

Review of EU emissions trading system for maritime, aviation and stationary installations, and market stability reserve

ERCST Submission to [EC public consultation](#)

4. Evaluation

4.1 Effectiveness

4.1.1 How 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?

Addressing the structural surplus of allowances that had accumulated in the EU ETS since 2009

- **Very effective**
- *Moderately effective*
- *Slightly effective*
- *Not effective at all*
- *Do not know*

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

- Very effective
- Moderately effective
- Slightly effective
- Not effective at all
- Do not know

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
- 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 characters maximum)

The EU ETS has achieved its objective to reduce GHG emissions to a moderate extent, largely with the support of complementary EU-level measures such as renewable energy and energy efficiency policies. Its direct impact varies by sector, with stronger results where full auctioning applies. The MSR has been very effective in reducing the historical surplus and stabilizing prices during external shocks. Its key strength lies in the certainty it provides that imbalances will be addressed through automatic volume adjustments. However, the MSR's full effectiveness remains untested, as it has only operated in one direction, withdrawing allowances, and not yet in releasing them. This limits our ability to fully assess its dynamic responsiveness under different market conditions.

4.2 Efficiency

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 at all
- 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 at all
- Do not know

4.2.3 Please provide suggestions for improving the efficiency of the ETS in terms of administrative burden / regulatory costs (1000 characters maximum)

N/A

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 characters maximum)

The EU ETS is not operating as a fully efficient market-based mechanism, but rather as a system shaped by political realities. Numerous measures—introduced to reflect sectoral differences, political constraints, and parallel decarbonisation efforts—have fragmented the system and reduced its inherent efficiency. Sectors face different marginal abatement cost (MAC) curves and are treated unevenly, detracting from the ETS's role as a unified price signal. In a theoretically efficient system, cheaper abatement would be prioritized, and prices would be allowed to adjust freely. However, given the current political constraints, simplification should focus on acknowledging and minimizing the inefficiencies introduced by policy layering. A more streamlined ETS could include reducing overlapping measures, aligning sectoral treatment, and reassessing the exclusion of flexible mechanisms—all without compromising climate ambition

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 at all
- Do not know

4.3 Relevance

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

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 characters maximum)

Coherence exists to some extent, but policy interaction is not holistic. Too often, the ETS Directive and MSR Decision are treated as background instruments, with limited consideration of how new measures—particularly on renewables, energy efficiency, and financial support—interact with or undermine them. While not intended to harm the ETS, such measures can weaken the price signal and reduce its centrality. The ETS should guide complementary policies rather than be adjusted around them. Moreover, both the ETS and related EU policies should better reflect international developments in carbon markets and climate regulation to avoid misalignment or competitiveness risks. A shift is needed toward integrated policy design, where implications for the ETS are assessed upfront to preserve the coherence and effectiveness of carbon pricing.

4.5 EU Added Value

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 characters maximum)

The added value of the EU ETS is very high. It's really the only functioning market mechanism in the EU that covers a large part of the economy, provides a clear price signal, and does so in a coordinated, EU-wide way. On top of that, it has the MSR, which plays a critical role in correcting a major flaw: the lack of supply-side flexibility. The alternative would likely be a patchwork of national schemes or other mechanisms, which would create market fragmentation and inconsistent carbon pricing across the EU. The ETS provides a unified framework that supports EU-wide decarbonisation while avoiding distortions in the single market.

5. Impact assessment

5.1 Aviation emission

5.1.1 How does action by the aviation sector measure up against its responsibility under the European Climate Law and the Paris Agreement? What level of effort to fight climate change

should the aviation sector contribute and how should this develop over time? The aviation sector's level of action is...

- *More than sufficient (on track to exceed targets)*
- *Sufficient (on track to meet targets)*
- ***Somewhat sufficient (clearly better than business as usual, but unlikely to meet targets)***
- *Not sufficient at all (business as usual or only slightly better)*
- *Do not know*

5.1.2 You are invited to substantiate with evidence (1000 characters maximum)

The EU ETS, covering intra-EEA flights, has driven some progress, but high MAC for aviation limit decarbonisation possibility. Most of the key contributing technologies to decarbonise the sector (such as SAFs) are in the expensive territory and current EUA prices are insufficient to bridge the cost gap. The main principle behind the carbon market was to decarbonise the most cost-efficient sectors first and then move up the MAC curve. If the approach of decarbonise all sectors at the same time is the opted for choice, aviation will require complementary measures to incentivise new technologies, however, at a much higher cost. At ERCST we do not agree in principle that sectors at the end of the MACC should decarbonise as fast as sectors at lower levels.

