of this act]	From 1 March 2027, allowances held in the reserve above 650 million allowances shall no longer be valid	Article 1(5a) shall [...] not apply from [insert date of entry into force of this act] until 31 December 2030. With effect from 1 January 2031, Article 1(5a) of Decision 2015/1814 shall be replaced by the following: “Allowances held in the reserve above 800 million allowances shall no longer be valid.”	Article 1(5a) shall [...] not apply from [insert date of entry into force of this act] until 31 December 2030. With effect from 1 January 2031, Article 1(5a) of Decision 2015/1814 shall be replaced by the following: “Allowances held in the reserve above the total number of allowances held in the reserve as published by the Commission pursuant to Article

				1(4) of this Decision for the year 2030 shall no longer be valid."
	Justification: no MSR invalidation shall apply for the period up to and including 2030. From 2031 onwards, a ceiling on invalidation shall apply, set at a volume equivalent to the allowances held in the MSR at the start of the relevant calendar year. This ceiling ensures that the MSR retains sufficient reserves to fulfil its stabilisation function in the late 2030s while preventing additional accumulation in the reserve.			

1.3. Investment Booster

1.3.1. Preserve current design against front-loading allowances

Art.	European Commission proposal	Liese's proposal	Energy Traders Europe proposal
10cc(1)	An instrument to support the scaling up and deployment of the technologies, processes and techniques to decarbonise industries (the 'Industrial Decarbonisation Bank') is established starting from 2028. It shall accelerate industrial decarbonisation, including electrification, within the Union through supporting capital investment, including grid connection, storage and flexibility costs incurred by projects, and operational expenditure for emission reductions or removals in stationary installations carrying out or substituting industrial production processes referred to in Annex I of this Directive, including in installations for the incineration of waste. In the period from 2028 to 2030, 400 million allowances from the quantity of allowances available pursuant to the second indent of Article 10a(5b) shall be reserved to support industrial decarbonisation projects on a 'first in, first served' basis in accordance with Article 10cd. Where the allowances available pursuant to the second indent of Article 10a(5b) are less than the 400 million allowances referred to in the previous sentence, the difference shall be covered by	/	Preserve European Commission proposal

	allowances set aside pursuant to Article 10a(7). [...]		
	Justification: We support the current proposal (namely ex-post output-based release of allowances rather than frontloading), while we await the publication of the operating rules. In particular, we support the Commission's proposal to allocate EUA's for successful Investment Booster / IDB projects after the projects started construction and verification of emission reductions/removals has been taking place with a 3rd party. This will avoid a scenario, like in 2022, whereby the ETS became oversupplied as a result of policy intervention. In fact, the EU ETS has been affected by a loss of confidence due to the 2022 ad-hoc policy intervention aimed at mobilizing €20 billion for the RePowerEU plan by releasing surplus ETS allowances from the MSR. This intervention has increased the EUA supply in the auctions until 2026, but reducing them further in 2027-2030		
10cd(6)	The allocation of allowances referred to in the previous paragraph shall correspond to the verified tonnes of CO₂ emissions avoided, multiplied by the fixed premium rate and divided by the average of the price of allowances in the auctions carried out in accordance with the delegated acts adopted pursuant to Article 10(4) of this Directive of the last 6 months preceding the allocation decision. The allocation of allowances under this paragraph may take into account possible other public support received for the project.		The allocation of allowances referred to in the previous paragraph shall correspond to the verified tonnes of CO₂ emissions avoided, multiplied by the fixed premium rate and divided by the average of the price of allowances in the auctions carried out in accordance with the delegated acts adopted pursuant to Article 10(4) of this Directive of the last 6 months preceding the allocation decision. The allocation of allowances under this paragraph may take into account possible other public support received for the project. For the purposes of this Article, "time of allocation" means the date on which the Commission adopts the formal decision to approve the project leading the allocation of support following submission of a valid completion bond in accordance with paragraph 3.
	Justification: clarifying the methodology for allocating allowances under the Booster is necessary and urgent. Currently, the text is way too vague on the calculation formula and must be clearly defined in both primary legislation and Term and Conditions.		

