



2026/0212(COD)

15.9.2026

*****I**

DRAFT REPORT

on the proposal for a directive of the European Parliament and of the Council
amending Directive 2003/87/EC and Decision (EU) 2015/1814 as regards
driving competitiveness and cost-effective decarbonisation

(COM(2026)0616 – C10-0188/2026 – 2026/0212(COD))

Committee on the Environment, Climate and Food Safety

Rapporteur: Peter Liese

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act**Amendments by Parliament set out in two columns**

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ***■*** symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC and Decision (EU) 2015/1814 as regards driving competitiveness and cost-effective decarbonisation

(COM(2026)0616 – C10-0188/2026 – 2026/0212(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2026)0616),
 - having regard to Article 294(2) and Article 192(1) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C10-0188/2026),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the budgetary assessment by the Committee on Budgets,
 - having regard to the opinion of the European Economic and Social Committee of [...] ¹,
 - having regard to the opinion of the Committee of the Regions of [...] ²,
 - having regard to Rules 60 and 58 of its Rules of Procedure,
 - having regard to the opinion of the Committee on Industry, Research and Energy [...],
 - having regard to the opinion of the Committee on Transport and Tourism [...],
 - having regard to the report of the Committee on the Environment, Climate and Food Safety (A10-0000/2026),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

¹ [OJ C, C/2026/..., ..., ELI: ... / Not yet published in the Official Journal].

² [OJ C, C/2026/..., ..., ELI: ... / Not yet published in the Official Journal].

Amendment 1

Proposal for a directive Recital 12

Text proposed by the Commission

(12) 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 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. 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.

¹² Regulation (EU) 2023/2405 of the European Parliament and of the Council of 18 October 2023 on ensuring a level playing field for sustainable air transport (ReFuelEU Aviation) (OJ L, 2023/2405, 31.10.2023, ELI: <http://data.europa.eu/eli/reg/2023/2405/oj>).

Amendment

(12) 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 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. ***To further support sustainable aviation fuels, 50% of those allowances should be reserved for renewable fuels of non-biological origin (RFNBOs).*** 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. 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.

¹² Regulation (EU) 2023/2405 of the European Parliament and of the Council of 18 October 2023 on ensuring a level playing field for sustainable air transport (ReFuelEU Aviation) (OJ L, 2023/2405, 31.10.2023, ELI: <http://data.europa.eu/eli/reg/2023/2405/oj>).

Or. en

Justification

E-fuels are of strategic importance for the European Union as well as for our resilience and defence. They are still relatively expensive and therefore they should have a separate quota.

Amendment 2

Proposal for a directive Recital 18

Text proposed by the Commission

(18) 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 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

Amendment

(18) 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 Union institutions and Member States should do everything possible to work towards a global solution for the maritime sector, that is completely aligned with the Paris Agreement and the Union’s ambition when it comes to climate protection. They should use the fora of the International Maritime Organization (IMO), but also work bilaterally towards this aim and, as a step in the right directions, also conclude bilateral agreements, where possible.*** 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

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 to **support least** developed countries and small island developing countries.

¹⁵ ANNEX 1, RESOLUTION MEPC.377(80), Adopted on 7 July 2023, 2023 IMO Strategy on reduction of GHG emissions from ships.

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 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 to **support least** developed countries and small island developing countries.

¹⁵ ANNEX 1, RESOLUTION MEPC.377(80), Adopted on 7 July 2023, 2023 IMO Strategy on reduction of GHG emissions from ships.

Or. en

Justification

It is correct that Europe cannot save the planet alone. On the other hand, the IMO mechanism is not yet agreed and the ambition of the drafts is not in line with the Paris Agreement. It is however important to continue the efforts. All institutions should work this way. The European Parliament can, for example, use the delegations, Council and Commission can use the External Action Service (EEAS). Bilateral agreements or regional agreements can help to achieve the final target.

Amendment 3

Proposal for a directive

Recital 20

Text proposed by the Commission

(20) The transition from the use of fossil fuels, alongside energy efficiency improvements, is essential to achieving the decarbonisation of the maritime sector. However, the significant price differentials between conventional fossil fuels and sustainable maritime fuels as well as the pace of deployment of zero-emission propulsion technologies, such as electric and wind-assisted propulsion systems, hamper this transition. Support to early movers is therefore desirable to de-risk investments in maritime decarbonisation in the Union. Hence, during the period from 1 January [2028/first year after the entry into force of this directive] until 31 December 2040, 110 million allowances should be reserved to be allocated to shipping companies, on a transparent, equal and non-discriminatory basis, to cover part of the price differential between conventional fossil fuels and eligible sustainable maritime fuels, as well as all or part of the additional cost incurred in deploying and operating eligible zero-emission propulsion technologies, and technologies required to use eligible sustainable maritime fuels upon verified operation on such fuels. Where allowances are allocated to a shipping company under this reserve, such allocation should be taken into account by

Amendment

(20) The transition from the use of fossil fuels, alongside energy efficiency improvements, is essential to achieving the decarbonisation of the maritime sector. However, the significant price differentials between conventional fossil fuels and sustainable maritime fuels as well as the pace of deployment of zero-emission propulsion technologies, such as electric and wind-assisted propulsion systems, hamper this transition. Support to early movers is therefore desirable to de-risk investments in maritime decarbonisation in the Union. Hence, during the period from 1 January [2028/first year after the entry into force of this directive] until 31 December 2040, 110 million allowances should be reserved to be allocated to shipping companies, on a transparent, equal and non-discriminatory basis, to cover part of the price differential between conventional fossil fuels and eligible sustainable maritime fuels, as well as all or part of the additional cost incurred in deploying and operating eligible zero-emission propulsion technologies, and technologies required to use eligible sustainable maritime fuels upon verified operation on such fuels. ***To further support sustainable maritime fuels, a significant share of those allowances should be reserved for***

the shipping company if it intends to transfer the costs arising from the surrender of allowances to another entity in accordance with the reimbursement mechanism laid down in Article 3gc of Directive 2003/87/EC. For instance, contractual arrangements may provide for the transfer of the allocated allowances from the shipping company to the other entity. The Commission should be empowered to adopt delegated acts to supplement Directive 2003/87/EC with the detailed rules necessary for the application of this reserve and to adopt implementing acts to establish the lists of non-Union ports and third countries in respect of which a derogation from the origin requirements should apply.

renewable fuels of non-biological origin (RFNBOs). Where allowances are allocated to a shipping company under this reserve, such allocation should be taken into account by the shipping company if it intends to transfer the costs arising from the surrender of allowances to another entity in accordance with the reimbursement mechanism laid down in Article 3gc of Directive 2003/87/EC. For instance, contractual arrangements may provide for the transfer of the allocated allowances from the shipping company to the other entity. The Commission should be empowered to adopt delegated acts to supplement Directive 2003/87/EC with the detailed rules necessary for the application of this reserve and to adopt implementing acts to establish the lists of non-Union ports and third countries in respect of which a derogation from the origin requirements should apply.

Or. en

Justification

E-fuels are of strategic importance for the European Union as well as for our resilience and defence. They are still relatively expensive and therefore they should have a separate quota.

Amendment 4

Proposal for a directive Recital 25

Text proposed by the Commission

(25) The current derogations provided for in Directive 2003/87/EC from the obligation to surrender allowances for ice-class ships, for voyages involving outermost regions and small islands without a fixed land connection, and for certain passenger transport services operated under public service obligations or public service contracts are set to end on 31 December 2030. While the

Amendment

(25) The current derogations provided for in Directive 2003/87/EC from the obligation to surrender allowances for ice-class ships, for voyages involving outermost regions and small islands without a fixed land connection, and for certain passenger transport services operated under public service obligations or public service contracts are set to end on 31 December 2030. While the

decarbonisation of ice-class ships and the fleets serving those routes and services is progressing and innovative technologies such as battery-electric and wind-assisted propulsion are becoming increasingly viable, the large-scale deployment of emission reduction solutions on those vessels that are important for connectivity purposes remains constrained, in particular by infrastructure and investment needs. In order to allow sufficient time for that transition¹⁶, and in light of the need to ensure territorial continuity, connectivity and affordability of essential maritime services, the duration of these derogations should be extended *for a limited period of time. Given the specific technical and operational challenges associated with the decarbonisation of ice-class ships, the Commission should review, before the expiry of the derogation applicable to those ships, the progress made in the deployment of suitable low- and zero-emission technologies and assess the appropriateness of extending that derogation beyond 31 December 2035.*

¹⁶ European Commission: Directorate-General for Climate Action and Ricardo, Electric vessels and wind-assisted propulsion systems- opportunities for the EU maritime industry and value chain – Final report, Publications Office of the European Union, 2026, <https://data.europa.eu/doi/10.2834/7505429>

decarbonisation of ice-class ships and the fleets serving those routes and services is progressing and innovative technologies such as battery-electric and wind-assisted propulsion are becoming increasingly viable, the large-scale deployment of emission reduction solutions on those vessels that are important for connectivity purposes remains constrained, in particular by infrastructure and investment needs. In order to allow sufficient time for that transition¹⁶, and in light of the need to ensure territorial continuity, connectivity and affordability of essential maritime services, the duration of these derogations should be extended *until 2040 because a derogation until 2035 does not give predictability to the sector. However, over time all sectors need to become climate neutral. Therefore, the derogations should be gradually phased out until 2040.*

¹⁶ European Commission: Directorate-General for Climate Action and Ricardo, Electric vessels and wind-assisted propulsion systems- opportunities for the EU maritime industry and value chain – Final report, Publications Office of the European Union, 2026, <https://data.europa.eu/doi/10.2834/7505429>

Or. en

Justification

It is important not to leave too many issues for the review. In the next decades, people need predictability. It is not appropriate to limit all the derogations for maritime to 2035. The derogations should be prolonged until 2040 but after that year, they should be genuinely phased-out. That adds predictability and avoids complicated discussions every five years.

Amendment 5

Proposal for a directive Recital 30

Text proposed by the Commission

(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 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

Amendment

(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. ***To boost innovation made in EU and to respect the obligation of the European Climate Law to respect the strategic interest of the Union, the Commission should give priority to credits generated by projects by Union companies or with a high share of value stemming from production or research and development from the Union when purchasing those international credits if possible.*** 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 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

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.

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.

Or. en

Justification

Companies need planning security. The use of international credits is clearly integrated in the European climate policy via the European climate law. It would be unfair not to have this option included in the ETS sector. The rapporteur is convinced that the European Commission will learn from the mistakes of the past and will guarantee high quality of these credits and will guarantee that they are in line with the strategic interests of the European Union.

Amendment 6

Proposal for a directive Recital 32

Text proposed by the Commission

(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 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.***

Amendment

(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 EU ETS ***such as DACCS and BioCCS. The Commission may also purchase a limited number of removal credits from biochar activities (BCR) which are certified as permanent carbon removal units in accordance with the methodologies for the certification of domestic permanent removals established under Regulation (EU) 2024/3012 of the European Parliament and of the Council.***

In case additional methodologies are needed for the integration of permanent biochar removals, the Commission may adopt additional technical criteria.

Or. en

Justification

The inclusion of carbon removals in the ETS is of crucial importance. Latest UN reports clarify that achieving the Paris agreement target is only possible when a significant amount of removals is integrated in the climate instruments. To bring costs down and to develop a business case for the technology in the EU, they must be created as soon as possible. BCR (Biochar) is a permanent removal technology acknowledged by the CRCF. The remaining uncertainties can be addressed in the course of the next two years. The limitation of Biochar to 20% will assure that also DACCS and BECCS are developed.

Amendment 7

Proposal for a directive Recital 33

Text proposed by the Commission

(33) The current price-difference between permanent carbon removals and allowances means that permanent removals will need to be supported in a predictable manner, to ensure that their generation in line with the additional emission space that is created in the ETS through the issuance of allowances. In addition, because they are novel instruments, their integration must protect the EU ETS from uncertainty and must guarantee the environmental integrity of the units that are used to compensate an emission in the EU ETS. Therefore, removals should be integrated in the EU ETS by the Commission. To that end, the total quantity of allowances in the EU ETS should be increased by a number of allowances that should be allocated to the Commission for the purchase of an equivalent amount of permanent carbon removals to offset the newly created allowances. The linear reduction factor should not apply to this quantity of

Amendment

(33) The current price-difference between permanent carbon removals and allowances means that permanent removals will need to be supported in a predictable manner, to ensure that their generation in line with the additional emission space that is created in the ETS through the issuance of allowances. In addition, because they are novel instruments, their integration must protect the EU ETS from uncertainty and must guarantee the environmental integrity of the units that are used to compensate an emission in the EU ETS. Therefore, removals should be integrated in the EU ETS by the Commission. To that end, the total quantity of allowances in the EU ETS should be increased by a number of allowances that should be allocated to the Commission for the purchase of an equivalent amount of permanent carbon removals to offset the newly created allowances. The linear reduction factor should not apply to this quantity of

allowances, at it is equivalent to the amount of removals that should be purchased. In addition to these newly created allowances, further allowances should be assigned to the Commission to generate revenues through their auctioning for the purchase of the permanent carbon removals, in view of the expected cost differential between allowances and carbon removals. Where fewer allowances are required for financing carbon removals than expected, the unused allowances should be integrated back in the Union-wide quantity of allowances referred to in Article 9 of Directive 2003/87/EC. The net target of the EU ETS is the equivalent of the gross emissions minus the permanent carbon removals that are subject to integration.

allowances, at it is equivalent to the amount of removals that should be purchased. In addition to these newly created allowances, further allowances should be assigned to the Commission *from the Union-wide quantity of allowances* to generate revenues through their auctioning for the purchase of the *required amount of* permanent carbon removals, in view of the expected cost differential between allowances and carbon removals. Where fewer allowances are required for financing carbon removals than expected, the unused allowances should be integrated back in the Union-wide quantity of allowances referred to in Article 9 of Directive 2003/87/EC. The net target of the EU ETS is the equivalent of the gross emissions minus the permanent carbon removals that are subject to integration.

Or. en

Justification

The changes fix a loophole for an increase in net emissions when prices for CDR are higher than expected. It is now assured that sufficient revenues are generated to acquire 250 million removal units and not less.

Amendment 8

Proposal for a directive Recital 34

Text proposed by the Commission

(34) To facilitate the use of permanent carbon removals by operators, shipping companies and aircraft operators, these should be allowed to compensate their own fossil emissions with their biogenic CO₂ emissions captured and permanently stored, which are certified as permanent carbon removal units in accordance with the methodologies for the certification of domestic permanent *biogenic emissions*

Amendment

(34) To facilitate the use of permanent carbon removals by operators, shipping companies and aircraft operators, these should be allowed to compensate their own fossil emissions with their biogenic CO₂ emissions captured and permanently stored, *and DACCS activities*, which are certified as permanent carbon removal units in accordance with the methodologies for the certification of domestic permanent

capture with carbon storage (BioCCS)

removals established under Regulation (EU) 2024/3012 of the European Parliament and of the Council¹⁸. To avoid double counting, carbon removals units used for the purpose of compensating own emissions should be cancelled from the Union Registry provided for in Article 12 of Regulation (EU) 2024/3012 of the European Parliament and of the Council¹⁹. This compensation mechanism cannot entail the generation of negative emissions or the of obtaining allowances. It should lead to an adjustment of the allowances assigned for the purchase of carbon removals and to the carbon removals that are to be purchased, to prevent the total emission space from increasing beyond the limit implied by the integration through the purchasing programme.

¹⁸ Regulation (EU) 2024/3012 of the European Parliament and of the Council of 27 November 2024 establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage in products (OJ L, 2024/3012, ELI: <http://data.europa.eu/eli/reg/2024/3012/oj>).

¹⁹ Regulation (EU) 2024/3012 of the European Parliament and of the Council of 27 November 2024 establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage in products (ELI: <http://data.europa.eu/eli/reg/2024/3012/oj>).

removals established under Regulation (EU) 2024/3012 of the European Parliament and of the Council¹⁸. To avoid double counting, carbon removals units used for the purpose of compensating own emissions should be cancelled from the Union Registry provided for in Article 12 of Regulation (EU) 2024/3012 of the European Parliament and of the Council¹⁹. This compensation mechanism cannot entail the generation of negative emissions or the of obtaining allowances. It should lead to an adjustment of the allowances assigned for the purchase of carbon removals and to the carbon removals that are to be purchased, to prevent the total emission space from increasing beyond the limit implied by the integration through the purchasing programme.

