

Proposed amendments to the EU ETS review



Eurelectric amendments

Reaction to the proposed EU ETS review

The EU Emissions Trading System (ETS) is Europe's most effective decarbonisation tool: emissions in ETS sectors have fallen by ~50% since 2005 – largely thanks to the power sector – while the EU economy grew by ~30%. This proves that a well-functioning carbon market can drive decarbonisation while supporting growth.

With the review of the system now in full swing, the priority should be clear: **preserve a predictable and robust carbon market, while updating it in a balanced way to reflect new economic and geopolitical realities.** Against this background, Eurelectric proposes three priorities for the ETS review:

1. **A predictable, meaningful and sustainable carbon price** – ensure a strong investment signal for decarbonisation and electrification while avoiding excessive volatility and safeguarding market stability.
2. **An ETS that anchors industrial policy** – mobilise ETS revenues and carbon leakage tools to support industrial transformation, electrification and competitiveness in Europe.
3. **A socially just transition** – implement a people-focused ETS2 backed by strong enabling policies and funding, and ensure a geographically balanced transition through an updated Modernisation Fund.

The Commission proposal largely offers a balanced way forward by offering significant flexibility to energy-intensive industries. However, the proposal goes to the very limit of the 2040 climate target agreement, e.g. by fully factoring in the ETS-sectors' share of international credits up front. **To preserve a meaningful carbon price that continues to spur investment towards the 2040 target and does not penalise frontrunners, the system's ambition must be increased compared to the Commission proposal.**

This paper aims to support the co-legislators in preserving this balance by setting out Eurelectric's core recommendations on the proposal.

What to keep

1. **50% ETS1 revenue recycling and ambitious Investment Booster, Industrial Decarbonisation Bank & Innovation Fund** to support ETS1 decarbonisation (Art.10(3), 10cb, 10cc, 10cd, 10ce*).

Why: Strengthens the link between carbon pricing revenues and decarbonisation investments, supporting the sectors that actually pay for it and prioritising electrification where cost-effective solutions already exist.

Note: Transparent reporting is crucial to ensure Member States spend *all* ETS1 revenues on climate- and energy-related purposes. Funding instruments should be easy to access, subject to pragmatic requirements, efficient to administer and focused on delivering real emissions reductions, especially when using "first-come, first-served". They should ensure fair access to capital across regions, including through EUA ringfencing, and for SMEs, mid-caps and new entrants.

*All articles refer to Directive 2003/87/EC unless otherwise stated.

2. **A more progressive, rules-based, volume-based Market Stability Reserve** anchored in market fundamentals (Decision (EU) 2015/1814, Art. 1(5,6)).

Why: It enhances system predictability and ensures the reserve remains responsive to actual market conditions as the ETS evolves.

Note: A volume-based, non-political mechanism for the intake and release of allowances is crucial for market certainty. The MSR should be able to balance both over- and undersupply in the market.

3. **Permanent domestic technological removals** to complement emissions reduction (Art. 9c).

Why: It provides additional flexibility to market participants – including the power sector – on the path to climate neutrality and helps scale net-negative technologies.

Note: Keep focus on high-integrity, permanent removals (CDR). Nature-based removals must remain outside the ETS framework due to permanence concerns and the 'like-for-like' principle.

4. **Indirect cost compensation (ICC)** to level energy-intensive industries' playing field (Art. 10a(6)).

Why: ICC protects industrial competitiveness and prevents carbon leakage when electricity mixes are not yet fully decarbonised and CBAM is not fully operational.

Note: Greater harmonisation of ICC level and use across the Single Market is needed.

5. **Maintain targeted, conditional free allocation (FA) that incentivises investment in Europe**, including for **district heating** (Art. 10a(1,1a,3a,3b,3c,3d,3e,3f), 10b(4)).

Why: FA should remain until CBAM is fully operational and help support investment certainty in the meantime. Allowances received for free must better align with credible decarbonisation efforts in Europe.

Note: Conditionality design must stay investable – acknowledging differences in facility lifetimes, recognising existing Climate Neutrality Plans, availability of enabling conditions, and avoiding administrative complexity. Electrification and clean PPAs must be recognised as eligible investments.

6. Implement ETS2 instead of reopening it, supported by early and targeted ETS2 revenue use.

Why: ETS2 must be implemented carefully to provide regulatory certainty and predictability for Member States, investors and consumers at a time when Europe is facing the largest fossil fuel price crisis in history, supported by adequate protection for vulnerable and highly exposed stakeholders.

What to change

1. **Uphold ETS ambition & market integrity** by preserving the LRF as the ETS backbone & introducing safeguards to maintain long-term scarcity. Avoid political interference with the LRF (Art.9, 9b, 9c).

Why: The proposal provides useful flexibility, but depends heavily on optimistic and uncertain assumptions – international credits, removals, MSR dynamics, etc. In addition, lower ETS1 ambition merely shifts decarbonisation costs to other sectors where emissions reductions are often more controversial and costly.

How: **Adopt an LRF at the ambitious end of a credible pathway to -90% by 2040 and climate neutrality by 2050.** Monitor the *effective* cap, including international credits, removals and MSR releases, and introduce proportionate safeguards if cumulative flexibility materially weakens ambition. **To improve investor certainty, the higher, more consistent LRF should not depend on international credit availability. For these reasons, the LRF after 2035 should be set up front and be higher than the proposed 1.7%.**

2. In principle, keep **international credits outside of the ETS. If used, only indirectly and as a safety valve, not a substitute** for EU decarbonisation within the ETS (Art. 9b).

Why: Using 260mn EUAs for international credits could weaken the ETS price signal and divert significant ETS revenues (~€40-45bn) away from European industrial transformation and electrification. EU industries shouldn't pay, through their EUA revenues, for competitors' decarbonisation outside the EU. If used nonetheless, int'l credits should be mutually beneficial, supporting both EU ETS decarbonisation and carbon pricing abroad.

How: Prioritise mitigation in the EU. In principle, Eurelectric does not support the use of int'l credits inside ETS nor the use of ETS revenues to fund int'l credits, if eventually purchased. If used, they must be used indirectly and be restricted to high-integrity credits only. If used, review well before 2033 and assess not only availability, but also cost-effectiveness, maturity, integrity and opportunity cost. Any revenues or EUAs set aside but not used for int'l credits should support ETS sectors' decarbonisation within the EU.