2. Integrated ETS

2.1. International credits

2.1.1. Mandate to purchase 705 mEUAs

Art.	European Commission proposal	Liese's proposal	Energy Traders Europe proposal
9b(1)	Up to 260 million allowances from the Union-wide quantity of allowances referred to in Article 9 shall be made available to the facility for the purchase of up to 260 Mt of high quality and high integrity international credits, out of the international credits provided in Regulation 2021/1119/EU, to contribute to the climate ambition of the activities listed in Annex I from 2036 to 2040. All purchases shall be subject to the criteria of Regulation 2021/1119/EU being fulfilled.	~~Up to~~ 260 million allowances from the Union-wide quantity of allowances referred to in Article 9 shall be made available to the facility for the purchase of ~~up to~~ 260 Mt of high quality and high integrity international credits, out of the international credits provided in Regulation 2021/1119/EU, to contribute to the climate ambition of the activities listed in Annex I from 2036 to 2040. All purchases shall be subject to the criteria of Regulation 2021/1119/EU being fulfilled.	In accordance with the total 5% flexibility provided for under Regulation (EU) 2021/1119/EU, amounting to a cumulative total of 705 million tonnes of CO₂ equivalent over the period 2036 to 2040 and in accordance with the governance framework established pursuant to [international credits legislative proposal – Q4 2026], ~~Up to~~ 260 million allowances from the Union-wide quantity of allowances referred to in Article 9 shall be made available to the facility for the purchase of ~~up to~~ 260 Mt of high quality and high integrity international credits, ~~out of the international credits provided in Regulation 2021/1119/EU~~ to contribute to the climate ambition of the activities listed in Annex I from 2036 to 2040. All purchases shall be subject to the criteria of Regulation 2021/1119/EU being fulfilled.
Justification: assuming a proportional increase from 1% in 2036 to 5% in 2040, 260Mt - allocated to the ETS sectors - equals 37% of the 705 Mt Climate Law flexibility envelope. Current Article 6 supply is low, but this reflects a lack of demand. The EU should help shape the future global market through early capacity building and pilot projects to grow the pipeline of high-integrity reduction and removal activities worldwide.			

2.1.2. Clarity and yearly monitoring from 2029, then fallback decision by 2032

9b(new)	/	/	The Commission shall determine by 01.06.2029, through a delegated act adopted in accordance with Article 23, the objective criteria and verifiable thresholds against which the availability and cost-effectiveness of international credits shall be assessed, including the methodology for establishing whether such credits are available in sufficient quantity and whether their cost is cost-effective relative to domestic abatement alternatives.
Justification: Some elements require clarification: the criteria for determining the availability of allowances and what constitutes a cost-effective allowance, as well as the Commission's price assumptions for international credits for 2036–2040 and the arrangements for transferring unused allowances to the Industrial Decarbonisation Bank.			
9b(3)	By 31 January 2033, the Commission shall present to the European Parliament and to the Council a report assessing the development of a high-quality and high-integrity international credits market, taking into account all the criteria set out in Regulation 2021/1119/EU, and their availability to contribute to the climate ambition of the activities listed in Annex I, [...]	/	By 31 December 2029, and annually thereafter, the Commission shall publish a monitoring report on the development of the international carbon credits market, covering the state of implementation of Article 6 of the Paris Agreement, the volume of high-quality and high-integrity credits available for purchase, the progress of capacity building partnerships with third countries, the functioning of the pilot phase, and any factors that may affect the availability or cost-effectiveness of international credits for the purposes of paragraph 1. By 31 January ~~2033~~ 2032, the Commission shall present to the European Parliament and to the Council a report assessing the development of a high-quality and high-integrity international credits market, taking into account all the criteria set out in Regulation 2021/1119/EU,

			and their availability to contribute to the climate ambition of the activities listed in Annex I, [...]
Justification: preparatory work on pilot projects, capacity building with third countries and yearly monitoring of credit availability should start as soon as possible. The fallback assessment should be brought forward to 2032.			

