Joint NGO voting recommendations on the revision of the Emissions Trading System (ETS)

Ahead of the upcoming European Parliament's plenary vote on the revision of the EU ETS on Wednesday 8 June, we call on you to support and reject the following votes.

DISCLAIMER: Many of the final compromise amendments do not fully represent our positions and do not go far enough to fully align the EU carbon market with the 1.5°C goal of the Paris Agreement and to phase out free emission allowances as soon as possible. In these instances, we included our **reservations** explaining what elements are not fully aligned with our demands.

You can find the CAN Europe position on the revision of the EU ETS here.

AMBITION (Article 9 - Linear Reduction Factor, Rebasing)

The overall EU climate framework is in urgent need of a substantial revision in order to contribute effectively to the EU's achievement of the Paris Agreement objectives. A sharper increase in ambition is not only necessary to limit temperature increase to 1.5°C, but it can also send a strong market signal and provide necessary regulatory certainty to the market to stimulate and reinforce private investment. In order to reflect its capacity to act and its responsibilities as a major historic emitter, the EU ETS should achieve at least -70% emission reductions by 2030, compared to 2005 levels. Alongside a significant strengthening of the linear reduction factor, this will importantly require a one-off reduction of the cap in order to bring the system in line with real emission levels. These improvements need to go well beyond the Commission proposal[1]. In order to be in line with the European Parliament's position in support of a 60% overall EU climate target, as voted in the European Climate Law in 2020[2] Members of the European Parliament need to at least support the increased ambition levels of the respective ENVI reports for the LULUCF Regulation and the ETS.

AM No	Tabled by	Content	Recommendation
217	**The Left**	**450 million rebasing + -75% ETS by 2030**	**SUPPORT**
101	**ENVI committee**	**Rebasing equal to average 3 previous years (205m) Dynamic LRF 4.2% (+0.1)**	**SUPPORT**

[1] Under the Commission's proposal the surplus of allowances would decrease to around 450 million allowances by 2026. However, it would then start to increase again to reach 550 million allowances by 2030, undermining the ETS's ability to reach the envisaged emission reductions target. In order to address this risk, a combination of a stronger one-off cap adjustment/rebasing and the lowering of the market stability reserve thresholds (see resilience section) are needed. Climact (2022). Is the EU ETS proposal Fit For 55%? An analysis of the Commission's proposal for the EU ETS Revision.

[2] See our briefing Why the EU needs to Walk the Talk on Climate Policy. European Parliament position on the European Climate Law and voting results (60% EU 2030 climate target under item Am 48/2 + 100PC)

		OUR RESERVATIONS: Although a substantial increase in ambition leading to around 67% ETS emission cuts by 2030, this would not lead to at least 70% emission cuts needed to align the ambition of the ETS with the 1.5°C goal.	
244	**EPP, Renew**	**Rebasing split in two, leads to 63% ETS 2030 target - no significant improvement to Commission proposal in cumulative emission cuts** ***IF SPLIT VOTE*: REJECT split of rebasing**	**REJECT**
316	**EPP**	**Deletes EC proposal for rebasing, LRF of 5.09%** ***Comment: Would result in less cumulative emission cuts than the EC proposal.***	**REJECT**

RESILIENCE (Market Stability Reserve + Carbon Floor Price)

The market stability reserve (MSR) is the ETS's main instrument to address and eliminate the systemic surplus of emission allowances. A strong and sufficiently responsive MSR is therefore crucial for the ETS's overall resilience to external shocks and sudden increases in allowances, for example due to accelerated coal phase outs. Several studies also suggest that a failure to further improve the MSR, in particular by decreasing the thresholds triggering the intake rate, risks leaving too many surplus allowances in the system undermining the achievement of the ETS 2030 emission reductions target[3].

Furthermore, new amendments were tabled that could negatively impact the system's overall resilience by restricting the access to the market only to regulated entities. Restricting access to the market to only compliance actors would reduce liquidity and increase price volatility, the very problem this amendment is trying to solve. Moreover, this would not be in line with the assessment and recommendations of the European Securities and Markets Authority (ESMA) which backs improvements in the monitoring and ensuring of transparency and integrity of the market, but finds no evidence of major deficiencies in the functioning of the EU carbon market[4].

