



30 September 2026

REACTION TO THE EU ETS REVIEW PROPOSAL

This paper sets out BusinessEurope's key messages in response to the Commission's proposal to review the European Emissions Trading System (EU ETS) published on 17 July 2026. BusinessEurope supports a central role of the EU ETS as a market-based tool in EU's post-2030 climate framework. A predictable and credible emissions trajectory is essential for achieving both climate objectives but also providing long-term investment certainty and predictability. Overall, the proposal introduces flexibilities acknowledging that the current system needs to be adapted to reflect changing market realities and better incentivise investments in decarbonisation.

However, the proposed conditionalities for free allocation raise concerns as they undermine the key objective of this measure (carbon leakage protection), while the infrastructure and enabling conditions to create a business case for decarbonisation are still missing across the EU. Additionally, several provisions remain insufficiently detailed relying on future secondary legislation. The objective of the reform should be to ensure that companies can profitably invest in decarbonisation backed by clear regulatory certainty, while maintaining effective carbon leakage protection and safeguarding EU competitiveness.

KEY MESSAGES

1. Aligning the EU ETS with the 2040 climate target enables the continued transition after 2040. The trajectory should also consider an efficient and fair burden sharing between ETS I and non-ETS I sectors ensuring coherence with the broader EU climate framework. The proposed adjustments in the Market Stability Reserve's (MSR), such as the reduction of the intake rate, are acknowledged to provide some flexibility to the system post-2030. Stopping the invalidation clause is urgently needed to safeguard efficient liquidity in the market ahead of future scarcity of allowances post-2030. While MSR should continue to operate through transparent, predictable and quantity-based rules, strengthening Article 29a is an important ETS safeguard in case of excessive price fluctuations.

2. Prolonging free allocation for sectors exposed to carbon leakage is a positive signal. However, the introduction of new conditionalities undermines the objective of carbon leakage protection and the proposal fails to reflect the absence of enabling conditions for a business case in decarbonisation as the main driver for delays in such investments. While EU businesses are fully committed to EU's climate objectives and needed investments, some industrial processes still lack technologies to reduce emissions below current levels, so the proposed conditionalities would effectively require investments in technology that doesn't yet exist, such as in sectors with process emissions. Hence, conditionalities should be fully removed. Also, a more realistic, representative and



transparent benchmark methodology needs to be considered taking account of technological and economic constraints, while preventing unintended impacts on overall availability of free allocation and the application of the cross-sectoral correction factor. The continuation of the indirect cost compensation is necessary as long as the carbon costs are reflected in electricity prices.

3. For CBAM sectors, if the mechanism does not prove effective in the 2027 assessment, the planned phase-out of free allocation shall be postponed. This is essential to ensure that the resulting increase in carbon costs remains economically manageable for European businesses. The absence of a permanent export solution compatible with WTO rules remains a fundamental design flaw creating critical concerns for industrial competitiveness. One possible measure could be to maintain full free allocation for the part of the production destined for exports.

4. The targeted focus of the Industrial Decarbonisation Bank on EU ETS operators is strongly supported, together with the continuation of the Innovation Fund and the Modernisation Fund. Yet, incentives for frontrunners and easier access to the funds should be ensured by reducing both bureaucracy and unnecessary conditions, especially for SMEs. Eligibility and award criteria should be set out in primary legislation with funding allocated through open, competitive and technology-neutral procedures. BusinessEurope remains alarmed about the potential use of ETS revenues as an 'EU own resource' rather than going to industrial decarbonisation. A 100% earmarking of Member States' use of ETS revenues must be secured in any case.

5. Integrating flexibilities such as carbon removals and international carbon credits in the EU ETS is welcomed. We promote a clear and robust framework for permanent technological carbon removals focusing on the full carbon management value chain grounded in predictability, investment certainty and technological neutrality for businesses. However, early clarity is needed on the development of international carbon credits and their implications in the LRF by 2030 while safeguarding a predictable ETS price signal. Their inclusion should be guided by the criteria set out in Article 6 of the Paris Agreement with no additional criteria.

6. Maintaining the current ETS scope in the maritime and aviation sectors is essential to align with global developments. The continuation of the exceptions and support for sustainable fuels with the use of ETS revenues are positive signals, but geographical and technological restrictions should be avoided to facilitate their faster deployment and uptake.

