

Emissions Trading System reform: a step towards a competitive transition, but concerns remain

Today's proposal to revise the EU Emissions Trading System (ETS) responds to certain key demands from Eurochambres, including the extension of free allocation, stronger earmarking of ETS revenues and a more realistic decarbonisation pathway. At the same time, the proposal limits the use of international credits under the EU ETS and raises concerns over the new conditions attached to free allocation.

European businesses remain committed to the EU's climate objectives and recognise the role of the ETS as a central tool for reducing greenhouse gas emissions. However, the existing framework does not sufficiently reflect the conditions faced by businesses, notably high energy prices, rising regulatory burdens and an uneven global playing field.

Reacting to the Commission's proposal, Eurochambres President Vladimír Dlouhý said: *"Today's proposal shifts the needle in the right direction, recognising that Europe's decarbonisation pathway must better reflect the severe challenges confronting European industry. But more robust safeguards against carbon leakage are needed to ensure a competitive transition, along with the swift roll-out of financing instruments and a stronger role for international credits."*

The proposed measures to adopt a more gradual emissions reduction pathway, extend free allocation and integrate carbon removals into the ETS will help reduce pressure on businesses. This is particularly important for hard-to-abate sectors, where the infrastructure and technologies required for the transformation are not yet available at scale.

The chamber network is, however, concerned about the new conditions for free allowances, which risk constraining companies' flexibility to make investment decisions and adding further administrative burdens.

As discussions move to the European Parliament and the Council, Eurochambres urges co-legislators to strengthen the role of international credits under the EU ETS, ensure practical and proportionate conditions linked to free allocation and provide stronger safeguards against carbon leakage.

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