5.1.3 Does the current approach to international flights outside Europe adequately address emissions from these flights?

- *Yes*
- ***No***
- *Do not know*

5.1.4 You are invited to substantiate with evidence (1000 characters maximum)

Currently excluding extra-EEA flights from EU ETS risks carbon leakage and fails to account for approximately ~60% of aviation emissions from EEA airports. The EU ETS scope should be extended to cover 50% of incoming and departing international long-haul flights, similar to the maritime sector approach, while avoiding double counting via CORSIA cost deductions. However, this expansion's effectiveness depends on the international regulatory context. Whilst there is some progress at ICAO level, clearer outcomes have to come in the future and thus there remains a need to monitor international regulation progress by 2028. Focusing on aligning with international regulation also ensures that the risk of double counting is avoided.

5.1.5 The impact assessment will also consider other issues related to aviation emissions. How would you rate the priority of the EU addressing these issues?

Consideration of environmental and climate impacts of flights of less than 1000km, including but not limited to increased SAF use

- *Top priority*
- *Highly important*
- *Moderately important*
- ***Somewhat important***
- *Least important*
- *Not important at all*
- *Do not know*

Consideration of the environmental and climate impacts of flights performed ‘private/ business jets’, i.e. as defined in the ETS Directive: flights performed by operators exempted pursuant to point (h) or (k) of the entry ‘Aviation’ of the column ‘Activities’ in the table of Annex I

- *Top priority*
- *Highly important*
- *Moderately important*
- **Somewhat important**
- *Least important*
- *Not important at all*
- *Do not know*

Consideration of social and labour market impacts of the ETS Directive in the aviation sector

- *Top priority*
- *Highly important*
- **Moderately important**
- *Somewhat important*
- *Least important*
- *Not important at all*
- *Do not know*

Consideration of air connectivity of islands and remote territories taking into account competitiveness and carbon leakage

- **Top priority**
- *Highly important*
- *Moderately important*
- *Somewhat important*
- *Least important*
- *Not important at all*
- *Do not know*

The ETS-financed SAF support for the uptake of eligible fuels for flights covered by the ETS carbon price started in 2024 Consideration of first experience and feedback is welcome (e.g. what it supports, who can benefit, level of support, timing, available allowances, type of support mechanism)

- *Top priority*
- **Highly important**
- *Moderately important*
- *Somewhat important*
- *Least important*
- *Not important at all*
- *Do not know*

5.1.6 You are invited to substantiate with evidence (1000 characters maximum)

The priority would be to take into account the risk of carbon leakage, followed by making decarbonization options more accessible. In the case of carbon leakage, carriers would in general have an incentive to offer routings to non-EEA destinations via non-EEA hubs rather than direct flights or flights via EEA hubs. Overall, this would strengthen non-EEA as opposed to EEA-hubs, while the reduction in the offering of direct routes may lead to overall higher emissions. The degree of carbon leakage depends on the increase in compliance costs.

5.1.7 Outermost regions: In your view, do you think the ETS aviation rules are effectively reflecting the challenges faced by outermost regions? You are invited to substantiate with evidence. (1000 characters maximum)

Specific derogations are needed to balance climate goals with outermost regions' socio-economic realities.

5.1.8 Simplification: 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 aviation, would you have any indications for areas for simplification of the Directive? (1000 characters maximum)

Simplification requires stable, predictable rules. Frequent EU policy changes create regulatory uncertainty, limiting the viability of long-term investment in aviation. On the other hand, aligning EU ETS and ICAO CORSIA certification for SAFs would reduce compliance complexity, as divergent standards raise costs.

5.2 Maritime emission

5.2.1 Coherence with a possible global market-based measure at IMO

5.2.1.1 In the event of the adoption by the IMO of a global market-based measure to reduce greenhouse gas emissions from maritime transport, please provide your views on coherence with international developments and suggestions on how to avoid any significant double burden, taking into account the need of preserving the environmental integrity and effectiveness of the EU climate action, the EU climate goals and its international commitments and EU competitiveness (1000 characters maximum)

Similar to the aviation. Alignment with the international regulatory standards is needed, with the aim of avoiding double counting and double administrative burden. A solid MRV system and constant communication with relevant stakeholders is the ideal approach.