3. Ensure **permanent technological carbon removals deliver within the cap** (Art.9c, 14(1)).

Why: The cap rises by 250mn EUAs, without certainty on funding, future CDR availability or visibility on how these will be gradually integrated (amounting to 48mn EUAs auctioned by 2040).

How: Apply a strict "one-in, one-out" approach under the existing cap instead of an ex-ante cap increase. Address the funding gap (250+10mn EUAs might not suffice to buy 250Mt of CDR at expected cost levels). Extend self-generated CDR use from BioCCS to other permanent, CRCF-recognised CDR (at least DACCS) & allow limited, direct use by ETS operators for compliance of permanent CDR under the same "one-in, one-out" approach under the existing cap. Allow firms to use CDR at group level rather than only at installation level.

4. **Strengthen the Modernisation Fund** to match the scale of the required transition (Art.10d).

Why: The ETS must support a geographically balanced transition, while the Fund's expanded scope – incl. clean generation capacity, electrification, grids, storage – better reflects future system needs.

How: Increase the MF's size back to its current size of 4.5%. Updating the GDP reference period should not exclude current beneficiaries. Ensure faster, more predictable project approval with multi-year funding.

What to add

1. Support **regulatory certainty** by providing earlier clarity on core decisions.

Why: Postponing crucial decisions only undermines investor certainty and delays the transition.

How: Settle the most consequential choices – e.g. international credits & corresponding LRF adjustments, FA conditionality – in primary legislation. Accelerate secondary legislation and reporting timelines.

2. **Article 29a** must also be a credible **safeguard against exceptional price drops** (Art. 29a).

Why: A rules-based mechanism capable of addressing extreme and unjustified price movements – including price drops - reduces the risk of discretionary market intervention and improves investor certainty.

How: Review the activation criteria in a limited way to make the mechanism more responsive, balanced and symmetric for *exceptional* upward and downward price movements. Activation could be based on a rolling average EUA price deviating beyond a predefined threshold from the average price over the preceding rolling 12-month reference period. Article 29a must not result in a de facto price corridor. Instead, interventions should remain exceptional and be subject to a clear limit on their frequency within any rolling 12-month period.

3. Introduce **safeguards to invalidation rule repeal** (Decision (EU) 2015/1814, Art. 1(5a)).

Why: Risk of MSR build-up that results in market oversupply and undermines the carbon price.

How: Support the ENVI position that retains the MSR invalidation rule at an MSR volume of 650mn EUAs.

List of Amendments

1. Amendment 01 – Integration of permanent carbon removals within the cap (Recital 33)
2. Amendment 02 – Use of permanent carbon removals by operators (Recital 34)
3. Amendment 03 – Free allocation to district heating (Recital 59)
4. Amendment 04 – Delegated act on the derogations from the investment conditionality (Recital 94)
5. Amendment 05 – Deletion of the conditional reversion of the linear factor (Article 9b(4))
6. Amendment 06 – Domestic permanent carbon removals within the cap (Article 9c)
7. Amendment 07 – Consequential amendment on Slovenia's solidarity allowances (Article 10(2), point (b))
8. Amendment 08 – Transparent reporting on the use of auction revenues (Article 10(3))
9. Amendment 09 – Free allocation: recognition of existing climate-neutrality plans (Article 10a(3b))
10. Amendment 10 – Free allocation: extension of the verification deadline where enabling conditions are not in place (Article 10a(3c))
11. Amendment 11 – Free allocation: timing, eligible decarbonisation investments and enabling conditions (Article 10a(3e))
12. Amendment 12 – Harmonisation of indirect cost compensation (Article 10a(6))
13. Amendment 13 – Free allocation to district heating until 2040 (Article 10b(4))
14. Amendment 14 – Investment Booster: completion bond, eligible costs, pre-financing and enabling conditions (Article 10cd(3), (4) and (7))
15. Amendment 15 – Modernisation Fund: current beneficiaries and size (Article 10d(1))
16. Amendment 16 – Modernisation Fund: faster and multi-annual disbursement (Article 10d(3))
17. Amendment 17 – Use of permanent carbon removals by operators (Article 14(1a))
18. Amendment 18 – Consequential amendment on the distribution of the Modernisation Fund (Annex IIb)

Deleted text is shown as a strikethrough (~~deleted text~~), whereas added text is shown as bold and italic (***added text***).

Amendment Proposals

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 01

Proposal for a directive
Recital 33

(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,

(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~~ **is scaled up in line with the needs of the EU ETS**. 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~~

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.

~~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.~~ **up to 250 million allowances from the Union-wide quantity of allowances referred to in Article 9 of Directive 2003/87/EC should be made available to the Commission to generate revenues through their auctioning for the purchase of up to 250 million permanent carbon removal units. The Union-wide quantity of allowances should not be increased for that purpose, so that the integration of removals does not create additional emission space beyond the agreed cap. Any remaining funding gap should be closed without increasing the Union-wide quantity of allowances.** 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.~~

Justification

This amendment aligns the recital with the amendment to Article 9c (Amendment 6), under which the purchase of permanent removals by the Commission is financed from

within the Union-wide quantity of allowances instead of through an increase of that quantity.

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 02

Proposal for a directive
Recital 34

(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 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

(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 ***or the fossil emissions of operators, shipping companies and aircraft operators that belong to the same corporate group*** with ~~their biogenic CO₂ emissions captured and permanently stored~~ ***domestic permanent carbon removal units generated by them from the capture and permanent storage of their biogenic CO₂ emissions (BioCCS) or from the direct capture of CO₂ from the air and its permanent storage (DACCS)***, which are certified as permanent carbon removal units in accordance with the methodologies for the certification of domestic permanent biogenic ~~emissions 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

be purchased, to prevent the total emission space from increasing beyond the limit implied by the integration through the purchasing programme.

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. ***In addition, a clear ‘one-in, one-out’ principle should apply under the Union-wide quantity of allowances referred to in Article 9 of Directive 2003/87/EC, whereby one allowance is cancelled for each removal unit used, so that the cancellation of a removal unit replaces the surrendering of an allowance under the cap. This approach preserves the integrity of the cap while creating an additional demand signal for the domestic market for permanent carbon removals. From 2031, operators, shipping companies and aircraft operators should also be allowed to purchase and use a limited amount of domestic permanent carbon removal units certified under Regulation (EU) 2024/3012 to compensate a limited part of their residual fossil emissions. As emissions avoidance and reduction must remain the priority over removals, such use should be subject to a quantified limit and to***

the same ‘one-in, one-out’ principle, and should be enabled on a sector-neutral basis so that all ETS sectors can deploy the most cost-efficient abatement options available.

