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Updating the EU Emissions Trading System

Fields marked with * are mandatory.

Introduction

The European Green Deal, adopted by the Commission in December 2019, has tackling climate change and reaching the objectives of the Paris Agreement and other environmental issues (including addressing air pollution) at its core. The 2050 climate neutrality objective, which the Commission proposed in 2018 and the European Council and Parliament endorsed, is one of its central elements. The Commission has proposed to enshrine climate neutrality into EU law. In order to set the EU on a sustainable path to achieve climate neutrality by 2050, the Commission has proposed in the Communication on stepping up the EU's 2030 climate ambition an EU-wide, economy-wide net greenhouse gas emissions reduction target of at least 55% in 2030 (compared to 1990).

Building on the existing 2030 legislation and the Communication on stepping up the EU's 2030 climate ambition, the Commission will review and propose to revise, where necessary, the key relevant legislation by June 2021. This will include a coherent set of changes to, notably, the EU Emissions Trading System Directive, the Effort Sharing Regulation and the Land Use, Land Use Change and Forestry (LULUCF) Regulation, CO2 Emissions Performance Standards for Cars and Vans and, the Renewable Energy Directive and the Energy Efficiency Directive.

This consultation focuses on the EU Emissions Trading System (EU ETS), a key tool for reducing greenhouse-gas emissions and achieving the EU's climate targets. The EU ETS is a cap-and-trade system that currently governs 41% of the EU's emissions, covering power and heat generation, energy-intensive industrial sectors and aviation within the European Economic Area and to/from Switzerland. The Communication on stepping up the EU's 2030 climate ambition explicitly indicates the need to revise the EU ETS in light of the aforementioned more ambitious target. This includes the extension of the EU ETS to new sectors, such as the maritime sector, which is a sector that requires a basket of measures to ensure its fair contribution to the climate neutrality goal by 2050. Furthermore, emissions trading system could be expanded to road transport and buildings, and potentially all fossil fuel use.

This public consultation invites citizens and organisations to contribute to the assessment of how to translate the increased EU 2030 emission reduction ambition into an upgraded, more ambitious, workable and realistic ETS. The results of the consultation (which will be summarised and published) will inform the Impact Assessment, accompanying the Commission proposal for revising the ETS. There are additional parallel public consultations on the review of the LULUCF Regulation, of the CO2 Emissions Performance Standards for Cars and Vans and of the Effort Sharing Regulation.

Guidance on the questionnaire

This public consultation consists of some introductory questions related to your profile, followed by a questionnaire. **Please note that you are not obliged to respond to all questions in the questionnaire.**

The Commission already held an open public consultation on the 2030 Climate Target Plan, which was open for 12 weeks from 31 March to 23 June 2020. Many high-level questions related to the increased climate ambition were asked in the context of that consultation. **The present questionnaire therefore focuses on more specialised and detailed questions on the ETS design required to best achieve the revised target.**

At the end of the questionnaire, you are invited to provide any additional comments and to upload additional information, position papers or policy briefs that express the position or views of yourself or your organisation.

The results of the questionnaire as well as the uploaded position papers and policy briefs will be published online. Please read the specific privacy statement attached to this consultation informing on how personal data and contributions will be dealt with.

In the interest of transparency, if you are replying on behalf of an organisation, please register with the register of interest representatives if you have not already done so. Registering commits you to complying with a Code of Conduct. If you do not wish to register, your contribution will be treated and published together with those received from individuals.

About you

* Language of my contribution

- ○ Bulgarian
- ○ Croatian
- ○ Czech
- ○ Danish
- ○ Dutch
- ● English
- ○ Estonian
- ○ Finnish
- ○ French
- ○ German
- ○ Greek
- ○ Hungarian
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- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- (selected) Other

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Théo

*Surname

Fievet

*Email (this won't be published)

theo@platformelectromobility.eu

*Organisation name

255 character(s) maximum

Platform for electromobility

* Organisation size

- Micro (1 to 9 employees)
- (selected) Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