Proposals for amendments reflecting these messages are set out below:



Suggested Amendments to the Directive amending the European Emissions Trading System (EU ETS) Directive and Market Stability Reserve (MSR) Decision

	Commission Proposal	BusinessEurope's Amendment	Justification
1.	Recital 10 All sectors of the economy need to contribute to achieving the emission reductions established by Regulation (EU) 2021/1119. Therefore, the ambition of the EU ETS should be adjusted to be in line with the economy-wide net greenhouse gas emission reduction target for 2040, the objective of achieving climate neutrality by 2050 at the latest and the aim of achieving negative emissions thereafter, as laid down in Regulation (EU) 2021/1119.	All sectors of the economy need to contribute in a cost-effective to achieving the emission reductions established by Regulation (EU) 2021/1119. Therefore, the ambition of the EU ETS should be adjusted to be in line with the economy-wide net greenhouse gas emission reduction target for 2040, the objective of achieving climate neutrality by 2050 at the latest and the aim of achieving negative emissions thereafter, as laid down in Regulation (EU) 2021/1119. The EU ETS trajectory should provide a credible and predictable long-term signal for investments in industrial decarbonisation and low-carbon solutions.	<i>The trajectory must also consider an efficient and fair burden sharing between sectors and legislations, including the Effort Sharing Regulation (EU) 2018/842 and Land Use, Land-Use Change and Forestry (LULUCF) Regulation (EU) 2018/841.</i>
2.	Recital 12 in conjunction with Article 3c, paragraph 6 There should be further support from the EU ETS for the use of sustainable aviation fuels alongside binding legislative mandates pursuant to Regulation (EU) 2023/2405 of the European Parliament and of the Council¹², notwithstanding that these mandates are in place even without support from the EU ETS. Therefore, the availability	There should be further support from the EU ETS for the use of sustainable aviation fuels alongside binding legislative mandates pursuant to Regulation (EU) 2023/2405 of the European Parliament and of the Council¹², notwithstanding that these mandates are in place even without support from the EU ETS. Therefore, the availability of reserved	<i>Sustainable aviation fuels and alternative propulsion technologies are essential for the decarbonisation of the aviation sector. Technology-neutral eligibility allows the most effective low-emission solutions to develop and scale while maintaining the applicable sustainability safeguards.</i>

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	of reserved allowances for the use of sustainable aviation fuels and other aviation fuels that are not derived from fossil fuels under Article 3c (6) of Directive 2003/87/EC should be extended until 2040. A lower proportion of the price difference should be covered, in order to enable a longer period of time for the mechanism being in place. There should also be equal treatment of all forms of propulsion, including electrification. <i>The extension of the geographic scope of the EU ETS for aviation, in combination with the corresponding increase of the total amount of allowances to be allocated in respect of aircraft operators, enables an increased number of allowances for supporting alternative propulsion technologies and fuels.</i>	allowances for the use of sustainable aviation fuels and other aviation fuels that are not derived from fossil fuels under Article 3c(6) of Directive 2003/87/EC should be extended until 2040. A lower proportion of the price difference should be covered, in order to enable a longer period of time for the mechanism being in place. There should also be equal treatment of all forms of propulsion, including electrification. <i>The corresponding increase of the total amount of allowances to be allocated in respect of aircraft operators, enables an increased number of allowances for supporting alternative propulsion technologies and fuels. This support provided under Article 3c, paragraph 6, shall be technology-neutral and available to all eligible low-emission aviation fuels and propulsion technologies that comply with the applicable sustainability and greenhouse gas saving criteria. Further geographical constraints shall be avoided to facilitate the ramp up of the market accelerating the decarbonisation of the aviation sector. Revenues and allowances generated from aviation under the EU ETS shall be used to accelerate the aviation sector's energy transition, including all low-emissions solutions. Monitoring, reporting, verification and application requirements under this Article shall be aligned, to the extent possible, with the corresponding requirements under Regulation (EU) 2023/2405 in order to avoid</i>	<i>Returning aviation ETS revenues to the sector would strengthen its capacity to finance the transition and preserve competitiveness. Better alignment between the EU ETS and ReFuelEU Aviation would reduce administrative costs without weakening environmental integrity.</i>