5.2.2 Maritime scope extension

5.2.2.1 Do you support extending the scope of EU ETS Maritime provisions to cover emissions from smaller ships (i.e. the ones below 5 000 gross tonnage but not below 400 gross tonnage, including offshore ships)

- Strongly agree
- Rather agree
- Neutral
- Rather disagree
- Strongly disagree
- Do not know

5.2.2.2 If you agree, please indicate the ships to be covered by such an extension to achieve broader emission reduction goals. (1000 characters maximum)

N/A

5.2.3 Ensuring the effective implementation of the ETS maritime rules and addressing possible risk of evasion/circumvention

5.2.3.1 Are the current measures effective in preventing shipping companies to evade the requirements of the EU ETS Directive?

- Strongly agree
- Rather agree
- Neutral
- **Rather disagree**
- Strongly disagree
- Do not know

5.2.3.2 If you disagree, what improvements or additional measures would you suggest? (1000 characters maximum)

The current measures are insufficient to prevent EU ETS evasion, as shipping companies can reroute via non-EU transshipment ports. The list of neighbouring container transshipment ports (per Article 3ga) is a step forward but limited in scope, covering only ports with >65% container transshipment within 300 nautical miles. To improve, the suggestion is to: 1) Expand the list dynamically to include emerging transshipment hubs, 2) update it annually rather than biennially, to reflect real-time rerouting trends

5.2.3.3 In your view, do you think the ETS maritime rules are effectively reflecting the challenges faced by islands and remote territories, including outermost regions, where shipping services constitute essential services of territorial continuity?

- Strongly agree
- Rather agree
- Neutral
- Rather disagree
- **Strongly disagree**
- Do not know

5.2.3.4 If you disagree, you are invited to substantiate with evidence, including any views on the impact of the EU ETS on the connectivity of islands and remote territories, including the EU's outermost region
Islands and remote territories, including outermost regions, rely heavily on maritime services for low-emission connectivity to mainland EU, with alternative measures for low-emission connectivity do not exist. Whilst Decision (EU) 2024/2924 offers derogations for islands with <200,000 residents, these are temporary (until 2030) and exclude larger islands like Cyprus or Malta. We recommend: 1) Permanent exemptions for essential services to all islands 2) Impact assessments to tailor rules for both independent and non-independent islands, ensuring connectivity.

5.2.4 Coherence with other EU legislations and possible simplification

5.2.4.1 Do you think the administrative costs linked to the implementation of the ETS extension to maritime transport are proportionate and reasonable?

- Strongly agree
- Rather agree
- **Neutral**
- Rather disagree
- Strongly disagree
- Do not know

5.2.4.2 If you disagree, what improvements or simplifications would you suggest to streamline administrative costs? (1000 characters maximum)

Improvements may include: Harmonizing EU ETS with IMO regulations, such as the IMO DCS, would streamline maritime MRV and avoid overlapping legislation; Clear, stable MRV guidance for offshore port calls; A unified emissions verification protocol, aligned with IMO's global standards, would reduce compliance burdens.

5.2.4.3 Do you think the ETS should further incentivise the uptake of renewable and low-carbon maritime fuels based on Well-to-Wake emissions, taking into account the impacts of energy production, transport, distribution and use on board

- Strongly agree
- **Rather agree**
- Neutral
- Rather disagree
- Strongly disagree
- Do not know

5.2.4.4 If you agree, what improvements would you suggest (1000 characters maximum)

It is up to the market to decide the most cost efficient approaches to decarbonization. By providing the revenues generated from surrendering allowances back to such schemes supporting decarbonizing fuels would be optimal, as the costs would not be socialized. However, it is also important to follow the international developments to not put the EU at a competitive disadvantage

5.3 Stationary installations

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 (1000 characters maximum)

One area for simplification is the growing number of overlapping conditionalities—such as requirements to submit decarbonisation plans under various frameworks—that interact with the ETS. While the ETS already ensures a declining cap and delivers a carbon price signal, installations are increasingly required to submit detailed decarbonisation plans, also mandated under other frameworks, such as the Industrial Emissions Directive, the Corporate Sustainability Reporting Directive (CSRD), and CBAM. This layering creates duplication and administrative complexity without clearly adding value, particularly when plans are based on uncertain future technologies. Simplification could involve streamlining or consolidating these requirements around the ETS itself, recognising its role as the primary decarbonisation instrument for stationary installations

5.3.1 Measures to address the risk of carbon leakage for emissions not covered by CBAM sector

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 characters maximum)

Free allocation should remain targeted and evidence-based. An updated carbon leakage list ensures that support goes to sectors genuinely at risk, while revised benchmarks reflect technological progress and incentivize continued emissions reductions

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)?

