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THE DIRECTOR GENERAL

Ms Ursula von der Leyen
President of the European Commission
European Commission
Rue de la Loi 200
B-1049 Brussels
BELGIUM

9 June 2026

Dear President,

Orientation debate on the EU ETS review

This week, the orientation debate at the college of Commissioners on the EU Emissions Trading System (EU ETS) review provides an important opportunity to reflect on the future development of the system ahead of the publication of Commission's review proposal.

BusinessEurope remains fully committed to reaching climate neutrality in 2050. As expressed in our recent position paper, we support a central role of the ETS in EU's post-2030 climate framework, as a market-based and technology-neutral tool to reach this objective.

At the same time, the system needs to be adapted to better account for competitiveness while preserving environmental ambition. The alarming situation for EU competitiveness needs to be acknowledged in the upcoming revision. European businesses are facing increasing energy costs and fierce global competition while the enabling conditions to create a business case for decarbonisation are largely missing.

In view of your orientation debate, we call for the following adaptations to be addressed in the forthcoming EU ETS proposal:

- **Adjust the Linear Reduction Factor (LRF) to avoid an 'ETS Endgame' in 2040 target.** This means acknowledging that industrial emissions will not have reached zero by this point and considering the innovation curve, technological readiness and enabling conditions.
- **Reconsider the planned phase-out of free allowances for all sectors.** Stronger carbon leakage protection should also be achieved by reduced and unbureaucratic conditionalities for free allowances, a more realistic benchmark methodology and an extended carbon leakage list.
- **Adapt the Market Stability Reserve (MSR) to safeguard sufficient liquidity in the market.** Stopping the invalidation of allowances is a welcome step. At the same time introducing future-proof adjustments such as more dynamic intake rate and release thresholds would make MSR more responsive to liquidity issues.

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- **Maintain the ETS revenues for industrial decarbonisation of ETS sectors.** Rather than the potential use of ETS revenues as an 'EU own resource', it must go to industrial decarbonisation. Ensuring that the revenues are allocated through the Industrial Decarbonisation Bank and the Innovation Fund in a simple and technology-neutral manner is fundamental to support cost-effective decarbonisation.

- **Ensure that ETS1 sectors will benefit from the use of international carbon credits.** High-integrity international credits should be integrated into the EU's climate policy as a complement to domestic decarbonisation and removal efforts. In many cases, the EU should refrain from adopting additional criteria.

- **Integrate technological removals in the EU ETS in a technology neutral way.** Removals will be increasingly needed to reach net-zero and to ensure long-term viability of the system. While natural removals have an important role, technological removals such as CCUS will be crucial to address hard-to-abate emissions.

Lastly, to avoid carbon leakage in the **maritime and aviation sectors**, alignment with global developments should be ensured.

We hope to have informed you well, in view of the college orientation debate, and remain at your disposal to discuss further the EU ETS review.

Yours sincerely,

Markus J. Beyrer
Director General of BusinessEurope