¹⁸ Regulation (EU) 2024/3012 of the European Parliament and of the Council of 27 November 2024 establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage in products (OJ L, 2024/3012, ELI: <http://data.europa.eu/eli/reg/2024/3012/oj>).

¹⁹ Regulation (EU) 2024/3012 of the European Parliament and of the Council of 27 November 2024 establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage in products (ELI: <http://data.europa.eu/eli/reg/2024/3012/oj>).

Or. en

Justification

To further scale up carbon removal technologies, there should be no cap in the number of permanent removals available to comply.

Amendment 9

Proposal for a directive Recital 39

Text proposed by the Commission

(39) To address those aspects, the Member States should be required to spend a minimum share of their revenues in priority purposes, focused on the decarbonisation of the ETS sectors, including related investment needs of the energy system. This should include investments in industrial decarbonisation (such as in steel, chemicals and fertilisers - which play an important role to ensure food security) - through electrification, carbon capture, utilisation, and storage, and other clean technologies; clean energy sources and grid infrastructure; low-carbon transport (particularly in maritime and aviation); waste management decarbonisation and circularity measures to decarbonise ETS sectors; the development of lead markets for low-carbon and circular products (such as bio-based fertilisers, bio-based chemicals and green steel) which also benefit end-users such as farmers; and research and innovation in these fields. Priority should be given to the electrification of industrial process heat where technically feasible, enhancing energy security. Regarding fertilisers, investment should in particular support end-users in the uptake of bio-based, organic and circular fertilisers, in line with the Fertilizer Action Plan²¹. As regards nature-based solutions contributing to decarbonisation, Member States should take into account the priorities, measures and financing needs identified in national restoration plans established pursuant to Regulation (EU) 2024/1991. Additionally, investments should only be possible where they are aligned with the Union's long-term climate goals, excluding those prolonging reliance on fossil fuels in power generation. Member States should also

Amendment

(39) To address those aspects, the Member States should be required to spend a minimum share of their revenues in priority purposes, focused on the decarbonisation of the ETS sectors, including related investment needs of the energy system. This should include investments in industrial decarbonisation (such as in steel, chemicals and fertilisers - which play an important role to ensure food security) - through electrification, carbon capture, utilisation, and storage, and other clean technologies; clean energy sources and grid infrastructure; low-carbon transport (particularly in maritime and aviation); waste management decarbonisation and circularity measures to decarbonise ETS sectors, ***in particular, sectors falling under CBAM at a residual risk of carbon leakage***; the development of lead markets for low-carbon and circular products (such as bio-based fertilisers, bio-based chemicals and green steel) which also benefit end-users such as farmers; and research and innovation in these fields. Priority should be given to the electrification of industrial process heat where technically feasible, enhancing energy security. ***Member States should be required to circulate those revenues that were generated by energy intensive industries back to those sectors to boost fair support in decarbonisation.*** Regarding fertilisers, investment should in particular support end-users in the uptake of bio-based, organic and circular fertilisers, in line with the Fertilizer Action Plan²¹. As regards nature-based solutions contributing to decarbonisation, Member States should take into account the priorities, measures and financing needs identified in national restoration plans established pursuant to

have the option to use the revenues to top-up ETS financing mechanisms.

Regulation (EU) 2024/1991. Additionally, investments should only be possible where they are aligned with the Union's long-term climate goals, excluding those prolonging reliance on fossil fuels in power generation. Member States should also have the option to use the revenues to top-up ETS financing mechanisms.

²¹ COM/2026/310 final.

²¹ COM/2026/310 final.

Or. en

Justification

A shocking share of only 5% of the ETS revenues so far has been transferred back to energy intensive industry. The rapporteur wants to make sure that all revenues stemming from those industries will go back to industry for decarbonisation purposes. In addition, the rapporteur suggests several additional instruments to protect the CBAM sectors such as an adjustment of the CBAM factor, priority for funding and additional allowances to be allocated to these sectors.

Amendment 10

Proposal for a directive

Recital 43

Text proposed by the Commission

(43) Directive (EU) 2023/959 effected the revision of the EU ETS legislative framework by introducing conditionalities for free allocation linked to the implementation of energy efficiency recommendations from energy audits, and obligations to establish climate-neutrality plans for district heating and for the 20% least efficient installations under each ETS product benchmark. Building on the experience of conditionalities relating to district heating, and in view of aligning with the climate neutrality ambition of the EU, starting from the five-year period for free allocation beginning on 1 January 2031, free allocation in the EU ETS should, **as a principle**, become conditional

Amendment

(43) Directive (EU) 2023/959 effected the revision of the EU ETS legislative framework by introducing conditionalities for free allocation linked to the implementation of energy efficiency recommendations from energy audits, and obligations to establish climate-neutrality plans for district heating and for the 20% least efficient installations under each ETS product benchmark. Building on the experience of conditionalities relating to district heating, and in view of aligning with the climate neutrality ambition of the EU, starting from the five-year period for free allocation beginning on 1 January 2031, **an increasing share of** free allocation in the EU ETS should become

on establishing a plan to invest in decarbonisation in the EU ('Invest in EU decarbonisation plan') and to implementing decarbonisation investments that lead to increased homegrown production of decarbonised and low carbon products as well as to significant reductions in overall climate impacts, including emissions reduction. Therefore, it is appropriate to replace other specific conditionality regimes for free allocation, from 2031 onwards, by the decarbonisation investment in the EU conditionality which is being introduced for free allocation.

conditional on establishing a plan to invest in decarbonisation in the EU ('Invest in EU decarbonisation plan') and to implementing decarbonisation investments that lead to increased homegrown production of decarbonised and low carbon products as well as to significant reductions in overall climate impacts, including emissions reduction, ***until 2035, when 100% of free allocation in the EU ETS, as a principle, should be conditional. However, for the 20% least efficient installations under each ETS product benchmark, that already were subject to the previous conditionality regime, all of their free allowances should become conditional as of 2031.*** Therefore, it is appropriate to replace other specific conditionality regimes for free allocation, from 2031 onwards, by the decarbonisation investment in the EU conditionality which is being introduced for free allocation. ***Flexibility is given to companies that might not be able to immediately set up an Invest in EU decarbonisation plan. Companies that decide to make decarbonisation investments at the specific site of their installation and thus not forming a pool, should be rewarded with additional free allowances for protecting the jobs at their installation.***

Or. en

Justification

It is justified to link free allowances 25 years after the start of the ETS to additional conditionalities. This is key to keep jobs in Europe and to invest in decarbonisation. One third of the allowances that will be available after the review in 2031 are new and wouldn't be available for installations if the review fails. That's why it makes sense to start the additional conditionality with one third of the allowances and phase it in over time. While flexibilities are granted, extra free allowances are given to frontrunners and operators investing at the very site of their installation.

Amendment 11

Proposal for a directive Recital 46

Text proposed by the Commission

(46) 80 % of the amount of free allocation for the relevant five-year period for which the application for free allocation is submitted should be allocated in annual tranches with a regular transfer of free allocation after the approval of an Invest in EU decarbonisation plan. The remaining 20 % of the amount of allowances to be allocated for free in that five-year period should only be allocated to the installation upon verification that the decarbonisation investments, which can include both capital expenditure ('CAPEX') and operating expenditure ('OPEX'), corresponding to the economic value of 100% of the amount of free allocation for that period, were implemented and that, based on the relevant existing and well-established annual emissions reports, those investments led to significant emissions reduction by the end of the five-year period. To further incentivise the long-term investment in the Union, operators should be required to return the allowances received under Article 10a(3c) first subparagraph, if the operator relocates or otherwise transfers its relevant activities outside of the Union. In order to further design the processes as simple and efficient as possible and reflect well-established industrial practices, while also guaranteeing the strategic investments in modernising European industries, it is appropriate for the Commission to further operationalise those rules by clearly establishing, by means of delegated acts and, in close consultation and transparently with the relevant stakeholders, the list of requirements and eligible costs to qualify as decarbonisation investments as well as the methodology for determining the economic value of the quantity of free

Amendment

(46) 80 % of the amount of free allocation for the relevant five-year period for which the application for free allocation is submitted should be allocated in annual tranches with a regular transfer of free allocation after the approval of an Invest in EU decarbonisation plan ***for the years in which a plan has been submitted***. The remaining 20 % of the amount of allowances to be allocated for free in that five-year period should only be allocated to the installation upon verification that the decarbonisation investments, which can include both capital expenditure ('CAPEX') and operating expenditure ('OPEX'), corresponding to the economic value of 100% of the amount of free allocation for that period, were implemented and that, based on the relevant existing and well-established annual emissions reports, those investments led to significant emissions reduction by the end of the five-year period. ***To connect free allocation even closer to actual decarbonisation measures, as of 2036, only 70% should be allocated for submitting an Invest in EU decarbonisation plan, and 70% of the amount of allowances to be allocated for free as of the year a plan has been submitted should only be allocated to the installation upon verification that physical construction work has started.*** To further incentivise the long-term investment in the Union, operators should be required to return the allowances received under Article 10a(3c) first subparagraph, if the operator relocates or otherwise transfers its relevant activities outside of the Union. In order to further design the processes as simple and efficient as possible and reflect well-established

allowances received. In order to further reduce administrative burden, maximise synergies with existing industrial practices and to fully reflect the specific circumstances of the industrial sectors covered by the EU ETS, these delegated acts should be developed in close cooperation with the industry.

industrial practices, while also guaranteeing the strategic investments in modernising European industries, it is appropriate for the Commission to further operationalise those rules by clearly establishing, by means of delegated acts and, in close consultation and transparently with the relevant stakeholders, the list of requirements and eligible costs to qualify as decarbonisation investments as well as the methodology for determining the economic value of the quantity of free allowances received. In order to further reduce administrative burden, maximise synergies with existing industrial practices and to fully reflect the specific circumstances of the industrial sectors covered by the EU ETS, these delegated acts should be developed in close cooperation with the industry.

Or. en

Justification

It may be difficult for some installation to submit a decarbonisation plan already in 2029 because conditions like grids, CCS or hydrogen infrastructure are not yet ready. However, four years after this obligation enters into force, every installation should have delivered a plan. Operators shall only receive free allocation for the years they handed in a plan and receive none if they submit their plan after 2033. While it's justified to start the new conditionality smoothly, it is also justified to increase the ambition of the conditionality over time.

Amendment 12

Proposal for a directive Recital 47

Text proposed by the Commission

(47) To minimise administrative burden and ensure robust compliance, the implementation of the decarbonisation investments in the EU and the achievement of significant emissions reduction should be verified, no later than two years after the end of the relevant five-year period, on the

Amendment

(47) To minimise administrative burden and ensure robust compliance, the implementation of the decarbonisation investments in the EU and the achievement of significant emissions reduction should be verified, no later than two years after the end of the relevant five-year period, on the

basis of the already-required annual emissions and activity level reports submitted in the context of the existing solid monitoring, reporting and verification processes. Any unallocated or returned allowances from the amount of free allocation under the relevant five-year period should be used in the context of free allocation in the next period.

basis of the already-required annual emissions and activity level reports submitted in the context of the existing solid monitoring, reporting and verification processes. Any unallocated or returned allowances from the amount of free allocation under the relevant five-year period should be used in the context of free allocation in the next period ***and to support sectors subject to CBAM, in particular, to address the remainig risk of carbon leakage in third country markets.***

Or. en

Justification

Sectors covered by CBAM need to be prioritised. They have a protection for part of their production, but this protection is not complete. That's why the rapporteur suggests several additional instruments to protect the CBAM sectors such as an adjustment of the CBAM factor, priority for funding and additional allowances to be allocated to these sectors.

Amendment 13

Proposal for a directive Recital 47 a (new)

Text proposed by the Commission

Amendment

(47a) The Union institutions and the Member States should create the enabling conditions needed for ETS installations to be decarbonised. They should take concrete measures to enable their transition, including by timely making available the necessary electricity grid infrastructure, carbon capture and storage infrastructure and low-carbon hydrogen and reducing other obstacles on that way. The Commission should report annually to the European Parliament and to the Council on the progress in establishing those enabling conditions.

Or. en

Justification

Conditionality is not only necessary for companies but also for the EU institutions and the Member States.

Amendment 14

Proposal for a directive Recital 49

Text proposed by the Commission

(49) To recognise their efforts and reduce administrative and compliance burdens for the 10 % most efficient installations setting the revised benchmark values in a sector or subsector in accordance with Article 10a(2), third subparagraph of Directive 2003/87/EC, for zero and low emitting installations, and for small installations remaining voluntarily under the ETS, it is appropriate to exempt them from the investment conditionality rules for free allocation.

Amendment

(49) To recognise their efforts and reduce administrative and compliance burdens for the 10 % most efficient installations setting the revised benchmark values in a sector or subsector in accordance with Article 10a(2), third subparagraph of Directive 2003/87/EC, for zero and low emitting installations, and for small installations remaining voluntarily under the ETS, it is appropriate to exempt them from the investment conditionality rules for free allocation. ***Those installations should also receive an additional 10% of free allocation to reward those early decarbonisation efforts.***

Or. en

Justification

While the rapporteur fully understands that the decarbonisation pathway cannot remain as ambitious as it is under the current system, those who have invested in reliance on the current system must be protected. To this end, the top 10% most efficient installations in each sector should receive a 10% increase in their number of free allowances.

Amendment 15

Proposal for a directive Recital 58

Text proposed by the Commission

(58) In accordance with the commitment

Amendment

(58) In accordance with the commitment

set out in Article 4(5), point (m) of Regulation (EU) 2021/1119, and considering a slower phase-out pathway for free allocation of allowances from 2028 onwards to support decarbonisation, investment and employment in the Union, while minimising the risk of carbon leakage, additional conditional free allocation should be provided for CBAM sectors. To provide for this in a manner that is compliant with international trade rules and takes into account the decarbonisation of installations in the Union, while minimising additional administrative burden, it is appropriate to reduce the phase-out of free allocation in those sectors, with free allocation being phased out fully by the end of 2037. In view of ensuring an achievable phase-in of CBAM factor in free allocation to CBAM goods that will be newly included as a result of future revisions of Regulation (EU) 2021/1119, it is appropriate to provide for specific phase-out rates for those new CBAM goods, applying as of the five-year period for free allocation that starts after their inclusion in the scope of Annex I to that Regulation. In line with this Directive introducing investment conditionality rules for free allocation in the EU ETS from 2031 onwards, those conditionality rules should apply from 2031 onwards also for free allocation to installations to which the CBAM factor is applied.

set out in Article 4(5), point (m) of Regulation (EU) 2021/1119, and considering a slower phase-out pathway for free allocation of allowances from 2028 onwards to support decarbonisation, investment and employment in the Union, while minimising the risk of carbon leakage, additional conditional free allocation should be provided for CBAM sectors. To provide for this in a manner that is compliant with international trade rules and takes into account the decarbonisation of installations in the Union, while minimising additional administrative burden, it is appropriate to reduce the phase-out of free allocation in those sectors, with free allocation being phased out fully by the end of 2037. ***The Commission should develop a set of key performance indicators (KPI) to measure the effectiveness of CBAM, including the exposure for the residual risk carbon leakage on third country markets. Based on those KPI, the Commission should adapt the CBAM factor for the sectors. Installations to which the CBAM factor applies should be given special support across all funding instruments.*** In view of ensuring an achievable phase-in of CBAM factor in free allocation to CBAM goods that will be newly included as a result of future revisions of Regulation (EU) 2021/1119, it is appropriate to provide for specific phase-out rates for those new CBAM goods, applying as of the five-year period for free allocation that starts after their inclusion in the scope of Annex I to that Regulation. In line with this Directive introducing investment conditionality rules for free allocation in the EU ETS from 2031 onwards, those conditionality rules should apply from 2031 onwards also for free allocation to installations to which the CBAM factor is applied.

Or. en

Justification

Using key performance indicators (KPIs), the Commission should analyse in which areas there are particularly high risks for companies—including in third-country markets—and potential gaps in the CBAM, and then provide these companies with significantly more free allowances. In other areas, the analysis may show that the risk is relatively low, in which case fewer free allowances can be made available accordingly. However, no company should be worse off after the reform than it was before. Support for sectors covered by CBAM needs to be prioritised in all funding instruments.