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

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* Country of origin

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

Afghanistan	Djibouti	Libya	Saint Martin
Åland Islands	Dominica	Liechtenstein	Saint Pierre and Miquelon
Albania	Dominican Republic	Lithuania	Saint Vincent and the Grenadines
Algeria	Ecuador	Luxembourg	Samoa
American Samoa	Egypt	Macau	San Marino
Andorra	El Salvador	Madagascar	São Tomé and Príncipe
Angola	Equatorial Guinea	Malawi	Saudi Arabia
Anguilla	Eritrea	Malaysia	Senegal
Antarctica	Estonia	Maldives	Serbia
Antigua and Barbuda	Eswatini	Mali	Seychelles
Argentina	Ethiopia	Malta	Sierra Leone

- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
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- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
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- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
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- Guadeloupe
- Guam
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- Martinique
- Mauritania
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- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
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- Morocco
- Mozambique
- Myanmar /Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia

- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
- Croatia
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam

- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

Type of organisation (please select the option that fits best):

- Private enterprise
- Professional consultancy, law firm, self-employed consultant
- Trade, business or professional association
- Non-governmental organisation, platform or network
- Research and academia
- Social partners
- National, regional or local authority (mixed)
- Other (selected)

If other, please specify:

The Platform for Electro-mobility unites 40+ organisations from across civil society, industries, cities and across all transport modes. Our members are committed to promote electro-mobility and strive to collectively develop solutions to electrify European transport, and to promote those solutions to the EU institutions and Member States.

Please indicate the economic sector you are active in (as an individual or as an organisation)

- Agriculture, Hunting and Forestry
- Financial Intermediation
- Fishing
- Real Estate, Renting and Business Activities

- Mining and Quarrying
- Public Administration and Defence
- Manufacturing
- Education
- Electricity, Gas and Water Supply
- Health and Social Work
- Construction
- Other Community, Social and Personal Services
- Wholesale and Retail Trade
- Activities of Private Households as Employers
- Hotels and Restaurants
- Extraterritorial Organisations and Bodies
- Transport, Storage and Communications
- Other (selected)

If other, please specify:

The aim of the Platform is to drive the development, implementation and support for sustainable European Union policies, programmes and initiatives to move people and goods by electro-mobility.

If you are a civil society organisation or a public administration, please indicate your main area of focus or your area of competence:

1000 character(s) maximum

* Publication privacy settings

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

- **Anonymous**
  Only your contribution, country of origin and the respondent type profile that you selected will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.
- **Public** (selected)
  Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

☑ I agree with the personal data protection provisions

A. The Contribution of EU ETS to the overall climate ambition for 2030

The Commission has proposed to increase the net economy-wide target to reduce greenhouse gas emissions ('GHG') domestically by at least 55% by 2030 compared to 1990. Currently, consistent with the EU-wide GHG emission reduction target of 40% in 2030 (compared to 1990), the ETS Directive puts a cap on emissions to ensure that the sectors covered by the EU ETS will reduce their emissions by 43%, as compared to 2005, by 2030. To achieve the increased economy-wide target, also the ETS's contribution will have to be increased and changes to fundamental aspects of the EU ETS may be required, including the cap on emissions and the measures in place to protect against the risk of carbon leakage.

1. With the increased 2030 GHG reduction ambition of at least 55%, what should be the current EU ETS sectors' contribution to the increased 2030 target (i.e. without the accounting for the possible inclusion of new sectors)?

- [x] The current ETS sectors should increase their current ETS contribution (compared to 2005) in line with the new target. Based on cost-efficiency considerations as calculated in the Impact Assessment accompanying the Communication on stepping up the EU's 2030 climate ambition (table 26), the current ETS sectors should contribute around -63% compared to 2005
- [ ] The contribution of the current ETS sectors should be more than what their potential for cost-efficient emissions reductions would indicate
- [ ] The contribution of the current ETS sectors should be more than 43% reductions (compared to 2005) but less than what their potential for cost-effective emissions reductions would indicate
- [ ] Other

2. A strengthened EU ETS 2030 ambition can be achieved through different combinations of policy options. Considering the current EU ETS sectors, please rate the following aspects in terms of relevance? Please rate from 1 (not important) to 5 (very important):

