

Public Consultation on the early auctioning initiative of ETS 2 allowances

Brussels, 5th January

Response

As Energy Traders Europe, we welcome the opportunity to respond to the European Commission's consultation on the early auctioning initiative and are open to further discussion.

A credible, reinforced and expanded EU ETS is instrumental in achieving the European 2040 climate targets and the 2050 climate neutrality objective in a cost-effective way. Any revision of the EU ETS should preserve market confidence, rely on clear and simple market rules, and ensure a stable and predictable EU-wide carbon price to support long-term investment decisions.

ETS2 represents a crucial step towards economy-wide decarbonisation by extending emissions trading to the buildings and road transport sectors. While these sectors have made progress under the Effort Sharing Regulation, stronger and well-designed market-based incentives are necessary to meet future climate targets. A smooth and credible go-live of ETS2, with clarity on the launch date, is therefore essential.

We also acknowledge the need for a just transition in relation to ETS reform. We invite the European Commission to provide clarity on and swift implementation of the Social Climate Fund to further increase political acceptance of ETS2 throughout Europe.

Proposed changes aimed at facilitating the ETS2 start should be implemented through a transparent, coordinated and coherent approach across all elements of the framework, in particular:

1. Timing of auctions

We support the introduction of early ETS2 auctions as an effective tool to foster market liquidity, enable long-term hedging and facilitate price discovery. Early auctions would also allow market participants to test the auction infrastructure well ahead of the full compliance phase, thereby mitigating operational risks and potential price volatility at launch. However, greater clarity is needed on the timing of these early auctions, notably:

- How long before the launch of the scheme could the early auctions take place
- When will the announcement of the first auction be made

2. Auction volume distribution and frequency

We encourage the Commission to assess the effects of a possible extension of the distribution period for the first auctioned ETS2 volumes —spreading them over one or two calendar years.

Notably, the Commission should assess the effect of the auction schedule on price formation and market stability.

3. Member States transposition

We call on Member States to ensure the timely and complete transposition of ETS2 provisions into national legislation. We regret the one-year delay introduced by the revised Climate Law; nevertheless, this additional time should be used to achieve a fully harmonised implementation across the EU, avoiding discrepancies that could undermine market integrity.

4. Stakeholder engagement

We encourage the European Commission to maintain close and structured engagement with stakeholders throughout the implementation phase. More frequent expert group meetings and regular updates on national transposition progress would enhance transparency, trust and preparedness across the market.

5. Article 13(7) amendment

While the withholding of allowances is intended to incentivise timely national transposition, it also risks creating compliance uncertainty and an uneven playing field between entities located in different Member States.

Currently, the Regulation does not provide clear rules regarding the release of allowances that have been withheld due to delayed national implementation. Specifically, it remains unclear how and when these withheld allowances will be reintroduced into the market or the ETS mechanism.

Clear and harmonised rules are therefore needed for entities operating in jurisdictions with delayed implementation, together with an assessment of the potential market impacts arising from non-uniform national transposition.

CONSULTATION RESPONSE



6. Flexibility for bidding on behalf of third parties

We support the simplification of procedures for operators submitting bids on behalf of third parties, in particular the removal of the requirement for national authorisation. This would significantly reduce administrative burden while preserving market integrity and supporting efficient market participation.

7. Auction platform governance

Finally, we consider that concentrating ETS2 auctions on a single auction platform would be preferable, as it would reduce operational complexity, enhance transparency and minimise the risk of market fragmentation.

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