Justification

This amendment aligns the recital with the amendments to Articles 9c and 14(1a) (Amendments 6 and 17, respectively): own use of permanent removals is extended to DACCS and to the corporate-group level, limited direct use of purchased domestic permanent removals is allowed from 2031 for a limited part of an operator’s residual emissions, and all such uses are integrated under a strict one-in, one-out approach within the Union-wide quantity of allowances.

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 03

Proposal for a directive

Recital 59

(59) To maintain adequate protection against the risk of carbon leakage, transitional measures to support certain energy intensive industries in the event of carbon leakage should continue applying until 31 December 2040, except where specific phase-out provisions apply. Free allocation to district heating should be phased out by equal amounts starting in 2030 in view of achieving zero free allocation in 2040.

(59) To maintain adequate protection against the risk of carbon leakage, transitional measures to support certain energy intensive industries in the event of carbon leakage should continue applying until 31 December 2040, except where specific phase-out provisions apply. ~~Free allocation to district heating should be phased out by equal amounts starting in 2030 in view of achieving zero free allocation in 2040.~~

Justification

Free allocation for district heating should remain at its current level until 2040, as district heating is an essential yet often underestimated pillar of the energy transition. District heating and cooling networks can integrate renewable heat, waste heat and high-efficiency cogeneration at scale, while supporting security of heat supply and affordability for consumers. An automatic phase-out before 2040 would risk increasing costs precisely when major investments are needed to modernise networks, decarbonise heat sources and expand efficient heating infrastructure. DHC networks are capital-intensive investments with lifetimes spanning decades. Decisions are being made now on investments that will become operational after 2030, and it is therefore critical that investors have visibility on the regulatory framework that will apply until 2040, including the continuation of free allocation, which is a key factor in any investment decision.

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 04

Proposal for a directive
Recital 94

(94) In order to adopt non-legislative acts of general application to supplement or amend certain non-essential elements of a legislative act, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of supplementing the decarbonisation investment in the EU conditionality rules for free allocation in Article 10a(3b) to (3d) of Directive 2003/87/EC, with regards to the detailed conditions to form a pool rules on pooling under Article 10a(3d) and the repartition of liability between operators in that case, the detailed conditions for the derogations set out in the fifth and sixth subparagraphs of Article 10a(3c), the detailed timeline for

(94) In order to adopt non-legislative acts of general application to supplement or amend certain non-essential elements of a legislative act, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of supplementing the decarbonisation investment in the EU conditionality rules for free allocation in Article 10a(3b) to (3d) of Directive 2003/87/EC, with regards to the detailed conditions to form a pool rules on pooling under Article 10a(3d) and the repartition of liability between operators in that case, the detailed conditions for the derogations set out in the fifth—and, sixth **and seventh** subparagraphs of Article 10a(3c), the

the submission of the Invest in EU decarbonisation plans, the qualification as decarbonisation investments, the qualification as significant emissions reduction, and the determination of the economic value of the quantity of free allowances.

[...]

detailed timeline for the submission of the Invest in EU decarbonisation plans, the qualification as decarbonisation investments, the qualification as significant emissions reduction, and the determination of the economic value of the quantity of free allowances.

[...]

Justification

This amendment is consequential to the new derogation in Article 10a(3c), seventh subparagraph, whose detailed conditions are to be laid down in the delegated act.

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 05

Proposal for a directive
Article 1 – paragraph 1 – point 13
Directive 2003/87/EC
Article 9b – paragraph 4

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.

~~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.~~

Justification

The proposed approach which sets a low LRF from 2036 by prematurely accounting for uncertain volumes of high-quality international credits in the system should be reconsidered, given its potential impact on the long-term carbon price signal and visibility on the trajectory. ETS operators need early visibility of the trajectory to support investment decisions today, and this trajectory must continue to provide a robust and

predictable long-term carbon price signal. Therefore, a consistent LRF should not depend on the availability of international credits, and ad hoc or late binary adjustments on the path to 2040, including a possible shift from 1.7% to 2.7%, should be avoided.

This amendment should be accompanied by an adjustment of the LRF under article 9 of the Directive to a higher level than 1.7% for the post-2036 period (article 1(12)(b) of the Commission proposal).

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 06

Proposal for a directive
Article 1 – paragraph 1 – point 13
Directive 2003/87/EC
Article 9c

Article 9c

Domestic permanent carbon removals

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.

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

Article 9c

Domestic permanent carbon removals

1. ~~The Union-wide quantity of allowances referred to in Article 9 shall be increased by 250 million allowances. Those allowances shall~~ ***Up to 250 million allowances from the Union-wide quantity of allowances referred to in Article 9*** ~~may~~ be made available to the Commission to auction them from 2031 to 2040 to generate revenues for the purchase of an equivalent amount of ***up to 250 million*** domestic permanent carbon removal units generated by BioCCS and DACCS activities under Regulation (EU) 2024/3012 of the European Parliament and of the Council*. The Commission shall purchase those removals units prioritising a portfolio of cost-effective, high-integrity projects with payment upon delivery of the certified units. ***The***

available to the Commission to auction them to generate revenues for the purchase of those permanent carbon removals units, 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.

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 before 2041.

4. The Commission is empowered to adopt delegated acts in accordance with Article 23 to supplement this Directive concerning the detailed modalities for the purchase of the domestic permanent carbon removal units indicated under paragraph 1, including the timing of the auctioning of the allowances referred to in paragraphs 1 and 2; the forms of support, selection procedure and

Union-wide quantity of allowances referred to in Article 9 shall not be increased as a result of the purchase of domestic permanent carbon removal units by the Commission or of their use pursuant to Article 14(1a).

~~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, 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.~~ ***Where the revenues generated from the auctioning of the allowances referred to in paragraph 1 are insufficient for the purchase of the domestic permanent carbon removal units referred to in that paragraph, the Commission may propose to complement those revenues with resources from the Union budget. The Commission shall set out, in the report referred to in paragraph 8, options to close any remaining funding gap without increasing the Union-wide quantity of allowances referred to in Article 9.***

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,

criteria, eligibility criteria and technological requirements for the different types of support and payment mechanisms, using competitive allocation where feasible and reporting transparently on the outcome of the procedures; as well as the financial rules to ensure an appropriate implementation of the purchase. Those delegated acts shall ensure that any early auctioning of the allowances referred to in paragraphs 1 and 2 is balanced out through the auctioning of the allowances under Article 10, to achieve the equivalent effect of a gradual integration of carbon removals towards the auctioning of 48 million of the allowances referred to in paragraphs 1 and 2 in 2040. Those delegated acts shall provide detailed modalities for the purchase of the domestic permanent carbon removals prioritising a portfolio of cost-effective, high-integrity projects with payment upon delivery of the certified units and aiming to limit fiscal exposure.