	1	2	3	4	5
Strengthen the cap through the increase of the linear reduction factor	○	○	○	○	○
Strengthen the cap through a one-off reduction ('rebasing the cap')	○	○	○	○	○
A combination of increasing the linear reduction factor and a one-off reduction	○	○	○	○	○
Cancelling allowances held in the Market Stability Reserve (MSR) [The Market Stability Reserve is further explained in section E of this survey]	○	○	○	○	○
Maintain the increased feeding rate of the MSR after 2023	○	○	○	○	○
Early application of a strengthened cap (e.g. 2023 instead of later)	○	○	○	○	○

Other, please specify in the box below	◯	◯	◯	◯	◯

3. In view of a strengthened ETS cap and thus a decreasing absolute volume of allowances available for auctioning and free allocation, how should the total cap be divided?

- ◯ The current auction share of 57% should be maintained
- ◯ The auction share should be increased and free allocation decreased
- ◯ Other

B. Addressing the risk of carbon leakage

Current rules foresee the continuation of the free allocation until 2030 based on updated benchmark values. In the European Green Deal, the Commission announced it would propose, for selected sectors, a Carbon Border Adjustment Mechanism should differences in levels of ambition worldwide persist, as the EU increases its climate ambition. Such measure would be an alternative to the measures that address the risk of carbon leakage in the EU's Emissions Trading System. Furthermore, an increased ambition for the EU ETS and hence a lower cap of allowances under the ETS would impact the amount of allowances available for free allocation in any case.

4. Do you believe the current carbon leakage framework addressing direct carbon costs, consisting of free allocation, should be maintained, amended or replaced? Multiple answers are possible

- ☐ The current carbon leakage protection framework should be maintained without changes
- ☐ The current carbon leakage protection framework should be modified by targeting the support even more to the sectors most at risk
- ☐ For selected sectors, the current carbon leakage framework should be replaced by a Carbon Border Adjustment Mechanism
- ☐ Free allocation should be made conditional to beneficiaries carrying out investments for reducing their GHG emissions
- ☐ Other measures to further incentivise GHG reductions should be introduced

EU ETS benchmark values reflect the average emission intensities of the 10% best installations covered by the ETS per product. These benchmark values will be updated for the periods 2021–2025 and 2026–2030 by considering the actual improvements of the installations' performances. However, the annual update rate is limited to a value between 0.2% and 1.6% per year. The annual update rate reflects the improvements in each sector between 2007–2008 and 2016–2017 and results in a reduction of the benchmarks applied for calculating the free allocation received by each installation.

5. In view of the likely lower amount of allowances available for free allocation, (due to increased ETS target) which of the following aspects in relation to the benchmark-based allocation do you consider most relevant? Please rate from 1 (not important) to 5 (very important):

	1	2	3	4	5
Modified method to determine benchmark values to ensure faster incorporation of innovation and technological progress (e.g. by not limiting the annual reduction rate for each benchmark when updating benchmark values)	◯	◯	◯	◯	◯
Additional product benchmarks	◯	◯	◯	◯	◯
Revised definitions of product benchmarks to incentivise innovation	◯	◯	◯	◯	◯
Increased transparency regarding benchmark values and process via mandatory publication of underlying data by industry	◯	◯	◯	◯	◯
Other, please specify in the box below	◯	◯	◯	◯	◯

Member States can compensate certain electro-intensive sectors for the indirect costs passed on through electricity prices (indirect cost compensation, the ETS Directive currently states that Member States should limit the amount they spend on indirect cost compensation to 25% of their auction revenues. This compensation is subject to State aid rules and as such not granted in all countries. Multiple responses possible.

