

EFET response to EU Commission consultation on updating the EU emissions trading system (ETS)

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The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide our comments to the Commission consultation on updating the EU emissions trading system (ETS²).

Our main messages are:

1. Reinforcing the role of the EU ETS as a key driver of a cost-effective decarbonisation of the EU economy.
2. Creating a pathway for a gradual expansion of the EU ETS.
3. Ensuring MSR review forms part of a comprehensive EU ETS revision.
4. Ensuring coherence between the EU ETS and the overlapping instruments and policies introduced both at EU and at national level.
5. Putting in place a CBAM linked to the EU ETS.

A credible, reinforced and expanded EU ETS is instrumental in achieving the European 2030 climate targets and the 2050 climate neutrality objective in a cost-effective way. With the expansion of the EU ETS and the establishment of a second ETS for transport and buildings, an EU wide carbon price can become the long-term driver for decarbonisation across the European economy, encouraging uptake of least cost emission reduction technologies and solutions and facilitating energy system integration.

All in all, the proposal of the EU Commission to expand and reinforce the EU ETS in line with Europe's revised climate targets by lowering the EU ETS cap and increasing the linear reduction factor (LRF) receives full support from EFET. We also support the introduction of a separate Emissions Trading System for buildings and transport and the prospect of merging both systems into one in the future. In light of continuous global warming, the EU needs to act quickly and decisively. Therefore, we urge the EU to implement a meaningful carbon price across all sectors as soon as possible and to make sure that eventually all carbon emissions from industry, SMEs, transportation and households that do not fall under the EU ETS are covered by the new ETS to prevent distortions of competition.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information, visit our website at www.efet.org

² See our previous [EFET recommendations for the revision of the EU ETS Directive](#), January 2021.

We would like to emphasise the need to implement the ETS reform as soon as possible, in order to spread in time the impact of the tightened scheme on industry and consumers. The later the ETS reform is adopted, the starker the immediate impact on them will be. We recognise that negotiations on the ETS for transport and buildings are divisive amongst Member States, but would nonetheless urge you to proceed as soon as possible with the ETS reform to reflect the EU's strengthened climate targets.