2.1.3. Cost-efficient utilization and prioritization of domestic abatement

9b(5)	Allowances set aside under paragraph 1 shall be allocated to the Industrial Decarbonisation Bank for industrial decarbonisation projects in accordance with Article 10ce in the event they are not allocated for the purposes established in paragraph 1.	/	Allowances set aside under paragraph 1 that are not allocated for the procurement of high-quality and high-integrity, cost-effective international credits referred to in paragraph 1, due to the insufficient availability of such credits , shall be allocated to the Industrial Decarbonisation Bank for industrial decarbonisation projects in accordance with Article 10ce. ~~in the event that they are not allocated for the purposes established in paragraph 1~~
	Justification: domestic abatement should be prioritized in case high-quality and high-integrity, cost-effective international credits are not sufficiently available. To this purpose, there is a mechanism to redirect any unused revenues from the sale of those allowances to the Investment Decarbonisation Bank (IDB).		

2.1.4. Early work on pilot phase and voluntary facility for Member States

9b(2a)	/	/	During the period from 2031 to 2035, the Commission shall carry out preparatory activities to ensure the effective operational readiness of the framework for the purchase of international credits referred to in paragraph 1, including the development of standard contractual terms, capacity-building partnerships with third countries, and registry connectivity testing. During the same period, the Commission shall make the facility referred to in paragraph 1 available to Member States
--------	---	---	--

			on a voluntary basis to enable early purchase of high-quality and high-integrity international credits in advance of the period referred to in that paragraph. Any credits purchased under this paragraph shall count against the cumulative volume referred to in paragraph 1 and shall not be activated before 1 January 2036.
	Justification: Early engagement would provide greater certainty to Member States and market participants, support the development of market capacity, help ensure sufficient supply of high-integrity units when the mechanism becomes operational, and enhance the role of climate diplomacy while safeguarding the environmental integrity of the EU ETS.		

2.2. Carbon removals

2.2.1. Equivalent 250 Mt purchase commitment

Art.	European Commission proposal	Liese's proposal	Energy Traders Europe proposal
9c(1)	The Union-wide quantity of allowances referred to in Article 9 shall be increased by 250 million allowances. [...]	The Union-wide quantity of allowances referred to in Article 9 shall be increased by 250 million allowances. [...]	The EU ETS shall deliver a volume of 250 Mt of domestic permanent removals by 2040. To that end, the Union-wide quantity of allowances referred to in Article 9 shall be increased by 250 million allowances.
	Justification: The proposal should clarify that auctioning the equivalent of 250 million allowances will result in the purchase of 250 million tonnes of permanent carbon removals.		

2.2.2. Technology neutrality principle and inclusion of biochar

9c(1)	[...] Those allowances shall be made available to the Commission to auction them from 2031 to 2040 to generate revenues for the purchase of an equivalent amount of domestic permanent carbon removal units generated by BioCCS and DACCS activities under Regulation (EU) 2024/3012 of the European Parliament and of the Council*. The Commission shall purchase those removals units prioritising a	[...] Those allowances shall be made available to the Commission to auction them from ~~2031~~ 2029 to 2040 to generate revenues for the purchase of an equivalent amount of domestic permanent carbon removal units generated by BioCCS, DACCS and biochar carbon removal (BCR) activities under Regulation (EU) 2024/3012 of the European Parliament and of the Council*. The share of those	Those allowances shall be made available to the Commission to auction them from 2031 to 2040 to generate revenues for the purchase of an equivalent equal amount of domestic permanent carbon removal units generated by BioCCS and DACCS activities under Regulation (EU) 2024/3012 of the European Parliament and of the Council*. The Commission shall purchase those removals
-------	--	--	---

	portfolio of cost-effective, high-integrity projects with payment upon delivery of the certified units.	allowances corresponding to removal units that are generated by BCR activities shall not exceed 20 % of those allowances. The Commission shall purchase those removals units prioritising a portfolio of cost-effective, high-integrity projects with payment upon delivery of the certified units.	units prioritising a portfolio of cost-effective, high-integrity projects with payment upon delivery of the certified units.
9c(4a)	/	By 1 January 2029, the Commission shall adopt a delegated act establishing additional technical criteria and enforceable long-term monitoring, reporting, verification, permanence and liability requirements, including for reversals, for the eligibility of BCR activities under this Article, based on the methodologies approved under the CRCF Regulation.	
Justification: ETS should remain fully aligned with the EU CRCF framework for permanent carbon removals and allow all activities recognised under EU law to be considered for inclusion. This would provide a predictable investment signal and support the deployment of a broad portfolio of permanent carbon removal solutions needed to meet the EU's climate targets. Anticipating the auctioning to Phase IV would disrupt the balance as newly created allowances are sold, hence we suggest retaining the 2031-2040 timeline.			