AM No	Tabled by	Content	Recommendation
227	**The Left**	**MSR intake rate tripled + LRF-aligned reduction of thresholds**	**SUPPORT**
192	**ENVI committee**	**MSR triggering thresholds slightly reduced to 700 and 921 million + 24%**	**SUPPORT**

[3] WWF and OEKO Institute (2021). Raising the climate policy ambition of the European Union. Reforming the EU Emissions Trading System.

[4] ESMA (2022). Final Report - Emission allowances and associated derivatives.

		intake rate + LRF-aligned reduction of thresholds as of 2025 **OUR RESERVATIONS: The MSR thresholds should be set to decrease to zero by 2030.**	
62	**ENVI committee**	**ESMA to regular monitor integrity and transparency of markets** **OUR RESERVATIONS: Free allocation should be part of the scrutiny from ESMA, as cause for price volatility**	**SUPPORT**
266	**EPP**	**Restrict access to regulated entities**	**REJECT**
147	**ENVI committee**	**Restrict access to regulated entities**	**REJECT**
389	**ECR**	**Weakens Art. 29a (excessive price fluctuation)**	**REJECT**
160	**ENVI committee**	**Art. 29a (excessive price fluctuation): If for 6 months, the ETS price is x2 average of previous 2 years, the Commission shall convene the committee within 7 days to assess cause and market fundamentals** **If price increase does not correspond to changes in market fundamentals, measure to be taken: release of 100m allowances; MS auctioning frontloading; use new entrants reserve**	**REJECT**
288	**Bloss (Greens)**	**Introducing Minimum Carbon Floor Price of 60 EUR/tCO2 increasing annually by twice the linear reduction factor**	**SUPPORT**

POLLUTER PAYS PRINCIPLE: FREE ALLOWANCES (FAs) + CARBON BORDER ADJUSTMENT MECHANISM (CBAM) + INDIRECT COST COMPENSATION

Industry installations covered by the ETS continue to receive the bulk of their allowances for free, eliminating the urgently needed incentives for industry to transform towards climate neutrality and resource efficiency. Free allocation is supposed to be provided as a temporary solution to prevent the so-called risk of carbon leakage. However, free ETS allowances have been given to industrial sectors since 2005, with little emission reductions in return. The EU Court of Auditors has recommended reforming this system of free handouts, highlighting that it is an effective barrier for decarbonisation. Given the lack of evidence of climate policy-induced carbon leakage, the current handout of free allowances to industry and aviation operators needs to stop[5]. Polluting for free in times of a climate crisis is unacceptable. The ETS should shift towards 100% allowance auctioning across all covered sectors. In addition, the carbon border adjustment mechanism (CBAM) needs to be an alternative to free emission allowances and there must be no overlap.

AM No	Tabled by	Content	Recommendation
117	**ENVI committee**	**ETS/CBAM/Free allocation trajectory: CBAM factor = 100% until the end of 2024, 90 % in 2025, 80 % in 2026, 70 % in 2027, 50% in 2028, 25% in 2029 and reach 0 % in 2030; Commission to write a report on CBAM effectiveness for exports every year as of 2025. All revenues from CBAM sectors to go to Climate Investment Fund** **OUR RESERVATIONS: Free allowances should end fully as soon as CBAM is implemented. A large part of the revenues generated by the phase out of free allowances should be directed to member states to finance (inter-)national climate mitigation and adaptation.** ***IF 117 FALLS:*** **SUPPORT AM 253**	**SUPPORT**
258	**Liese (EPP), Guteland (S&D), Wiesner (RE)**	**Exempts 10% best performers from CSCF**	**REJECT**
121	**ENVI committee**	**Cross Sectoral Correction Factor: 3% buffer remains unchanged but 10% best performers are exempted from the application of the CSCF**	**REJECT**
285	**Italian ID + Ivan David + Liese (EPP)**	**Increases the Cross sectoral correction factor buffer to 5% and allows for MSR top-up if not sufficient**	**REJECT**
119	**ENVI committee**	**Every year from 2025, the European Commission will write a report on the effectiveness of CBAM for exports and present a legislative proposal. Contradicts CBAM CA where the EC assessment on CBAM effectiveness for exports must be made as of 2028 and every two years.**	**REJECT**

[5] Recently, we have published a joint open letter calling for the immediate phase out of free allowances under the ETS.