6. Should the approach to indirect cost compensation be modified?

- ☐ Yes, the rapidly on-going decarbonisation of the electricity production in the EU will sufficiently reduce indirect costs and therefore, indirect cost compensation can be gradually phased out
- ☐ Yes, indirect cost compensation should be further harmonised in Europe, sectors exposed to the risk carbon leakage due to indirect costs should be compensated equally regardless of the Member State where they are active
- ☐ Yes, the approach to indirect cost compensation should remain the same, but additional requirements should be set to ensure that Member States granting it do not spend more than a given percentage of their auctioning revenues on it
- ☐ No, Member States should maintain flexibility to grant indirect cost compensation or not, subject to State Aid control

C. An increasing role for emissions trading

An expansion of emissions trading could include emissions from fossil fuel combustion in road transport and buildings. Depending on the administrative systems chosen, the portion of industry currently not *included in the ETS could also be brought in. The Commission will look, inter alia, at the option to cover all emissions of fossil fuel combustion under the ETS, while taking into account potential effects on existing EU legislation in this field.*

In the context of the impact assessment work for the Communication on stepping up the EU's 2030 climate ambition, difficulties emerged as to regulating emitters themselves in a number of sectors being examined for possible ETS application in the same manner as in the current ETS sectors (downstream approach), because these emitters number in the millions and are often private persons. Instead, entities further up the supply chain such as the fuel distributors or tax warehouses could be regulated and be required to monitor and report emissions as well as surrender allowances (upstream approach).

The EU ETS has shown that the development of a new market requires setting up functioning monitoring, reporting and verification (MRV) and can benefit from transitional arrangements for market and price stability reasons, before being gradually integrated into the existing system. Transitional arrangements for an extension of ETS scope would allow for setting up gradually the required regulatory framework and administrative capacity.

7. Carbon pricing alone does not address all barriers to the deployment of low and zero emissions solutions. Which other policies should be deployed when extending the use of emissions trading to emissions from buildings, road transport or all fossil fuel combustion? Please rate from 1 (not important) to 5 (very important):

	1	2	3	4	5
Polices addressing energy performance of buildings, the energy savings obligation, or other energy efficiency policies to be specified in the box below					X
CO2-standards for cars and vans					X
Transport policies					
Renewable energy policies				X	
Energy taxation				X	
Other, please specify in the box below					X

Please specify:

1000 character(s) maximum

The Platform for Electromobility calls for an ambitious review of the Alternative Fuels Infrastructure Directive which will hasten the deployment of electromobility solutions. A minimal charging infrastructure network on roads and across cities is the prerequisite for the consumer's uptake of sustainable mobility solutions. The Platform believes also in the introduction of a greenhouse gases and energy component for the calculation of energy taxation within the revised Energy Taxation Directive. Those additional legislations will make for a more comprehensive framework needed to achieve EU climate's objectives.

8. Emissions trading for road transport and buildings or all fossil fuel use could be integrated into the existing EU ETS so that there would be one single system covering emissions from all these sectors. If the new sectors are integrated into the current EU ETS such integration would be (multiple answers are possible):

- [ ] Positive, because it would capture the emissions under the cap and facilitate more cost-effective abatement by increasing abatement options
- [ ] Positive, because including buildings into an extended EU ETS would provide a level playing field for all modes of heating and cooling
- [ ] Positive, because including fossil fuels used in road transport into an extended EU ETS would provide a level playing field for all modes of road and rail transport, including electric rail which is already subject to indirect carbon pricing
- [ ] Positive, because setting a separate ETS for road transport and/or buildings or all fossil fuel use would lead to higher administrative costs for administrations and regulated entities
- [ ] Positive, because including emissions from all fossil fuel use into an extended EU ETS would provide a uniform carbon price signal for all industries
- [ ] Negative, because there could be an insufficient price signal for the transport and building sector to decarbonise
- [ ] Negative, because the new sectors are too different from the current sectors and abatement effort will mainly materialise in the current ETS sectors
- [ ] Negative, as the integration of the new sectors in the current ETS might disrupt and undermine the stability of the current ETS
- [x] Other

Please specify:

1000 character(s) maximum

We recommend not to extend the ETS to road transport. It is already subject to different measures having the same objective of reducing CO2 emissions, impacting also other external costs for fuel, vehicles taxes and road charges.The CO2 standards are an effective driver of road decarbonisation and its revision will help to achieve EU's objectives.The ETD won't cover road transport fuels if the ETS is extended to road transport. ESR today covers road transport emissions which gives MS specific national binding targets.To guarantee ESR efficiency it should remain apart from the ETS.As road transport is quickly electrifying, its emissions are gradually transferred to the ETS via the power generation.ETS efficiently delivers emissions reductions with a minimum total cost to society for the sectors it currently covers. However, including the road transport, a non-elastic sector, in the ETS is a difficult task and without a careful analysis it might harm the fonctionning of the current ETS.