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.

6. Any permanent carbon removal certified units generated by BioCCS and DACCS activities under Regulation (EU) 2024/3012 and purchased by the Commission in

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 before 2041.

4. The Commission is empowered to adopt delegated acts in accordance with Article 23 to supplement this Directive concerning the detailed modalities for the purchase of the domestic permanent carbon removal units indicated under paragraph 1, including the timing of the auctioning of the allowances referred to in paragraphs 1 and 2; the forms of support, selection procedure and criteria, eligibility criteria and technological requirements for the different types of support and payment mechanisms, using competitive allocation where feasible and reporting transparently on the outcome of the procedures; as well as the financial rules to ensure an appropriate implementation of the purchase. Those delegated acts shall ensure that any early auctioning of the allowances referred to in paragraphs 1 and 2 is balanced out through the auctioning of the allowances under Article 10, to

accordance with this Article shall be cancelled and no longer be allowed to account as negative emissions under Article 14(1a) of this Directive.

7. The linear reduction factor established in Article 9 shall not apply to the increase of allowances established in paragraph 1.

8. Before 31 December 2034, the Commission shall present a report to the European Parliament and to the Council in which it assesses the progress regarding the purchase of domestic permanent carbon removal units provided for under paragraph 1, considering the available supply, and the price of domestic permanent carbon removal units in comparison with the assigned budget. The report shall also examine the possible contribution of nature based removals and carbon farming sequestration units certified under Regulation (EU) 2024/3012 to permanent carbon removals, and assess the feasibility to gradually transition, from an integration managed by the Commission, towards a direct integration by operators, beyond own use, of domestic permanent carbon removal units in the EU ETS.

achieve the equivalent effect of a gradual integration of carbon removals towards the auctioning of 48 million of the allowances referred to in paragraphs 1 and 2 in 2040. Those delegated acts shall provide detailed modalities for the purchase of the domestic permanent carbon removals prioritising a portfolio of cost-effective, high-integrity projects with payment upon delivery of the certified units and aiming to limit fiscal exposure. ***The Commission shall adopt those delegated acts by 31 December 2028.***

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

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.

~~7. The linear reduction factor established in Article 9 shall not apply to the increase of allowances established in paragraph 1.~~

8. Before 31 December 2034, the Commission shall present a report to the European Parliament and to the Council in which it assesses the progress regarding the purchase of domestic permanent carbon removal units provided for under paragraph 1, considering the available supply, and the price of domestic permanent carbon removal units in comparison with the assigned budget. The report shall also ~~examine the possible contribution of nature based removals and carbon farming sequestration units certified under Regulation (EU) 2024/3012 to permanent carbon removals,~~ and assess the feasibility to gradually transition, from an integration managed by the Commission, towards a ***an expanded*** direct integration by operators, beyond own use, of domestic permanent carbon removal units in the EU ETS.

Justification

Eurelectric considers that permanent removals can complement emissions reductions, but their integration should not create additional emission space beyond the agreed ETS cap. The EU ETS must support a clear mitigation hierarchy that prioritises emissions reduction and reserves removals to offset last-mile, hardest-to-abate emissions within all ETS sectors. Allowances used to finance the Commission's purchase of permanent removals should therefore not be additional allowances.

A strict one-in, one-out approach keeps removals within the existing cap and preserves the visibility of the ETS reduction trajectory. The allowances used to finance the Commission's purchase of up to 250 Mt of permanent removals are therefore taken from within the Union-wide quantity instead of being added to it, and the exemption of those allowances from the linear factor is deleted accordingly. Allowances set aside but not auctioned are returned to the Union-wide quantity, which is neutral for the cap. The gradual integration of the auctioning of those allowances is maintained, to avoid frontloading.

The allowances set aside might not suffice to purchase up to 250 Mt of permanent removals at expected cost levels. Any remaining funding gap should be closed without increasing the cap, including through complementary financing from the Union budget.

Own use of self-generated removals reduces the quantity to be purchased by the Commission, whereas the limited direct use of purchased removals by operators does not, as it is already subject to one-in, one-out under the cap. The delegated acts are to be adopted by the end of 2028, to give project developers and ETS operators earlier visibility. Nature-based removals should remain outside the EU ETS given permanence concerns and the like-for-like principle; the reference to them in the review is therefore deleted. As a limited direct use of permanent removals by operators is already provided for in Article 14(1a), the review should assess the feasibility of an expanded direct integration. This amendment should be read together with the amendment to Article 14(1a) (Amendment 17).

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 07

Proposal for a directive
Article 1 – paragraph 1 – point 14 – point b
Directive 2003/87/EC
Article 10 – paragraph 2 – point b

‘Spain, Cyprus, Malta and Slovenia shall use their additional allowances for the priority purposes listed in Article 10(3) first subparagraph.’;

‘Spain, Cyprus, **and** Malta ~~and Slovenia~~ shall use their additional allowances for the priority purposes listed in Article 10(3) first subparagraph.’;

Justification

This is a consequential amendment to the amendment to Article 10d(1), under which all current beneficiaries remain beneficiaries of the Modernisation Fund after 2030, including Slovenia (Amendment 15). Under Article 10d(4), as proposed by the Commission, all beneficiary Member States must use the allowances distributed to them under Article 10(2), point (b), within the framework of the Modernisation Fund. Slovenia should therefore no longer be listed among the Member States that must use those allowances for the priority purposes set out in Article 10(3), to avoid conflicting obligations.