231	ITRE group (Busoi and Pekkarinen)	ETS/CBAM/Free allocation trajectory: CBAM factor = 100% until 2027, 10% between 2028 and 2030, 17.5% between 2031 and 2034;	REJECT
282 and 378	ID + EPP // ECR	ETS/CBAM/Free allocation trajectory: CBAM factor = 100% until 2027, 10% between 2028 and 2030, 17.5% between 2031 and 2034;	REJECT
115	ENVI committee	Conditionality of free ETS allowances: Installations with the obligation to provide energy audit or a certified energy management system, implement measures with 8 years payback time or 'equivalent amount of GHG reductions All installations receiving free allocation must provide decarbonisation plans (must be established by July 2025) consistent with climate neutrality and sectoral roadmaps climate law (investment plans, intermediate targets, upskilling) MS may provide support. There will be a yearly verification of targets and milestones starting in 2025. The European Commission with Scientific advisory body set template If one of above breached --> -50% if emissions above 10% least efficient (worst performers), -30% if between least 10% and 50%, -25% if above 10% best performers. If both of above breached --> percentages are doubled Bonus malus system: 10% best performing installations receive bonus of 10% (using from the reduced share of free allocation from installations that breached conditionality) OUR RESERVATIONS: Exempting heavy polluters from paying for ETS allowances directly undermines the polluter pays principle which is enshrined in Article 191 of the Treaty on the Functioning of the EU. However, given the proposed compromise	SUPPORT

		amendments on conditionality, we constructively analysed how the conditionalities for free allocation could be strengthened. The pay-back time for energy efficiency investments should be increased to 10 years and the share of free allocation to be reduced for any installation not respecting the conditionality terms should be 100%. Moreover, we strongly disagree with some parts of this CA. Firstly, it will allow member states to provide additional support to operators for the implementation of their decarbonisation plans- without it to be considered illegal state aid. This can be considered as another subsidy in addition to free allowances that industries will receive after establishing their plans. Secondly, it will grant extra free allowances in the form of a bonus to installations that are marginally better than the 10% best. This should be removed. Continuing the free allocations system is already "a bonus" given to industry which could cost society more than 400 billions euros (between 2021-2030). Thirdly, it is a missed chance to not refer to the strict binding BAT-energy efficiency levels set in the relevant EU Best Available Techniques Standard, which constitute already technically and economically viable performance levels for the largest industrial installations, which should be added within the energy audit part. A further conditionality of achieving the WHO air quality guideline standards could have improved policy synergies of the EU ETS with the wider EU Green Deal goals	
233	ITRE Group	FAs to installations from 2026 onwards should be conditional on the enterprise owning that installation being covered by an energy management system. FAs to those installations covered under the energy management system should be proportionally reduced by 15% to 40 % if the implementation of the energy management system does not result in an improvement in energy efficiency,	REJECT

		provided that the pay-back time for the relevant investments do not exceed 6 years. *COMMENT: Free ETS allowances will still be allocated to ETS industrial sectors until at least 2030. So they must be better targeted and assigned to installations that are investing in clean production processes and have a clear plan to contribute to the EU short and long-term climate targets.*	
116	ENVI committee	Benchmarks: review no later than 6 months, including scope and new benchmarks decoupled from feedstock. Benchmarks application as of 2026, max improvement rate 2.5%, min 0.4%. Revision to benefit cleaner producers but also some language around circularity. Hot metal benchmark exclusion from benchmark to end in 2025. New benchmark for green hydrogen. OUR RESERVATIONS: The implementation of the new benchmarks should not be delayed to 2026 but should already be applied as soon as the revised Directive enters into force. Moreover, since all ETS sectors have the potential for a minimum yearly improvement rate of 1%, there is no reason to keep this parameter at 0.4%. This should be raised to 1%. The exemption for the hot metal benchmark should be removed as soon as the new ETS directive enters into force. Circularity should not only be about circular use potential of materials but also about material efficiency in manufacturing through circularity measures.	SUPPORT
264	EPP (Liese)	Excludes from the determination of the benchmark values data of the three least emission-intensive installations that either started operating after 2017 or received free allocation based on another benchmark	REJECT
221	The Left	Deletes provision for indirect cost	SUPPORT