2.2.3. Secure funding and same cap on net emissions

9c(2)	An additional 10 million allowances from the Union-wide quantity of allowances referred to in Article 9 between 2031 and 2040 shall be made available to the Commission to auction them to generate revenues for the purchase of those permanent carbon removals units, in the event the revenues generated from the allowances under paragraph 1 would be insufficient for the purchase of the total amount of domestic permanent carbon removals units.	In the event the revenues generated from the allowances referred to in paragraph 1 of this Article are insufficient for the purchase of the total amount of domestic permanent carbon removal units, an additional ~~10-million~~ allowances from the Union-wide quantity of allowances referred to in Article 9 between ... [one year from the entry into force of this amending Directive] and 2040 shall be made available to the Commission to auction them to generate sufficient revenues for the purchase of those permanent carbon removal units, ~~in the event the revenues generated from the~~	Support Liese's amendment
--------------	---	---	----------------------------------

		~~allowances under paragraph 1 would be insufficient for the purchase of the total amount of domestic permanent carbon removals units. Those allowances shall be withdrawn in a uniform manner from the Member States auctioning shares.~~	
	[...] The allowances set aside under paragraphs 1 and 2 shall be returned to the Union-wide quantity of allowances referred to in Article 9 in the event they are not auctioned for the purposes in paragraph 1 before 2041.	[...] The allowances set aside under paragraphs 1 and 2 of this Article shall be ~~returned to the Union-wide quantity of allowances referred to in Article 9 of this Directive~~ cancelled in the event they are not auctioned for the purposes in paragraph 1 before 2041.	Support Liese's amendment
Justification: an increase in net emissions when prices for CDR are higher than expected should be avoided			

2.2.4. Complementary direct operators access and transferability

9c(5)	The quantity of domestic permanent carbon removals to be purchased shall be reduced by the amount of BioCCS removals that operators use in accordance with Article 14(1a), and a corresponding amount of allowances shall be cancelled from the 250 million.	~~Deleted~~	(Support Liese's proposal) Deleted
Justification: we support Liese's proposal to remove the maximum number of permanent removals available for compliance to further scale up carbon removal technologies. We acknowledge, however, that extending direct operator access beyond the scope of the 250 mEUAs purchase programme raises unresolved questions on cap adjustment and policy attribution that merit careful consideration by co-legislators. In particular, where direct use occurs outside the central procurement programme, a strict one-for-one cancellation from the Union-wide quantity may produce additional net decarbonisation beyond the originally defined cap trajectory and lead to a reduction in revenues flowing back to ETS sectors.			
14(1a)	The acts referred to in paragraph 1 shall provide for the possibility for operators, aircraft operators and shipping companies to compensate their fossil emissions with domestic permanent carbon removal units generated from the storage of their biogenic emissions under the scope of this Directive and certified under Regulation (EU) 2024/3012, while avoiding the double counting of those negative emissions.	The acts referred to in paragraph 1 shall provide for the possibility for operators, aircraft operators and shipping companies to compensate their fossil emissions with domestic permanent carbon removal units generated from the storage of their biogenic emissions under the scope of this Directive and certified under Regulation (EU) 2024/3012 and DACCS activities under Regulation (EU)	(Support Liese's proposal with one addition) The acts referred to in paragraph 1 shall provide for the possibility for operators, aircraft operators and shipping companies, including entities belonging to the same corporate group , to compensate their fossil emissions with domestic permanent carbon removal units generated from the storage of their biogenic emissions under the scope of this Directive and certified under Regulation (EU)

		2024/3012 , while avoiding the double counting of those negative emissions.	2024/3012 and DACCS activities under Regulation (EU) 2024/3012 , while avoiding the double counting of those negative emissions.
Justification: Enabling ETS operators to purchase and use eligible permanent carbon removal units alongside Commission purchasing would strengthen demand for high-quality removals. The scope of the measure should be extended to all permanent carbon removal methods certified under the CRCF, and the use of such units should not be restricted to self-generated removals. Furthermore, we express caution in including biochar outside of the mandated central purchase programme: direct operators' access should start with BioCCS and DACCS, and then the review in 2032 (instead of 2034, as proposed below) is an opportunity to assess the direct inclusion of biochar.			