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		<i>duplicative reporting and administrative obligations.</i>	
3.	<i>Recital 18</i> <i>The Union is to achieve climate neutrality by 2050 at the latest and all sectors of the economy, including maritime transport, are to contribute to achieving the emission reductions established by Regulation (EU) 2021/1119, in line with its updated NDC. The inclusion of maritime transport in the EU ETS since 2024 ensures that the sector contributes its fair share to the climate objectives of the Union as well as to the objectives of the Paris Agreement. The International Maritime Organization (IMO) adopted, in 2023, a strategy to decarbonise shipping¹⁵ 'by or around, i.e. close to, 2050' and agreed on developing mid-term measures to implement it, considering a basket of candidate measures covering both technical and economic elements. The adoption and implementation of such a global measure putting effectively a price on greenhouse gas emissions from maritime transport in parallel to the EU ETS would entail a risk of double payments by shipping companies. The provisions of Directive 2003/87/EC as regards maritime transport activities should be reviewed in the event of</i>	The Union is to achieve climate neutrality by 2050 at the latest and all sectors of the economy, including maritime transport, are to contribute to achieving the emission reductions established by Regulation (EU) 2021/1119, in line with its updated NDC. The inclusion of maritime transport in the EU ETS since 2024 ensures that the sector contributes its fair share to the climate objectives of the Union as well as to the objectives of the Paris Agreement. The International Maritime Organization (IMO) adopted, in 2023, a strategy to decarbonise shipping¹⁵ 'by or around, i.e. close to, 2050' and agreed on developing mid-term measures to implement it, considering a basket of candidate measures covering both technical and economic elements. The adoption and implementation of such a global measure putting effectively a price on greenhouse gas emissions from maritime transport in parallel to the EU ETS would entail a risk of double payments by shipping companies. The provisions of Directive 2003/87/EC as regards maritime transport activities should be reviewed in the event of the adoption by the IMO of a global market-based measure to reduce	<i>Shipping is a global industry and requires a single global regulatory framework. Maintaining parallel EU and IMO regulatory systems would create competitive distortions, regulatory fragmentation and additional administrative and operational burdens, with negative effects on both the maritime sector and the European economy. Once a global IMO measure becomes operational, the EU ETS should therefore cease to apply to maritime transport. Any further increase in ambition should be pursued and agreed at IMO level, as the appropriate forum to ensure a global level-playing field and prevent carbon leakage.</i>



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	<i>the adoption by the IMO of a global market-based measure to reduce greenhouse gas emissions from maritime transport. To this end, the Commission should present a report to the European Parliament and to the Council within 18 months of the adoption of such a measure, and before it becomes operational. The Commission should in that report examine that global market-based measure as regards its ambition in light of the objectives of the Paris Agreement, its overall environmental integrity, including in comparison with the provisions of Directive 2003/87/EC covering maritime transport, and any issue related to the coherence of the EU ETS and that measure, including avoiding double payment. As appropriate, and in order to prevent such a risk of double payment while ensuring that no environmental backsliding occurs, the accompanying legislative proposal should provide for an IMO deduction mechanism according to which it is appropriate to allow shipping companies to surrender fewer allowances than their verified emissions to the extent that those emissions are also effectively priced under the IMO measure. To take into account the potential role of the Union in supporting the broader international effort to decarbonise maritime transport, the accompanying legislative proposal should provide for a measure according to which allowances are to be reserved</i>	greenhouse gas emissions from maritime transport. To this end, the Commission should present a report to the European Parliament and to the Council within 18 months of the adoption of such a measure, and before it becomes operational. The Commission should in that report examine that global market-based measure as regards its ambition in light of the objectives of the Paris Agreement, its overall environmental integrity, including in comparison with the provisions of Directive 2003/87/EC covering maritime transport, and any issue related to the coherence of the EU ETS and that measure, including avoiding double payment. As appropriate, and in order to prevent such a risk of double payment while ensuring that no environmental backsliding occurs, the accompanying legislative proposal should amend the EU ETS Directive providing for the withdrawal of maritime sector from the EU ETS Directive and FuelEU Maritime provisions if the global IMO measure becomes operational and reduces emissions at an equivalent ambition level to EU climate ambition under the EU ETS and FuelEU Maritime. Such a decision should be supported by an impact assessment of the overall aspects of EU's strategic interests.	