Amendment 16

Proposal for a directive Recital 71

Text proposed by the Commission

(71) The carbon price signal and circular economy policies are mutually reinforcing. The hierarchical principles of waste management, as established in the EU Waste Framework Directive 2008/98/EC²⁷, prioritise prevention, reuse, recycling, and recovery over disposal, including incineration, and emphasise the need to reduce the environmental impact of waste at every stage of its lifecycle. The carbon price will complement regulatory and fiscal policies with a harmonised incentive and support for waste management in line with the higher steps of the waste hierarchy through improved waste prevention, preparing for reuse, separate collection, sorting and recycling. More circularity in turn reduces GHG emissions from waste management and displaces more carbon-intensive virgin materials. However, carbon emissions generated during the incineration of waste are not solely determined by the incineration process and the pre-treatment carried out by operators. These emissions are also influenced by upstream activities, including the availability and utilisation of recycling, reuse, and composting infrastructure; the effectiveness of separate collection schemes for recyclable and recoverable

Amendment

(71) The carbon price signal and circular economy policies are mutually reinforcing. The hierarchical principles of waste management, as established in the EU Waste Framework Directive 2008/98/EC²⁷, prioritise prevention, reuse, recycling, and recovery over disposal, including incineration, and emphasise the need to reduce the environmental impact of waste at every stage of its lifecycle. The carbon price will complement regulatory and fiscal policies with a harmonised incentive and support for waste management in line with the higher steps of the waste hierarchy through improved waste prevention, preparing for reuse, separate collection, sorting and recycling. More circularity in turn reduces GHG emissions from waste management and displaces more carbon-intensive virgin materials. However, carbon emissions generated during the incineration of waste are not solely determined by the incineration process and the pre-treatment carried out by operators. These emissions are also influenced by upstream activities, including the availability and utilisation of recycling, reuse, and composting infrastructure; the effectiveness of separate collection schemes for recyclable and recoverable

materials; the extent of separation at source by households, commercial actors, and public authorities; the consumption patterns of products and materials; and the design and lifespan of goods. Therefore, complementary waste policies under Regulation (EU) [...] [Circular Economy Act] will contribute to ensure a comprehensive approach by stimulating the single market and demand for secondary materials and circular products, supporting investment in recycling capacity, reducing the landfilling and incineration of used raw materials, and rolling-out upstream producer-oriented policies such as eco-design requirements and strengthened Extended Producer Responsibility.

materials; the extent of separation at source by households, commercial actors, and public authorities; the consumption patterns of products and materials; and the design and lifespan of goods. Therefore, complementary waste policies under Regulation (EU) [...] [Circular Economy Act] will contribute to ensure a comprehensive approach by stimulating the single market and demand for secondary materials and circular products, supporting investment in recycling capacity, reducing the landfilling and incineration of used raw materials, and rolling-out upstream producer-oriented policies such as eco-design requirements and strengthened Extended Producer Responsibility. ***The [Circular Economy Act] should also give further incentives to reduce waste, in particular waste that cannot be recycled.***

²⁷ Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives.

²⁷ Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives.

Or. en

Justification

The European Parliament has strongly pushed for the inclusion of waste incineration. The European Commission has fulfilled its obligation but, in the rapporteur's view, is rightly proceeding with caution. At the same time, even greater attention must be paid - beyond what is proposed by the Commission - to ensuring that counterproductive effects, such as increased landfilling, are prevented through a robust circular economy package.

Amendment 17

Proposal for a directive Recital 75

Text proposed by the Commission

(75) To further ensure a smooth transition, where a Member State has equivalent measures in place that achieve

Amendment

deleted

the objectives for including municipal waste incineration in Directive 2003/87/EC, a temporary opt-out possibility should be introduced until the end of 2035. To ensure compatibility with decarbonisation, material and carbon circularity and a level playing field, the option of applying that derogation should be available only where a Member State can demonstrate it meets at least two out of the following three conditions: having an equivalent national carbon tax in place with a tax rate higher than the average auctioning price for the relevant year; it is on track to achieve the EU municipal waste recycling targets under Article 11(2)(d) and (e) of Directive 2008/98/EC; and it is on track to achieve the municipal waste landfill target under Article 5(5) of Directive 1999/31/EC. To ensure stability and transparency of the system, the request, including the relevant information to demonstrate compliance with at least two out of the three conditions, should be notified to the Commission by 31 July 2029. The temporary nature of this derogation is important to ensure compatibility with moving the accounting of emissions where carbon dioxide is captured and used in intermediate or final products (CCU) to the point of their release from products into the atmosphere while preventing a high risk of underaccounting.

Or. en

Justification

The existing legislation foresees an entry into force in 2028 and derogation until 2030. The gradual phase-in only after 2031 until 2034 takes into account that all conditions may not be ready in 2028. An additional derogation would however strongly disturb the common market and is therefore deleted.

Amendment 18

Proposal for a directive Recital 78

Text proposed by the Commission

(78) The extension of the carbon price to municipal waste incineration should be accompanied by effective measures to continue reducing landfilling and avoid unintended consequences in terms of waste diversion contrary to the waste hierarchy. This risk is mitigated by the fact that sustainable biomass emissions from incineration are zero-rated, limiting the incentive for organic waste diversion to landfilling -where it is the main source of methane- to avoid having to pay the carbon price. However, a risk of diversion of fossil-based material remains where no effective regulatory or fiscal landfill policies are in place. Therefore, effective and reinforced implementation and enforcement of policies and measures to limit the share of municipal waste landfilled to 10% or less by 2035 as established in Directive 1999/31/EC is essential. **Furthermore**, monitoring and reporting, as well as verification and accreditation of emissions from landfilling of municipal waste should be developed in the future to monitor the development of methane emissions following the full extension of the EU ETS to emissions from municipal waste incineration. Uncertainty in the quantification of emissions from landfills remains high. Harmonised monitoring and reporting frameworks to collect standardised, robust and verified emissions data should therefore first be established to ensure a high degree of integrity in the system. The development of accurate monitoring and reporting rules is conditional on the development, first, of the future Best Available Techniques for Landfills to ensure environmental integrity, regulatory consistency and the use of advanced monitoring tools, including

Amendment

(78) ***For reasons of competition and climate protection, landfills should not gain any competitive advantages through the inclusion of waste incineration and co-incineration in the EU ETS.*** The extension of the carbon price to municipal waste incineration should be accompanied by effective measures to continue reducing landfilling and avoid unintended consequences in terms of waste diversion contrary to the waste hierarchy. This risk is mitigated by the fact that sustainable biomass emissions from incineration are zero-rated, limiting the incentive for organic waste diversion to landfilling - where it is the main source of methane- to avoid having to pay the carbon price. However, a risk of diversion of fossil-based material remains where no effective regulatory or fiscal landfill policies are in place. Therefore, effective and reinforced implementation and enforcement of policies and measures to limit the share of municipal waste landfilled to 10% or less by 2035 as established in Directive 1999/31/EC is essential. ***Current measures are still insufficient to prevent the threat of distortion of competition. Therefore, the forthcoming Union initiatives need to ensure the harmonisation of fiscal and regulatory measures across Member States to strengthen policies to phase-out landfilling and create a level-playing field with landfilling when it comes to the pricing of emissions. As methane emissions have a much higher global warming potential, those measures should ensure that emissions from landfills in the Union are priced accordingly with the aim of including them in the EU ETS as soon as possible. For this reason***, monitoring and reporting, as well as verification and

measurement and modelling methods, and second, of a comprehensive landfill register or registers to avoid circumvention and ensure its effectiveness. For this purpose, the Commission should report by 31 July 2029 whether these enabling conditions have been fulfilled for the MRV to be developed by 2031 at the point of the start of the phase-in of municipal waste incineration. In case one of these conditions have not been fulfilled, the extension of the EU ETS to landfills for MRV should be postponed from 2031 to 2034, at the point of full integration of municipal waste incineration, to allow additional time for these conditions to be fulfilled. The Commission should review Directive 2003/87/EC by 31 December 2034 in light of these developments and any unintended consequences.

accreditation of emissions from landfilling of municipal waste should be developed in the future to monitor the development of methane emissions following the full extension of the EU ETS to emissions from municipal waste incineration. Uncertainty in the quantification of emissions from landfills remains high. Harmonised monitoring and reporting frameworks to collect standardised, robust and verified emissions data should therefore first be established to ensure a high degree of integrity in the system. The development of accurate monitoring and reporting rules is conditional on the development, first, of the future Best Available Techniques for Landfills to ensure environmental integrity, regulatory consistency and the use of advanced monitoring tools, including measurement and modelling methods, and second, of a comprehensive landfill register or registers to avoid circumvention and ensure its effectiveness. For this purpose, the Commission should report by 31 July 2029 whether these enabling conditions have been fulfilled for the MRV to be developed by 2031 at the point of the start of the phase-in of municipal waste incineration. In case one of these conditions have not been fulfilled, the extension of the EU ETS to landfills for MRV should be postponed from 2031 to 2034, at the point of full integration of municipal waste incineration, to allow additional time for these conditions to be fulfilled. The Commission should review Directive 2003/87/EC by 31 December 2034 in light of these developments and any unintended consequences.

Or. en

Justification

The European Parliament has strongly pushed for the inclusion of waste incineration. The European Commission has fulfilled its obligation but, in the rapporteur's view, is rightly proceeding with caution. At the same time, even greater attention must be paid - beyond what is proposed by the Commission - to ensuring that counterproductive effects, such as increased landfilling, are prevented through a robust circular economy package.

Amendment 19

Proposal for a directive Recital 83

Text proposed by the Commission

(83) Directive 2003/87/EC should be amended so that ICAO's CORSIA scheme is implemented into EU law from 2026 until 2035, and to ensure that aviation as a whole contributes its fair share to addressing climate change in line the objectives of the Paris Agreement. Emissions from international aviation outside Europe were to be capped from January 2021 by global market-based action, and the European Parliament and Council set out conditions for considering whether that scheme is sufficient action to tackle climate change or should be supplemented. In 2032, when the results of the functioning of CORSIA in terms of offsetting will be apparent, a review should be undertaken to assess the implementation of CORSIA by the major countries in the aviation sector for whom this is mandatory according to the CORSIA rules laid down by ICAO. In the event that CORSIA is proving to be ambitious, efficient and successful, the scope of effective carbon pricing under the EU ETS should be reduced to flights within the EEA and departing to the UK, Switzerland, to and from Gibraltar and other countries taking advantage of ETS as a service.

Amendment

(83) Directive 2003/87/EC should be amended so that ICAO's CORSIA scheme is implemented into EU law from 2026 until 2035, and to ensure that aviation as a whole contributes its fair share to addressing climate change in line the objectives of the Paris Agreement. Emissions from international aviation outside Europe were to be capped from January 2021 by global market-based action, and the European Parliament and Council set out conditions for considering whether that scheme is sufficient action to tackle climate change or should be supplemented. In 2032, when the results of the functioning of CORSIA in terms of offsetting will be apparent, a review should be undertaken to assess the implementation of CORSIA by the major countries in the aviation sector for whom this is mandatory according to the CORSIA rules laid down by ICAO. In the event that CORSIA is proving to be ambitious, efficient and successful, the scope of effective carbon pricing under the EU ETS should be reduced to flights within the EEA and departing to the UK, Switzerland, to and from Gibraltar and other countries taking advantage of ETS as a service. ***The Union institutions and the Member States should do everything possible to work towards a global solution for international aviation, that is completely aligned with the Paris Agreement and the Union's ambition when it comes to climate protection. They should use the fora of the International Civil Aviation Organization (ICAO), but also work bilaterally towards this aim and as a step in the right directions also conclude bilateral agreements, where***

possible.

Or. en

Justification

It is correct that Europe cannot save the planet alone. On the other hand, CORSIA is far away from any reasonable ambition in line with the Paris agreement. It is however important to continue the efforts. All institutions should work this way. The European Parliament can for example use the delegations, Council and Commission can use the External Action Service (EEAS). Bilateral agreements or regional agreements can help to achieve the final target.

Amendment 20

Proposal for a directive

Recital 89

Text proposed by the Commission

(89) In order to take account of a shrinking emission trajectory and ensure that the reserve remains resilient to external shocks over time, the reference parameters of the market stability reserve should be updated for intakes and releases from the reserve to be proportionate to market developments. To that end, the upper threshold, lower threshold and corresponding buffers and the release quantity should be adjusted annually and reduced with 4 % to remain aligned with the evolution of the shrinking market.

Amendment

(89) In order to take account of a shrinking emission trajectory and ensure that the reserve remains resilient to external shocks over time, the reference parameters of the market stability reserve should be updated for intakes and releases from the reserve to be proportionate to market developments. To that end, the upper threshold, lower threshold and corresponding buffers and the release quantity should be adjusted annually and reduced with *the linear reduction factor* to remain aligned with the evolution of the shrinking market.

Or. en

Amendment 21

Proposal for a directive

Recital 91 a (new)

Text proposed by the Commission

Amendment

(91a) In order to address the volatility of the market signal more effectively and

increase the predictability of the price path, Article 29a of Directive 2003/87/EC should be made more sensitive and act more swiftly on both, excessive price increases and decreases. To that end, the observation and reference periods should be shortened, the intake trigger threshold should be reduced and made sensible to positive and negative price changes and the release and intake quantity should be lowered, reduced with the linear reduction factor to remain aligned with the evolution of the market and adjusted proportionately to the magnitude of the price change beyond the trigger value. To react adequately to short-term disturbances to the market, the trigger should be available two times in 12 months.

Or. en

Justification

It is important to strengthen the measures against excessive price fluctuations. Strong price highs may harm the competitiveness of the respective companies without giving predictability for investments. Strong price drops may, in particular harm the frontrunners and the price signal for investment. This provision will give more predictability without altering the effect on the climate targets and improve the incentives for long term decarbonisation.

Amendment 22

Proposal for a directive

Article 1 – paragraph 1 – point 3 – point a

Directive 2003/87/EC

Article 3c – paragraph 6 – subparagraph 4 a (new)

Text proposed by the Commission

Amendment

A minimum of 10 million allowances shall be used for purposes of covering the price differential between fossil kerosene and renewable fuels of non-biological origin.

Or. en

Justification

E-fuels are of strategic importance for the European Union as well as for our resilience and defence. They are still relatively expensive and therefore they should have a separate quota.

Amendment 23

Proposal for a directive

Article 1 – paragraph 1 – point 5

Directive 2003/87/EC

Article 3gaa – paragraph 9 – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

A minimum of 55 million allowances allocated pursuant to this paragraph shall be used for purposes of covering the price differential between fossil kerosene and renewable fuels of non-biological origin.

Or. en

Justification

E-fuels are of strategic importance for the European Union as well as for our resilience and defence. They are still relatively expensive and therefore they should have a separate quota.

Amendment 24

Proposal for a directive

Article 1 – paragraph 1 – point 7 – point -a (new)

Directive 2003/87/EC

Article 3gg – paragraph 1 – point a a (new)

Text proposed by the Commission

Amendment

(-a) in paragraph 1, the following point is inserted:

‘(aa) its ambition in relation to objectives achieved pursuant to this Directive concerning maritime operations;’;

Or. en

Justification

Any measure taken at international level should not lead to a weakening of the climate policy in the European Union.

Amendment 25

Proposal for a directive

Article 1 – paragraph 1 – point 7 – point b

Directive 2003/87/EC

Article 3gg – paragraph 1 – subparagraph 2

Text proposed by the Commission

Where appropriate, the Commission may accompany the report referred to in the second subparagraph of this paragraph with a legislative proposal to amend this Directive in a manner that is consistent with the Union 2030 climate targets and the climate-neutrality objective set out in Regulation (EU) 2021/1119, and with the aim of preserving the environmental integrity and effectiveness of Union climate action, in order to ensure coherence between the implementation of the global market-based measure and the EU ETS, while avoiding double payment and any significant double burden.;

Amendment

Where appropriate, the Commission may accompany the report referred to in the second subparagraph of this paragraph with a legislative proposal to amend this Directive in a manner that is consistent with the Union 2030 **and 2040** climate targets and the climate-neutrality objective set out in Regulation (EU) 2021/1119, and with the aim of preserving the environmental integrity and effectiveness of Union climate action, in order to ensure coherence between the implementation of the global market-based measure and the EU ETS, while avoiding double payment and any significant double burden.;

Or. en

Justification

The review intends to achieve the 2040 target. That should be clarified here.

Amendment 26

Proposal for a directive

Article 1 – paragraph 1 – point 7 – point b a (new)

Directive 2003/87/EC

Article 3gg – paragraph 1 a (new)

Text proposed by the Commission

Amendment

(ba) the following paragraph is inserted after the first paragraph:

‘The Union institutions and the Member States shall pursue a global solution towards reducing greenhouse gas emissions from international maritime transport that is fully aligned with the Paris Agreement and the Union’s climate objectives. To this end, they shall actively engage within the International Maritime Organization (IMO), work with other Member States of IMO and, where appropriate, pursue bilateral and regional cooperation agreements with third countries.’;

Or. en

Justification

It is correct that Europe cannot save the planet alone. On the other hand, the IMO mechanism is not yet agreed and the ambition of the drafts is not in line with the Paris Agreement. It is however important to continue the efforts. All institutions should work this way. The European Parliament can, for example, use the delegations, Council and Commission can use the External Action Service (EEAS). Bilateral agreements or regional agreements can help to achieve the final target.