2.2.5. Earlier and longer offtake agreements by 2029

9c(4)	The Commission is empowered to adopt delegated acts in accordance with Article 23 to supplement this Directive concerning the detailed modalities for the purchase of the domestic permanent carbon removal units indicated under paragraph 1, including the timing of the auctioning of the allowances referred to in paragraphs 1 and 2; the forms of support, selection procedure and criteria, eligibility criteria and technological requirements for the different types of support and payment mechanisms, using competitive allocation where feasible and reporting transparently on the outcome of the procedures; as well as the financial rules to ensure an appropriate implementation of the purchase. [...]	/	Procurement of removals will be cost-effective, including the use of offtake agreements to contract removals in advance of delivery. These agreements will be offered as soon as possible, and no later than 2029. The Commission is empowered to adopt delegated acts no later than 12 months after the adoption of this Directive in accordance with Article 23 to supplement this Directive concerning the detailed modalities for the purchase of the domestic permanent carbon removal units indicated under paragraph 1, including the timing of the auctioning of the allowances referred to in paragraphs 1 and 2; the forms of support, selection procedure and criteria, eligibility criteria and technological requirements for the different types of support and payment mechanisms, using competitive allocation where feasible and reporting transparently on the outcome of the procedures; as well as the financial rules to ensure an appropriate implementation of the purchase. [...]
	Justification: Early offtake agreements would be instrumental in improving project bankability.		

2.2.6. Yearly monitoring from 2030 and assessment by 2032

9c(8)	Before 31 December 2034, the Commission shall present a report to the European Parliament and to the Council in which it assesses the progress regarding the purchase of domestic permanent carbon removal units provided for under paragraph 1, considering the available supply, and the price of domestic permanent carbon removal units in comparison with the assigned budget. The report shall also examine the possible contribution of nature based removals and carbon farming sequestration units certified under Regulation (EU) 2024/3012 of the European Parliament and of the Council to permanent carbon removals, and assess the feasibility to gradually transition, from an integration managed by the Commission, towards a direct integration by operators, beyond own use, of domestic permanent carbon removal units in the EU ETS.	/	By 31 December 2030, and bi-annually thereafter, the Commission shall publish a monitoring report on the development of the domestic permanent carbon removals market, covering the progress of procurement procedures and offtake agreements concluded pursuant to paragraph 1, the volume and cost of certified removal units available under Regulation (EU) 2024/3012 and any factors that may affect the timely delivery of removal units sufficient to match the additional allowances issued under paragraph 1. Before 31 December ~~2034~~2032, the Commission shall present a report to the European Parliament and to the Council in which it assesses the progress regarding the purchase of domestic permanent carbon removal units provided for under paragraph 1, considering the available supply, and the price of domestic permanent carbon removal units in comparison with the assigned budget. The report shall also examine the possible contribution of nature based removals and carbon farming sequestration units certified under Regulation (EU) 2024/3012 of the European Parliament and of the Council to permanent carbon removals, and assess the feasibility to gradually transition, from an integration managed by the Commission, towards a direct integration by operators, beyond own use, of domestic permanent carbon removal units in the EU ETS.
Justification: preparatory work on the purchase programme should start as soon as possible, with bi-yearly monitoring of volume and cost of certified removal units. The assessment should be brought forward to 2032.			

2.3. Aviation

2.3.1. Reject extension to extra-EEA flights and “stop the clock” until 2035

Art.	European Commission proposal	Liese’s proposal	Energy Traders Europe proposal
28a(1)(d)	(d) all emissions from flights to and from aerodromes located in States outside the EEA [...] in each calendar year from 1 January 2027 to 31 December 2028.	/	(d) all emissions from flights to and from aerodromes located in States outside the EEA [...] in each calendar year from 1 January 2027 to 31 December ~~2028~~ 2035, subject to the review referred to in Article 28b(4).
28a(1)(e)	e) all emissions from flights to aerodromes that are more than 5 000 km from Frankfurt and located in States outside the EEA in each calendar year from 1 January 2029 to 31 December 2032, except for aircraft operators with total annual emissions lower than 10 000 tonnes. Also applies to aerodromes less than 5 000 km from Frankfurt with less than 15 000 tonnes annual emissions from the EEA.	/	Deleted
Justification: extend the existing 'stop the clock' derogation to 31 December 2035. All extra-EEA flights remain under existing derogation until 2035, preserving the current ETS aviation perimeter pending the 2033 evidence-based review. the 5,000 km partial extension is redundant.			