		compensation (art.10a, paragraph 6)	
287	**Greens**	**Removes indirect cost compensation, EC report on effectiveness of CBAM in addressing embedded indirect emissions**	**SUPPORT**
49	**ENVI committee**	**Indirect cost compensation: Keeps original provisions and clarifies in new recital why indirect cost compensation is needed**	**REJECT**
114	**ENVI committee**	**Delete free emission allowances for all electricity producers + prompt eligible MS to move current 10c allowances to 10d- MF (applies to BG, EE, LV, HU, PL)**	**SUPPORT**

INNOVATION FUND

Increases in the volume and scope of the ETS Innovation Fund (IF) are positive and justified by its extended scope. Some of the allowances resulting from the reduction of free allowances for sectors covered by CBAM into the Innovation Fund might also be welcome. However, depending on the amount of allowances made available for auctioning with the introduction of CBAM, the size of the Climate Investment Fund would become disproportionate compared to the revenues from auctioning by Member States to support national climate mitigation and adaptation measures. For this reason, a fairer split of allowances between the Fund and the auctioning revenues for member states would be more desirable.

More safeguards and transparency on the selection of projects is needed. Full alignment with the goals of the PAris Agreement, environmental integrity and social safeguards should be added to ensure the fund contributes to industrial decarbonisation by 2050 at the lastest.

AM No	Tabled by	Content	Recommendation
122	**ENVI committee**	**390 + 110 million allowances - Ocean Fund + allowances from CBAM sectors; Innovation and scale-up tech with high GHG abatement potential. Frontloading in first 5 years; 12% to RES; CCfDs delegated act by Dec 2023; Geographical balance and cooperation, knowledge sharing, do no significant harm. 0.5% of the Modernisation Fund top-up to support CCfDs.** **The Climate Investment Fund shall not**	**SUPPORT**

		support nuclear energy-related activities **OUR RESERVATIONS: Not all allowances from CBAM sectors should go to the Innovation Fund/Climate Investment Fund, as there are non-project measures in need of funding too; frontloading might have negative effects. Moreover, the top-up of the Modernisation Fund should be kept at 2.5% as proposed by the Commission. No need to reduce it by 0.5% to add funds to the Climate Investment Fund which already benefits from large new resources.**	
321	**EPP**	**Moving back to EC text, deletion of reference to nuclear energy-related activities**	**REJECT**

LINK WITH INDUSTRIAL EMISSIONS DIRECTIVE (IED)

Better and effective carbon pricing is only part of the solution to achieve the industrial transformation towards climate neutrality in the next decades. It needs to be embedded in a comprehensive industrial regulatory framework that incentivises circular solutions and attracts the investments for clean production techniques[6]. There is increasing consensus over what such a policy package should look like, as is evident from a steady drumbeat of reports released in recent years[7]. A critical improvement to the current policy framework is to adopt a combined approach of applying the polluter pays principle to industry and applying BAT based performance standards (e.g. fuel switching obligations, electrification uptake, energy efficiency measures, strict air and GHG pollution limits) under the Industrial Emissions Directive.

AM No	Tabled by	Content	Recommendation
289	**Bloss (Greens)**	**Establish combined approach of ETS and IED (would also apply to GHG) to set up regulatory framework to better address industrial emissions**	**SUPPORT**

[6] What is 'clean' and best industrial production practice is set in the so called EU-Best Available Technique (BAT) Reference Documents, developed under the IED 'command and control' framework. Yet regulating GHG emissions for the biggest stationary sources (ETS 1) has been arbitrarily excluded from the IED in 2003, blinded by a quasi-religious faith in the market, which should be the only approach to "regulate" GHG.