Amendment 27

Proposal for a directive

Article 1 – paragraph 1 – point 7 – point e

Directive 2003/87/EC

Article 3gg – paragraph 7

Text proposed by the Commission

Amendment

7. 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

deleted

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.;

Or. en

Justification

It is important not to leave too many issues for the review. In the next decades, people need predictability. It is not appropriate to limit all the derogations for maritime to 2035. The derogations should be prolonged until 2040 but after that day, they should be genuinely phased-out. That adds predictability and avoids complicated discussions every five years.

Amendment 28

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point b

Directive 2003/87/EC

Article 9 – paragraph 7

Text proposed by the Commission

The linear factor shall be **3.7%** from 2031 to 2035 and **1.7%** from 2036.

Amendment

The linear factor shall be **3,4%** from 2031 to 2035 and **2,3%** from 2036.

Or. en

Justification

Under the current system, there would be no emission allowances in any ETS sectors by 2039. This is not realistic. A change to the linear reduction factor (LRF) is therefore necessary. However, there is no real justification for proposing an LRF of 3.7% for the first half of the next decade and only 1.7% for the second half. Whilst significant efforts must be made in the first half of the decade, the balance between the two periods could be improved. The rapporteur therefore proposes 3.4% for the first five years and 2.3% for the second half.

Amendment 29

Proposal for a directive

Article 1 – paragraph 1 – point 13

Directive 2003/87/EC

Article 9b – paragraph 1

Text proposed by the Commission

1. **Up to** 260 million allowances from the Union-wide quantity of allowances referred to in Article 9 shall be made available to the facility for the purchase of **up to** 260 Mt of high quality and high integrity international credits, out of the international credits provided in Regulation 2021/1119/**EU**, to contribute to the climate ambition of the activities listed in Annex I from 2036 to 2040. All purchases shall be subject to the criteria of Regulation 2021/1119/**EU** being fulfilled.

Amendment

1. 260 million allowances from the Union-wide quantity of allowances referred to in Article 9 shall be made available to the facility for the purchase of 260 Mt of high quality and high integrity international credits, out of the international credits provided in Regulation **(EU)** 2021/1119, to contribute to the climate ambition of the activities listed in Annex I from 2036 to 2040. All purchases shall be subject to the criteria of Regulation **(EU)** 2021/1119 being fulfilled.

Or. en

Justification

Companies need planning security. The use of international credits is clearly integrated in the European climate policy via the European climate law. It would be unfair not to have this option included in the ETS sector. The rapporteur is convinced that the European Commission will learn from the mistakes of the past and will guarantee high quality of these credits and will guarantee that they are in line with the strategic interests of the European Union.

Amendment 30

Proposal for a directive

Article 1 – paragraph 1 – point 13

Directive 2003/87/EC

Article 9b – paragraph 2a (new)

Text proposed by the Commission

Amendment

2a. The Commission shall, to the extent possible and when available, give priority to credits stemming from projects using technologies with a high share of value stemming from production or research and development from the Union.

Or. en

Justification

The climate law asks to take into account the strategic interests of the European Union when using international credits. Supporting, when possible, projects using technologies with a high share coming from the European Union, makes this demand work out.

Amendment 31

Proposal for a directive

Article 1 – paragraph 1 – point 13

Directive 2003/87/EC

Article 9b – paragraph 4

Text proposed by the Commission

Amendment

4. Subject to the report in paragraph 3, by way of derogation from Article 9, in the event that high-quality and high-integrity, cost-effective international credits referred to in paragraph 1, are not available, the linear factor shall revert to 2.7% from 2036. **deleted**

Or. en

Justification

Companies need planning security. The use of international credits is clearly integrated in the European climate policy via the European climate law. It would be unfair not to have this option included in the ETS sector. The rapporteur is convinced that the European Commission will learn from the mistakes of the past and will guarantee high quality of these credits and will guarantee that they are in line with the strategic interests of the European Union.

Amendment 32

Proposal for a directive

Article 1 – paragraph 1 – point 13

Directive 2003/87/EC

Article 9c – paragraph 1

Text proposed by the Commission

Amendment

1. The Union-wide quantity of allowances referred to in Article 9 shall be increased by 250 million allowances.

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.

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 BioCCS, DACCS **and biochar carbon removal (BCR)** activities under Regulation (EU) 2024/3012 of the European Parliament and of the Council*. ***The share of those allowances corresponding to removal units that are generated by BCR activities shall not exceed 20 % of those allowances.*** The Commission shall purchase those removals units prioritising a portfolio of cost-effective, high-integrity projects with payment upon delivery of the certified units.

Or. en

Justification

The inclusion of carbon removals in the ETS is of crucial importance. Latest United Nations reports clarify that achieving the Paris agreement target is only possible when a significant amount of removals is integrated in the climate instruments. To bring costs down and to develop a business case for the technology in the European Union must be created as soon as possible. BCR (Biochar) is a permanent removal technology acknowledged by the CRCF. The remaining uncertainties can be addressed in the course of the next two years. The limitation of Biochar to 20% will assure that also DACCS and BECCS are developed.

Amendment 33

Proposal for a directive

Article 1 – paragraph 1 – point 13

Directive 2003/87/EC

Article 9c – paragraph 2

Text proposed by the Commission

2. ***An*** additional **10 million** allowances from the Union-wide quantity of allowances referred to in Article 9 between **2031** and 2040 shall be made available to the Commission to auction them to generate revenues for the purchase of those permanent carbon **removals** units,

Amendment

2. ***In the event the revenues generated from the allowances referred to in paragraph 1 of this Article are insufficient for the purchase of the total amount of domestic permanent carbon removal units,*** additional allowances from the Union-wide quantity of allowances

in the event the revenues generated from the allowances under paragraph 1 would be insufficient for the purchase of the total amount of domestic permanent carbon removals units.

referred to in Article 9 between ... *[one year from the entry into force of this amending Directive]* and 2040 shall be made available to the Commission to auction them to generate *sufficient* revenues for the purchase of those permanent carbon *removal* units. *Those allowances shall be withdrawn in a uniform manner from the Member States auctioning shares.*

Or. en

Justification

The changes fix a loophole for an increase in net emissions when prices for CDR are higher than expected. It is now assured that sufficient revenues are generated to acquire 250 million removal units and not less.

Amendment 34

Proposal for a directive

Article 1 – paragraph 1 – point 13

Directive 2003/87/EC

Article 9c – paragraph 3

Text proposed by the Commission

3. Proceeds from the auctioning of allowances under paragraphs 1 and 2 of this Article shall constitute external assigned revenue in accordance with Article 21(5) of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council**. The auctioning of allowances for the purchase of domestic permanent carbon removal units referred to in paragraph 1 of this Article shall be carried out in accordance with the principles and modalities referred to in Article 10(4) of this Directive. The allowances set aside under paragraphs 1 and 2 of this Article shall be *returned to the Union-wide quantity of allowances referred to in Article 9 of this Directive* in the event they are not auctioned for the purposes in paragraph 1 of this Article

Amendment

3. Proceeds from the auctioning of allowances under paragraphs 1 and 2 of this Article shall constitute external assigned revenue in accordance with Article 21(5) of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council**. The auctioning of allowances for the purchase of domestic permanent carbon removal units referred to in paragraph 1 of this Article shall be carried out in accordance with the principles and modalities referred to in Article 10(4) of this Directive. The allowances set aside under paragraphs 1 and 2 of this Article shall be *cancelled* in the event they are not auctioned for the purposes in paragraph 1 of this Article before 2041.

before 2041.

Or. en

Justification

The changes fix a loophole for an increase in net emissions when prices for CDR are higher than expected. It is now assured that sufficient revenues are generated to acquire 250 million removal units and not less.

Amendment 35

Proposal for a directive

Article 1 – paragraph 1 – point 13

Directive 2003/87/EC

Article 9c – paragraph 4a (new)

Text proposed by the Commission

Amendment

4a. By 31 December 2028, the Commission shall adopt a delegated act in accordance with Article 23 to supplement this Directive by establishing additional technical criteria and enforceable long-term monitoring, reporting, verification, permanence and liability requirements, including for reversals, for the eligibility of BCR activities under this Article, based on the methodologies approved pursuant to Regulation (EU) 2024/3012.

Or. en

Justification

Biochar is a permanent removal according to the CRCF. However, the uncertainties of the permanence are bigger than BECCS or DACCS. That's why additional measures are necessary to avoid a weakening of the ETS system to assure the climate benefit of this technology. It can and should be done during the next two years because scientific development is quickly evolving.

Amendment 36

Proposal for a directive

Article 1 – paragraph 1 – point 13

Text proposed by the Commission

Amendment

5. The quantity of domestic permanent carbon removals to be purchased shall be reduced by the amount of BioCCS domestic carbon removals that operators, aircraft operators and shipping companies use in accordance with Article 14(1a), and a corresponding amount of allowances shall be cancelled from the 250 million allowances referred to in paragraph 1.

deleted

Or. en

Justification

To further scale up carbon removal technologies, there should be no cap in the number of permanent removals available to comply.

Amendment 37

Proposal for a directive

Article 1 – paragraph 1 – point 13

Directive 2003/87/EC

Article 9c – paragraph 6

Text proposed by the Commission

Amendment

6. Any permanent carbon removal certified units generated by BioCCS **and** DACCS activities under Regulation (EU) 2024/3012 and purchased by the Commission in accordance with this Article shall be cancelled and no longer be allowed to account as negative emissions under Article 14(1a) of this Directive.

6. Any permanent carbon removal certified units generated by BioCCS, DACCS **and BCR** activities under Regulation (EU) 2024/3012 and purchased by the Commission in accordance with this Article shall be cancelled and no longer be allowed to account as negative emissions under Article 14(1a) of this Directive.

Or. en

Amendment 38

Proposal for a directive

Article 1 – paragraph 1 – point 14 – point c

Directive 2003/87/EC

Article 10 – paragraph 3 – subparagraph 1 – introductory part

Text proposed by the Commission

Member States shall determine the use of revenues generated from the auctioning of allowances referred to in paragraph 2 of this Article, except for the revenues established as own resources in accordance with Article 311, third paragraph, TFEU and entered in the Union budget. Member States shall use at least **50%** of those revenues, with the exception of the revenues used for the compensation of indirect carbon costs referred to in Article 10a(6) of this Directive, or the equivalent in financial value of those revenues, to support the decarbonisation of ETS sectors, for one or more of the following priority purposes:

Amendment

Member States shall determine the use of revenues generated from the auctioning of allowances referred to in paragraph 2 of this Article, except for the revenues established as own resources in accordance with Article 311, third paragraph, TFEU and entered in the Union budget **or established as external assigned revenue**. Member States shall use at least **75%** of those revenues, with the exception of the revenues used for the compensation of indirect carbon costs referred to in Article 10a(6) of this Directive, or the equivalent in financial value of those revenues, to support the decarbonisation of ETS sectors, for one or more of the following priority purposes:

Or. en

Justification

100% of the ETS revenues stem from the ETS sectors. That's why it is appropriate that at least 75% of the revenues will be spent for the decarbonisation of the respective sectors.

Amendment 39

Proposal for a directive

Article 1 – paragraph 1 – point 14 – point c

Directive 2003/87/EC

Article 10 – paragraph 3 – subparagraph 1 – point c a (new)

Text proposed by the Commission

Amendment

(ca) to purchase, issue and make available carbon contracts for difference to operators of installations under this Directive;

Justification

To support frontrunners and all other companies on the path to decarbonisation, it is crucial to strengthen the financial tools available. This included CCFDs to bridge potential price gaps.

Amendment 40**Proposal for a directive****Article 1 – paragraph 1 – point 14 – point c**

Directive 2003/87/EC

Article 10 – paragraph 3 – subparagraph 1 – point c b (new)

*Text proposed by the Commission**Amendment*

(cb) to address any residual risk of carbon leakage in the sectors covered by Annex I to Regulation (EU) 2023/956 of the European Parliament and of the Council**, supporting the transition and promoting their decarbonisation in accordance with State aid rules;

Justification

Sectors covered by CBAM need to be prioritised. They have a protection for part of their production, but this protection is not complete. That's why the rapporteur suggested several additional instruments to protect the CBAM sectors such as an adjustment of the CBAM factor, priority for funding and additional allowances to be allocated to these sectors.

Amendment 41**Proposal for a directive****Article 1 – paragraph 1 – point 14 – point c**

Directive 2003/87/EC

Article 10 – paragraph 3 – subparagraph 1 – point f

*Text proposed by the Commission**Amendment*

(f) measures to support modal shift towards decarbonised forms of transport;

(f) measures to support modal shift towards decarbonised forms of transport, ***including rail transport;***

Justification

Railway is a very climate friendly mode of transport. Railway routes are covered by the ETS without any free allowances because they use electricity. Therefore, it is more than appropriate to channel significant numbers of allowances to railway transport.

Amendment 42**Proposal for a directive****Article 1 – paragraph 1 – point 14 – point c**

Directive 2003/87/EC

Article 10 – paragraph 3 – subparagraph 1 a (new)

*Text proposed by the Commission**Amendment*

From the share of 75% of revenues referred to in the first subparagraph of this paragraph, Member States shall use the financial value equivalent to the revenues attributed to the difference between verified emissions and received free allocation of sectors and subsectors laid out in Commission Delegated Decision (EU) 2019/708 for one or more of the purposes referred to in points (a), (c), (ca), (cb) and (h) of the first subparagraph of this paragraph and further including research and development necessary for any of these purposes.

Or. en

Justification

A shocking share of only 5% of the ETS revenues so far has been transferred back to energy intensive industry. The rapporteur wants to make sure that all revenues stemming from those industries will go back to industry for decarbonisation purposes.

Amendment 43**Proposal for a directive****Article 1 – paragraph 1 – point 14 – point c**

Text proposed by the Commission

Notwithstanding the first subparagraph, Member States ***may*** use the remainder of those revenues for which they determine the use for the following purposes:

Amendment

Member States ***shall*** use the remainder of those revenues for which they determine the use for the ***purposes in the first subparagraph, points (a) to (j), or for the following purposes:***

Or. en

Justification

The Commission's text is unclear here. The rapporteur thinks that it should be clarified that member states could of course spend 100% for the purposes of the priority share, meaning supporting decarbonisation in the ETS 1 sector. But they can also spend the remaining 25% for connected purposes.

Amendment 44

Proposal for a directive

Article 1 – paragraph 1 – point 14 – point c

Directive 2003/87/EC

Article 10 – paragraph 3 – subparagraph 2 – point b

Text proposed by the Commission

(b) measures to avoid deforestation and support the protection and restoration of peatland, forests and other land-based ecosystems or marine-based ecosystems, including measures that contribute to the protection, restoration and better management thereof, in particular as regards marine-protected areas, and increase biodiversity-friendly afforestation and reforestation, including in developing countries that have ratified the Paris Agreement;

Amendment

(b) measures to avoid deforestation and support the protection and restoration of peatland, forests and other land-based ecosystems or marine-based ecosystems, including measures that contribute to the protection, restoration and better management thereof, ***including those measures identified in their national restoration plans adopted pursuant to Regulation (EU) 2024/1991,*** in particular as regards marine-protected areas, and increase biodiversity-friendly afforestation and reforestation, including in developing countries that have ratified the Paris Agreement;

Or. en

Justification

Resources need to be made available to enable restoration. Farmers do not want that those resources come mainly from the Common Agricultural Policy.

Amendment 45

Proposal for a directive

Article 1 – paragraph 1 – point 14 – point c

Directive 2003/87/EC

Article 10 – paragraph 3 – subparagraph 2 – point k

Text proposed by the Commission

Amendment

(k) to address any residual risk of carbon leakage in the sectors covered by Annex I to Regulation (EU) 2023/956 of the European Parliament and of the Council, supporting the transition and promoting their decarbonisation in accordance with State aid rules.** **deleted**

Or. en

Justification

Sectors covered by CBAM need to be prioritised. They have a protection for part of their production, but this protection is not complete. That's why the rapporteur suggested several additional instruments to protect the CBAM sectors such as an adjustment of the CBAM factor, priority for funding and additional allowances to be allocated to these sectors.