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	<i>to support least developed countries and small island developing countries</i>		
4.	Recital 30 The rate of reduction should also take account of the provisions of the European Climate Law regarding the use of high-quality international credits as adequate contribution towards the EU 2040 climate target, starting in 2036. International credits should be integrated in the future climate legislation using high-quality and integrity credits. The use of credits should support both the EU and third countries in achieving GHG reductions compatible with the Paris Agreement. High credit integrity must be ensured and where appropriate the rules developed under Article 6.4 of the Paris Agreement may be complemented. The specific role and deployment of international credits will be based on an impact assessment and subject to the development of Union law setting robust and high integrity criteria and other safeguards. In view of the establishment of a facility for the purchase of international credits to reduce the overall need for domestic action by up to 5 percentage points, the target emissions reductions for the EU ETS should be in line with an overall EU-wide domestic ambition	The rate of reduction should also take account of the provisions of the European Climate Law regarding the use of high-quality international credits as adequate contribution towards the EU 2040 climate target, starting in 2036. International credits should be integrated in the future climate legislation using high-quality and integrity credits. The use of credits should support both the EU and third countries in achieving GHG reductions compatible with the Paris Agreement. High credit integrity must be ensured and where appropriate the rules developed under Article 6.4 of the Paris Agreement should be applied. The specific role and deployment of international credits will be based on an impact assessment and subject to the development of Union law setting robust and high integrity criteria and other safeguards. In view of the establishment of a facility for the purchase of international credits to reduce the overall need for domestic action by up to 5 percentage points, the target emissions reductions for the EU ETS should be in line with an overall EU-wide domestic ambition of -90% until 2035 and of -85% from 2036 to 2040. This should be reflected through a lower linear	<i>Given the substantive efforts made during COP processes, including also by the EU, to develop rules, markets, standards and methodologies for Article 6 of the Paris Agreement, the EU should refrain from adopting additional criteria to ensure integrity and alignment with global developments.</i> <i>An earlier timeline on the report regarding the introduction of the international carbon credits and possible implication to the linear reduction factor will provide more predictability and investment planning for businesses. Hence, accompanying the report with a legislative proposal to revert the linear reduction factor in a timely manner is needed in the event that high-quality and high-integrity, cost-effective international credits are not available. The proposal shall provide alternative ways to tackle the up to 5% of GHG emissions in line with the 2040 climate target in the absence of international carbon credits as a credible solution.</i>

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	of -90% until 2035 and of -85% from 2036 to 2040. This should be reflected through a lower linear reduction factor of the EU ETS from 2036, and allowances should be put aside for the purchase of the amount of international credits that correspond to the reduction of the ambition in the EU ETS. The Commission should report to the European Parliament and to the Council on the development of a high-quality and high-integrity international credit market, taking into account the criteria set out in Regulation 2021/1119/EU, and the contribution of these credits to the climate ambition of the activities listed in Annex. Subject to this report, the linear reduction factor from 2036 should revert to a trajectory for ETS sectors aligned with an EU domestic reduction of 90% by 2040 in the event that high-quality and high-integrity, cost-effective international credits are not available.	reduction factor of the EU ETS from 2036, and allowances should be put aside for the purchase of the amount of international credits that correspond to the reduction of the ambition in the EU ETS. The Commission should report by 31 January 2030 to the European Parliament and to the Council on the development of a high-quality and high-integrity international credit market, taking into account the criteria set out in Regulation 2021/1119/EU, and the contribution of these credits to the climate ambition of the activities listed in Annex. Subject to this report, in the event that high-quality and high-integrity, cost-effective international credits are not available, the Commission should present a legislative proposal to revert the linear reduction factor from 2036 to a trajectory for ETS sectors aligned with an EU domestic reduction of 90% by 2040, while examining alternatives ways to contribute to a reduction of up to 5% of 1990 EU net GHG emissions in line with the 2040 target.	
5.	Recital 32 The integration in the EU ETS rests on the basic principle that the cancellation of a removal unit replaces the surrendering of an emission allowance, which represents the payment of the price for having emitted a tonne of CO₂. As a consequence, only permanent removals can be integrated in	The integration in the EU ETS rests on the basic principle that the cancellation of a removal unit replaces the surrendering of an emission allowance, which represents the payment of the price for having emitted a tonne of CO₂. As a consequence, only permanent removals can be integrated in the EU ETS. In addition, it is	<i>Clear and investment-grade rules are necessary for scaling permanent carbon removals and the related transport and storage infrastructure. Technological neutrality should be maintained while safeguarding environmental integrity and avoiding double counting. Predictable demand and adequate resources for the Commission's purchasing facility are</i>

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	the EU ETS. In addition, it is preferable to integrate only those removals for which reversals are subject to monitoring and the surrendering of allowances in the EU ETS.	preferable to integrate only those removals for which reversals are subject to monitoring and the surrendering of allowances in the EU ETS. <i>The purchase of domestic permanent carbon removal units shall follow a clear, predictable, technology-neutral framework that fosters a diverse portfolio of high-integrity removal projects and provides long-term investment certainty for capture, transport and storage infrastructure. To cover the full value chain of carbon management, the framework should also recognize carbon that is permanently bound in products provided that permanence, environmental integrity, and carbon source differentiation can be robustly demonstrated. The Commission shall ensure adequate administrative and financial resources to procure the required volume of permanent carbon removals under this Article.</i>	<i>necessary to enable investments and ensure that the mechanism operates as intended.</i>
6.	<i>Recital 42</i> To mitigate the risk of carbon leakage and support the competitiveness of electro-intensive industries, Member States should retain the possibility to grant State aid compensating for indirect emission costs passed through electricity prices, in line with Union State aid rules. For the State aid guideline post-2030, the Commission will assess how to incentivise economically viable decarbonisation, while not	To mitigate the risk of carbon leakage and support the competitiveness of electro-intensive industries, Member States should retain the possibility to grant State aid compensating for indirect emission costs passed through electricity prices, in line with Union State aid rules. <i>Such compensation should remain available until at least 2040, and for as long as indirect emission costs continue to be passed through electricity price for</i>	<i>Indirect cost compensation remains necessary as long as ETS-related carbon costs continue to be passed through into electricity prices. Extending post-2030 compensation should also allow for a meaningful expansion of eligible sectors, in particular by revising the method used to determine eligible sectors, so that it is based on data available for all sectors. This is not currently the case with the existing methodology and prevents certain sectors from being eligible even</i>