Amendment 08

Proposal for a directive
Article 1 – paragraph 1 – point 14 – point c
Directive 2003/87/EC
Article 10 – paragraph 3 – subparagraph 5

The reporting shall be sufficiently detailed to enable the Commission to assess the Member States' compliance with paragraphs 3 of this Article, and Article 30m.;

The reporting shall be sufficiently detailed to enable the Commission to assess the Member States' compliance with paragraphs 3 of this Article, and Article 30m. ***It shall specify, for each of the purposes listed in the first and second subparagraphs of this paragraph, the amount of revenues used or the equivalent in financial value, the share of revenues used for the priority purposes referred to in the first subparagraph, and the amount of revenues not yet disbursed. The Commission shall publish that information for each Member State in the report referred to in paragraph 5 of this Article.;***

Justification

Transparent reporting is crucial to ensure that Member States spend all ETS revenues on climate- and energy-related purposes and meet the minimum share for the decarbonisation of ETS sectors. Reporting by purpose, and its publication per Member State, allows compliance with the 50 % priority share to be checked and strengthens the link between carbon pricing revenues and decarbonisation investments.

Amendment 09

Proposal for a directive
Article 1 – paragraph 1 – point 15 – point d
Directive 2003/87/EC
Article 10a – paragraph 3b – subparagraph 5 a (new)

Operators that have established a climate-neutrality plan in accordance with Article 10a(1), fifth subparagraph, or Article 10b(4), third subparagraph, as applicable on 31 December 2030, may submit that plan as their Invest in EU decarbonisation plan, provided that the plan is updated so as to contain all the elements referred to in the fourth subparagraph of this paragraph and to comply with the fifth subparagraph of this paragraph.

Justification

Operators of the least efficient installations and of district heating already had to establish climate-neutrality plans under the current rules. Allowing those plans to be updated and submitted as Invest in EU decarbonisation plans avoids duplication and administrative burden, while the updated plan must meet all the requirements applying to Invest in EU decarbonisation plans, including the investment volume. The subparagraph is added at the end of paragraph 3b so that the cross-references to its fifth subparagraph remain unchanged.

Amendment 10

Proposal for a directive
Article 1 – paragraph 1 – point 15 – point d
Directive 2003/87/EC
Article 10a – paragraph 3c – subparagraph 6 a (new)

By way of derogation from the third subparagraph of this paragraph, where the implementation of a decarbonisation investment set out in the approved Invest in EU decarbonisation plan is delayed because an enabling condition outside the operator's control, which is specific to and indispensable for that investment as identified in the approved plan, is not in place, the competent authority shall grant a time-bound extension of the deadline for the confirmation referred to in the third subparagraph. This derogation shall not apply where significant emissions reductions could have been achieved through other technically feasible and cost-effective decarbonisation investments that do not depend on the missing enabling condition such as grid connection or CO2 or hydrogen infrastructure. During that extension, the corresponding allowances shall not be made available in accordance with the fourth subparagraph.

Justification

The Invest in EU decarbonisation plans may depend on infrastructure that operators do not control, such as a grid connection, permits, CO₂ transport and storage infrastructure or hydrogen supply. Nevertheless, conditionality must remain firm: the remaining 20 % of free allocation is not granted without implemented investments and verified emission reductions. Where, however, a specific investment in an approved and credible plan is delayed by the absence of an enabling condition that is indispensable for that investment, the deadline for verification should be extended for a limited period rather than the conditional share being forfeited. The remaining 20 % continues to be allocated only once the conditions of the third subparagraph are met; during the extension, the corresponding allowances are not carried over to the subsequent five-year period. The enabling conditions concerned, the evidence required and the maximum duration of the extension are to be laid down in the delegated act referred to in paragraph 3e.

The derogation only covers enabling conditions that are specific to the investment identified in the approved plan. It cannot be invoked where cost-effective alternatives that do not depend on the missing enabling condition were available: the lack of hydrogen infrastructure, for example, cannot justify not installing an electric boiler where electrification is the most cost-effective option. The subparagraph is added at the end of paragraph 3c so that the cross-references to the fifth and sixth subparagraphs of paragraph 3c in paragraph 3e remain unchanged.

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 11

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point d

Directive 2003/87/EC

Article 10a – paragraph 3e – subparagraph 1 – introductory part and points a and h;
subparagraph 3 – point i

3e. The Commission shall supplement this Directive by providing, in close consultation with the relevant stakeholders, in the delegated act adopted pursuant to the first subparagraph of paragraph 1, complementary implementation details as regards the free allocation

3e. The Commission shall supplement this Directive by providing, in close consultation with the relevant stakeholders, in the delegated act adopted pursuant to the first subparagraph of paragraph 1, **by 31 December 2027 at the latest**, complementary implementation details

provisions set out in paragraphs 3b to 3d of this Article, including:

(a) a list of requirements and eligible costs to qualify as decarbonisation investments;

[...]

(h) the detailed conditions that shall apply to the derogations under paragraph 3c, fifth and sixth subparagraphs;

[...]

The Commission is empowered to adopt implementing acts to specify the following:

(i) the content of the information referred to in the fourth subparagraph of paragraph 3b, points (a) and (b);

[...]

as regards the free allocation provisions set out in paragraphs 3b to 3d of this Article, including:

(a) a list of requirements and eligible costs to qualify as decarbonisation investments, ***which shall include investments in the direct and indirect electrification of industrial processes, including related grid connection, storage and flexibility costs, as well as long-term power purchase agreements for clean energy, and investments made before the start of the Industrial Decarbonisation Bank that lead to permanent emissions reduction, so as to not penalise first movers;***

[...]

(h) the detailed conditions that shall apply to the derogations under paragraph 3c, fifth—~~and~~, sixth ***and seventh*** subparagraphs, ***including, as regards the seventh subparagraph, the enabling conditions concerned, the evidence required to demonstrate that they were not in place and that the operator took all reasonable steps in due time to secure them, the maximum duration of the extension, and rules ensuring that decarbonisation investments are not taken into account for more than one five-year period;***

[...]

The Commission is empowered to adopt implementing acts to specify the following:

(i) the content of the information referred to in the fourth subparagraph

of paragraph 3b, points (a) and(b),
***including the enabling conditions
on which each decarbonisation
investment depends;***

[...]

Justification

Operators must submit their first Invest in EU decarbonisation plans by 30 September 2029. The detailed rules on eligible investments, significant emissions reductions and the plan format should therefore be adopted well in advance, so that operators can plan and finance their investments with certainty.

Electrification is a key cost-effective decarbonisation option for many industrial processes. Investments in the direct and indirect electrification of industrial processes, together with the long-term power purchase agreements for renewable or low-carbon energy that underpin them, should be explicitly recognised as eligible decarbonisation investments.

The delegated act should set out the detailed conditions for the time-bound extension where enabling conditions are not in place, including its maximum duration and rules avoiding that the same investments are counted for more than one five-year period. The Invest in EU decarbonisation plans should identify upfront the enabling conditions on which each investment depends.