- *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 should remain post-2030 but must be harmonised at EU level, with clear, transparent criteria to avoid subsidy distortions and ensure fairness across Member States while supporting competitiveness and decarbonisation.

5.4 Revenue use

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)

1. *Decarbonisation of industrial installations*
2. *Development of innovative clean technologies*
3. *Development of renewable energy sources*
4. *Social support and just transition*
5. *Climate adaptation*
6. *Energy efficiency*
7. *Upscaling clean technologies*
8. *Development of a clean energy system*
9. *International purposes and international climate finance*
10. *Decarbonisation of maritime transport*
11. *Decarbonisation of aviation*
12. *Public transport and mobility (rail, bus, metro, tram, micro-mobility)*

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 characters maximum)

Transparency in EU ETS revenue use is insufficient due to vague and broad reporting categories. Approximately 71% of reported revenues are allocated to "energy supply, grid and storage," "public transport and mobility," and "others," which lack specificity and obscure actual spending priorities. Some MS, such as Germany are over-reporting and publish total climate and energy expenditure without specifying how EU ETS revenue was spent. We recommend 1) More standardized, granular reporting categories (e.g., specific renewable energy projects, public transport infrastructure) to clarify fund allocation. 2) Requiring Member States to separately disclose EU ETS revenue use, distinct from general climate budgets.

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 (300 characters maximum)

The Modernisation Fund remains key for just transition. Its scope should expand to also consider industrial decarbonisation.

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 characters maximum)

Certain low-carbon technologies require a high carbon price and current EU ETS prices are not yet high enough to trigger this switch in sectors high on the MAC curve. The EU ETS is designed to stimulate the lowest-cost emission reductions first. Therefore, its price signal is less likely to directly support pre-commercial trials of promising technologies. Given the interest from project developers, we believe that the size of the Innovation Fund should increase ensuring a balanced representation across the EU. Also, special attention should be given for cross-border projects and for those sectors of the economy which are more vulnerable to the energy and climate transition. The IF should have a balanced cover and not focusing only on first of a kind projects. Only compensating frontrunners risks other technologies, which are still experimental and pilot, not receiving the necessary support. Similarly, projects that are not the first to implement an innovative technology should also be considered.

5.5 New Industrial Decarbonisation support

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 characters maximum)

Fixed premia, as used in the Hydrogen Bank, were introduced to copy the simple approach of the IRA, but they don't protect investors if prices drop. Two-sided CCfDs offer more certainty by guaranteeing a stable price, making them better for industrial decarbonisation projects.

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 characters maximum)

Thanks to these features, competitive projects that missed EU funding due to limited budget can still receive support at national level without needing a separate auction. This reduces administrative burden for authorities and applicants and avoids duplication of procedures.

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 characters maximum)

A balanced approach is preferred, with EU-level competition weighted around 75% and geographical balance 25%. The split should be transparent and support both efficiency and fair access.

5.6 Market Stability Reserve (MSR)

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)

The MSR should address exogenous imbalances, distinguish between good and bad surplus, and reflect market liquidity. If removals or international credits are introduced, it could act as a central body to acquire units, manage supply and price, and provide a financial backstop.

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
- 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
- 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
- The invalidation rule for holdings in the reserve above 400 million allowances need 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 MSR was designed to address market imbalances but does not distinguish between “good” surplus (from abatement) and “bad” surplus (from shocks), undermining its stabilising role. Invalidation removes allowances permanently, effectively reducing the cap—something the MSR was not intended to do. This limits its ability to reintroduce allowances when needed, weakening its function as a reserve. So far, the MSR has only withdrawn allowances, never released them. As an automatic mechanism, it cannot anticipate all market developments or policy shifts; a degree of human judgment may be necessary. The carbon market responds to what’s tradable, not what’s held in reserve. To remain credible and effective, the MSR must become symmetrical, transparent, and able to distinguish between surplus types.