9. A separate EU-wide emissions trading system for road transport and buildings or all fossil fuel use could be established as a parallel system to the current EU ETS. Flexibilities could be built in, e.g. to allow partial fungibility between the allowances of the separate systems. What is your preferred design option for the relationship between these two systems:

- ☐ Both systems should stay independent and no relationship between them should be established
- ☐ One-way flexibilities between the systems will increase cost-efficiency
- ☐ Two-way flexibilities between the systems will increase cost-efficiency
- ☐ Other

10. Establishing a separate EU-wide emissions trading system for road transport and buildings or all fossil fuels will require choosing its main features. Which of the following aspects of the new ETS do you consider should be similar to the current ETS in order to allow for a later integration? Please rate from 1 (very similar) to 5 (very different):

	1	2	3	4	5
The level of ambition for emissions reduction	○	○	○	○	○
The linear reduction factor	○	○	○	○	○
Provisions to address distributional aspects, i.e. how revenues are divided and used	○	○	○	○	○
Provisions to address carbon leakage issues in the energy intensive industry where appropriate	○	○	○	○	○
Monitoring, reporting and verification rules	○	○	○	○	○
The infrastructure to be used (e.g. the use of the existing EU ETS infrastructure such as the Union Registry)	○	○	○	○	○
Application of the market stability provisions	○	○	○	○	○

11. Emissions trading for road transport and buildings or all fossil fuels could be gradually integrated into the existing EU ETS. Should the ETS revision already determine when and how such integration will take place?

- ☐ Yes, the market needs certainty and legislation should determine that integration will happen at a specific time within , e.g., 5 years from its entry into force
- ☐ Yes, the legislation should foresee a review to determine whether and when integration is desirable

- [ ] No, in view of the risks associated the legislation should not foresee such integration
- [ ] Other

D. Extension to Maritime greenhouse gas emissions

While CO2 emissions from EU's international maritime transport are being monitored, reported and verified under the dedicated EU MRV System, they are not covered by the EU ETS or other EU climate legislation, contrary to the EU's international commitment to economy-wide action under the Paris Agreement.

In line with the European Green Deal communication, the Commission will assess carbon pricing options to ensure that the price of waterborne transport reflects the impact it has on climate. In addition, the Commission will consider including at least intra-EU maritime transport in the EU ETS, as stated in the communication on stepping up Europe's 2030 climate ambition, to ensure the sector contributes to the emission reductions needed.

As carbon pricing will not be able to address all barriers to the deployment of low and zero emissions solutions, a basket of other complementary policy actions at EU level are needed to trigger further investments in clean energy technologies and infrastructure. The existing legislative framework, the ongoing reviews and announced revisions of other related pieces of legislation, including on mobility, transport fuels, or Energy Taxation Directive, will be taken into account to ensure synergies of instruments. Due to the international nature of maritime transport, international cooperation is desirable, notably at the International Maritime Organization.

12. What is your opinion on the most appropriate measure to put a price on GHG emissions from EU maritime transport activities?

- [ ] Extension of the EU ETS to cover maritime transport
- [ ] A specific ETS system just for maritime transport
- [ ] A tax at EU level on GHG emissions from maritime transport
- [x] Other

Please specify:

1000 character(s) maximum

> Today, greenhouse gas emissions from the maritime sector are not covered by the EU ETS nor by any EU climate legislation. Gradual expansion of the EU ETS to maritime transport will be key for cost-effective decarbonization of the EU transport sector as a whole. In a first step, the extension of the ETS could focus on short-distance sea transport, as it would especially incentivize the electrification of short-haul vessels, like ferries and sea shuttle services.