[7] See for example: Agora Energiewende (2021), A Clean Industry Package for the EU; Material Economics (2019), Industrial Transformation 2050; Climate Strategies (2021), Closing the Green Deal for Industry; DIW (2021), Green Deal for Industry: A Clear Policy Framework Is More Important than Funding; E3G (2020), A Policy Vision for the EU Industrial Strategy; EEB (2020), Industrial Emissions Directive and climate action: key elements for a review; EEB and CMW (2022), Preliminary NGO views on revised IED proposal

USE OF ETS REVENUES

The auctioning of ETS revenues is generating substantial revenues for national governments. In the past, Member States had only very weak guidelines on how these revenues should be spent[8]. It is essential that revenues generated by EU climate policy should also fully be used to boost climate action and the just transition, in the EU and abroad; and they must not support technological lock-in that is incompatible with the EU's commitments under the Paris Agreement.

AM No	Tabled by	Content	Recommendation
104-111	**ENVI committee**	**The use of ETS revenues is improved through requirements that they shall respect the 'do no harm' principle, be consistent with NECPs and TJTPs, and respect minimum labour and fundamental rights standards. Spending categories on areas where revenues shall be sent are also clarified, especially regarding renewable energy, energy efficiency, the just transition and national climate dividend schemes. Reporting over how Member States intend to use and have used these revenues is drastically improved. 10% of ETS revenues are earmarked for support to vulnerable third countries.** **ETS 1 revenues shall not be used to finance nuclear energy-related activities and technologies.**	**SUPPORT**

MODERNISATION FUND (MF)

The Modernisation Fund provides additional resources for the transformation of the energy sector in lower income Member States and needs to be further aligned with the objectives of the European Green Deal. In its proposal, the Commission made some important improvements, in particular the exclusion of energy providers that use all fossil fuels, the increase of the share of the fund for investments in priority axes, and the augmentation of the fund by 2,5% of the total allowances for the period 2024-2030 for the 12 lower income Member States in 2016-2018. However, more improvements are needed, in particular the explicit exclusion of investments in nuclear energy, the channelling of 100% of the fund to priority axes, the strengthening the eligibility criteria for the Just Transition priority axis, as well as more transparency and involvement of the civil society.

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[8] WWF (2021). Fit For 2030: Making EU ETS revenues work for people and climate.

AM No	Tabled by	Content	Recommendation
103	**ENVI**	**Size reduction of MF2 (2%) compared to EC proposal + 0,5% to Climate Investment Fund**	**REJECT**
134	**ENVI**	**Elimination of 10c derogation and transfer of 10c allowances to either the MF or MS auctioning revenue**	**SUPPORT**
135	**ENVI**	**Conditionalities on climate neutrality & phase out of fossil fuels**	**SUPPORT**
136	**ENVI**	**Exclusion of nuclear energy related investments**	**SUPPORT**
137	**ENVI**	**100% of MF for priority investments**	**SUPPORT**
138	**ENVI**	**Add "*the generation of energy by hydrogen generators*" as a priority area** **CONCERN: Hydrogen needs to be green (it can't be grey or blue though because of the overall exclusion of investments using fossil fuels in other AM 56)**	**SUPPORT**
139	**ENVI**	**Emphasise reduction of energy use use despite electrification**	**SUPPORT**
140	**ENVI**	**Add "*cooling* systems *and energy efficiency efforts in buildings for both residential and commercial use*" as a priority area**	**SUPPORT**
141	**ENVI**	**Add dialogue with civil society in Just Transition priority area and focus funding on reskilling & upskilling according to JTF Regulation** **CONCERN: Although dialogue with civil society and consistency with the JTF Regulation are good, this particular focus narrows the use of the MF for JT purposes to only reskilling and upskilling projects**	**SUPPORT**
142	**ENVI**	**Add investments in "*alternative***	**SUPPORT**