5.7 New technologies

5.7.1 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:

“Removals certified under the CRCF should NOT be allowed for use by EU ETS regulated entities towards their compliance obligations”

- *Strongly agree*
- *Somewhat agree*
- *Neutral*
- *Somewhat disagree*
- **Strongly disagree**
- *Do not know*

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:

“Removals certified under the CRCF should NOT be allowed for use by EU ETS regulated entities towards their compliance obligations”

- *Strongly agree*
- *Somewhat agree*
- *Neutral*
- *Somewhat disagree*
- **Strongly disagree**

Permanent removals** certified under the CRCF should be allowed for use by EU ETS regulated entities towards their ETS compliance obligations

- **Strongly agree**
- *Somewhat agree*
- *Neutral*
- *Somewhat disagree*
- *Strongly disagree*
- *Do not know*

Temporary removals*** certified under CRCF should be allowed for use by EU ETS regulated entities towards their ETS compliance obligations

- *Strongly agree*
- **Somewhat agree**
- *Neutral*
- *Somewhat disagree*
- *Strongly disagree*
- *Do not know*

CRCF removals should be acquired by a central agency and inserted into the EU ETS under specific conditions

- *Strongly agree*
- **Somewhat agree**
- *Neutral*

- *Somewhat disagree*
- *Strongly disagree*
- *Do not know*

EU ETS regulated entities should be allowed to purchase CRCF removals directly from removal suppliers and use them to fulfil surrender obligations

- *Strongly agree*
- *Somewhat agree*
- *Neutral*
- *Somewhat disagree*
- *Strongly disagree*
- *Do not know*

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

- *Strongly agree*
- *Somewhat agree*
- *Neutral*
- *Somewhat disagree*
- *Strongly disagree*
- *Do not know*

The use of CRCF removals by ETS regulated entities should not be unlimited, but subject to restrictions

- *Strongly agree*
- *Somewhat agree*
- *Neutral*
- *Somewhat disagree*
- *Strongly disagree*
- *Do not know*

The use of CRCF removals by EU ETS regulated entities should be phased in slowly over time

- *Strongly agree*
- *Somewhat agree*
- *Neutral*
- *Somewhat disagree*
- *Strongly disagree*
- *Do not know*

There should be a limit on gross emissions by EU ETS regulated entities (not only net ones)

- *Strongly agree*
- *Somewhat agree*
- *Neutral*
- *Somewhat disagree*

- **Strongly disagree**
- *Do not know*

5.7.1.3 Please provide explanation or examples to support your view. (1000-character(s) maximum)

Permanent and temporary CRCF removals should access EU ETS markets, under differentiated surrendering conditions based on permanence timeframe, as both deliver atmospheric CO₂ reduction equivalent to avoided emissions. Central agency procurement, at least initially and transitionally, ensures standardized quality control and reduced transaction costs. On-site removal credits recognize that carbon capture and storage applied to any emission source provides identical climate benefits regardless of installation type. In terms of use restrictions, filters mechanisms like CRCF are needed, not limits artificially constraining cost-effective compliance options. Similarly, ERCST supports CDR to be used on top of the EU ETS cap.

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)

There are three ways of integrating CDR in the EU policy architecture: EU ETS, LULUCF, and financial support measures. EU ETS integration provides a needed demand signal for carbon removals. However, the ETS carbon price may be insufficient to incentivize early-stage removal technologies requiring higher cost recovery. This is why complementary financial support policies are also needed to help close the cost gap between current CDR expenses and market prices.

5.7.2 Non-permanent Carbon Capture and Usage (CCU)

5.7.2.1 Please indicate to what extent you agree with the following statements

The surrender obligation should be moved downstream for non- permanent products produced with captured CO₂

- **Strongly agree**
- *Somewhat agree*
- *Neutral*
- *Somewhat disagree*
- *Strongly disagree*
- *Do not know*

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

- **Strongly agree**
- *Somewhat agree*
- *Neutral*
- *Somewhat disagree*
- *Strongly disagree*

- Do not know

There should be restrictions or conditions to adjusting surrendering obligations to recognise the climate benefit of the capture and non-permanent use of carbon (e. g.: minimum emission savings, displacement of fossil carbon, avoiding double counting/pricing of the same emissions)

- Strongly agree
- Somewhat agree
- Neutral
- Somewhat disagree
- Strongly disagree
- Do not know

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)

Moving surrender obligations downstream for CCU products is a logical option because climate impact depends on atmospheric CO₂ concentration, not emission location—captured carbon used in products delays atmospheric release regardless of eventual fate. Obligation placement should be where actual atmospheric release occurs, creating proper incentives throughout the value chain. CCU climate benefits merit recognition through adjusted surrender timing, but safeguards, like double counting prevention, are essential to maintain environmental integrity. This approach incentivizes CCU deployment while preserving the principle that atmospheric concentration matters more than production-point emissions accounting.

