Brussels, 14 October 2026

To: Mr António Costa, President of the European Council
Members of the European Council

Cc: Members of the Environment Council
Members of the European Parliament's Committee on the Environment, Public Health and Food Safety (ENVI)

In support of a predictable and meaningful Emissions Trading System

Dear President Costa, dear Members of the European Council,

Europe is entering a period of **unprecedented investment in its energy system and economy**. The sectors our organisations represent **contribute hundreds of billions to EU GDP each year** and are set to **invest trillions by 2050** in the clean energy, energy efficiency, infrastructure and technologies needed to deliver a decarbonised, resilient and competitive EU economy. With Europe's dependence on imported fossil fuels driving major energy insecurity and price volatility, this investment is urgent. **Achieving it requires a policy framework that stimulates investor confidence and rewards long-term investment in clean technologies.**

The **EU Emissions Trading System (ETS) is a core part of this framework**. Since 2005, emissions in ETS sectors have fallen by around 50%, while the EU economy has grown by around 30%, showing that carbon pricing can drive emissions reductions cost-effectively, while supporting economic growth. Its influence also extends beyond Europe, as other jurisdictions adopt carbon pricing or seek to link with ours.

We, the undersigned business and investor organisations, therefore support a **predictable, investment-oriented ETS** with a **meaningful carbon price** that provides a clear and stable long-term signal for decarbonisation and industrial transformation. To this end, we call for:

1. Preserving the integrity of the EU ETS. A predictable cap trajectory and rules-based market stability reserve will stimulate demand for – and thus investment in – homegrown, clean energy sources, and support innovation and industrial transformation. Flexibilities or ad-hoc interventions should not weaken this long-term signal.

2. Reinvesting ETS revenues in industrial decarbonisation and the energy transition. At least 50% of ETS1 revenues should be reinvested into the decarbonisation of ETS1 sectors. We welcome initiatives such as the Investment Booster, the Industrial Decarbonisation Bank and the Innovation Fund, which can help turn the carbon price signal into concrete projects in Europe. These instruments should prioritise mature and scalable decarbonisation solutions, including direct electrification. Remaining revenues should be spent on climate and energy priorities, such as energy efficiency. The Modernisation Fund should likewise help lower-income Member States invest in the transition and share fully in its benefits.

3. Balancing climate action and competitiveness. Free allocation should be targeted and conditional, and aligned with the CBAM phase-in, while effectively protecting non-CBAM sectors

from carbon leakage. It should support investment certainty and be tied to credible decarbonisation plans and investment commitments in Europe. Conditionalities should be workable, limit administrative complexity, consider enabling conditions and not penalise early movers.

4. Keeping decarbonisation and investment on EU soil. International carbon credits should not substitute for EU emissions reductions within the ETS or divert ETS resources away from Europe's industrial transformation. Any use should be limited to high-integrity credits, deployed indirectly in a predictable manner.

Europe needs an ETS that keeps investment moving. Getting this review right will help turn Europe's energy challenge into an opportunity for growth.

We stand ready to work with the co-legislators to make sure the ETS continues to deliver.

Sincerely,
The undersigned associations

**DISCLAIMER: This letter was developed in collaboration with IIGCC and its members but does not necessarily represent the views of its entire membership, either individually or collectively.*