Amendment 46

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point b – point i

Directive 2003/87/EC

Article 10a – paragraph 1a – subparagraph 2

Text proposed by the Commission

Amendment

By way of derogation from the first subparagraph of this paragraph, for the first years of application of Regulation (EU) 2023/956, the production of goods listed in Annex I to that Regulation shall benefit from free allocation, in accordance with

By way of derogation from the first subparagraph of this paragraph, for the first years of application of Regulation (EU) 2023/956, the production of goods listed in Annex I to that Regulation shall benefit from free allocation, in accordance with

paragraphs 3a to 3d, in reduced amounts. A factor reducing the free allocation for the production of those goods shall be applied (CBAM factor). The CBAM factor shall be equal to 100 % for the period between the entry into force of that Regulation and the end of 2025 and, subject to the application of provisions referred to in Article 36(2), point (b), of that Regulation, shall be equal to 97,5 % in 2026, 95 % in 2027, 91.5 % in 2028, 81 % in 2029, **59%** in 2030, **48%** in 2031, **37,5%** in 2032 and 27% in 2033, 15% from 2034 to 2037. From 2038, a CBAM factor of 0 % shall apply.;

paragraphs 3a to 3d, in reduced amounts. A factor reducing the free allocation for the production of those goods shall be applied (CBAM factor). The CBAM factor shall be equal to 100 % for the period between the entry into force of that Regulation and the end of 2025 and, subject to the application of provisions referred to in Article 36(2), point (b), of that Regulation, shall be equal to 97,5 % in 2026, 95 % in 2027, 91.5 % in 2028, 81 % in 2029, **70%** in 2030, **58%** in 2031, **40%** in 2032 and 27% in 2033, 15% from 2034 to 2037. From 2038, a CBAM factor of 0 % shall apply.;

Or. en

Justification

CBAM has a lot of positive effects in certain country markets. For example, Brazil and Turkey have started their own ETS, in particular with reference to CBAM. However, there are still a lot of questions and challenges, that is why the more gradual phase-in is justified, in particular until 2030.

Amendment 47

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point b – point i

Directive 2003/87/EC

Article 10a – paragraph 1a – subparagraph 2 a (new)

Text proposed by the Commission

Amendment

By 1 January 2028, the Commission shall adopt a delegated act supplementing this Directive by laying down key performance indicators to measure the effectiveness of Regulation (EU) 2023/956 as regards the prevention of carbon leakage and the exposure for the residual risk carbon leakage on third country markets. Based on those key performance indicators, the Commission shall, by 1 October 2028 and every two years thereafter, collect and analyse the data for each sector listed in the Annex to Regulation (EU) 2023/956 and determine whether that Regulation

provides for a high protection of carbon leakage and whether a low residual risk of carbon leakage on third country markets exists in those sectors. The Commission shall then propose a different CBAM factor for different sectors. When setting up the CBAM factor for the purposes of this subparagraph, the Commission shall take into consideration the intensity assigned to each of the key performance indicators in determining the level of protection against carbon leakage and the residual risk of carbon leakage on third-country markets.

Or. en

Justification

Using key performance indicators (KPIs), the Commission should analyse in which areas there are particularly high risks for companies—including in third-country markets—and potential gaps in the CBAM, and then provide these companies with significantly more free allowances. In other areas, the analysis may show that the risk is relatively low, in which case fewer free allowances can be made available accordingly. However, no company should be worse off after the reform than it was before.

Amendment 48

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point c a

Directive 2003/87/EC

Article 10a – paragraph 2 a (new)

Text proposed by the Commission

Amendment

(ca) The following paragraph is inserted:

‘2a. For installations whose greenhouse gas emission levels are below the average of the 10 % most efficient installations in a sector or subsector in the Union in the years 2026 and 2027 for the relevant product benchmarks pursuant to paragraph 2, the amount of free allocation determined in accordance with the rules referred to in paragraph 1 shall be increased by 10 %. That amount shall

be allocated in addition to the amount of free allocation otherwise determined for the installation under this Article.’;

Or. en

Justification

While the rapporteur fully understands that the decarbonisation pathway cannot remain as ambitious as it is under the current system, those who have invested in reliance on the current system must be protected. To this end, the top 10% most efficient installations in each sector should receive a 10% increase in their number of free allowances.

Amendment 49

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point d

Directive 2003/87/EC

Article 10a – paragraph 3b – subparagraph 3

Text proposed by the Commission

By way of derogation from the second subparagraph of this paragraph, the Invest in EU decarbonisation plan ***may be submitted at a later date***, together with activity-level change reports submitted in accordance with the implementing acts adopted pursuant to paragraph 21.

Amendment

By way of derogation from the second subparagraph of this paragraph, ***operators may submit*** the Invest in EU decarbonisation plan ***after the relevant dates referred to in the second subparagraph of this paragraph but not later than four years from those dates***, together with activity-level change reports submitted in accordance with the implementing acts adopted pursuant to paragraph 21.

Or. en

Justification

It may be difficult for some installation to submit a decarbonisation plan already in 2029 because conditions like grids, CCS or hydrogen infrastructure are not yet ready. However, four years after this obligation enters into force, every installation should have delivered a plan.

Amendment 50

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point d

Directive 2003/87/EC

Article 10a – paragraph 3b a (new)

Text proposed by the Commission

Amendment

3ba. The Union’s institutions and the Member States shall take the necessary measures to facilitate the transition of installations, including by timely making available the necessary electricity grid infrastructure, carbon capture and storage infrastructure and low-carbon hydrogen. The Commission shall report annually to the European Parliament and to the Council on progress in establishing those enabling conditions.

Or. en

Justification

Conditionality is not only necessary for companies but also for the EU institutions and the Member States.

Amendment 51

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point d

Directive 2003/87/EC

Article 10a – paragraph 3c – subparagraph 4

Text proposed by the Commission

Amendment

Allowances that are not allocated in accordance with the first ***and third subparagraphs*** or that are returned in accordance with the second subparagraph shall be made available for free allocation in the subsequent five-year period.

Two thirds of the allowances that are not allocated in accordance with the first subparagraph ***and the third subparagraph, points (b) or (c),*** or that are returned in accordance with the second subparagraph shall be made available for free allocation in the subsequent five-year period. ***A third of those allowances shall be auctioned in accordance with Article 10(1) of this Directive and Member States shall use the***

respective revenues to address any residual risk of carbon leakage in the sectors covered by Annex I to Regulation (EU) 2023/956, supporting the transition and promoting their decarbonisation in accordance with State aid rules. If the adjustment of the total amount of free allocation referred to in Article 10a(5) is not applied, 100% of the allowances referred to in the first sentence shall be auctioned and used for the purpose of the second sentence.

Or. en

Justification

Sectors covered by CBAM need to be prioritised. They have a protection for part of their production, but this protection is not complete. That's why the rapporteur suggested several additional instruments to protect the CBAM sectors such as an adjustment of the CBAM factor, priority for funding and additional allowances to be allocated to these sectors.

Amendment 52

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point d

Directive 2003/87/EC

Article 10a – paragraph 3c – subparagraph 6 a (new)

Text proposed by the Commission

Amendment

The requirements set out in paragraph 3b and in the first and third subparagraphs of this paragraph shall not apply to installations for which all of the following conditions are fulfilled:

(a) the installation belongs to 40 % most efficient installations in a sector or subsector in the Union referred to in the first subparagraph of Article 10a(2);

(b) the operator has made investments in the installation leading to significant emissions reductions that are still subject to depreciation during all of the relevant five-year period;

(c) the construction of the investment had started before 30 September 2029.

Or. en

Justification

Some companies might have already started their transition and invested heavily in decarbonisation projects that are being constructed this very moment. These efforts should be taken into account for the next period as well.

Amendment 53

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point d

Directive 2003/87/EC

Article 10a – paragraph 3c a (new)

Text proposed by the Commission

Amendment

3ca. The conditions set out in the first and third subparagraphs of paragraph 3c shall progressively apply to the following share of the amount of free allocation for the relevant five-year period:

(a) in 2031, 33 % of the amount of free allocation;

(b) in 2032, 50 % of the amount of free allocation;

(c) in 2033, 67 % of the amount of free allocation;

(d) in 2034, 83 % of the amount of free allocation;

(e) in 2035, 100% of the amount of free allocation.

By way of derogation from the first subparagraph of this paragraph, for operators of installations whose greenhouse gas emission levels are higher than the 80th percentile of emission levels for the relevant product benchmarks, the conditions set out in the first and third subparagraphs of paragraph 3c shall apply to 100% of the amount of free allocation for the relevant five-year period

starting from 1 January 2031.

The remainder of the amount of free allocation for the relevant five-year period shall be allocated to the operator without further verification.

Or. en

Justification

It is justified to link free allowances 25 years after the start of the ETS to additional conditionalities. This is key to keep jobs in Europe and to decarbonise investment. However, for some companies, the investment depends on conditions that they don't fully control, for example CCS infrastructure, hydrogen infrastructure and grid. One third of the allowances that will be available after the review in 2031 are new and wouldn't be available for installations if the review fails. That's why it makes sense to start the additional conditionality with one third of the allowances and phase it in over time.

Amendment 54

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point d

Directive 2003/87/EC

Article 10a – paragraph 3c b (new)

Text proposed by the Commission

Amendment

3cb. Upon submission of an Invest in EU decarbonisation plan that has been verified in accordance with Article 15 and approved by the competent authority, 70 % of the amount of free allocation to be received under the five-year period starting in 2036 shall be allocated annually to the installation.

The remaining 30 % of the amount of free allocation shall only be allocated to the installation after confirmation by the competent authority where the decarbonisation investments are implemented that the operator concerned has duly demonstrated that construction of the decarbonisation investment described in the Invest in EU decarbonisation plan has started.

For the purposes of this paragraph, ‘start of construction’ means the start of physical works directly related to the implementation of the relevant decarbonisation investment, including preparatory works that are an integral part of that investment. The acquisition of land, the carrying out of feasibility studies, the submission of applications for permits or other administrative authorisations, and the conclusion of contracts for consultancy or preparatory services shall not, in themselves, constitute start of construction.

Operators shall complete the relevant decarbonisation investment in accordance with the timetable and milestones set out in the Invest in EU decarbonisation plan.

Or. en

Justification

While it’s justified to start the new conditionality smoothly, it is also justified to increase the ambition of the conditionality over time. Companies that didn’t start their construction to decarbonise in 2040 may have in mind just to continue with the free allowances a few years and then close the factory and fire the people. That is not in the interest of the European Union.

Amendment 55

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point d

Directive 2003/87/EC

Article 10a – paragraph 3c c (new)

Text proposed by the Commission

Amendment

3cc. Operators shall only receive the share of free allocation pursuant to paragraphs 3c, 3ca and 3cb corresponding to the period between the year of submission of the Invest in EU decarbonisation plan and the end of the relevant five-year period. No free allocation shall be allocated to operators if they submit an Invest in EU

***decarbonisation plan after four years
from the dates referred to in the second
subparagraph of paragraph 3c.***

Or. en

Justification

It may be difficult for some installation to submit a decarbonisation plan already in 2029 because conditions like grids, CCS or hydrogen infrastructure are not yet ready. However, four years after this obligation enters into force, every installation should have delivered a plan. Operators shall only receive free allocation for the years they handed in a plan and receive none if they submit their plan after 2033.

Amendment 56

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point d

Directive 2003/87/EC

Article 10a – paragraph 3c d (new)

Text proposed by the Commission

Amendment

3cd. For installations that are not part of a pool as referred to paragraph 3d, the amount of free allocation determined in accordance with the rules referred to in paragraph 1 shall be increased by 2 %. That additional amount shall be allocated in addition to the amount of free allocation otherwise determined for the installation under this Article.

Or. en

Justification

The rapporteur agrees in principle with the Commission's approach that free allocation will come with more responsibility to invest inside Europe after 2031. However, while decarbonising, jobs must protected stronger at the very site. Therefore, the number of free allowances should be increased for those actually investing at the site and not making use of the pooling mechanism.

Amendment 57

Proposal for a directive

Article 1 – paragraph 1 – point 17

Directive 2003/87/EC

Article 10cb – paragraph 3 a (new)

Text proposed by the Commission

Amendment

3a. The Commission shall give special attention to projects in sectors covered by Regulation (EU) 2023/956 to support innovation in low-carbon technologies, CCU, CCS, renewable energy and energy storage, in particular, to address the remaining risk of carbon leakage in third country markets, in a way that contributes to mitigating climate change with the aim of awarding, over the period from 2031 to 2040, projects in those sectors a significant share of the equivalence in financial value of the number of free allowances reduced referred to in Article 10(1). In addition, the Commission may launch calls for proposals dedicated to the sectors covered by that Regulation.

Or. en

Justification

In the existing Innovation Fund, there is a priority for the CBAM sectors, in particular to address the remaining risk of carbon leakage in third country markets (exports). It is very important to keep this priority which has unfortunately been deleted by the Commission and therefore will be reestablished.

Amendment 58

Proposal for a directive

Article 1 – paragraph 1 – point 17

Directive 2003/87/EC

Article 10cc – paragraph 1 – subparagraph 3 a (new)

Text proposed by the Commission

Amendment

A share of allowances referred to in the first subparagraph shall be reserved for

projects involving the sectors covered by Regulation (EU) 2023/956 corresponding to their share of verified emissions under the system in 2027, in particular, to address the remaining risk of carbon leakage in third country markets.

Or. en

Justification

As in the existing Innovation Fund, part of the funding resources should be focused on the CBAM sectors, in particular to address the remaining risk of carbon leakage in third country markets (exports).

Amendment 59

Proposal for a directive

Article 1 – paragraph 1 – point 17

Directive 2003/87/EC

Article 10cc – paragraph 6

Text proposed by the Commission

6. The Commission is empowered to adopt delegated acts in accordance with Article 23 to supplement this Directive with rules on the operation of the Industrial Decarbonisation Bank, including procedural, organisational, and financial rules to ensure an appropriate implementation of the Industrial Decarbonisation Bank.

Amendment

6. The Commission is empowered to adopt delegated acts in accordance with Article 23 to supplement this Directive with rules on the operation of the Industrial Decarbonisation Bank, including procedural, organisational, and financial rules to ensure an appropriate implementation of the Industrial Decarbonisation Bank, ***and the minimum share of emissions reserved for sectors covered by Regulation (EU) 2023/956, in particular, to address the remaining risk of carbon leakage in third country markets.***

Or. en

Justification

As in the existing Innovation Fund, part of the funding resources should be focused on the CBAM sectors, in particular to address the remaining risk of carbon leakage in third country markets (exports).

Amendment 60

Proposal for a directive

Article 1 – paragraph 1 – point 20

Directive 2003/87/EC

Article 10f – paragraph 1

Text proposed by the Commission

Amendment

Revenues generated from the auctioning of allowances destined for the Modernisation Fund pursuant to Article 10d, for the Innovation Fund pursuant to Article 10cb and for the Industrial Decarbonisation Bank pursuant to Article 10cc of this Directive shall be used in line with the principle of ‘do no significant harm’ referred to in Article 33(2), point (d) of Regulation of Regulation (EU, Euratom) 2024/2509.

deleted

Or. en

Justification

The application of the DNSH principle should indeed be feasible and appropriate, as required by the Financial Regulation. Compliance with the DNSH criterion should therefore be assessed against the permitting processes, as these were established precisely for the purpose of assessing whether a project would cause significant harm to the environment. The burden on SME should be even further relieved.

Amendment 61

Proposal for a directive

Article 1 – paragraph 1 – point 20

Directive 2003/87/EC

Article 10f – paragraph 1 a (new)

Text proposed by the Commission

Amendment

1a. The ‘do no significant harm’ principle referred to in Article 33(2), point (d), of Regulation (EU, Euratom) 2024/2509 shall apply to revenues generated from the auctioning of allowances destined for the Modernisation Fund, the Innovation

Fund and the Industrial Decarbonisation Bank pursuant to Article 10d, 10cb and 10cb of this Directive, respectively, to ensure the feasibility and appropriateness for the objectives and activities of those instruments. The ‘do no significant harm’ principle shall be applied to the programmes as set out in this Article. No monitoring, verification or reporting obligation specific to that principle beyond that set out in this Article shall apply.

Or. en

Justification

The application of the DNSH principle should indeed be feasible and appropriate, as required by the Financial Regulation. Compliance with the DNSH criterion should therefore be assessed against the permitting processes, as these were established precisely for the purpose of assessing whether a project would cause significant harm to the environment. The burden on SME should be even further relieved.