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)

Life-cycle assessment with downstream accounting represents the most logical approach by focusing on actual atmospheric CO₂ concentration rather than production-point emissions. Downstream timing aligns surrender obligations with actual atmospheric release, recognizing that climate change depends on when CO₂ enters the atmosphere, not where it originated. LCA methodology captures energy penalties, indirect effects, and displacement benefits that simple accounting misses, ensuring only genuinely climate-beneficial CCU receives regulatory recognition.

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)

Technological neutrality requires equal treatment of CO₂ transport regardless of end-use purpose, provided that there is a benefit in terms of atmospheric CO₂ concentration. Limiting transport coverage to storage-only creates regulatory discrimination against CCU pathways that may deliver equivalent net atmospheric benefits. A level playing field ensures that market forces, not regulatory arbitrage, determine the most cost-effective atmospheric CO₂ management solutions. Equal transport treatment supports integrated carbon management strategies.

5.8 Potential expansion of the scope of the Directive

5.8.1 Municipal Waste Incineration (MWI) and other waste management processes

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)

Whilst ERCST, in principle agrees with adding MWI to the EU ETS, there are many aspects to be managed beforehand. The ETS is an effective tool to incentivise fuel switching. However, there is very limited possibility for WtE to do so through decarbonising the waste feedstock. The only viable abatement option would be CCUS. WtE accounts for approximately 60% of biogenic emissions and with CCS, WtE could become a net zero or even a net negative emission source with the potential to generate permanent carbon removal. Safeguards need to be in place to ensure that carbon leakage does not occur, with waste diverted to landfills, third countries and illegal disposal. Other questions to be answered; Who should share the burden across the value chain (plastic production/ manufacturing)? Will consumers feel the ETS1 price and decarbonisation push? How will WtE plants reflect the carbon costs to the citizens and to the local communities?

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)

Whilst in principle we agree with the extension of municipal waste incineration into the ETS as a likely and a logical step, safeguards need to be in place to mitigate potential negative impacts that are exclusively related to this sector. These include ensuring that the interaction of MWI along the value chain, the overlapping EU regulations and specific cost pass through mechanisms of this sector are well understood. The ERCST is in favour of direct and continued communication with the sector in question to ensure that any decisions are made to maintain the integrity of the EU ETS system.

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)

It is Important to assess the waste management sector as a whole to ensure that carbon leakage is limited.

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)

As municipal waste incinerators and landfills being new sectors included in ETS1, we do not expect strong expertise in reporting. Most waste incineration plants in the EU are entirely publicly owned by municipalities or are managed via a public-private partnership. Hence, training is recommended (both for the installations and competent authorities) and a continuation of flexibility until the possible extension in 2028.

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)

As explained above we view the MWI inclusion as a significant additional benefit to the EU ETS if the viable abatement option of CCUS is recognised. WtE accounts for approximately 60% of biogenic emissions and with CCS, WtE could become a net zero or even a net negative emission source. Negative emissions could then be used to compensate the MWI's emissions generated from fossil waste feedstock.

5.8.1.10 Please, add any comments (300-character(s) maximum)

Other points to consider are: Interlinkages with other policy instruments Could a combination of a market-based instruments (e.g ETS) and regulatory approaches like standards, mandates, permitting, EPR schemes, be more effective to address decarbonisation in the sector? Would that contribute positively to the increase of recycling of waste?

5.8.1.11 Please, specify (300-character(s) maximum)

N/A

5.8.2 20 MW threshold

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

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))

- Identical approach to cap setting (i.e., no linking with intensity-based systems)
- Compatible (but not necessarily identical) market stability mechanisms
- Compatible (but not necessarily identical) approach to allowance banking and borrowing
- Similar (but not necessarily identical) approach to offsets, particularly removal credits
- Similar (but not necessarily identical) scope of coverage in terms of GHGs and sectors
- 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

5.8.3.4 Please, specify (300-character(s) maximum)

All of the above options are valid considerations. Alignment on offsets, auctioning, and leakage safeguards ensures policy coherence. It avoids market distortion and supports the additional liquidity while maintaining a level playing field across linked systems.

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)

The EU ETS continues to be a central instrument to the decarbonisation efforts of the EU. It does introduce a cost element to EU based industry that will increase as CBAM comes into effect and FA decreases. While the power sector has seen significant decarbonisation through costs socialization — supported by both material and financial measures—industry operates under very different conditions. Industrial sectors are exposed to global competition and must decarbonise while maintaining their competitiveness. Yet, comparable support to what was made available for the power sector is still lacking. Such increasing costs for European industry should be taken into account in the post 2030 climate policy architecture.