

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 **[Slettet her. Fylles inn av Norsk Industri]**

3 About You - Supplementary **[Slettet her. Fylles inn av Norsk Industri]**

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

☒ Moderately effective

Slightly effective

Not effective at all

Do not know

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

☒ Moderately effective

Slightly effective

Not effective at all

Do not know

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	X				
Improving the system's resilience to major shocks (by adjusting the supply of allowances to be auctioned)				X	

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

The MSR reduced auction volumes in the EU ETS

The MSR invalidated allowances through the invalidation mechanism

The MSR offered certainty that any supply or demand shocks will be tackled through its functioning

The MSR was not effective

X Do not know

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 MSR has contributed to higher carbon prices directly impacting energy costs. Energy-intensive sectors rely heavily on affordable and stable energy prices, and the increase in carbon costs has placed additional financial pressure in these sectors. This has led to higher electricity prices, which are particularly challenging in times of energy supply constraints.

The ETS is effective in reducing emissions in power sector, but massive subsidies and complementary policies were the main driver. Moreover, the power sector passes on their ETS costs to customers; which is not the case for price taker sectors. Industrial sectors need ambitious complementary policies to further decarbonise considering more challenging abatement trajectories. As front runners in the development and implementation of new CO2 abatement technologies, European industry faces high investment and operational costs. The 95% biomass threshold should be removed to ensure competitiveness and early-mover advantage.

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

Moderately efficient

☒ Slightly efficient

Not efficient

Do not know

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

Very efficient

Moderately efficient

☒ Slightly efficient

Not efficient

Do not know

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

1000 character(s) maximum

The complex reporting and verification requirements increase costs and creates uncertainty and inefficiencies in planning. Businesses could then focus more on reducing emissions and investing in green technologies.

Improve free allocation and remove its conditionality: dedicated benchmarks for alumina and secondary aluminium, ensure fallback benchmarks reflect technical feasibility to reduce emissions, incentivise recycling of complex waste containing aluminium, copper and other CRMs. The threshold for installations with more than 95% biogenic emissions should be removed. Auditor yearly physical inspection should be reduced and kept to a minimum.

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

A key simplification measure would be to remove the conditionality of free allocation. The current system requires industries to meet complex conditions and extensive reporting requirements to receive free allocations, creating significant administrative burdens and regulatory costs. Simplifying the process by removing these conditions would streamline the system without undermining the ETS's core objectives. Free allocation should be provided on a clear, predictable basis, based on sector-specific benchmarks and emissions performance.

Simplify the indirect cost compensation process by also removing the current conditionalities. Remove the obligation for installations to have yearly physical audits. Audits could instead be conducted only when auditors change, or for example once every two years to reduce the administrative burden. Simplify the procedure for the annual emissions reporting and the comprehensiveness of the yearly verification report to reduce manhours and thereby costs.

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

Moderately efficient

Slightly efficient

Not efficient

☒ Do not know

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

☒ To a large extent

To some extent

To a small extent

Not at all

Do not know

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

To a large extent

To some extent

☒ To a small extent

Not at all

Do not know

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 very large extent

To a large extent

To some extent

☒ To a small extent

Not at all

Do not know

4.4.2 Please provide suggestions for improving coherence

1000 character(s) maximum

The ETS and MSR must be revised to support the aims of the CID (which requires green industrial growth) and CRMA (which focuses on European self-sufficiency), at the same time as meeting EU climate goals. To improve coherence, we suggest removing the MSR or revising its operation to ensure greater market stability without excessive volatility. A more predictable carbon pricing mechanism would provide industries with the clarity needed for long-term investments in sustainable solutions. The level of ambition for ETS sectors should be shared with non-ETS sectors, in a way that still achieves net-zero in 2050, but with a more balanced burden sharing. In an unevenly carbon-constrained world, the EU ETS represents an additional operational cost which competitors outside Europe do not face. These costs must be mitigated, e.g. with effective price containment and by allowing other abatement tools. ETS EIs must have dedicated financial support for competitiveness and decarbonisation.

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

High

☒ Moderate

Low

Very low

Do not know

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 ETS incentivises emissions reductions and promotes a transition to low-carbon technologies. Key elements that add value are the free allocation and indirect cost compensation, which mitigate the carbon leakage risk. However, the conditionality of free allocation introduces administrative burdens and complexity, detracting from the overall efficiency of the system. Simplifying the allocation process and ensuring a sufficient and effective carbon leakage provisions, also for installations that are almost fully decarbonised,

would better support industries in their decarbonisation efforts without undermining their competitiveness. A more balanced approach would foster strategies for reducing emissions while maintaining industry viability. Changing rules within an ETS period discourages investments in fossil-free production. Companies avoid actions that could risk exceeding the 95% threshold, which negatively impacts long-term emission reductions.

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 **[Slettet her. Ikke relevant]**

5.2 Maritime emission **[Slettet her. Ikke relevant]**

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

Continue carbon leakage protection with indirect cost compensation persisting beyond 2030 and until the EU electricity grid is fully decarbonised.