Amendment 62

Proposal for a directive

Article 1 – paragraph 1 – point 20

Directive 2003/87/EC

Article 10f – paragraph 1 b (new)

Text proposed by the Commission

Amendment

1b. Projects or investment proposals not subject to an environmental impact assessment pursuant to Directives 2011/92/EU or 92/43/EEC shall be presumed compliant with the ‘do no significant harm’ principle. No documentation or other evidence of compliance with that principle shall be required from applicants for such projects.

Or. en

Justification

The application of the DNSH principle should indeed be feasible and appropriate, as required by the Financial Regulation. Compliance with the DNSH criterion should therefore be assessed against the permitting processes, as these were established precisely for the purpose of assessing whether a project would cause significant harm to the environment. The burden on SME should be even further relieved.

Amendment 63

Proposal for a directive

Article 1 – paragraph 1 – point 20

Directive 2003/87/EC

Article 10f – paragraph 1 c (new)

Text proposed by the Commission

Amendment

1c. Where a project or investment proposal is subject to an environmental impact assessment pursuant to Directive 2011/92/EU or to an appropriate assessment pursuant to Article 6(3) of Directive 92/43/EEC, the criteria referred to in paragraphs 1d, 1e and 1f shall apply.

Or. en

Justification

The application of the DNSH principle should indeed be feasible and appropriate, as required by the Financial Regulation. Compliance with the DNSH criterion should therefore be assessed against the permitting processes, as these were established precisely for the purpose of assessing whether a project would cause significant harm to the environment. The burden on SME should be even further relieved.

Amendment 64

Proposal for a directive

Article 1 – paragraph 1 – point 20

Directive 2003/87/EC

Article 10f – paragraph 1 d (new)

Text proposed by the Commission

Amendment

1d. Where the relevant permit, consent or decision has been completed or granted at

the time of submission of the project or investment proposal, the entity submitting the proposal may demonstrate compliance with the ‘do no significant harm’ principle by providing the relevant permit, consent or decision and shall not be required to provide additional documentation relating to the environmental aspects covered by that assessment.

Or. en

Justification

The application of the DNSH principle should indeed be feasible and appropriate, as required by the Financial Regulation. Compliance with the DNSH criterion should therefore be assessed against the permitting processes, as these were established precisely for the purpose of assessing whether a project would cause significant harm to the environment. The burden on SME should be even further relieved.

Amendment 65

Proposal for a directive

Article 1 – paragraph 1 – point 20

Directive 2003/87/EC

Article 10f – paragraph 1 e (new)

Text proposed by the Commission

Amendment

1e. Where the relevant assessment procedure has been initiated but has not yet been completed at the time of submission of the project or investment proposal, the entity submitting the proposal shall provide evidence of the initiation of that procedure and any relevant documentation available to it. The project or investment shall be presumed to comply with the ‘do no significant harm’ principle in respect of the environmental aspects covered by that procedure for the duration of the assessment procedure, unless the competent granting authority determines, on the basis of the information available to it in the ordinary exercise of its

functions, that there are manifest grounds to consider that the project would cause significant harm to one or more of the environmental objectives referred to in Article 33(2), point (d), of Regulation (EU, Euratom) 2024/2509. Once the relevant permit, consent or decision has been completed or granted, the entity submitting the proposal shall provide it to the granting authority, where required under the applicable rules governing the relevant funding instrument.

Or. en

Justification

The application of the DNSH principle should indeed be feasible and appropriate, as required by the Financial Regulation. Compliance with the DNSH criterion should therefore be assessed against the permitting processes, as these were established precisely for the purpose of assessing whether a project would cause significant harm to the environment. The burden on SME should be even further relieved.

Amendment 66

Proposal for a directive

Article 1 – paragraph 1 – point 20

Directive 2003/87/EC

Article 10f – paragraph 1 f (new)

Text proposed by the Commission

Amendment

1f. Where that procedure has not yet been initiated at the time of submission of the project or investment proposal, the entity submitting the proposal shall instead submit a declaration undertaking to initiate the procedure with the competent national authority no later than the signature of the grant or financing agreement, and shall provide evidence of such initiation at that stage. That declaration shall satisfy the requirements of paragraph 1a of this Article at the application stage.

Or. en

Justification

The application of the DNSH principle should indeed be feasible and appropriate, as required by the Financial Regulation. Compliance with the DNSH criterion should therefore be assessed against the permitting processes, as these were established precisely for the purpose of assessing whether a project would cause significant harm to the environment. The burden on SME should be even further relieved.

Amendment 67

Proposal for a directive

Article 1 – paragraph 1 – point 20

Directive 2003/87/EC

Article 10f – paragraph 1 g (new)

Text proposed by the Commission

Amendment

1g. Projects carried out by micro-undertakings, small undertakings and medium-sized undertakings, as defined in Article 3 of Directive 2013/34/EU, shall not be subject to additional assessment, documentation, monitoring or reporting requirements specifically relating to compliance with the ‘do no significant harm’ principle, beyond those arising from applicable Union and national environmental law.

Or. en

Justification

The application of the DNSH principle should indeed be feasible and appropriate, as required by the Financial Regulation. Compliance with the DNSH criterion should therefore be assessed against the permitting processes, as these were established precisely for the purpose of assessing whether a project would cause significant harm to the environment. The burden on SME should be even further relieved.

Amendment 68

Proposal for a directive

Article 1 – paragraph 1 – point 22 – point a a (new)

Directive 2003/87/EC

Article 12 – paragraph 3–e

3-e. By way of derogation from paragraph 3, first subparagraph, point (c), shipping companies may surrender **5 %** fewer allowances than their verified emissions released ***until 31 December 2030*** from ice-class ships, provided that such ships have the ice class IA or IA Super or an equivalent ice class, established based on HELCOM Recommendation 25/7.

Where fewer allowances are surrendered compared to the verified emissions, once the difference between verified emissions and allowances surrendered has been established in respect of each year, an amount of allowances corresponding to that difference shall be cancelled rather than auctioned pursuant to Article 10.

(aa) Paragraph 3-e is replaced by the following:

‘By way of derogation from paragraph 3, first subparagraph, point (c), shipping companies may surrender fewer allowances than their verified emissions released from ice-class ships, provided that such ships have the ice class IA or IA Super or an equivalent ice class, established based on HELCOM Recommendation 25/7 ***as follows:***

(a) 5 % fewer allowances than their verified emissions released until 31 December 2035;

(b) 4 % fewer allowances than their verified emissions released until 31 December 2036;

(c) 3 % fewer allowances than their verified emissions released until 31 December 2037;

(d) 2 % fewer allowances than their verified emissions released until 31 December 2038;

(e) 1 % fewer allowances than their verified emissions released until 31 December 2039;

(f) from 1 January 2040, shipping companies shall be liable to surrender allowances for 100% of their verified emissions from ice-class ships.

Where fewer allowances are surrendered compared to the verified emissions, once the difference between verified emissions and allowances surrendered has been established in respect of each year, an amount of allowances corresponding to that difference shall be cancelled rather than auctioned pursuant to Article 10.’;

Or. en

Justification

It is important not to leave too many issues for the review. In the next decades, people need predictability. It is not appropriate to limit all the derogations for maritime to 2035. The derogations should be prolonged until 2040 but after that day, they should be genuinely phased-out. That adds predictability and avoids complicated discussions every five years.

Amendment 69

Proposal for a directive

Article 1 – paragraph 1 – point 22 – point b

Directive 2003/87/EC

Article 12 – paragraphs 3-d, 3-c, 3-b

Text proposed by the Commission

(b) in paragraphs 3-e, 3-d, 3-c, and 3-b, the date of ‘31 December 2030’ is replaced by ‘31 December **2035**’;

Amendment

(b) in paragraphs 3-d, 3-c, and 3-b, the date of ‘31 December 2030’ is replaced by ‘31 December **2040**’;

Or. en

Justification

It is important not to leave too many issues for the review. In the next decades, people need predictability. It is not appropriate to limit all the derogations for maritime to 2035. The derogations should be prolonged until 2040 but after that day, they should be genuinely phased-out. That adds predictability and avoids complicated discussions every five years.

Amendment 70

Proposal for a directive

Article 1 – paragraph 1 – point 22 – point b a (new)

Directive 2003/87/EC

Article 12 – paragraph 3-b a (new)

Text proposed by the Commission

Amendment

(ba) the following paragraph is inserted:

‘3-ba By way of derogation from paragraphs 3-d, 3-c, and 3-b of this Article, as of 2034, shipping companies that are exempted under those provisions shall be liable to surrender allowances

according to the following schedule:

(a) 14,3 % of verified emissions reported for 2034 that would be subject to surrender requirements in accordance with Article 12;

(b) 28,6 % of verified emissions reported for 2035 that would be subject to surrender requirements in accordance with Article 12;

(c) 42,9 % of verified emissions reported for 2036 that would be subject to surrender requirements in accordance with Article 12;

(d) 57,2 % of verified emissions reported for 2037 that would be subject to surrender requirements in accordance with Article 12;

(e) 71,5 % of verified emissions reported for 2038 that would be subject to surrender requirements in accordance with Article 12;

(f) 85,8 % of verified emissions reported for 2039 that would be subject to surrender requirements in accordance with Article 12;

(g) 100 % of verified emissions reported for 2040 and each year thereafter in accordance with Article 12.’;

Or. en

Justification

It is important not to leave too many issues for the review. In the next decades, people need predictability. It is not appropriate to limit all the derogations for maritime to 2035. The derogations should be prolonged until 2040 but after that day, they should be genuinely phased-out. That adds predictability and avoids complicated discussions every five years.

Amendment 71

Proposal for a directive

Article 1 – paragraph 1 – point 22 – point d a (new)

Directive 2003/87/EC

Article 12 – paragraph 4

4. Member States shall take the necessary steps to ensure that allowances are cancelled at any time at the request of the person holding them. In the event of closure of electricity generation capacity in their territory due to additional national measures, Member States may cancel allowances, and are strongly encouraged to do so, from the total quantity of allowances to be auctioned by them referred to in Article 10(2) up to an amount corresponding to the average verified emissions of the installation concerned over a period of five years preceding the closure. The Member State concerned shall inform the Commission of such intended cancellation, or of the reasons for not cancelling, in accordance with the delegated acts adopted pursuant to Article 10(4).

(da) paragraph 4 is replaced by the following:

‘4. Member States shall take the necessary steps to ensure that allowances are cancelled at any time at the request of the person holding them. In the event of closure of electricity generation capacity ***or other permanent emission reductions at an installation*** in their territory due to additional national measures, Member States may cancel allowances, and are strongly encouraged to do so, from the total quantity of allowances to be auctioned by them referred to in Article 10(2) up to an amount corresponding to the average verified emissions of the installation concerned over a period of five years preceding the closure ***or permanent emission reduction***. The Member State concerned shall inform the Commission of such intended cancellation, or of the reasons for not cancelling, in accordance with the delegated acts adopted pursuant to Article 10(4).’;

Or. en

(Directive 2003/87/EC)

Justification

This gives MS the flexibility to cancel allowances from their auction share for emission reductions that they can link to national policies. Examples would be a ban on domestic flights, operating standards for certain production processes over 2500es, etc.

Amendment 72

Proposal for a directive

Article 1 – paragraph 1 – point 23

Directive 2003/87/EC

Article 12b

Text proposed by the Commission

Amendment

[...]

deleted

Or. en

Justification

The existing legislation foresees an entry into force in 2028 and derogation until 2030. The gradual phase-in only after 2031 until 2034 takes into account that all conditions may not be ready in 2028. An additional derogation would however strongly disturb the common market and is therefore deleted.

Amendment 73

Proposal for a directive

Article 1 – paragraph 1 – point 24 – point a

Directive 2003/87/EC

Article 14 – paragraph 1 – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

By 31 December 2028, the Commission shall adopt implementing acts to adopt the monitoring and reporting rules set out in Implementing Regulation (EU) 2018/2066 in order to lay down detailed rules to complement the monitoring and reporting of emissions from the installations carrying out activity “Waste incineration and waste co-incineration” as referred to in Annex I of this Directive.

Or. en

Justification

In order to give waste operators clarity on their obligations and the methodological rules for the MRV of their operations, the Commission should publish them as quickly as possible.

Amendment 74

Proposal for a directive

Article 1 – paragraph 1 – point 24 – point b

Text proposed by the Commission

1a. The acts referred to in paragraph 1 shall provide for the possibility for operators, aircraft operators and shipping companies to compensate their fossil emissions with domestic permanent carbon removal units generated from the storage of their biogenic emissions under the scope of this Directive and certified under Regulation (EU) 2024/3012, while avoiding the double counting of those negative emissions.

Amendment

1a. The acts referred to in paragraph 1 shall provide for the possibility for operators, aircraft operators and shipping companies to compensate their fossil emissions with domestic permanent carbon removal units generated from the storage of their biogenic emissions under the scope of this Directive and certified under Regulation (EU) 2024/3012 **and DACCS activities under Regulation (EU) 2024/3012**, while avoiding the double counting of those negative emissions.

Or. en

Justification

To further scale up carbon removal technologies, there should be no cap in the number of permanent removals available to comply.

Amendment 75

Proposal for a directive

Article 1 – paragraph 1 – point 29 – point a

Directive 2003/87/EC

Article 25a – paragraph 4

Text proposed by the Commission

(a) paragraph 4 is replaced by the following:

4. In respect of emissions released until 31 December 2035 from flights to or from States that are listed in the implementing act adopted pursuant to paragraph 3 of this Article, aircraft operators shall not be required to surrender allowances in accordance with Article 12(3) in respect of those emissions.;

Amendment

deleted

Or. en

Justification

This amendment should be deleted, as it is inconsistent with the clear intention of the proposal to ensure effective carbon pricing of departing flights to airports within 5000 km and to avoid double charging through the deduction of CORSIA costs. Without this broader scope, there would be no additional allowances to support deployment of e-fuels, sustainable biofuels, electrification and to incentivise action on contrails.

Amendment 76

Proposal for a directive

Article 1 – paragraph 1 – point 32 – point a a (new)

Directive 2003/87/EC

Article 28b – paragraph 3 a (new)

Text proposed by the Commission

Amendment

(ba) the following paragraph is added:

‘3a. The Union institutions and the Member States shall pursue a global solution for reducing greenhouse gas emissions from aviation is fully aligned with the Paris Agreement and the Union’s climate objectives. To this end, they shall actively engage within the International Civil Aviation Organization (ICAO), work with other Member States of ICAO and, where appropriate, pursue bilateral and regional cooperation agreements with third countries.’;

Or. en

Justification

It is correct that Europe cannot save the planet alone. On the other hand, CORSIA is far away from any reasonable ambition in line with the Paris agreement. It is however important to continue the efforts. All institutions should work this way. The European Parliament can for example use the delegations, Council and Commission can use the External Action Service (EEAS). Bilateral agreements or regional agreements can help to achieve the final target.

Amendment 77

Proposal for a directive

Article 1 – paragraph 1 – point 32

Directive 2003/87/EC

Article 28b – paragraph 4 – subparagraph 1

Text proposed by the Commission

By 1 July 2032, the Commission shall submit to the European Parliament and to the Council a report in which it shall assess the environmental integrity of ICAO's global market-based measure, including its general ambition in relation to targets under the Paris Agreement, the level of participation in offsetting under CORSIA, its enforceability, transparency, the penalties for non-compliance, the processes for public input, the quality of offset credits, monitoring, reporting and verification of emissions, registries, accountability as well as rules on the use of biofuels, with special regard to the developments happened since 2027. The Commission shall also publish that report by 1 July 2032.

Amendment

By 1 July 2032, the Commission shall submit to the European Parliament and to the Council a report in which it shall assess the environmental integrity of ICAO's global market-based measure, including its general ambition in relation to targets under the Paris Agreement, ***its ambition in relation to the ambition of this Directive with respect to aviation***, the level of participation in offsetting under CORSIA, its enforceability, transparency, the penalties for non-compliance, the processes for public input, the quality of offset credits, monitoring, reporting and verification of emissions, registries, accountability as well as rules on the use of biofuels, with special regard to the developments happened since 2027. The Commission shall also publish that report by 1 July 2032.

Or. en

Justification

Any measure taken at international level should not lead to a weakening of the climate policy in the European Union.