13. Decarbonisation of the maritime transport to ensure its fair contribution to EU climate targets will require a basket of measures across different policy areas, including putting a price on carbon emissions from shipping. Do you

think that EU carbon pricing measures in the maritime sector (such as an ETS or a tax on GHG emissions from maritime transport) should be combined with EU emission standards for ships (notably technical or operational carbon intensity standards)?

at most 1 choice(s)

- Yes
- No, emission standards are sufficient and should be implemented alone
- No, carbon pricing is sufficient and should be implemented alone
- I do not know

14. The impacts of EU carbon pricing for the maritime sector, in particular its environmental effectiveness, will directly depend on the design elements for the selected measure. Please select the most appropriate design option for a EU carbon pricing policy for maritime transport under each of the categories listed below.

Regulated Entities

- Carbon price should be paid by ship commercial operators
- Carbon price should be paid by ship owners
- Other

Exemptions

- The International Maritime Organisation has energy efficiency measures (the Energy Efficiency Design Index for new ships and the Ship Energy Efficiency Management Plan for existing ships) in place for ships of 400GT and above. Therefore, only ships below 400 GT should be excluded.
- In line with the EU MRV System for shipping, ships below 5000 GT should be excluded, as they are only responsible for about 10% of emissions.
- Other

Geographical scope

- Emissions from intra-EU (from an EU port to another EU port) and extra-EU voyages (departing and incoming between an EU port and a port outside the EU) should be addressed by carbon pricing
- Emissions from intra-EU voyages (from an EU port to another EU port) should be addressed by carbon pricing

Type of emissions covered

In line with the EU MRV System for shipping, only CO2 emissions should be accounted for, as they are responsible for 98% of all GHG emissions from maritime transport.

- Not only emissions of CO2, but also of methane, nitrous oxide and black carbon emissions should be accounted for in view of their important increase over the 2012-2018 period.
- Other

15. The Climate Target Plan Impact Assessment presented various scenarios where the extra-EU scope of the maritime sector is included in the EU GHG target. In line with these scenarios, if the EU were to apply carbon pricing to emissions from extra-EU voyages, on which basis should this be done? (select one option)

- Departing journeys only (from an EU port to a port outside the EU)
- Incoming journeys only (from a port outside the EU to an EU port)
- 50% of both the incoming and the outgoing journeys
- 100% of both the incoming and the outgoing journeys

E. Market stability

Since its introduction, the Market Stability Reserve (MSR) has reinforced the stability of the EU ETS. The MSR is a rule-based instrument placing allowances in or releasing allowances from the reserve in case the total number of allowances in circulation ('the surplus') is above or below pre-established thresholds. The rhythm of placement in the reserve, ('the intake rate'), is 24% per year until 2023 and 12% from 2024. As planned for in the legislation, the Commission is reviewing the functioning of the Market Stability Reserve, to assess whether it has achieved its objectives and whether it remains fit for purpose in an ETS with higher climate ambition.

16. Has the MSR delivered on its main objective (the stability of the ETS), and is it likely to fulfil its goals in the future, or should its structure or parameters be changed?

- Yes, the approach has worked well and should not be changed
- Yes, the approach has worked well and should be continued, but parameters (e.g. volume-based thresholds, intake rate) should be modified
- Yes, the approach has worked well but a carbon price floor is necessary
- Yes, the approach has worked well but should be improved to be able to react faster to address unexpected demand or supply shocks
-

- No, the approach did not work well and it should be reconsidered in the future
- Other

17. Should the MSR thresholds (minimum of 400 and maximum of 833 million allowances) used to determine whether allowances are placed in the MSR or released, be kept as they are? Please explain your answer.