		fuels infrastructure" as a priority area	
143	ENVI	Compliance with DNSH principle + safeguards of Sustainable Taxonomy Regulation	SUPPORT
144	ENVI	Investment Committee must take advice from the *European Scientific Advisory Board on Climate Change*	SUPPORT
145	ENVI	Elimination of evaluation steps for non-priority investments	SUPPORT
146	ENVI	Report of the investment committee to the EP, the Council + go public and not just to the EC	SUPPORT
245	Wiesner (RE) and Liese (EPP) + S&D (according to voting list)	Top up of 2,5% CONCERN: some additional loose constraints with a geographical focus: "*The additional quantity of allowances referred to in this subparagraph shall, where appropriate, also be used to fund cross- border projects with the beneficiary Member States and the adjacent low- growth border regions.*"	SUPPORT (the voting list shows that only if 245 -and not the better AM 256- is voted, then AM 103 and AM 375 will fall)
256	Liese (EPP), Guteland (S&D) and Wiesner (RE)	Top up 2,5% but better language on climate and energy plans/just transition; no mention of use of the MF on cross-border projects or adjacent border regions	SUPPORT (if adopted, AM 40 and 337 fall)
296	Group of EPP MEPs from CEE	Top up 2,5% but without the language on consistency with climate and energy targets that AM 256 has (the two AMs are mutually exclusive)	REJECT
298	Group of EPP MEPs from CEE	adds investments in "transitional fuels" to the scope of the MF	REJECT
337, 375	ECR	Top up 4%: too much	REJECT
341	ECR	Exclusion only of solid fossil fuel investments from the MF	REJECT
387	ECR	Exclusion only of solid fossil fuel investments from the MF	REJECT
388	ECR	Confirm that 100% of Modernisation Fund to be used	REJECT (although we agree in principle, AM

		for priority by eliminating evaluation steps for non-priority projects	145 is preferable and they are mutually exclusive)

NEW SECTORS (SHIPPING AND WASTE INCINERATION)

Today, emissions from international maritime emissions have so far not been included in the EU ETS and remain largely unregulated. However, the handout of free allowances undermine the polluter pays principle by having a phase-in period or exemptions for ice-class vessels or voyages to outermost regions. In addition, emissions from both incoming and outgoing vessels to EU ports should be fully included in the EU ETS (so-called 'full scope inclusion') and also global heating impacts of black carbon and non-CO2 GHG urgently need to be addressed.
In addition, it has been proposed to include municipal waste incineration into the ETS.

AM No	Tabled by	Content	Recommendation
100, 102, 208, 209,	**ENVI committee**	**Inclusion of waste incinerators from 2026**	**SUPPORT**
84, 90, 93, 96, 194, 195, 196, 197, 198, 199, 200, 211	**ENVI committee**	**Shipping. Expansion of covered gases vessel types and sizes, cautious alignment with IMO.** **OUR RESERVATIONS: No need for various exemptions for outermost regions and ice-class vessels**	**SUPPORT**
149	**ENVI committee**	**Surrendering obligations for ice-class vessels and ships to outermost regions are reduced up to 2029. For ice-class vessels: complex formula, for outermost regions: 25% less**	**REJECT**
254, 255, 259, 261, 262, 290-294, 300-315, 329,334	**S&D, EPP, RE,**	**Various unnecessary derogations from polluter pays principles (free allocation, exemptions or lowering of surrendering obligations) for polluting ships**	**REJECT**
94	**ENVI committee**	**Set up of the Ocean Fund (similar to Innovation Fund), investment areas, revenue allocation** **OUR RESERVATIONS: The Ocean Fund**	**SUPPORT**

		should also support investments in marine ecosystems	
91, 92	ENVI committee	**Phase in deleted (100% in 2024), expansion to full international postponed to 2027 (with derogations based on bi/multilateral agreements, third country carbon pricing, SIDS and LCDs that cover shipping in their NDCs). Carbon leakage/transsphipment measures.** **OUR RESERVATIONS: There is no need to wait for full coverage of international shipping**	**SUPPORT**

CARBON CAPTURE AND USE (CCU)/CARBON DIOXIDE REMOVAL (CDR) AND BIOMASS

Carbon dioxide removal should not be included directly in the EU ETS, it would turn it into an offsetting mechanism and undermine urgent deep emission reductions. The Innovation Fund would be a far more appropriate tool to incentivize removals - and would do so without harming the functioning of the EU ETS at the same time. With regards to CCU, only captured carbon that is stored out of the atmosphere permanently should be eligible for exclusion from surrendering obligations - otherwise a loophole for delayed emissions is created (for example CCU to fuels).