Amendment 78

Proposal for a directive

Article 1 – paragraph 1 – point 32 a (new)

Directive 2003/87/EC

Article 29a

Present text

Article 29a

Measures in the event of excessive price fluctuations

1. If the average allowance price for the ~~six~~

Amendment

(32a) Article 29a is replaced by the following:

‘Article 29a

Measures in the event of excessive price fluctuations

1. If the average allowance price for the

preceding calendar months is more than **2,4 times** the average allowance price for the preceding **two-year** reference period, **75** million allowances shall be released from the market stability reserve in accordance with Article 1(7) of Decision (EU) 2015/1814.

The allowance price referred to in the first **subparagraph** of this paragraph shall, for allowances covered by Chapters II and III, be the price of auctions carried out in accordance with the delegated acts adopted pursuant to Article 10(4).

The preceding **two-year** reference period referred to in the first **subparagraph** shall be the **two-year** period that ends before the first month of the period of **six** calendar months referred to in **that subparagraph**.

Where the condition in the first subparagraph of this paragraph is met and paragraph 2 is not applicable, the Commission shall publish a notice to that effect in the Official Journal of the European Union indicating the date on

three preceding calendar months is more than **25 % higher than** the average allowance price for the preceding **one-year** reference period, **25** million allowances shall be released from the market stability reserve in accordance with Article 1(7) of Decision (EU) 2015/1814.

If the average allowance price for the three preceding months is more than 25 % lower than the average allowance price for the preceding one-year reference period, 25 million allowances shall be placed in the market stability reserve in accordance with Article 1(7) of Decision (EU) 2015/1814.

The allowance price referred to in the first **and second subparagraphs** of this paragraph shall, for allowances covered by Chapters II and III, be the price of auctions carried out in accordance with the delegated acts adopted pursuant to Article 10(4).

The preceding **one-year** reference period referred to in the first **and second subparagraphs** shall be the **one-year** period that ends before the first month of the period of **three** calendar months referred to in **those subparagraphs**.

From 2029 onwards, the number of allowances released from or placed in the market stability reserve referred to in the first and second subparagraphs shall be adjusted annually by the linear factor referred to in Article 9 to the nearest one hundred thousand and then be increased proportionate to the price change exceeding the percentage threshold referred to in the first and second subparagraphs of this paragraph as laid out in Annex II of Decision (EU) 2015/1814.

Where the condition in the first **or second** subparagraph of this paragraph is met and paragraph 2 is not applicable, the Commission shall publish a notice to that effect in the Official Journal of the European Union indicating the date on

which the condition was fulfilled.

The Commission shall publish within the first three working days of each month the average allowance price for the preceding **six** calendar months and the average allowance price for the preceding **two-year** reference period. If the condition referred to in the first subparagraph is not met, the Commission shall also publish the level that the average allowance price would have to reach in the next month in order to meet the condition referred to in **that** subparagraph.

2. When **the** condition for release of allowances from the market stability reserve pursuant to paragraph 1 has been met, the **condition** referred to in that paragraph shall not be considered to have been met again until at least **twelve months** after the end of the **previous** release.

3. The detailed arrangements for the application of the measures referred to in paragraphs 1 and 2 of this Article shall be laid down in the delegated acts referred to in Article 10(4).

which the condition was fulfilled.

The Commission shall publish within the first three working days of each month the average allowance price for the preceding **three** calendar months and the average allowance price for the preceding **one-year** reference period. If the condition referred to in the first **or second** subparagraph is not met, the Commission shall also publish the level that the average allowance price would have to reach in the next month in order to meet the condition referred to in **either** subparagraph.

2. When **either** condition for release of allowances from the market stability reserve **or for placement of allowances in the market stability** pursuant to paragraph 1 has been met, the **conditions** referred to in that paragraph shall not be considered to have been met again until at least **the month** after the end of the **last** release **from, or of the placement, in the market stability reserve pursuant to this Article.**

3. The detailed arrangements for the application of the measures referred to in paragraphs 1 and 2 of this Article shall be laid down in the delegated acts referred to in Article 10(4).’;

Or. en

(Directive 2003/87/EC)

Justification

It is important to strengthen the measures against excessive price fluctuations. Strong price highs may harm the competitiveness of the respective companies without giving predictability for investments. Strong price drops may, in particular harm the frontrunners and the price signal for investment. This provision will give more predictability without altering the effect on the climate targets and improve the incentives for long term decarbonisation.

Amendment 79

Proposal for a directive Article 2 – paragraph 1 – point 2

Text proposed by the Commission

In any given year, if the total number of allowances in circulation is between 833 million and 947 million, a number of allowances equal to the difference between the total number of allowances in circulation, as set out in the most recent publication as referred to in paragraph 4 of this Article, and 833 million shall be deducted from the quantity of allowances to be auctioned by the Member States under Article 10(2) of Directive 2003/87/EC and shall be placed in the reserve over a period of 12 months beginning on 1 September of that year. If the total number of allowances in circulation is above 947 million allowances, the number of allowances to be deducted from the quantity of allowances to be auctioned by the Member States under Article 10(2) of Directive 2003/87/EC and to be placed in the reserve over a period of 12 months beginning on 1 September of that year shall be equal to 12 % of the total number of allowances in circulation. From 2029, the thresholds of 833 and 947 million under this paragraph shall decrease annually by 4%, rounded to the nearest million, as specified in the Annex.

Amendment

In any given year, if the total number of allowances in circulation is between 833 million and 947 million, a number of allowances equal to the difference between the total number of allowances in circulation, as set out in the most recent publication as referred to in paragraph 4 of this Article, and 833 million shall be deducted from the quantity of allowances to be auctioned by the Member States under Article 10(2) of Directive 2003/87/EC and shall be placed in the reserve over a period of 12 months beginning on 1 September of that year. If the total number of allowances in circulation is above 947 million allowances, the number of allowances to be deducted from the quantity of allowances to be auctioned by the Member States under Article 10(2) of Directive 2003/87/EC and to be placed in the reserve over a period of 12 months beginning on 1 September of that year shall be equal to 12 % of the total number of allowances in circulation. From 2029, the thresholds of 833 and 947 million under this paragraph shall decrease annually by *the linear factor referred to in Article 9 of Directive 2003/87/EC*, rounded to the nearest million, as specified in the Annex.

Or. en

Amendment 80

Proposal for a directive

Article 2 – paragraph 1 – point 3

Decision (EU) 2015/1814

Article 1 – paragraph 6 – subparagraph 2

Text proposed by the Commission

From 2029, the thresholds of 400 million and of 300 million and the amount of 100 million allowances to be released from the reserve, set out in the previous subparagraph, shall decrease annually by 4 %, rounded to the nearest million, as specified in the Annex.

Amendment

From 2029, the thresholds of 400 million and of 300 million and the amount of 100 million allowances to be released from the reserve, set out in the previous subparagraph, shall decrease annually by ***the linear factor referred to in Article 9 of Directive 2003/87/EC***, rounded to the nearest million, as specified in the Annex.

Or. en

Amendment 81

Proposal for a directive

Article 2 – paragraph 1 – point 3 a (new)

Decision (EU) 2015/1814

Article 1 – paragraph 7

Present text

7. In any given year, if paragraph 6 of this Article is not applicable and the condition in Article 29a(1) of Directive 2003/87/EC has been met, 75 million allowances shall be released from the reserve and added to the quantity of allowances to be auctioned by the Member States under Article 10(2) of that Directive. Where fewer than 75 million allowances are in the reserve, all allowances in the reserve shall be released under this paragraph. Where ***the*** condition in Article 29a(1) of ***that*** Directive ***is*** met, the volumes to be released from the reserve in accordance with that Article shall be evenly distributed during a period of three months, starting no later than two months from the date when the condition in Article 29a(1) of that Directive is met as notified by the Commission in accordance with the fourth subparagraph thereof.

Amendment

(3a) paragraph 7 is replaced by the following:

‘7. If the condition in Article 29a(1), ***first subparagraph,*** of Directive 2003/87/EC has been met, 25 million allowances shall be released from the reserve and added to the quantity of allowances to be auctioned by the Member States under Article 10(2) of that Directive. Where fewer than 25 million allowances are in the reserve, all allowances in the reserve shall be released under this paragraph.

If the condition in Article 29a(1), second

subparagraph, of Directive 2003/87/EC has been met, 25 million allowances shall be deducted from the quantity of allowances to be auctioned by the Member States pursuant to Article 10(2) of Directive 2003/87/EC and shall be placed in the reserve. In the event that the quantity of allowances to be auctioned by Member States pursuant to Article 10(2) of Directive 2003/87/EC is smaller than 25 million allowances, that quantity shall be deducted in full.

From 2029 onwards, the number of allowances to be released from or placed in the market stability reserve, set out in the first and second subparagraphs of this paragraph, shall decrease annually by the linear factor referred to in Article 9 of Directive 2003/87/EC rounded to the first one hundred thousand, as specified in Annex II to Decision (EU) 2015/1814.

The number of allowances to be released from or placed in the reserve, set out in the first and second subparagraphs of this paragraph and adjusted according to the third subparagraph of this paragraph, shall be increased in relation to the magnitude of the absolute value of the price change beyond the value set out in Art. 29a(1) first and second subparagraphs, as specified in Annex II of this Decision.

*Where either condition in Article 29a(1) of that Directive **are** met, the volumes to be released from **or placed in** the reserve in accordance with that Article shall be evenly distributed during a period of three months, starting no later than two months from the date when the condition in Article 29a(1) of Directive **2003/87/EC** is met as notified by the Commission in accordance with the fourth subparagraph thereof.’.*

Or. en

(Decision (EU) 2015/1814)

Amendment 82

Proposal for a directive

Annex II – paragraph 1

Decision (EU) 2015/1814

Annex I

Text proposed by the Commission

Amendment

ANNEX

ANNEX **I**

Or. en

Amendment 83

Proposal for a directive

Annex II – paragraph 1

Decision (EU) 2015/1814

Annex I – subtitle

Text proposed by the Commission

Amendment

Dynamic MSR parameters decreasing ***at a yearly rate of 4% per year***

Dynamic MSR parameters decreasing
annually according to the linear factor referred to in Article 9 of Directive 2003/87/EC to the first million

Or. en

Amendment 84

Proposal for a directive

Annex I – point 1 – point c – point viii - table

Directive 2003/87/EC

Annex I

Text proposed by the Commission

The Commission shall report by 31 July 2029 whether one or both of the following conditions have been met: (2) the establishment of landfill register(s) pursuant to Article [X] of Regulation (EU) [..../.] [Circular Economy Act to ensure environmental integrity and avoid circumvention; and (3) Best Available Techniques for Landfills conclusions	Carbon dioxide
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have been published in the Official Journal of the European Union pursuant to Article 13 of Directive 2010/75/EU. Where both of the conditions referred to are met, Articles 14 and 15 shall apply to landfills where there is the disposal or recovery of non-hazardous waste from 1 January 2031. Where one or both of the conditions referred to are not met, Articles 14 and 15 shall apply to landfills where there is the disposal or recovery of non-hazardous waste from 1 January 2034.	
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Amendment

The Commission shall report by 31 July 2029 whether one or both of the following conditions have been met: (2) the establishment of landfill register(s) pursuant to Article [X] of Regulation (EU) [..../.] [Circular Economy Act to ensure environmental integrity and avoid circumvention; and (3) Best Available Techniques for Landfills conclusions have been published in the Official Journal of the European Union pursuant to Article 13 of Directive 2010/75/EU. Where both of the conditions referred to are met, Articles 14 and 15 shall apply to landfills where there is the disposal or recovery of non-hazardous waste from 1 January 2031. Where one or both of the conditions referred to are not met, Articles 14 and 15 shall apply to landfills where there is the disposal or recovery of non-hazardous waste from 1 January 2034.	Carbon dioxide <i>and methane</i>
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Or. en

Amendment 85

Proposal for a directive
Annex II – point 1 a (new)
Decision (EU) 2015/1814
Annex I a (new)

Text proposed by the Commission

Amendment

‘(1a) the following Annex is added to Decision (EU) 2015/1814:

ANNEX IA

Article 29a intake and release quantity adjustment and increase

From 2029 onwards, the number of 25 million allowances referred to in Article 1(7) first and second subparagraphs is adjusted annually by the linear factor referred to in Article 9 of Directive 2003/87/EC to the first one hundred thousand:

<i>year (t)</i>	<i>2029</i>	<i>2030</i>	<i>2031</i>	<i>2032</i>	<i>2033</i>	<i>2034</i>	<i>2035</i>	<i>2036</i>	<i>2037</i>	<i>2038</i>	<i>2039</i>	<i>2040</i>
<i>adjusted intake and release quantity (in million allowances) (N_t)</i>	<i>23,9</i>	<i>22,8</i>	<i>22,0</i>	<i>21,3</i>	<i>20,6</i>	<i>19,9</i>	<i>19,2</i>	<i>18,8</i>	<i>18,4</i>	<i>18,0</i>	<i>17,6</i>	<i>17,2</i>

The annually adjusted intake and release quantity is increased proportionate to the absolute value of the price change beyond the threshold value set out in Article 29a(1) first and second subparagraphs of Directive 2003/87/EC as laid out in the following equation:

$$N_{t, \text{increased}} = N_t \cdot \left(1 + \left(\left| \frac{(\text{avg. } P_{\text{three months}} - \text{avg. } P_{\text{one year}})}{\text{avg. } P_{\text{one year}}} \right| - 0,25 \right) \right)$$

N_t: adjusted intake and release quantity as referred to in Article 29a(1) fifth subparagraph of Directive 2003/87/EC and specified in the Table of this Annex.

N_{t, increased}: increased adjusted intake and release quantity as referred to in Article 29a(1) fifth subparagraph of Directive 2003/87/EC

avg. P_{three months}: average allowance price for the three preceding calendar months as referred to in Article 29a(1) first and second subparagraphs of Directive 2003/87/EC

avg. P_{one year}: average allowance price for the preceding one-year period as referred to in Article 29a(1) first and second subparagraphs of Directive 2003/87/EC'.

Or. en

EXPLANATORY STATEMENT

Climate Change Has to Stay a Priority

The extreme events of last summer show that the fight against climate change must remain an absolute priority. Record temperatures in many parts of Europe, an unprecedented scale of forest fires and many other events demonstrate that the challenge is by no means diminishing. Climate change affects all Europeans directly and partly even dramatically.

Take, for example, Nicu T., aged 35, a Moldovan construction worker who had only arrived in Italy the day before and collapsed on his first day's work at a building site. It was a day with a red heat warning.

Numerous people died in forest fires³.

A firefighter also lost his life whilst battling the flames in the French Alps⁴. During fire-fighting operations in Greece, two fire-fighting helicopters collided, killing the Danish pilot and a Greek fire service liaison officer⁵.

Put a profit on the solution

The **ETS is the most successful climate protection legislation in the world**. Since its introduction in 2005, 1,060 MtCO₂ have been reduced⁶. This represents a reduction of 51 per cent of the emissions in the relevant sectors in 2005 and is about equivalent to the emissions of the 137 countries and territories in the world with the lowest emissions⁷, or about 500 million passenger cars per year.

The ETS is a **market-based system that leaves it to market participants to decide when, how and in which technology to invest. Every action and every product that helps, will be rewarded**. It is therefore superior to regulatory legislation in many areas. The European Union is a pioneer in this field, but more than 41 countries like China and India and federal states worldwide – such as in Canada and the USA – have now introduced emissions trading schemes⁸.

³ <https://www.france24.com/en/europe/20260714-several-foreign-nationals-among-victims-deadly-spain-wildfire>

⁴ <https://www.independent.co.uk/news/world/europe/france-savoie-firefighter-killed-dead-b3010995.html>

⁵ <https://www.bbc.com/news/live/cqjxeexpenzt>

⁶ <https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emissions-under-the/historical-and-projected-emissions?activeTab=658e2886-cbf-4c2f-a603-061e1627a515>

⁷ https://edgar.jrc.ec.europa.eu/report_2025?vis=co2tot

⁸ <https://icapcarbonaction.com/en/publications/emissions-trading-worldwide-icap-status-report-2026>

ETS with the 2040 target, gives industry more breathing space, but sends a clear signal in favour of climate protection and the continued existence of the ETS.

High Energy Prices: The Best Solution IS Investments in Domestic Energy

Many people and businesses are struggling with high energy costs. The reason for this is **our dependence on imports**. It is clear that EU countries that rely primarily on CO₂-free, domestic technologies have significantly lower electricity costs as seen in the case of Finland (17.4 ct/kWh), Estonia (23.5 ct/kWh), Latvia (20.2 ct/kWh), France (20 ct/kWh) or Sweden (27.9 ct/kWh) in contrast to Germany (38.69 ct/kWh), Italy (32.3 ct/kWh) and Czech Republic (35 ct/kWh)¹¹.