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	<i>undermining the carbon leakage objective of the support.</i> The emission factors used to calculate compensation should reflect <i>the emission intensity of the relevant electricity production mix in the respective geographic area with a view to taking into consideration where possible</i> the role of fossil and non-fossil sources in the setting of electricity prices. (...)	<i>European industrial consumers exposed to carbon leakage.</i> For the State aid guideline post-2030, the Commission will <i>revise the methodology used to determine eligible sectors. This new methodology shall ensure that all sectors can evaluate their eligibility. For that, this method will either be based on data available for all sectors on Eurostat or offer an alternative for sectors for which the data is non-existent.</i> The emission factors used to calculate compensation should reflect <i>pass-through of carbon costs in the electricity price and therefore</i> the role of fossil and non-fossil sources in the setting of electricity prices. (...)	<i>though they face the same constraints. Revising this list and the methodology is crucial for the sectors concerned, as it serves as the basis for all mechanisms designed to protect sectors exposed to carbon leakage risks, not only for ETS indirect cost compensation.</i>
7.	New recital 43 (replacing the proposed recital 43)	<i>Achieving the Union's climate and decarbonisation objectives while safeguarding industrial competitiveness requires viable business cases for investment, access to mature decarbonisation technologies, adequate energy infrastructure and sufficient energy at internationally competitive prices. Free allocation serves primarily as a carbon leakage protection measure, and this function should be preserved. Industrial decarbonisation should instead be supported through realistic and representative benchmarks reflecting demonstrated technological progress, together with appropriate financing and enabling conditions, taking into account the availability and maturity of decarbonisation</i>	<i>Free allocation is there to protect sectors exposed to carbon leakage and must retain this function. Benchmarks already provide an incentive to improve emissions performance and are periodically updated to reflect technological progress. Making carbon-leakage protection dependent on specific investments risks penalising installations where viable decarbonisation technologies, infrastructure or competitive energy are not yet available. Investment should instead be enabled through realistic benchmarks, appropriate financing and the necessary framework conditions.</i>

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		<i>technologies and infrastructure for each industrial process.</i>	
8.	Recital 60a (new)	<i>The Industrial Decarbonisation Bank shall operate through open, competitive and technology-neutral procedures. Support shall be awarded primarily on the basis of project quality, climate impact, scalability, contribution to industrial competitiveness and capacity to mobilise private investment. The eligibility and award criteria shall consider the different starting points and decarbonisation pathways of industrial installations. Investments and emission reductions already achieved shall be appropriately recognized so that first movers and installations that have already substantially reduced their emissions are not placed at a disadvantage.</i>	<i>The Industrial Decarbonisation Bank should direct resources towards high-quality projects capable of delivering industrial emission reductions and strengthening EU competitiveness. Open competition and technology-neutral criteria are necessary to identify the most effective projects and mobilise private investment. Award criteria should recognise that industrial installations have different starting points, without disadvantaging first movers.</i>
9.	<i>Article 3c, paragraph 6, subparagraph 4</i> <i>Fuels shall be eligible for support referred to in this paragraph only if they are produced in the EEA, in a third country that has an emissions trading system linked with the EU ETS, or in a third country to which the Union provides support pursuant to Article 25b. Fuels referred to in the third</i>	[Deleted]	<i>Adding made in Europe requirements risks the availability of sustainable fuels which are already very limited. Allowances support shall be allowed for all eligible sustainable fuels.</i>