2.3.2. Monitor and support CORSIA, while enforcing it across Member States

28b(2)	/	/	By 1 January 2028 and annually thereafter, the Commission shall assess the implementation and enforcement of CORSIA by Member States administering aircraft operators under this Directive and, where appropriate, adopt guidance or implementing measures to ensure a consistent application of monitoring, reporting, verification, compliance and penalty requirements across the Union.
--------	---	---	--

28b(4)	By 1 July 2032, the Commission shall submit [...] a report assessing the environmental integrity of ICAO's global market-based measure [...]. The Commission's report shall be accompanied by a legislative proposal, where appropriate, [...] An accompanying proposal shall restrict the application of the EU ETS to intra-EEA flights where: (a) CORSIA has been strengthened [...]; and (b) States listed in the implementing act [...] represent more than 70% of international aviation emissions.	By 1 July 2032, the Commission shall submit to the European Parliament and to the Council a report in which it shall assess the environmental integrity of ICAO's global market-based measure, including its general ambition in relation to targets under the Paris Agreement, its ambition in relation to the ambition of this Directive with respect to aviation, [...]	By 1 July ~~2032~~ 2033, the Commission shall submit [...] a report assessing the environmental integrity of ICAO's global market-based measure [...]. That report shall also assess: (i) the development of supply of, and demand for, eligible emissions units, including host-country authorisations and corresponding adjustments under Article 6 of the Paris Agreement; (ii) the volume of units actually cancelled pursuant to Article 12(9); (iii) the effects of the applicable geographic scope on air connectivity, competition and hub leakage; and (iv) the interaction between the geographic scope of this Directive in respect of aviation activities and the Union's own procurement of international credits under Article 9b. [...] An accompanying proposal shall restrict the application of the EU ETS to intra-EEA flights where (a) and (b) are met. Where the report does not show that conditions (a) and (b) are met, the accompanying legislative proposal shall, as appropriate, extend the geographic scope of application of this Directive in respect of aviation activities. Any such extension shall be accompanied by a commensurate increase in the total number of allowances available in respect of aviation activities and shall take effect no earlier than 1 January 2036, following the expiry of the derogation referred to in Article 28a(1)(d).
Justification: The 2033 (as proposed, instead of 2032) review is the decision point assessing if CORSIA is functioning effectively and the 70% threshold is met. In that case, the EU ETS remains intra-EEA only from 2036. The alignment of the derogation end date (2035) with the end of CORSIA's first mandatory compliance period (2035), together with the 2033 decision point creates a coherent two-year lead-in for whatever regime applies from 2036.			

3. Expanded ETS

3.1. Geographical and sectoral extension

3.1.1. Launch ETS2 by 2028

Art.	European Commission proposal	Liese's proposal	Energy Traders Europe proposal
	/	/	No amendment, retain European Commission text
	Justification: ETS2 is a crucial step towards economy-wide decarbonisation, extending emissions trading to buildings and road transport sectors that have not made substantial progress under the Effort Sharing Regulation (ESR) and therefore require stronger, market-based incentives to meet future climate targets. We call for the timely launch of the EU ETS2, recognising it as a key complementary instrument to drive cost-effective decarbonisation in these critical sectors. Finally, any additional consideration on ETS2 review should wait until its scheduled 2028 revision		