The conditionality of free allocation, and the threshold for 95% biomass emissions in Annex I, should be removed, making the allocation process more streamlined, predictable, and cost-effective. Removing the 95% threshold would further reduce unnecessary complexity. The 95% rule is not a measure to tackle windfall profits, since there are none. Biomass is a renewable resource, and its inclusion under these conditions undermines the potential for decarbonisation practices.

The industry cap of 57% auctioned EUAs should be deleted, thereby freeing up the use of EUAs and reducing the application of the CSCF. Other abatement mechanisms, such as international carbon credits and EU-certified carbon removals, should be introduced.

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

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

Extending conditionality of free allocation increases investment risk for energy-intensive industries. The new conditions based on emission intensity introduce uncertainty and complexity, potentially discouraging long-term investments in decarbonisation technologies due to unpredictable costs.

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)?

X 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

5.3.1.4 Free Text Question

300 character(s) maximum

Indirect cost compensation is important to ensure industry's competitiveness, and will remain necessary after 2030 to protect against carbon leakage.

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.

7 Development of renewable energy sources
1 Decarbonisation of industrial installations
5 Decarbonisation of maritime transport
6 Decarbonisation of aviation
8 Development of a clean energy system
2 Energy efficiency

3 Development of innovative clean technologies
4 Upscaling clean technologies
10 Social support and just transition
12 International purposes and international climate finance
11 Public transport and mobility (rail, bus, metro, tram, micro-mobility)
9 Climate adaptation

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

Strongly agree

☒ Rather agree

Neutral

Rather disagree

Strongly disagree

Do not know

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

1000 character(s) maximum

[Forslag:...]

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

Strongly agree

Rather agree

☒ Neutral

Rather disagree

Strongly disagree

Do not know

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

[Forslag:...]

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?

☒ Strongly agree

☐ Rather agree

☐ Neutral

☐ Rather disagree

☐ Strongly disagree

☐ Do not know

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

The Innovation Fund should be simplified to ensure fairer access. Current rules often disadvantage sectors like pulp and paper, which are characterised by steep benchmark curves that do not reflect the industry's decarbonisation potential. These benchmarks can prevent eligible, high-impact projects from receiving support. To address this, the Fund should revise or remove rigid benchmarking requirements that create bias against certain sectors. Additionally, administrative complexity and overly burdensome application processes should be streamlined to facilitate participation, especially by small and medium-sized operators. The Fund should focus more clearly on industrial decarbonisation rather than renewable energy production alone, and maintain features like upfront support and scalability potential. Improving flexibility and fairness in project selection would allow the Innovation Fund to better serve all energy-intensive industries in their transition to climate neutrality.

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-a-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

Industry needs ambitious and effective instruments that offer stable and predictable support to ensure that investments in decarbonisation could be profitable. The choice of the instrument is not the key factor, so long as it delivers stability and predictability.

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

5.5.5 Please specify

300 character(s) maximum

Yes, the scale of industrial decarbonisation requires leveraging funding from all levels—EU, national, and regional. Complementary national resources are essential to close investment gaps and ensure effective deployment across Member States.

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

5.5.7 Please specify

300 character(s) maximum

A balance is needed and should be analysed on a case-by-case basis. EU-level competition should guide funding, but geographical consideration is key, as cost-effectiveness varies by technology, sector and region. A flexible approach ensures both efficiency and fair access across Member States.

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

5.6.2 Please specify

300 character(s) maximum

A change in the structure of the MSR is needed to better manage the foreseen shortage in

the ETS market and avoid the CSCF. The MSR should both serve as mechanism to increase market liquidity and be strengthened to prevent excessive EU ETS price volatility. These features are not mutually exclusive.

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

X Fixed thresholds for MSR intake (833 million allowances) and/or release (400 million allowances) need to be adjusted upwards

- ☐ Intake and/or release thresholds should be dynamic, i.e. reflect market conditions at a specific point in time
- ☐ 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

X Intake rate should revert to 12% after 2030

- ☐ The response time of the MSR should be decreased from annual supply adjustments to adjustments with higher frequency

X 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

5.6.4 Free Text Question

300 character(s) maximum

The invalidation rate should be eliminated. For the MSR to be more flexible and adaptative, part of the volume of invalidated allowances could be used to release in the market when needed (prevent price increases, avoid CSCF, etc.). Unused EUAs due to curtailments should go to industry.

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 thorslage 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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="checkbox"/>	<input type="radio"/>

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="checkbox"/>	<input type="radio"/>

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

Emission reduction pathways vary across sectors. No single solution, whether electrification or hydrogen, can transversally address all challenges. To reach net zero by 2050, the EU will need to design flexible compliance instruments under the ETS to address residual emissions from certain sectors. These measures must be developed quickly to enable faster and more cost-effective emission reductions, while bringing market liquidity.

Reaching a 90% reduction by 2040 will depend on the use of CCS and CDRs. According to Commission's ICMS, the CCS target is 280 MT of CO₂ by 2040. The Commission further estimates that achieving the 90% target will require 400 MT of natural and engineered CO₂ removals, with technical CDRs such as BECCS and DACCS needed at a rate of 75 MT per year.