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	<i>subparagraph, points (a), (b) and (d), shall be eligible for a 10 percentage point increase in coverage if they are produced using feedstock that is sourced in the Union, in a third country that has an emissions trading system linked with the EU ETS, or in a third country to which the Union provides support pursuant to Article 25b.</i>		
10.	Article 3gaa, paragraph 4, point (b) (b) the cost incurred in deploying and operating zero-emission propulsion technologies compared to conventional propulsion systems, in proportion to the amount of emission reductions achieved through the use of these zero-emission propulsion technologies:	(b) the cost incurred in deploying and operating all eligible low-carbon technologies compared to conventional systems, in proportion to the amount of emission reductions achieved through their use:	<i>The SMAP should be technology-neutral and support all technologies delivering verifiable emission reductions. As no single solution is technically and economically viable across all vessel types and trades, maritime decarbonisation will require a combination of technologies, fuels and operational measures.</i>
11.	Article 3gaa, paragraph 6, point (a) <i>(a) the batches of sustainable maritime fuels shall be produced in the Union, or in a third country that has an emissions trading system linked with the emissions trading system established in accordance with this Directive, or in a third country to which the Union provides support pursuant to Article 25b for the effective application of greenhouse gas emission pricing with an absolute emissions cap;</i>	[Deleted]	<i>Adding made in Europe requirements risks the availability of sustainable fuels which are already very limited. Allowances support shall be allowed for all eligible sustainable fuels.</i>

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12.	Article 3gg, paragraph 7 in conjunction with Article 12 paragraph 3-e No later than 30 September 2033, the Commission shall assess the implementation of the derogation provided for in Article 12(3-e), taking into account technological developments, the availability and deployment of low- and zero-emission propulsion technologies and sustainable fuels suitable for ice-class ships, the impact of the derogation on the decarbonisation of maritime transport, and the appropriateness of extending its application beyond 31 December 2035 and, where appropriate, submit a legislative proposal to that effect.	No later than 30 September 2038, the Commission shall assess the implementation of the derogation provided for in Article 12(3-e), taking into account technological developments, the availability and deployment of low- and zero-emission propulsion technologies and sustainable fuels suitable for ice-class ships, the impact of the derogation on the decarbonisation of maritime transport, and the appropriateness of extending its application beyond 31 December 2040 and, where appropriate, submit a legislative proposal to that effect.	<i>Navigation in ice conditions requires ice-class ships and results in additional energy consumption and emissions that cannot be fully avoided through operational choices. The availability and large-scale deployment of suitable low- and zero-emission technologies and sustainable fuels for ice-class vessels remain constrained by technological, infrastructure and investment needs.</i> <i>Extending the derogation until 2040 would provide the predictability needed for fleet and infrastructure investments while safeguarding year-round connectivity and the competitiveness of regions whose external trade depends heavily on maritime transport. The review clause should be retained to assess developments and the possible need for measures beyond 2040.</i>



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13.	Article 9, subparagraph 5 <i>In [2031/two years after inclusion of additional small ships in MRV], the Union-wide quantity of allowances shall be increased to take into account the coverage of emissions of the categories of ships below 5 000 gross tonnage but not below 400 gross tonnage referred to in Annex I, based on their emissions for the most recent year for which data are available. The allowances resulting from that increase shall contribute to the quantity referred to in Article 3gaa.</i>	[Deleted]	<i>The current ETS scope should be maintained in maritime to align with global developments. If the IMO adopts a global market-based measure to reduce emissions in the sector, at an equivalent ambition level to EU ETS and FuelEU Maritime, the sector should be removed from the EU ETS and FuelEU Maritime provisions. This is important to avoid double or triple carbon pricing.</i> <i>Additionally, ships between 400 and 5,000 GT are typically operated by SMEs in a highly fragmented market segment, often serving peripheral regions or areas distant from the main trade routes. Extending the scope to these ships would impose a disproportionate administrative and compliance burden for limited additional emissions coverage, particularly on smaller operators.</i>
14.	Article 9b, paragraph 3 By 31 January 2033, the Commission shall present to the European Parliament and to the Council a report assessing the development of a high-quality and high-integrity international credits market, taking into account all the criteria set out in Regulation 2021/1119/EU, and their availability to contribute to the climate	"By 31 January 2030, the Commission shall present to the European Parliament and to the Council a report assessing the development of a high-quality and high-integrity international credits market, taking into account all the criteria set out in Regulation 2021/1119/EU, and their availability to contribute to the climate ambition	<i>An earlier timeline on the report regarding the introduction of the international carbon credits and possible implication to the linear reduction factor will provide more predictability and investment planning for businesses.</i>