3.1.2. Gradual extension to the entire waste sector

12a	Waste incineration and waste co-incineration installations that become subject to the system from 2031 shall be liable to surrender allowances according to the following schedule: (a) 25% of verified emissions reported for 2031 that would be subject to surrender requirements in accordance with Article 12; (b) 50% of verified emissions reported for 2032 that would be subject to surrender requirements in accordance with Article 12; (c) 75 % of verified emissions reported for 2033 that would be subject to surrender requirements in accordance with Article 12; (d) 100% of verified emissions reported for 2034 and each year thereafter in accordance with Article 12. [...]	/	Conditional
	Justification: We support the inclusion of municipal waste incineration in the EU ETS, subject to a <u>comprehensive and harmonised approach that covers the entire waste sector, including landfills</u> . This would ensure a level playing field across treatment options. Inclusion of waste incineration in the EU ETS would add more options for abatement and more demand for allowances, establishing a consistent carbon price across		

	the EU and ensuring a level-playing field. The proposal should include safeguards against carbon leakage, cost pass-through to municipalities and citizens, and unintended shifts towards more carbon-intensive disposal pathways.		
12b	By way of derogation from Articles 12 and 12a, the competent authority of a Member State may exempt installations under the activity 'Waste incineration and waste co incineration' referred to in Annex I, from the obligation to surrender allowances for the emissions of a given reference year up to 2035, provided that the Member State demonstrates that at least two out of the following three conditions are met: [...]	Deleted	Deleted
	Justification: The opt-outs proposed by the Commission are hardly of any use, as they would exempt from the ETS those Member States that have already sufficient WtE capacity, and penalize countries that would need to create additional WtE capacity to phase out landfilling		

3.2. Revenues

3.2.1. Greater earmarking and proportional distribution to ETS sectors

10(3)	Member States shall determine the use of revenues generated from the auctioning of allowances referred to in paragraph 2 of this Article, except for the revenues established as own resources in accordance with Article 311, third paragraph, TFEU and entered in the Union budget. Member States shall use at least 50% of those revenues, [...]	Member States shall determine the use of revenues generated from the auctioning of allowances referred to in paragraph 2 of this Article, except for the revenues established as own resources in accordance with Article 311, third paragraph, TFEU and entered in the Union budget or established as external assigned revenue . Member States shall use at least 50-75% of those revenues,	Support Liese's amendments
10(3)	[...] to support the decarbonisation of ETS sectors, for one or more of the following priority purposes: (a) to top-up the support mechanisms in this Directive for reducing climate impacts from ETS sectors; (b) to develop clean energies, electricity storage and grids for electricity transmission and distribution particularly around industrial clusters in view of the increased electricity demand from industrial decarbonisation	[...] (ca) to purchase, issue and make available carbon contracts for difference to operators of installations under this Directive; (cb) to address any residual risk of carbon leakage in the sectors covered by Annex I to Regulation (EU) 2023/956 of the European Parliament and of the Council, supporting the transition and promoting their decarbonisation in accordance with State aid rules; [...]	Support Liese's amendments

	projects, as well as to meet the commitments on renewable energies, on energy efficiency and inter-connection set out in National Energy and Climate Plans; (c) to finance investments in industrial decarbonisation and enabling measures for such decarbonisation, including investments in industrial electrification, clean industrial production technologies, the capture, use and storage of CO2 and the development of the CO2 transport network; [...]		
10(3)	/	From the share of revenues referred to in the first subparagraph, Member States shall use the financial value equivalent to the revenues attributed to the difference between verified emissions and received free allocation of sectors and subsectors laid out in Commission Delegated Decision (EU) 2019/708 for one or more of purposes (a), (c), (ca), (cb), (h) referred to in that subparagraph and further including research and development necessary for any of these purposes.	Support Liese's amendments
10(3)	Notwithstanding the first subparagraph, Member States may use the remainder of those revenues for which they determine the for the following purposes: [...]	~~Notwithstanding the first subparagraph,~~ Member States ~~may~~ shall use the remainder of those revenues for which they determine the use for the purposes in the first subparagraph, points (a)-(j) or for the following purposes: [...]	Support Liese's amendments
Justification: The ETS has an image problem: public acceptance of carbon pricing depends on how successfully its revenues are used towards decarbonising industries and supporting consumers. We support a greater earmark of revenues for ETS sectors, potentially up to 100%, while retaining some flexibility for Member States. Revenues should be recycled within the affected sectors. In the case some percentage is retained for "non-priority list", we encourage using stronger language ("shall" instead of "may") and not leaving it as "optional" for Member States.			

Contact

Federico Barbieri *Manager for Decarbonisation*
+39 348 582 1375 - f.barbieri@energytraderseurope.org