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 12

Proposal for a directive
Article 1 – paragraph 1 – point 15 – point h
Directive 2003/87/EC
Article 10a – paragraph 6 – subparagraph 4

The Commission shall include in the report provided for in Article 10(5), inter alia, an assessment of the effects of such financial measures on the internal market and, where appropriate, recommend any measures that may be

The Commission shall include in the report provided for in Article 10(5), inter alia, an assessment of the effects of such financial measures on the internal market and, where appropriate, recommend any measures that may be necessary pursuant to that

necessary pursuant to that assessment.

assessment. ***By 31 December 2028, the Commission shall assess the need for and the options to further harmonise across Member States the level of compensation for indirect costs and the use of auction revenues for the financial measures referred to in the first subparagraph, with a view to preserving a level playing field in the internal market and with third countries outside the Union. Where appropriate, the Commission shall accompany that assessment with recommendations to Member States and shall take it into account in the review of the relevant State aid rules.***

Justification

Indirect cost compensation protects industrial competitiveness and prevents carbon leakage while electricity mixes are not yet fully decarbonised and CBAM is not fully operational. Its level and use nevertheless differ widely across Member States. Greater harmonisation across the Single Market is needed to avoid distortions of competition between electro-intensive industries located in different Member States, as well as in third countries. The assessment should lead to recommendations to Member States and be reflected in the relevant State aid rules, without reopening this Directive.

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 13

Proposal for a directive
Article 1 – paragraph 1 – point 16(b)
Directive 2003/87/EC
Article 10b – paragraph 4 – subparagraph 1

‘4. Other sectors and subsectors are considered to be able to pass on more of the costs of allowances in product prices, and shall be allocated allowances free of

‘4. Other sectors and subsectors are considered to be able to pass on more of the costs of allowances in product prices, and shall be allocated allowances free of

charge at 30 % of the quantity determined pursuant to Article 10a. Unless otherwise decided in the review pursuant to Article 30, free allocations to other sectors and subsectors, except district heating, shall decrease by equal amounts after 2026 so as to reach a level of no free allocation in 2030. Free allocation to district heating shall decrease by equal amounts after 2030 so as to reach a level of no free allocation in 2040.'

charge at 30 % of the quantity determined pursuant to Article 10a. Unless otherwise decided in the review pursuant to Article 30, free allocations to other sectors and subsectors, except district heating, shall decrease by equal amounts after 2026 so as to reach a level of no free allocation in 2030. Free allocation to district heating ~~shall decrease by equal amounts after 2030 so as to reach a level of no free allocation in 2040~~ **shall remain at 30 % of the quantity determined pursuant to Article 10a until 31 December 2040. By 31 December 2038, the Commission shall assess whether and under what conditions free allocation may be gradually reduced to zero by 2050 in all Member States, taking into account available decarbonisation technologies, security of heat supply, comparable carbon prices for individual fossil-fuel heating systems, investment needs and the need to avoid disproportionate increases in heating costs for final consumers. Where appropriate, the Commission shall submit a legislative proposal establishing a Union-wide phase-out trajectory after 2040.'**

Justification

District heating and cooling serves more than 80 million EU citizens and supplies 13% of Europe's heat demand. It is a key pillar of the decarbonisation of heat, given its capacity to integrate renewable heat, waste heat and high-efficiency cogeneration at scale, and its decarbonised share reached 46.2% in 2024, compared to just 26.7% for the rest of the heating sector in the EU. Transforming large, capital-intensive urban networks takes considerably more time and investment than individual heating systems, requiring parallel investment in generation, grids, heat storage and end-user infrastructure. This is particularly true in Member States with a high share of coal still in their district heating mix, where replacing coal-fired capacity with natural gas-based high-efficiency cogeneration is often a necessary transitional step, allowing substantial emission reductions while maintaining security of heat supply until decarbonised gases become available at sufficient scale and affordable cost. Phasing out free allocation by 2040 would increase these costs precisely when investment needs are highest, reducing funds available for the transition and risking cost pass-through to consumers. Maintaining free allocation at 30% until 2040 supports investment capacity without removing

the incentive to decarbonise, since operators remain exposed to the cost of remaining emissions. Any phase-out beyond 2040 should follow a Commission assessment and a harmonised legislative proposal, not an automatic trajectory.

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 14

Proposal for a directive
Article 1 – paragraph 1 – point 17
Directive 2003/87/EC
Article 10cd – paragraphs 3, 4 and 7

3. The completion bond referred to in paragraph 1 shall be issued by an EU-authorized financial institution equivalent to a percentage share of the total maximum requested support. It shall act as a performance guarantee, ensuring the project's timely implementation. It shall be released in two instalments, with 50% released upon start of physical construction and 50% upon start of operations.

3. The completion bond referred to in paragraph 1 shall be issued by an EU-authorized financial institution ***or take the form of a parent company guarantee meeting a creditworthiness standard set in the Terms and Conditions*** equivalent to a percentage share of the total maximum requested support. It shall act as a performance guarantee, ensuring the project's timely implementation. It shall be released in two instalments, with 50% released upon start of physical construction and 50% upon start of operations. ***The Terms and Conditions may provide that, for the purpose of establishing the order referred to in paragraph 1, applicants shall submit a bid bond corresponding to a lower percentage share of the total maximum requested support, especially if the project has accomplished specific milestones which bring it closer to a Final Investment Decision (eg. Front-End Engineering Design and other studies). In such cases, the***

completion bond shall become due only at a later date specified in the Terms and Conditions. The Terms and Conditions shall set an absolute maximum value for the completion bond.

4. Upon formal approval of the allocation under this Article, projects shall start physical construction within a maximum period of 30 months set in the relevant Terms and Conditions. Start of physical construction in the sense of this Article shall mean the start of building or assembly works on the project site, excluding preparatory works such as obtaining permits, conducting Front-End Engineering Design and other studies, or undertaking site clearance. Following the start of physical construction within the period set in the first sentence of this paragraph, the Commission shall release half of the completion bond. In the event a project has not started physical construction within the period set in the first sentence of this paragraph, the Commission shall call the completion bond in full. In addition, the support shall be revoked and all entitlements of the beneficiary of the support shall cease.