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	ambition of the activities listed in Annex I, including the following:	of the activities listed in Annex I, including the following:"	
15.	Article 9c, paragraph 1 The Union-wide quantity of allowances referred to in Article 9 shall be increased by 250 million allowances. Those allowances shall be made available to the Commission to auction them from 2031 to 2040 to generate revenues for the purchase of an equivalent amount of domestic permanent carbon removal units generated by BioCCS and DACCS activities under Regulation (EU) 2024/3012 of the European Parliament and of the Council. The Commission shall purchase those removals units prioritising a portfolio of cost-effective, high-integrity projects with payment upon delivery of the certified units.	The Union-wide quantity of allowances referred to in Article 9 shall be increased by 250 million allowances. Those allowances shall be made available to the Commission to auction them from 2029 to 2040 to generate revenues for the purchase of an equivalent amount of domestic permanent carbon removal units generated by solutions such as BioCCS and DACCS activities under Regulation (EU) 2024/3012 of the European Parliament and of the Council. The Commission shall purchase those removals units prioritising a portfolio of cost-effective, technology-neutral, high-integrity projects with payment upon delivery of the certified units. The Commission will continuously assess permanent carbon removal technologies that guarantee a similar level of integrity and permanence and shall, where appropriate, provide for their inclusion through the adoption of corresponding delegated acts.	<i>The regulatory framework should remain sufficiently flexible to accommodate technological progress in the field of carbon removals. Noval removal technologies may emerge that can deliver levels of monitoring, permanence and environmental integrity comparable to, or exceeding, those of currently eligible solutions. Requiring the Commission to continuously assess such technologies and, where appropriate, enable their inclusion through delegated acts ensures that the framework remains innovation friendly, technology neutral and capable of benefiting from scientific and industrial developments. This approach supports investment certainty, encourages the deployment of promising new solutions and helps ensure that the Union can access the broadest possible range of high integrity carbon removal options needed to achieve its climate objectives.</i>
16.	Article 10(3), subparagraph 2 Notwithstanding the previous subparagraph, Member States may use the remainder of	Notwithstanding the previous subparagraph, Member States shall use the remainder of	<i>It is important to secure a 100% earmarking of the use of ETS revenues generated from the auctioning of allowances in Member States for climate and energy-related purposes. A</i>



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	those revenues for which they determine the use for the following purposes:	those revenues for which they determine the use for the following purposes:	<i>significant share of these revenues should be effectively channelled back to support the decarbonisation of sectors subject to the EU ETS.</i>
17.	Article 10a – paragraph 3b <i>Operators of installations carrying out activities listed in Annex I shall establish, make publicly available and submit a plan to invest in decarbonisation in the EU ('Invest in EU decarbonisation plan') for the installations for which they apply for free allocation.</i>	[Deleted]	<i>Free allocation is designed to protect EU ETS operators from the risk of carbon leakage, where competitors outside the EU do not face the same carbon costs as the EU ETS operators. Free allocation is used by businesses for purposes of ETS compliance and does not constitute freely available liquidity. Hence, investment conditionality shall be rejected.</i> <i>Investments in decarbonisation investments depend also on the actual availability, maturity, scalability and economic viability of the relevant technologies, as well as on a number of enabling conditions, such as access to the necessary energy carriers and infrastructure at internationally competitive conditions. Policy should focus on delivering these conditions rather than adding complexity and administrative burdens for businesses.</i>
18.	Article 10a – paragraph 3c <i>Upon submission of an Invest in EU decarbonisation plan that has been</i>	[Deleted]	<i>Free allocation is designed to protect EU ETS operators from the risk of carbon leakage, where competitors outside the EU do not face the same carbon costs as the EU ETS operators. Free allocation is</i>



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	<i>verified in accordance with Article 15 and approved by the competent authority, 80 % of the amount of free allocation to be received under the relevant five-year period shall be allocated annually to the installation.</i> <i>Where an installation has received allowances in accordance with the first subparagraph during each five-year period starting in 2031, but has then relocated or otherwise, directly or indirectly, transferred, in whole or in part, its relevant production capacity or the associated economic activity outside the Union, the Member State shall require the operator to reimburse the received allowances for the relevant allocation period. In the absence of reimbursement, the Member State shall deduct free allowances in the following years.</i> <i>The remaining 20 % of the amount of free allocation for that five-years period shall only be allocated to the installation after the confirmation, no later than two years after the end of the relevant five-year period, by the competent authority where the decarbonisation investments are implemented that the following conditions are met:</i>		<i>used by businesses for purposes of ETS compliance and does not constitute freely available liquidity. Hence, investment conditionality shall be rejected.</i> <i>Investments in decarbonisation depend on a range of enabling conditions, including competitive energy costs, adequate infrastructure and efficient permitting. Policy should focus on delivering these conditions rather than adding complexity and administrative burdens for businesses.</i>