AM No	Tabled by	Content	Recommendation
151, 152	**ENVI committee**	**Including disposal, no inclusion of removals in the EU ETS**	**SUPPORT**
157, 213	**ENVI committee**	**Applies zero emission rating to installations using biomass exclusively and fulfilling RED sustainability criteria**	**REJECT**

ETS FOR ROAD TRANSPORT AND BUILDINGS (ETS 2)

While we support strengthening carbon pricing and the application of the polluter pays principle, we have strong concerns about the Commission's proposal for a new ETS for road transport and building emissions, and call for a number of amendments to ensure adequate environmental and social safeguards to be upheld should the ETS2 move ahead.

Preconditions to be upheld:

- A strong policy mix, including more ambition and strong compliance rules in the Effort Sharing Regulation (ESR), the Renewable Energy Directive (RED), the Energy Efficiency Directive, the Energy Performance of Buildings Directive (EPBD) and the CO2 standards for cars and vans are needed
- Ensure transparency, participation and create positive vision for society

Extra safeguards to be ensured:

- Ensure environmental integrity and that EU can achieve or even overshoot 2030 climate target
- A large, impactful and transformational Social Climate Fund (SCF) is essential for a socially fair Fit for 55 package. The fund should effectively focus support to low income households and the most vulnerable communities and should start multiple years before the new ETS kicks in, partly financed by ETS revenues[9]
- The polluter pays principle must be urgently implemented. All environmentally harmful subsidies must be removed, and all external costs must be internalised by 2025. Big polluting companies need to start paying for their pollution (see Polluter Pays/free allowances section above)
- All revenue generated by the new ETS needs to be used for climate action and the just transition, including the dedicated support for low income households and vulnerable communities. No support should be given to fossil fuels, neither should there be a transfer of revenues from the ETS2 to the Innovation Fund
- The CO2 price in the new ETS should be regulated and reliable[10].
  Make fuel suppliers pay part of the ETS2 price (to effectively have an upper limit for the price consumers need to pay)

AM No	Tabled by	Content	Recommendation
	ENVI committee	**Delays the introduction of ETS2 for households to 2029 (and only after an**	**SUPPORT**

[9] Studies suggest that if the introduction of new carbon pricing in the transport and buildings sectors is coupled with the full reinvestment of revenues, inter alia a sufficiently financed Social Climate Fund (SCF) which contains safeguards obliging Member States to direct the money to benefit lowest income groups, the overall impact of the policy can be progressive. FEST/FOES (2021). Assessment of the EU Commission's Proposal on an EU ETS for buildings & road transport (EU ETS 2). Criteria for an effective and socially just EU ETS 2. And IEEP (2022). Can Polluter Pays policies in the buildings and transport sectors be progressive? Assessing the distributional impacts on households of the proposed reform of the Energy Taxation Directive and extension of the Emissions Trading Scheme.

[10] A number of NGOs has recently proposed 10 specific safeguards for the introduction of the EU ETS for road transport and buildings and the Social Climate Fund.

		assessment by the Commission), introduces a price ceiling, extends to other fuels, limits cost pass-on, MS can opt in to ETS2 for private earlier, Carbon Price Fluctuation Mechanism, all ETS2 revenue for social climate measures. *Comment: The compromise provides key social safeguards for households. With sufficient social safeguards in place, carbon pricing can play a role in a broad policy mix to decarbonise buildings and transport. It needs to be accompanied by other measures, notably high regulatory ambition and massive public and private investments. In the absence of further measures, a gap in necessary investments and therefore in emission reductions will occur.* **OUR RESERVATIONS:** **The lack of a rising price ceiling and floor (the compromise includes a cap only), in addition to an initially reduced scope, might put at risk the effectiveness of the system in terms of GHG emission reductions and undermine its environmental effectiveness. In addition, the price control safeguards included were conceived for households, while as it stands now until 2029 they will apply to commercial use.**	