4. Upon formal approval of the allocation under this Article, projects shall start physical construction within a maximum period of 30 months set in the relevant Terms and Conditions. Start of physical construction in the sense of this Article shall mean the start of building or assembly works on the project site, excluding preparatory works such as obtaining permits, conducting Front-End Engineering Design and other studies, or undertaking site clearance. Following the start of physical construction within the period set in the first sentence of this paragraph, the Commission shall release half of the completion bond. In the event a project has not started physical construction within the period set in the first sentence of this paragraph, the Commission shall call the completion bond in full. In addition, the support shall be revoked and all entitlements of the beneficiary of the support shall cease. ***Where the failure to start physical construction within the period referred to in the first sentence is due to***

force majeure or to reasons beyond the beneficiary's control, including delays in permitting procedures or in access to third-party H₂, CO₂ transport or storage infrastructure, that period shall be extended on a time-bound basis in accordance with the delegated act referred to in paragraph 7. During that extension, the Commission shall not call the completion bond or revoke the support. The Terms and Conditions shall lay down the evidence required and the maximum duration of such extension.

[...]

7. 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 as regards the Investment Booster, including eligibility rules, the pre-selection procedure and criteria, the allocation of allowances as well as the completion bond.

[...]

7. 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 as regards the Investment Booster, including eligibility rules, **eligible costs**, the pre-selection procedure and criteria, the allocation of allowances, **including limited pre-financing possibilities**, as well as the completion bond, **including, by way of derogation from paragraphs 4 and 5, the conditions for a time-bound extension of the periods referred to in those paragraphs where enabling conditions outside the beneficiary's control are not in place. The eligible costs shall include capital expenditure,**

including for the deployment of electric and other decarbonisation technologies, the reinforcement of the industrial consumer's grid connection up to the closest point of connection to the public grid and on-site energy storage, as well as limited and time-bound operational expenditure.

Justification

Access conditions to the Investment Booster should remain both robust and proportionate. While the Terms and Conditions should include sufficient safeguards to ensure that only mature projects participate, they should also remain pragmatic and avoid creating unnecessary barriers to access, such as overly high completion bonds. Therefore, T&C should also be aligned with established market standards and project-finance practices, where equivalent financial or contractual safeguards can provide an appropriate level of protection without undermining project bankability.

Beneficiaries of the funds should not be penalised where failure to start physical construction within the prescribed deadline results from force majeure or circumstances beyond their control. This is particularly relevant because permitting, Front-End Engineering Design and site-clearance activities are expressly excluded from the definition of start of construction, meaning that delays in those activities may affect the project timeline without being attributable to the beneficiary. The proposed approach is also consistent with the Commission's CCfD State aid guidance of 17 July 2026, which provides for penalties except in cases of force majeure or reasons beyond the beneficiary's control, including delays in permitting or access to third-party infrastructure.

The detailed rules of the Investment Booster should be laid down in the delegated act, which should also address the costs that can be supported, the possibility of limited pre-financing and the treatment of projects delayed by enabling conditions outside the beneficiary's control.

Support should be centred on the decarbonisation project itself, covering capital expenditure, such as the deployment of electric and other decarbonisation technologies, the reinforcement of the industrial consumer's grid connection up to the closest point of connection to the public grid and on-site energy storage, complemented by limited and time-bound operational support that keeps beneficiaries actively engaged in the energy market. While most support should be disbursed ex post on the basis of verified emissions avoidance, a limited share of pre-financing,

subject to robust guarantees and clawback, can overcome the liquidity constraints of capital-intensive projects, in particular for SMEs, mid-caps and projects in lower-income Member States.

The completion bond and the deadlines for the start of construction and of operations are important safeguards under a 'first in, first served' model, but they should reflect the complexity of project deployment. Where a project is delayed by an enabling condition outside its control, such as a grid connection, a time-bound extension should be possible instead of the bond being called and the support revoked.

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 15

Proposal for a directive
Article 1 – paragraph 1 – point 18 – point a
Directive 2003/87/EC
Article 10d – paragraph 1 – subparagraph 1

'1. A fund to support investments proposed by Member States with a GDP per capita at market prices below 75 % of the Union average in the period 2022 to 2024 (the 'beneficiary Member States'), including the financing of small-scale investment projects, to modernise energy systems, improve energy efficiency, enhance industrial decarbonisation and electrification shall be established for the period from 2031 to 2040 (the 'Modernisation Fund'). The Modernisation Fund shall be financed through the auctioning of the following amounts of allowances from the total quantity of allowances to be auctioned by the Member States pursuant to Article 10(1) between 2031 and 2040:

- an amount equivalent to 2 % of the Union-wide quantity of allowances referred to in Article 9 for the period

'1. A fund to support investments proposed by Member States with a GDP per capita at market prices below 75 % of the Union average in the period 2022 to 2024 **or by Member States which are beneficiary Member States of the Modernisation Fund on 31 December 2030** (the 'beneficiary Member States'), including the financing of small-scale investment projects, to modernise energy systems, improve energy efficiency, enhance industrial decarbonisation and electrification shall be established for the period from 2031 to 2040 (the 'Modernisation Fund'). The Modernisation Fund shall be financed through the auctioning of the following amounts of allowances from the total quantity of allowances to be auctioned by the Member States pursuant to Article 10(1) between 2031 and 2040:

2031 and 2040, shall be auctioned to the beneficiary Member States and used as set out in Article 10d;

- and an amount equivalent to 0,5 % of the Union-wide quantity of allowances referred to in Article 9 for the period 2031 and 2040, shall be auctioned to the benefit of the same Member States and be used to support investments on the basis of Article 10ce.'

[...]

- an amount equivalent to ~~2%~~ **4 %** of the Union-wide quantity of allowances referred to in Article 9 for the period 2031 and 2040, shall be auctioned to the beneficiary Member States and used as set out in Article 10d;

- and an amount equivalent to 0,5 % of the Union-wide quantity of allowances referred to in Article 9 for the period 2031 and 2040, shall be auctioned to the benefit of the same Member States and be used to support investments on the basis of Article 10ce.'

[...]

Justification

The Modernisation Fund must support a geographically balanced transition. Its expanded scope, including clean generation capacity, electrification, grids and storage, better reflects future system needs.

Increasing the share auctioned for the Modernisation Fund from 2 % to 4 % brings the Fund, together with the 0,5 % used on the basis of Article 10ce, back to 4,5 % of the Union-wide quantity, equivalent to the 2 % and 2,5 % that finance the Fund today under Article 10(1), third and fourth subparagraphs.