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19.	Article 10cc, paragraph 1, (new subparagraph)	<i>The Industrial Decarbonisation Bank shall ensure fair and equitable access to support projects, including small and medium-sized enterprises covered by the EU ETS, taking into account their specific capacity, technical and administrative constraints.</i>	<i>SMEs often face disproportionate barriers to accessing large-scale decarbonisation financing instruments, including limited administrative capacity to navigate complex application procedures. Without explicit provisions ensuring equitable access, the Industrial Decarbonisation Bank risks disproportionately benefiting larger operators with greater financial and technical resources.</i>
20.	Article 10(cd)(2) For the allocation of the allowances, including the pre-selection of projects, referred to in the first paragraph, the Commission shall publish Terms and Conditions developed in consultation with stakeholders. Those Terms and Conditions shall, in particular, set the fixed premium rate per tonne of CO2 emissions avoided, eligibility criteria, minimum requirements as regards emission reductions, mandatory documentation, size of the completion bond and monitoring and verification requirements. The Terms & Conditions may also provide mechanisms for sharing possible gains and for ensuring best value for money, such as a review of the fixed premium rate should there be indications that it is no longer appropriate in light of	For the allocation of the allowances, including the pre-selection of projects, referred to in the first paragraph, the Commission shall publish Terms and Conditions developed in consultation with stakeholders. Those Terms and Conditions shall, in particular, set the fixed premium rate per tonne of CO2 emissions avoided, eligibility criteria, minimum requirements as regards emission reductions, mandatory documentation, size of the completion bond and monitoring and verification requirements. <i>Those Terms and Conditions shall maintain a level playing field for first movers and frontrunners investing in decarbonization, ensuring that first-movers that already reached final investment decision of decarbonization projects covered in Annex 1 shall be eligible and awarded the same fixed carbon premium rate per tonne of CO2 avoided as projects in earlier development stages.</i> The Terms &	<i>Ensuring a level playing field between first movers and frontrunners and those who haven't fully invested yet in decarbonization is essential to not punish businesses who have already reached Final Investment Decision, construction or start of production.</i>

	Commission Proposal	BusinessEurope's Amendment	Justification
	market developments and/or differentiated Terms and Conditions.	Conditions may also provide mechanisms for sharing possible gains and for ensuring best value for money, such as a review of the fixed premium rate should there be indications that it is no longer appropriate in light of market developments and/or differentiated Terms and Conditions.	
21.	Article 27, paragraph 1 Following consultation with the operator, Member States may exclude from the EU ETS installations which have reported to the competent authority emissions of less than 25 000 tonnes of carbon dioxide equivalent and, where they carry out combustion activities, have a rated thermal input below 35 MW, excluding emissions from biomass, in each of the three years preceding the notification under point (a), and which are subject to measures that will achieve an equivalent contribution to emission reductions, if the Member State concerned complies with the following conditions:	Following consultation with the operator, Member States may exclude from the EU ETS installations which have reported to the competent authority emissions of less than 50 000 tonnes of carbon dioxide equivalent and, where they carry out combustion activities, have a rated thermal input below 35 MW, excluding emissions from biomass, in each of the three years preceding the notification under point (a), and which are subject to measures that will achieve an equivalent contribution to emission reductions, if the Member State concerned complies with the following conditions:	<i>Increasing this threshold to 50,000 teqCO2 would allow a much larger number of small and medium-size companies, which still represents a minor part of the overall industrial emissions, to benefit from less administrative burdens. As the opt-out system requires that those companies reach the same CO2 reduction target as in the EU ETS, increasing the threshold would introduce a relevant simplification without jeopardising the climate targets.</i>
22.	Article 28a, paragraph 1, point (e) (e) All emissions from flights to aerodromes that are more than 5 000 km from the aerodrome of Frankfurt and located in States outside the EEA in each	[Deleted]	<i>The current ETS scope in aviation (intra-EU/EEA flights) shall be maintained, as the reduction of emissions from international flights should be negotiated at the level of International Civil Aviation Organisation (ICAO). Internationally</i>



	Commission Proposal	BusinessEurope's Amendment	Justification
	<i>calendar year from 1 January 2029 to 31 December 2032, except for aircraft operators operating flights between two different States with total annual emissions lower than 10 000 tonnes calculated in accordance with Annex I. This point shall also apply in respect of aerodromes that are less than 5 000 km from the aerodrome of Frankfurt, are located in States outside the EEA and have less than 15 000 tonnes annual emissions from flights from the EEA to them.</i>		<i>agreed rules are essential for ensuring a level playing field within the global aviation sector and avoiding carbon leakage.</i> <i>Furthermore, since the impact in areas such as cargo aviation has not been adequately assessed, the proposal for a scope extension raises serious proportionality and better regulation concerns.</i>