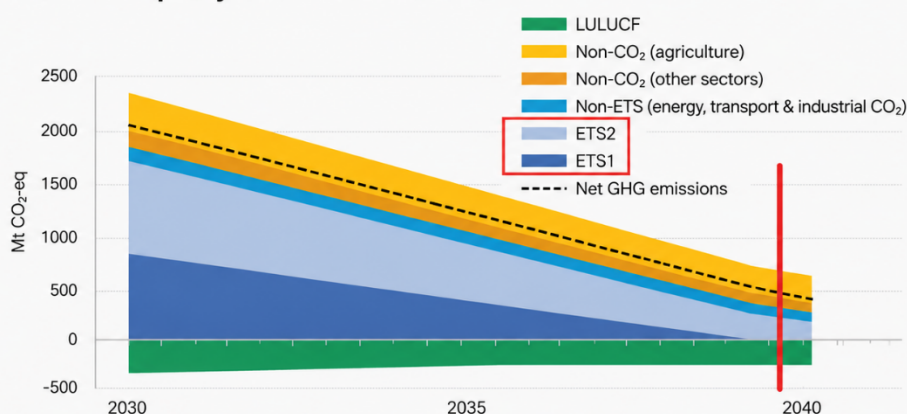
It is therefore right to adjust the reduction trajectory and thereby provide some relief. Most important is however to better support investment in domestic energy production and less dependency on imports. The review must provide for these investments. This applies above all to the funds managed by the member states. The rapporteur therefore supports the Commission's approach in principle and further strengthens it. Funds from the ETS sector must be invested in decarbonization and thus in reducing our dependence on energy imports. At the same time, the market stability mechanism must be modified to provide better protection against price fluctuations. Alternative fuels for aviation and maritime transport must also receive greater support.

It is possible to adapt a current scheme and give industry more breathing space without endangering the climate targets

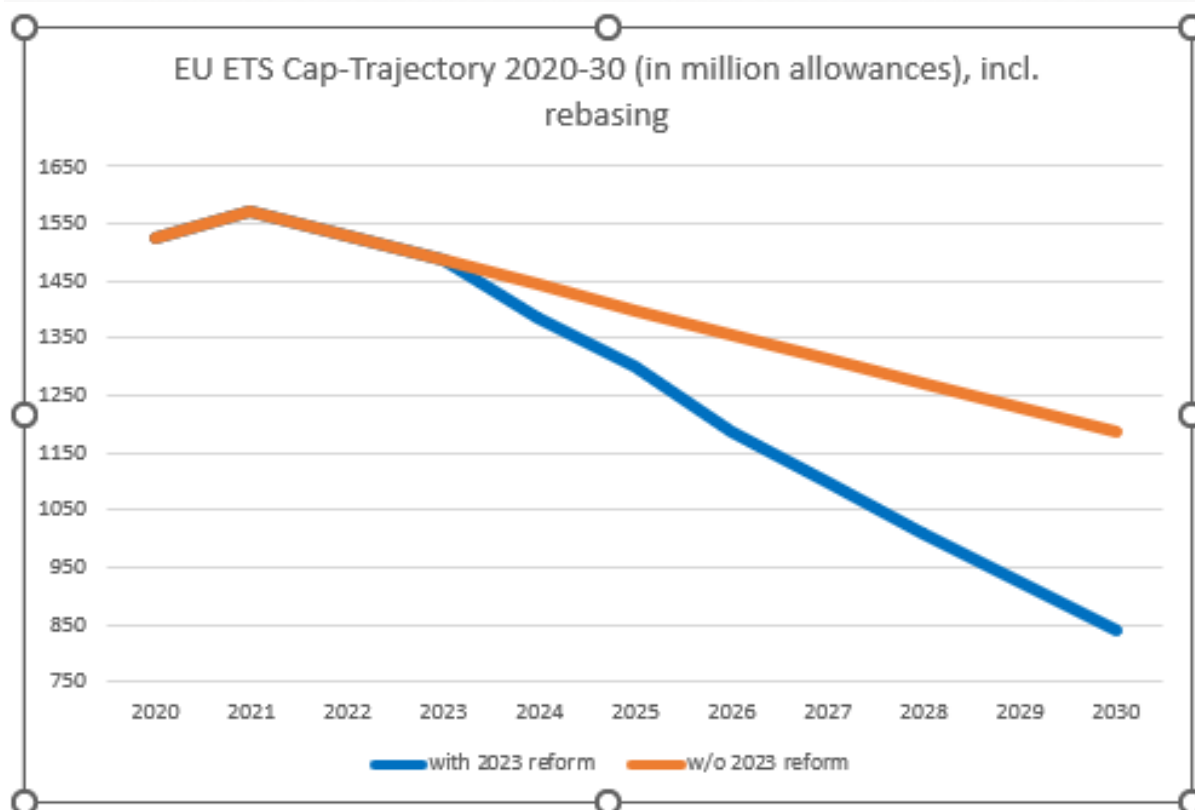
The current ETS is designed to achieve the Union's climate target of 55% in 2030. Because we increased the ambition level dramatically in the course of this decade, a very sharp linear reduction factor is necessary until 2030. A lower LRF as of 2031 is perfectly in line with the 2040 target and the climate neutrality target in 2050.

¹¹ https://ec.europa.eu/eurostat/statistics-explained/index.php?+title=Electricity_price_statistics

Figure 3: Theoretical greenhouse gas emissions 2030–2040 with current policy framework conditions



Zero emissions in 2039 are absolutely unrealistic for steel and cement plants, the chemical industry and especially for aviation.



The current scheme would mean that in all ETS sectors there would be no more emissions (even compensation with negative emission wouldn't be allowed) in 2039. This is not realistic. That's why a change of the LRF alongside other changes is not only responsible but necessary. However, the rapporteur suggests some adjustments. It is not really justified that the European Commission only proposes a 1.7% LRF in the second part of the next decade. While it is true that a lot of efforts must be taken in the first half of the decade, the balance between the two decades can be improved. **That is why the rapporteur suggests 3.4% in**

the first five years and 2.3% in the second part.

Inclusion of Waste Incineration: A Cautious Approach to Avoid Counterproductive Effects, but Equal Rules for All

The European Parliament has strongly pushed for the inclusion of waste incineration. The European Commission has fulfilled its obligation but, in the rapporteur's view, is rightly proceeding with caution. **Waste incineration** will not be included in 2028, as originally demanded, but will be phased in **gradually from 2031 to 2034**. This approach also has advantages over free allocation, as it ensures that waste incineration plants are not subject to conditionality. At the same time, even greater attention must be paid—beyond what is proposed by the Commission—to ensuring that counterproductive effects, such as increased landfilling, are prevented through a robust circular economy package. If all of this is guaranteed, there is no reason for an opt-out. **All Member States should be included to the same extent, and the European single market should be preserved.**

Protecting Frontrunners

While the rapporteur fully understands that the decarbonisation pathway cannot remain as ambitious as it is under the current system, **those who have invested in reliance on the current system must be protected**. To this end, the Commission's proposal contains numerous sound recommendations, for example in Article 1. The rapporteur, however, supplements these proposals with several additional elements, such as an increase in the number of free allowances for the top 10% most efficient installations in each sector.

Conditionality: Free Allowances for Investments but with Prudence

Many, many, many representatives of industry have over the years argued that they need more free allowances to do the necessary investments in decarbonisation.

“While the ETS cap is meant to guarantee the environmental integrity of the scheme, free allocation is needed to safeguard competitiveness and investments in low carbon technologies in the EU.” (*Business Europe*)¹²

That is why the rapporteur agrees in principle with the Commission's approach that free allocation will come with more responsibility to really invest at the respective site or at least inside Europe after 2031. However, it is very difficult for some companies to do the necessary investments plans already in 2029 and to start the construction in the short-term. These companies would lose all free allowances. Therefore, the rapporteur suggests a prudent approach starting with additional conditionality only for the additional free allowances. **The review as suggested by the Commission would bring 47% more free allowances.** These additional free allowances can be covered by conditionality from day one. The free allowances that would be given under the current scheme, shouldn't be covered by that scheme immediately. On the other hand, it is not reasonable to keep the general architecture of the conditionality the same over ten years. To say it bluntly: Companies that didn't really invest by 2040, have it difficult to explain how they want to decarbonise in line with the

¹² https://www.businesseurope.eu/wp-content/uploads/2025/02/2016-02-10_ets_reform-b59-1.pdf

European targets. That is why in the course of the decade, the link with actually investment and decarbonisation investment concretely in the field should be strengthened.

A Smart Solution for Carbon Leakage Risks in Third-Country Markets

The European Parliament has been calling for years for a solution to the carbon leakage risk in third-country markets. Exporting companies do not benefit to the same extent from the protection provided by CBAM as other companies that mainly operate on the European market. **The Commission has proposed several measures in this regard. However, in the rapporteur's view, these are insufficient.** Using key performance indicators (KPIs), the Commission should analyse in which areas there are particularly high risks for companies—including in third-country markets—and potential gaps in the CBAM, and then provide these companies with significantly more free allowances. In other areas, the analysis may show that the risk is relatively low, in which case fewer free allowances can be made available accordingly. However, no company should be worse off after the reform than it was before.

Approach for Aviation: Well-Balanced Compromise

The Commission's approach to aviation improves the competitive position of European hubs and European tourist regions and is therefore to be welcomed. The rapporteur is, however, open to proposals that take stakeholders' concerns into account even more effectively.

Uniting Ambition in Climate Policy, the Protection of Jobs and Competitiveness Is Worth All Efforts

The EU ETS and the Commission proposal of course include some complicated details and it is an effort to understand all these details. But we are talking about an instrument that is able to solve two of the most important challenges of Europe nowadays and also helps to solve a third one. The threat of climate change is one of the biggest challenges that our political generation faces. To protect European jobs and competitiveness is rightly the biggest priority of the Commission.

A well-designed climate policy can also help to strengthen our defence and make defence companies and military less dependent and resilient in the case of aggression from outside. A company that was established to produce clean fuels for the aviation industry after establishing the Green Deal policy now cooperates with the biggest defence company in Europe to scale up these fuels and be independent from oil imports, in particular, in case of war.

The rapporteur is ready to consider every suggestion for changes. **The most important point is that people with different positions need to come together and find a solution.** That is, in particular, the message to those who say the Commission proposal still is too ambitious when it come to climate. **Those that oppose the Commission proposal or any compromise indirectly support the existing rules which are in many ways worse for competitiveness and jobs.**

Overall, the rapporteur encourages everybody to use the attitude that is of outmost importance for European politics nowadays: **Always go to the negotiation table with the attitude that**

the other side might also be right.

ANNEX: DECLARATION OF INPUT

Pursuant to Article 8 of Annex I to the Rules of Procedure, the rapporteur declares that he included in his report input on matters pertaining to the subject of the file that he received, in the preparation of the draft report, from the following interest representatives falling within the scope of the Interinstitutional Agreement on a mandatory transparency register¹³, or from the following representatives of public authorities of third countries, including their diplomatic missions and embassies:

1. Interest representatives falling within the scope of the Interinstitutional Agreement on a mandatory transparency register
A2A (Agent2Agent)
AEVERSU (Valorización Energética de Residuos)
Agora Energiewende
Airlines4Europe
Alcoa
Aluminium Deutschland
ArcelorMittal
ASD Europe
ASEINCE
Assovetro - italian national association of glass industries
Badische Stahlwerke GmbH
Bankwatch
BDEW Bundesverband der Energie- und Wasserwirtschaft e. V.
BDI Bundesverband der Deutschen Industrie e.V.
Bellona Europa
Beyond Alliance
BeZero Carbon
Bio Energy Europe
Blue Globe Advisors
Bp (BP p.l.c.)
Braskem Netherlands B.V.
BUND
Bundesverband Carbon Management (BVCM)
Bundesverband der Deutschen Entsorgungs-, Wasser und Kreislaufwirtschaft (BDE)
Bundesverband der Deutschen Luft- und Raumfahrtindustrie
Bundesverband der Deutschen Luftverkehrswirtschaft e. V.
Bundesverband Keramische Fliesen e.V.
Business Alliance for Climate Action

¹³ Interinstitutional Agreement of 20 May 2021 between the European Parliament, the Council of the European Union and the European Commission on a mandatory transparency register (OJ L 207, 11.6.2021, p. 1, ELI: http://data.europa.eu/eli/agree_interinst/2021/611/oj).

Business for CBAM Coalition
BV Glas
CAN Europe
Carbo Culture
Carbon Market Watch
CEFIC (International Soil Carbon Industry Alliance)
Ceramie-Unie
CEWEP e.V.
Citizen Climate Lobby Europe
Clean Air Task Force
CLG
CLIMACT
Climate Catalyst
Climate Leadership Coalition (CLC)
CMA CGM
CO2 Value Europe
Confederation of European Paper Industries (CEPI)
Cool Heating Coalition
Covestro
Cruise Lines International Association
Deutsche Industrie- und Handelskammer (DIHK)
Deutscher Naturschutzring (DNR) e.V.
DHL Group
DIE PAPIERINDUSTRIE e.V.
DNV
Dow
ECCO
EDF - Electricité de France
EEW Energy from Waste GmbH
en2x
ENGIE
Environmental Coalition on Standards
Environmental Justice Network Ireland
EPICO (Energy and Climate Policy and Innovation Council e.V.)
ESMECA (European SMEs Cement Association)
ESWET - European Suppliers of Waste to Energy Technology
Eurelectric
Eurochambers
Eurofer
European Aluminium
European Environmental Bureau

European Metals
European Roundtable on Climate Change and Sustainable Transition (ERCST)
European Shipowners (ECSA)
EWABA (European Waste-based & Advanced Biofuels Association)
EXCA (European Expanded Clay Association ASBL)
Fachverband Holzenergie (FVH) im Bundesverband Bioenergie (BBE)
Faerch A/S
Fertilisers Europe
FEVE (European Glass Container Association)
Fraunhofer UMSICHT
FuelsEurope
Germanwatch e.V.
Glass for Europe
GravitHy
Grupa Azoty S.A.
H2Global Foundation
Hettich Unternehmensgruppe
Hydnum Steel
Hydro
Hydrogen Europe
IATA (International Air Transport Association)
IETA (International Emissions Trading Association)
IIGCC (Institutional Investors Group on Climate Change)
INEOS AG
INTERFERRY
International Copper Association Europe
ISCIA (International Soil Carbon Industry Alliance Society)
Jäckering Mühlen -und Nahrungsmittelwerke GmbH
K+S Aktiengesellschaft
Kupferverband e.V.
LAT Nitrogen
Lufthansa Group
LyondellBasell
Macquarie Group
Mærsk McKinney Møller Center for Zero Carbon Shipping
Negative Emissions Platform
Neste
NG Nordic AS
Nordic Carbon Removal Association (NCRA)
NYK Line
NZES (Near Zero Emission Steel) consortium

Opportunity Green
ORLEN
Orsted
Outokumpu
RELOOP
Repräsentanz deutscher Waldbesitzer bei der EU
RHI Magnesita GmbH
Rolls-Royce
RWE AG
Salzgitter AG
Sandbag Climate Campaign
SASHA Coalition
Shell
SHS - Stahl-Holding-Saar
Solvay
SSAB
Starch Europe
Statkraft
Stegra
Stockholm Exergi
Strategic Perspectives
Stripe
SUEZ S.A.
Sustainable Public Affairs
Technology Industries of Finland
Technology industries of Sweden
The B team 40 seconds
thyssenkrupp Steel Europe
Transport & Environment
Union of Greek Shipowners
Veolia
Verband der Chemischen Industrie e. V.
Verein der Zuckerindustrie e.V.
VIK Verband der Industriellen Energie- und Kraftwirtschaft
VKU e.V. (Verband Kommunalen Unternehmen e.V.)
Wallenberg Investment
We Mean Business Coalition
Westenergy Ltd
Wirtschaftskammer Österreich
World Shipping Council
WWF

Yara
Zero Emissions Platform
Zero Waste Europe
2. Representatives of public authorities of third countries, including their diplomatic missions and embassies

The list above is drawn up under the exclusive responsibility of the rapporteur.

Where natural persons are identified in the list by their name, by their function or by both, the rapporteur declares that he has submitted to the natural persons concerned the European Parliament's Data Protection Notice No 484 (<https://www.europarl.europa.eu/data-protect/index.do>), which sets out the conditions applicable to the processing of their personal data and the rights linked to that processing.