Updating the GDP reference period should not exclude any of the current beneficiaries to ensure the predictability of long-term financing for energy and infrastructure investments in all current beneficiary Member States. Under the Commission proposal, Slovenia would be the only current beneficiary Member State to lose eligibility after 2030, despite only becoming eligible recently and accounting for a minor share of Modernisation Fund funding. Retaining the current beneficiaries uses existing beneficiary status as an objective and non-discretionary grandfathering eligibility criterion and avoids a disproportionate outcome for a single Member State.

Faster and more predictable project approval, together with multi-year funding, would further improve investment certainty.

Amendment 16

Proposal for a directive
Article 1 – paragraph 1 – point 18 – point a a (new)
Directive 2003/87/EC
Article 10d – paragraph 3

3. The Modernisation Fund shall operate under the responsibility of the beneficiary Member States. The EIB shall ensure that the allowances are auctioned in accordance with the principles and modalities laid down in Article 10(4), and shall be responsible for managing the revenues. The EIB shall pass on the revenues to the Member States upon a disbursement decision from the Commission, where this disbursement for investments is in line with paragraph 2 of this Article or, where the investments do not fall into the areas listed in paragraph 2 of this Article, is in line with the recommendations of the investment committee. The Commission shall adopt its decision in a timely manner. The revenues shall be distributed amongst the Member States and according to the shares set out in Annex IIb, in accordance with paragraphs 6 to 12 of this Article.

(aa) paragraph 3 is replaced by the following:

‘3. The Modernisation Fund shall operate under the responsibility of the beneficiary Member States. The EIB shall ensure that the allowances are auctioned in accordance with the principles and modalities laid down in Article 10(4), and shall be responsible for managing the revenues. The EIB shall pass on the revenues to the Member States upon a disbursement decision from the Commission, where this disbursement for investments is in line with paragraph 2 of this Article or, where the investments do not fall into the areas listed in paragraph 2 of this Article, is in line with the recommendations of the investment committee. The Commission shall adopt its decision ***in a timely manner within three months of receipt of a complete request from the beneficiary Member State. The disbursement decision may cover multi-annual investment programmes or projects, in which case the revenues shall be passed on in annual tranches in accordance with the disbursement schedule set out in that decision.*** The revenues shall be distributed amongst the

Member States and according to the shares set out in Annex IIb, in accordance with paragraphs 6 to 12 of this Article.’;

Justification

Faster and more predictable project approval, together with multi-year funding, improves investment certainty and facilitates the timely delivery of the clean generation, grid, storage and electrification projects that the Modernisation Fund is to support. A binding deadline for the Commission’s disbursement decision and the possibility of multi-annual disbursement decisions provide that predictability.

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 17

Proposal for a directive
Article 1 – paragraph 1 – point 24 – point b
Directive 2003/87/EC
Article 14 – paragraph 1a

‘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.’

‘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~~ **generated by such operators, or by operators, aircraft operators and shipping companies that belong to the same corporate group, through BioCCS or DACCS activities that they operate,** and certified under Regulation (EU) 2024/3012, while avoiding the double counting of those negative emissions.’

From 1 January 2031, the acts referred to in paragraph 1 shall also provide for the possibility for operators, aircraft operators and shipping companies to use a limited amount of domestic permanent carbon removal units generated by BioCCS or DACCS activities and certified under Regulation (EU) 2024/3012 which they have not generated themselves, to cover a limited share of their verified emissions in a given year.

For each permanent carbon removal unit used pursuant to the first or second subparagraph, one allowance shall be cancelled from the Union-wide quantity of allowances referred to in Article 9. Permanent carbon removal units used pursuant to this paragraph shall be cancelled in the Union registry referred to in Article 12 of Regulation (EU) 2024/3012.'

Justification

Operators should be able to make full use of the high-integrity permanent removals they generate. Own use should therefore not be limited to BioCCS but extended to DACCS certified under Regulation (EU) 2024/3012, and it should be possible to compensate emissions at group level rather than solely at installation level.

In addition, operators should be allowed a limited direct use of permanent removals that they have not generated themselves, to create a further demand signal and improve the efficiency of removal integration. All such uses operate under a strict one-in, one-out approach: for each removal unit used, one allowance is cancelled from the Union-wide quantity of allowances, so that the overall ambition of the EU ETS and its potential to reduce fossil fuel dependence are preserved and double counting is avoided. This amendment should be read together with the amendment to Article 9c (Amendment 6).

Text proposed by Commission**Amendment proposal by Eurelectric****Amendment 18**

Proposal for a directive
Annex I – point 2
Directive 2003/87/EC
Annex IIb

ANNEX IIb

Distribution of funds from the
Modernisation Fund corresponding to
Article 10(1)

Bulgaria 5.44%
Czechia 13.02%
Estonia 1.62%
Greece 8.42%
Croatia 2.43%
Latvia 1.01%
Lithuania 2.17%
Hungary 5.78%
Poland 38.14%
Portugal 7.26%
Romania 9.92%
Slovakia 4.78%

ANNEX IIb

Distribution of funds from the
Modernisation Fund corresponding to
Article 10(1)

Bulgaria ~~5.44%~~ **5.34%**
Czechia ~~13.02%~~ **12.75%**
Estonia ~~1.62%~~ **1.59%**
Greece ~~8.42%~~ **8.27%**
Croatia ~~2.43%~~ **2.39%**
Latvia ~~1.01%~~ **0.99%**
Lithuania ~~2.17%~~ **2.13%**
Hungary ~~5.78%~~ **5.67%**
Poland ~~38.14%~~ **37.33%**
Portugal ~~7.26%~~ **7.13%**
Romania ~~9.92%~~ **9.71%**
Slovakia ~~4.78%~~ **4.69%**
Slovenia 2.00%

Justification

This is a consequential amendment to the amendment to Article 10d(1) (Amendment 15). Slovenia is added to the distribution key with a share of 2,00 %, equal to its current share under Part B of Annex IIb to Directive 2003/87/EC. The shares of the other beneficiary Member States are adjusted proportionately to accommodate Slovenia's relatively small share, while preserving, as closely as possible, the relative distribution proposed by the Commission. The adjustment for each beneficiary Member State is limited, by between about 1,7 % and 2,1 % of their respective shares, and the resulting distribution key totals 100 %, as in the Commission proposal.

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent a total of +3500 companies in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.



Union of the Electricity Industry - Eurelectric aisbl
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • www.eurelectric.org
EU Transparency Register number: [4271427696-87](https://register.transparency.europa.eu/4271427696-87)