

Wednesday Jan 24, 2024

# Future of the EU ETS

Stakeholders Roundtable

# Welcome and Introduction

## Future of the EU ETS

### Stakeholders Roundtable

*This meeting is under Chatham House Rules/ No press.*

#### Agenda

**Date:** Wednesday 24 January 2024

**Time:** 10 :00 – 13 :00 CET

**Venue:** Hybrid:

- Brussels based – in person - Rue Archimède 61, 1000 Brussels, Belgium.
- Outside Brussels – online.

The revised EU ETS Directive was adopted on May 10<sup>th</sup>, 2023, and should apply in 2024. It updated the rules and conditions for the operation of the IV Phase of the EU ETS (2021-2030). Secondary legislation will be adopted in 2023 and 2024.

In the meantime, the European Commission launched a study on "Issues and options for EU emissions trading after 2030". The study has been commissioned to a group of consultants to support the Commission in its preparation of its strategy on the future of ETS in the EU. It will advise the Commission on main issues and options.

The analysis will target Phase V of the EU ETS, starting in 2031, and should be ready ahead of the forthcoming European Commission proposal to review of the European Climate Law and 2040 target, expected for the 1<sup>st</sup> quarter of 2040.

The EU ETS is seen as one the important drivers since it came into operation in 2005. However, as we reach end of 2020's and forward middle of 2030, there are many issues that need to be discussed - fundamentally if the EU ETS is the right instrument as we reach towards zero allowances and what architecture and governance it should take.

This session is the first meeting of this workstream, part of a process that ERCST is putting into place as an independent review to have the EU institutions and EU stakeholders in this important debate.

10:00      **Welcome**  
• A. Marcu, ERCST

Roundtable icebreakers will present views and issues that are relevant to the future of the EU ETS debate, each kicked off by a 5–7-minute initial intervention. Open roundtable discussions with attendants will conclude the session.

This follow up brainstorm session is meant to bring together a small group of stakeholders to discuss the sensitive issues during Phase IV of the EU ETS and beyond.

The icebreakers will provide their views on:

- What are the main issues relevant to the discussion of the future of the EU ETS?
- Why are these issues important?

#### Roundtable

10:10      **Stakeholders position views and issues on the future of the EU ETS.**

- A. Aiello, Eurofer.
- D. Agostini, ENEL.
- G. Erbach, Research Service of the European Parliament.
- H. Hermann, Öko-Institut.
- M. Pahle, PIK Potsdam.
- M. Ferdinand, Veyt.

*Followed by a roundtable discussion with participants.*

12:50      **Concluding remarks**

13.00      **End of the roundtable**



**ERCST**

Roundtable on  
Climate Change and  
Sustainable Transition

# 1. Future of the EU ETS

New ERCST Workstream.

- As we reach end of 2020's and forward middle of 2030, there are many issues to be discussed - fundamentally if the **EU ETS** is the right instrument and what **architecture** and **governance** it should take.
- The Future of the EU ETS ERCST process as an independent review to **open the debate**.
- In the framework of this sub-workstream, ERCST thematic events along the year:
  - ❑ (Today) 24 January 2024 - **Future of the EU ETS** - Stakeholders Roundtable.  
<https://ercst.org/event/stakeholder-roundtable-eu-ets-post-2030/>
  - ❑ 23 February 2024 - The future of the EU ETS: **Carbon removals** - Stakeholders Roundtable.
    - <https://ercst.org/event/stakeholder-roundtable-eu-ets-post-2030/>
  - ❑ TBD – Future of the EU ETS: **TBD** – Stakeholders Roundtable.

## 2. EU ETS : Open issues from EU ETS Directive

### 1. Maritime

- Before 2027: EC Report to integrate vessels between 5000 – 400 gross tonnage (Art 3gg (5)).
- By 2028: Extension coverage to extra EU trips if no IMO agreement. (Art 3gg (2)).

### 2. Aviation

- 2026: EC assessment of CORSIA. If no substantial development, EU ETS extension to extra EEA flights by January 2027 (Art 28b (3)).

### 3. Carbon removals

- EC should report by 2026 how EU carbon removals could be incorporated in the EU ETS (Art 30 (5)).

### 4. Small sub-installations

- EC assessment by July 2026 (Art 30 (5)).
- From 2031: Including all sub-installations below 20MW thermal input capacity.

### 5. Waste incineration

- From 2028: EC should report by 2026 the feasibility to integrate municipal waste and other waste management processes in the EU ETS. MSs may opt-out until December 2030 (Art 30 (7)).