- The thresholds as they are fit for purpose
- The thresholds should be increased
- The thresholds should be reduced

Please explain your answer:

1000 character(s) maximum

18. Should the MSR intake rate be kept as it is or should it be increased or decreased?

at most 1 choice(s)

- The MSR intake rate should be kept at 24% and fall back to the level of 12% as of 2024 as per current regulation
- The MSR intake rate should be kept at 24% beyond 2023
- The MSR intake rate should be higher than 24%, in order to reduce the surplus faster
- The MSR intake rate should be decreased, to lower than 12% from 2024 onwards
- Other

19. Current regulation determines that as a long-term measure to improve the functioning of the EU ETS, and unless otherwise decided in the first review of the MSR in 2021, from 2023 onwards the number of allowances held in the reserve will be limited to the auction volume of the previous year. Holdings above that amount will lose their validity. Do you believe this invalidation rule should be kept in place? Please explain your answer.

- Yes, the rule should remain in place
- No, the rule should be abolished
- Yes, the rule should remain in place but be amended please explain how in the box

20. At the moment, emission allowances for aviation are not taken into account for the calculation of the EU ETS surplus and therefore do not influence the amount of allowances fed into or released from the MSR. Should aviation allowances and emissions be taken into account in the future?

- [ ] Yes
- [ ] No

You may explain your answer:

1000 character(s) maximum

The review of the EU ETS Directive for Phase IV (2021-2030) introduced, in Article 12(4) of the ETS Directive, the option for Member States to cancel voluntarily emission allowances corresponding to electricity generation capacity in their territory that was closed following national measures.

21. Should voluntary cancellation of allowances become mandatory for Member States that implement national measures to close fossil fuels power plants or other measures that substantially reduce demand for allowances, for instance by promoting breakthrough technologies or banning polluting technologies?

- [ ] No, it should be left to the Member State to decide what to do with the resulting allowances
- [ ] Yes, these allowances should be cancelled proportionally, taking into account the emissions of the replacing power generating technology
- [ ] Other, for instance placing the allowances in the MSR.

F. Revenues

Emissions trading raises revenues for public authorities that can be re-invested in the economy, leading to better overall economic outcomes. A small percentage of revenues is allocated to the EU Modernisation and Innovation Funds to support low-carbon investments. However, the largest share of the revenues are for the Member States. The majority of these revenues are currently reported as being used for climate-related purposes. The review will address the current rules in place, also taking into account that as new sectors are possibly added to the ETS, revenues may increase and at the same time there is a need for ETS revenue to contribute as an own resource of the EU budget .

22. In your opinion, how should the ETS revenue be used? (Multiple answers are possible)

- [x]

Facilitating just transition and the social impacts of the climate transformation

- [x] Addressing social and distributional impacts related to the review of ETS
- [x] Energy efficiency, in particular the renovation of buildings
- [ ] Low-carbon and zero-emissions mobility
- [x] Support for clean investments in ETS sectors
- [ ] Providing financial incentives for consumers to buy more climate friendly goods and services, including more fuel efficient vehicles/ vehicles not using fossil fuels
- [x] More support to innovation
- [ ] Lowering taxes such as labour taxation and increasing transfers to EU citizens, in particular low-income households

23. Are stricter rules necessary to ensure Member States spend their ETS auction revenues in line with climate objectives?

- [ ] Yes, the ETS Directive should require Member States to spend more revenues on climate-related purposes
- [x] Yes, the ETS Directive should require that Member States spend ETS revenues in a way compatible with the climate neutrality objective ('do no harm')
- [ ] No, Member States should be free to determine how they want to spend the revenues, taking into account that 50% should be used for climate-related purposes.

G. Low-carbon support mechanisms

Currently, the Innovation Fund is funded by 325 million allowances from the free allocation share, 75 million allowances from the auction share, 50 million allowances from the MSR monetised in 2020 and the leftover allowances from the NER300 programme. The monetisation of these allowances is expected to generate around EUR 10 billion until 2030 depending on the carbon price.

24. What should be the size of the Innovation Fund?

- [ ] The size of the Innovation Fund should remain unchanged
- [ ] The size of the Innovation Fund should increase by using more allowances from the auction share
- [ ] The size of the Innovation Fund should increase by using more allowances from the free allocation share
- [x]

- The size of the Innovation Fund should increase significantly regardless of the source of allowances. Please indicate by how much (e.g. double or triple) in the box

Please specify your answer:

1000 character(s) maximum

25. Currently the ETS Directive foresees that the maximum funding rate for projects financed by the Innovation Fund is 60% of the relevant costs. Should this rate be changed?