Proposal: Develop and approve certification methods by 2026 and enact legislation to make EU certified carbon removals eligible as ETS compliance instruments by 2028, without limitation.

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

Complementary policies are essential to effectively scale up carbon removals. While integrating carbon removals into the EU ETS (nature-based carbon removals should not be allowed.) might be important, additional measures are needed to drive innovation, ensure transparency, and maintain integrity. Complementary policies could include direct support for research and development of new carbon removal technologies, targeted funding for CCS infrastructure, and financial incentives for the use of carbon in products. Moreover, scaling up carbon removals will require substantial investments in infrastructure, such as carbon capture, transport, and storage facilities, as well as access to clean energy to power these technologies. Without addressing these energy and infrastructure needs, the deployment of carbon removal solutions could be delayed or inefficient.

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 CO₂ emissions from industrial facilities, as well as to remove CO₂ 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 CO₂, 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 CO₂ 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 CO₂ 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 CO₂ 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 nonpermanent 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 nonpermanent 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

The capturing of carbon should be fully recognised under the EU ETS, regardless of how the carbon is utilised further down the value chain. Fragmenting the market by differentiating between permanent and

non-permanent uses can lead to unintended consequences, such as in the case of PCC (Precipitated Calcium Carbonate). When carbon is discounted under the EU ETS based on its end-use application, there is a risk of creating inefficiencies and market distortions. For example, PCC used in the majority of applications might require additional carbon cost coverage, even though the carbon has been captured. This could discourage the adoption of carbon capture technologies and create market fragmentation. To avoid these issues, a clear and consistent approach should be taken, recognising the climate benefits of captured carbon regardless of its final use, thus supporting the broader objective of decarbonisation and incentivising innovation across various sectors.

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

5.7.2.5 Currently, CO₂ 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 CO₂ 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

5.8 Potential expansion of the scope of the Directive

5.8.1 Municipal Waste Incineration (MWI) and other waste management processes **[Fylt inn av gjenvinningsindustrien, basert på posisjon om avfallsforbrenning.]**

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 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 prejudice 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

☐ Rather agree

☒ Neutral

☐ Rather disagree

☐ Strongly disagree

☐ Do not know

5.8.1.2 Please provide explanation to support your view.

1000 character(s) maximum

We believe that fossil CO₂ emissions from municipal waste incineration should be included under the EU ETS legislation as soon as possible. Waste incineration in Denmark and Sweden is already covered by the EU ETS. Moreover, all co-incineration facilities are covered by the EU ETS. In order to achieve a level playing field, waste incineration operators should bear equal climate gas emission costs. Integrating municipal waste incineration into the EU ETS would encourage recycling of waste. It will also reduce the risk of tax competition between regions. Additionally, ETS would create an incentive for WtE operators to investigate CCUS options to decarbonize plants.

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)?

☐ Strongly agree

Rather agree

Neutral

Rather disagree

☒ Strongly disagree

Do not know

5.8.1.4 Please provide explanation to support your view.

1000 character(s) maximum

With regard to hazardous waste, the aim of the incineration process is to secure safe treatment and destruction of the hazardous substances in the waste. Normally, hazardous waste cannot be recycled. Hence, inclusion of facilities for hazardous waste incineration into the ETS will not affect the recycling rates in the EEA-area. Additionally, an increase of costs for treatment of hazardous waste may increase risk of illegal waste handling.

5.8.1.5 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.

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

5.8.1.6 Please provide explanation to support your view.

1000 character(s) maximum

N/A

5.8.1.7 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

N/A

|

5.8.1.8 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

☐ MWI inclusion will significantly reduce GHG emissions if other waste sectors, such

as landfill, are incorporated

- ☐ MWI inclusion will significantly reduce GHG emissions if the non-permanent use of carbon is recognised in the ETS
- ☐ MWI inclusion will significantly reduce GHG emissions if carbon removals are integrated in the ETS
- ☐ 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

5.8.1.9 Please, add any comments

300 character(s) maximum

Integrating municipal waste incineration into the EU ETS would encourage recycling of waste. It will also make CCS/CCSU more attractive to consider for waste incineration operators.

5.8.1.10 Please, add any comments

300 character(s) maximum

5.8.1.11 Please specify

300 character(s) maximum

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 CO₂.

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?

Strongly agree

Rather agree

Neutral

Rather disagree

☒ Strongly disagree

Do not know

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)

	1 st	2 nd	3 rd
Identical approach to cap setting (i.e., no linking with intensity-based systems)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compatible (but not necessarily identical) market stability mechanisms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compatible (but not necessarily identical) approach to allowance banking and borrowing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Similar (but not necessarily identical) approach to offsets, particularly removal credits	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Similar (but not necessarily identical) scope of coverage in terms of GHGs and sectors		<input checked="" type="checkbox"/>	<input type="checkbox"/>

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	©	©	©

5.8.3.3 Please specify

300 character(s) maximum

Linking could level the field for EU industry and boost emissions trading liquidity. But regulation equivalence is key. No changes should conflict with EU rules. Including natural carbon sinks in the system is not justified. The focus should remain on cutting fossil emissions.

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

Yes, Nordic position paper on waste incineration

Andre?