## 2. EU ETS : Open issues from EU ETS Directive

### 6. Merging EU ETS and ETS 2

- By January 2028 assessment about effectiveness of ETS 2.
- By 2031: EC shall assess the feasibility of integrating Annex I and Annex III sectors. (Art 30i)

### 7. EU ETS International linkage:

- Art 25 of the EU ETS Directive provides for this possibility.
- If EU ETS review, EC shall analyse how linkages with other carbon markets can be established (Art 30 (6)).
- The inclusion of removals in Art 6.4 is still under negotiations and may provide an international framework for offsetting.
- See V. de Leyden letter (September 2023) to [CC Commissioner](#) asking for “work on a global carbon pricing system”.

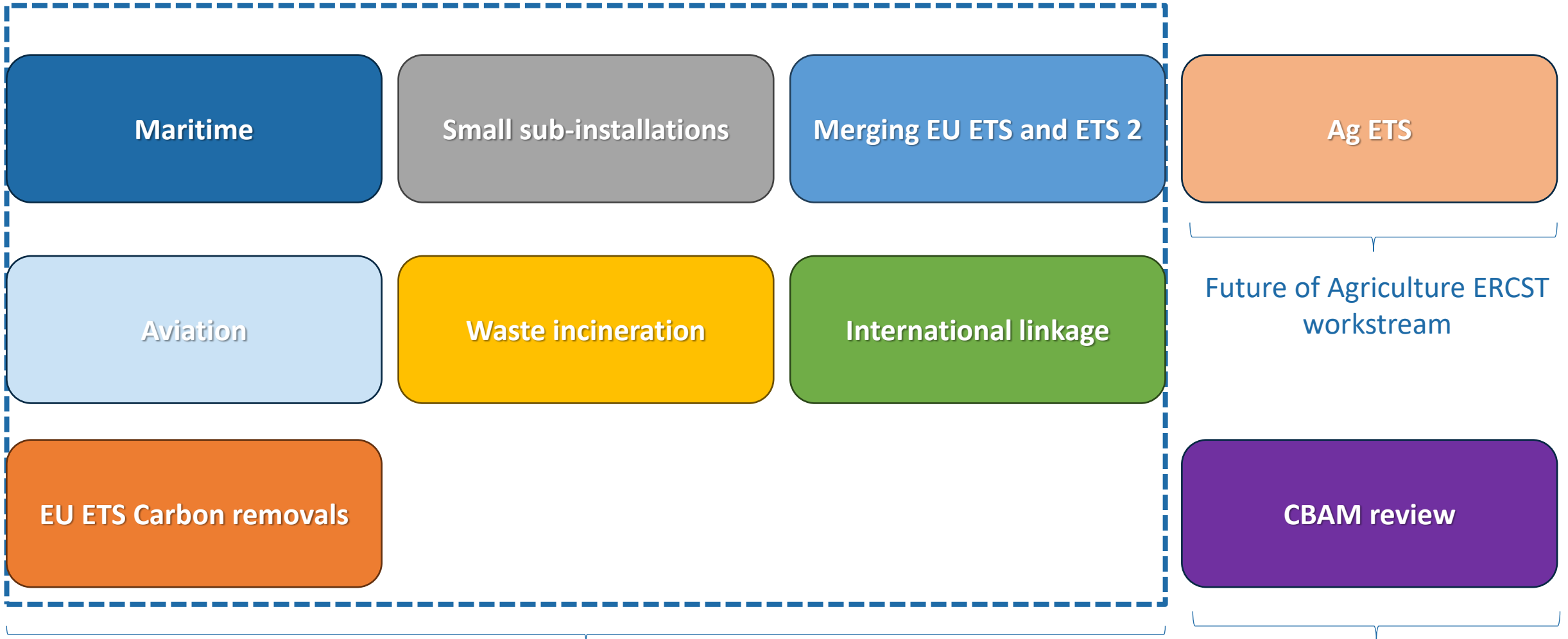
### 8. Extension of carbon pricing to agriculture (ETS 3)

- On-going EC Consultant study, Communication EU 2040 Target [1Q 2024](#).

### 9. Carbon leakage risk for goods subject to CBAM for export to 3<sup>rd</sup> countries

- By 31 December 2024, EC assessment (Article 10a)

# 2. EU ETS : Open issues from EU ETS Directive



Potential topics for Future of the EU ETS workstream

CBAM ERCST workstream 6

# 3. EU ETS: Open issues

- To discuss today:

Roundtable icebreakers will present views and issues that are relevant to the EU ETS Post 2030 debate, each kicked off by a **5–7-minute** initial intervention. Open roundtable discussions with attendants will conclude the session.

We will kindly ask icebreakers to provide their views on:

- What do you consider the **main relevant issues** to the discussion of the future of the EU ETS?
- **Why** are these issues important?

## 3. EU ETS: Open issues

- Issues that may be considered :
  - CdR
  - Governance of ETS.
  - International linkage.
  - Extension to new sectors.
  - Public acceptance.
  - Competitiveness.