- ☐ No, some of the risk of innovation has to be borne by the project proponent
- ☐ Yes, it should be increased to allow better risk-sharing for risky and complex projects
- ☐ Yes, it should be increased but only in case of competitive bidding (e.g. Carbon Contracts for Difference)
- ☐ Other

26. Should additional supporting instruments be introduced to support full market deployment of low-carbon products through the Innovation Fund? For example, as Carbon Contracts for Difference, whereby beneficiary projects would be guaranteed a fixed carbon price in case the ETS price is not high enough.

at most 1 choice(s)

- ☐ Yes, additional support (e.g. covering the gap in operating revenues) is needed to create markets for low-carbon products
- ☐ No, the existing support is sufficient

The Modernisation Fund is a dedicated funding programme to support 10 lower-income EU Member States in their transition to climate neutrality by helping to modernise their energy systems and improve energy efficiency. Currently, the Modernisation Fund is funded by 2% of the total cap, e.g. around 285 million allowances. Beneficiary Member States had the opportunity to transfer their solidarity allowances and the allowances available to them under Article 10c of the ETS Directive to the Modernisation Fund. The total size of the Modernisation Fund after such transfers is around 645 million allowances. The monetisation of these allowances is expected to generate around EUR 14 billion until 2030 depending on the carbon price.

27. What should be the size of the Modernisation Fund?

- ☐ The size of the Modernisation Fund should remain at 2% of the cap
- ☐

The size of the Modernisation Fund should remain unchanged as an absolute amount

- [ ] The size of the Modernisation Fund should increase
- [x] Other

Please specify:

1000 character(s) maximum

The Modernisation Fund has a clear potential to contribute to a ‘Just Transition’ by financially supporting the energy transition in 10 lower-income EU countries. However, it should be ensured that no financial support emanating from the EU ETS whatsoever is used for directly or indirectly supporting the use of fossil fuels, irrespective of country or application. This a crucial factor for protecting the efficient steering and credibility of the EU ETS as one of the pillars of the EU’s climate policy framework.

The ETS Directive has complex rules on the types of investments to be financed under the Modernisation Fund. There is a general provision that investments have to be consistent with the 2030 climate and energy framework and the Paris Agreement. No support from the Modernisation Fund shall be provided to energy generation facilities that use solid fossil fuels, but there are exceptions. There are two types of investments that can be funded by the Modernisation Fund (priority and non-priority), subject to different approval processes (simple and straightforward for priority projects and more complex for non-priority ones). Investments in gas are allowed as non-priority ones, both for power generation and infrastructure. Investments for certain just transition purposes are allowed and there are overlaps with the Just Transition Fund.

28. Should the types of investments that can be financed by the Modernisation Fund be streamlined and the coherence with the Green Deal be enhanced? (Multiple answers are possible)

- [ ] No, the investments that can be supported by the Modernisation Fund should remain unchanged.
- [x] Yes, the exception for financing coal-fired district heating in certain Member States should be removed
- [x] Yes, the Modernisation Fund should be allowed to finance only non-fossil fuel based heating and cooling systems
- [ ] Yes, the Modernisation Fund should be allowed to finance only priority projects to simplify the administration
- [ ] Other

H. Concluding questions

29. Are there other key aspects which you did not find reflected in the questions and you would like to comment upon?

1000 character(s) maximum

The Platform for Electromobility believes that the transport sector must participate in the achievement of the 2050 climate-neutrality objective. However, the ETS is not the most effective tool to drive decarbonisation of transport, compared to sectoral legislations such as the CO2 standard legislation which proved to be an efficient tool to reduce the emissions of the sector. For instance, CO2 legislation for the road transport sector gives a clear long-term price signal to both consumers and car manufacturers. On the contrary, extending the ETS to road transport would increase the cost of transport for vulnerable households, without inducing significant GHG emissions reduction. Indeed, the carbon price should reach around 200€/tCO2 to drive significant behavioural changes and will not be sufficient to trigger the swift decarbonisation of the transport sector.

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