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PROPOSAL

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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
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Subject:	Proposal for a DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Decision (EU) 2015/1814 as regards the amount of allowances to be placed in the market stability reserve for the Union greenhouse gas emission trading scheme until 2030

Delegations will find attached document COM(2021) 571 final.

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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Decision (EU) 2015/1814 as regards the amount of allowances to be placed in the market stability reserve for the Union greenhouse gas emission trading scheme until 2030

{SWD(2021) 552 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The **European Green Deal Communication**[1] launched a new growth strategy for the EU that aims to transform the EU into a fair and prosperous society with a modern, resource-efficient and competitive economy. It reaffirms the Commission's ambition to increase its climate targets and make Europe the first climate-neutral continent by 2050. Furthermore, it aims to protect the health and well-being of citizens from environment-related risks and impacts. The necessity and value of the European Green Deal have only grown in light of the very severe effects of the COVID-19 pandemic on the health, living and working conditions and well-being of the Union's citizens.

Tackling climate change is an urgent challenge. In line with the scientific findings of the Intergovernmental Panel on Climate Change (IPCC) Special Report, global net-zero CO2 emissions need to be achieved around 2050, and neutrality for all other greenhouse gases as soon as possible later in the century. This urgent challenge requires the EU to step up its action and demonstrate global leadership by becoming climate neutral by 2050. This objective is set out in the Communication '**A Clean Planet for all**' - A European strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy'[2].

Based on the European Green Deal strategy and a comprehensive impact assessment, the Commission's Communication of September 2020 on **Stepping up Europe's 2030 climate ambition**[3] ('2030 Climate Target Plan') proposed to raise the EU's ambition and put forward a comprehensive plan to increase the European Union's binding target for 2030 towards at least 55 % net emission reduction, in a responsible way. Raising the 2030 ambition now helps give certainty to policymakers and investors, so that decisions made in the coming years do not lock in emission levels inconsistent with the EU's objective to be climate neutral by 2050. The 2030 target is in line with the Paris Agreement objective to keep the global temperature increase to well below 2°C and pursue efforts to keep it to 1.5°C.

The European Council endorsed the new EU binding target for 2030 at its meeting of December 2020[4]. It also called on the Commission "*to assess how all economic sectors can best contribute to the 2030 target and to make the necessary proposals, accompanied by an in-depth examination of the environmental, economic and social impact at Member State level, taking into account national energy and climate plans and reviewing existing flexibilities*".

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1 COM(2019)640 final.
2 COM(2018) 773 final.
3 COM (2020) 562 final.
4 European Council Conclusions 10-11 December 2020 EUCO 22/20 CO EUR 17 CONCL 8.

To this end, the **European Climate Law**[5], as agreed with the co-legislators, will make the EU's climate neutrality target legally binding, and raise the 2030 ambition by setting the target of at least 55 % net emission reduction by 2030 compared to 1990.

In order to follow the pathway proposed in the European Climate Law, and deliver this increased level of ambition for 2030, the Commission has reviewed the climate and energy legislation currently in place that are expected to only reduce greenhouse gas emissions by 40 % by 2030 and by 60 % by 2050. This 'fit for 55' legislative package, as announced in the 2030 Climate Target Plan, is the most comprehensive building block in the efforts to implement the ambitious new 2030 climate target, and all economic sectors and policies will need to make their contribution.

As part of this package, the Commission has to increase the environmental contribution of the EU Emissions Trading System (EU ETS) by amending Directive 2003/87/EC of the European Parliament and of the Council[6] (EU ETS Directive) in a manner commensurate with the overall target. In addition, unprecedented near term investments are needed to overcome the negative impact of the COVID-19 crisis on jobs, incomes and businesses, including in the sectors covered by the EU Emissions Trading System (EU ETS).

To address the structural imbalance between the supply of and demand for allowances in the market and to improve the resilience of the EU ETS to major shocks, Decision (EU) 2015/1814 of the European Parliament and of the Council[7] (the MSR Decision) established a market stability reserve (the MSR) in 2018. The MSR has been operational since 2019.

The reserve functions by triggering adjustments to the annual auction volumes. In order to preserve a maximum degree of predictability, Decision (EU) 2015/1814 (MSR Decision) established clear rules for placing allowances in the reserve and releasing them from it.

These rules were amended by Directive (EU) 2018/410 of the European Parliament and of the Council[8]. Directive (EU) 2018/410 doubled until 2023 the intake rate (the percentage from the total number of allowances in circulation (TNAC) which is put in the reserve) from 12 % to 24 %, and the minimum amount to be placed in the reserve from 100 to 200 million allowances.

It should be noted that the minimum amount of allowances to be placed in the reserve determines indirectly the minimum TNAC necessary to trigger an intake of allowances in the

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5 Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

6 Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).

7 Decision (EU) 2015/1814 of the European Parliament and of the Council of 6 October 2015 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC (OJ L 264, 9.10.2015, p. 1–5).

8 Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814 (OJ L 76, 19.3.2018, p. 3–27).

reserve (i.e. the upper threshold of the reserve). The TNAC needs to be at least 833 million so that 12 % of that amount entails placing at least 100 million allowances into the reserve. This minimum amount was doubled together with the doubling of the intake percentage so that the upper threshold of the reserve stayed the same (24 % of 833 being 200).

The changes to the EU ETS to increase ambition for 2030, as well as the impact of external factors such as COVID-19 or national measures such as coal phase-outs, mean that the basic rules of the MSR must remain fit to continue tackling structural supply-demand imbalances throughout the decade. Moreover, Article 3 of the MSR Decision tasks the Commission with reviewing the functioning of the MSR before within three years of the start of its operation, on the basis of an analysis of the orderly functioning of the European carbon market. The review must pay particular attention to the MSR's key numerical parameters and invalidation rule[9], and look into the impact of the reserve on growth, jobs, the Union's industrial competitiveness and the risk of carbon leakage.

The analysis carried out in the Impact Assessment, in the context of the review, shows that the MSR should be adapted to the new policy and market conditions, and shocks. It also found that the MSR should include supply and demand from aviation. Another point resulting from the analysis was that the intake is prone to a threshold effect, which should be corrected[10].

The review of these elements should be considered together with the effects for market stability of increasing the ambition of the EU ETS. As a result, it is being carried out as part of the proposal for a Directive of the European Parliament and the Council amending the EU ETS Directive and MSR Decision to strengthen the EU ETS[11].

According to Article 1(5) of the MSR Decision, the intake rate reverts back to 12 % after 2023. If the MSR parameters are not adjusted appropriately and in a timely manner, this risks resulting in a potentially harmful increase of the surplus. Hence, the continuation of the current parameters of the MSR, as established pursuant to Directive (EU) 2018/410 (intake rate of 24 % and minimum amount to be placed in the reserve of 200 million allowances), should be adopted separately from the general review of the EU ETS as part of the "Fit for 55" package to ensure market predictability.

As a result, the MSR Decision should be amended to make this essential adjustment to maintain a well-functioning and ambitious EU ETS.

- **Consistency with existing policy provisions**

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9 The invalidation rule is set out in Article 1(5a) of the MSR Decision. It states that, as of 2023, allowances held in the reserve above the total number of allowances auctioned during the previous year will be invalidated.

10 As an illustration for the threshold effect, if the TNAC is 834 million allowances, slightly higher than the upper threshold of 833 million, then according to the MSR rules, 24 % % of the TNAC is put in the MSR. However, if the TNAC is just below the threshold, at 832 million allowances, then nothing is put in the MSR at all.

11 Directive (EU) 2021/… of … of the European Parliament and of the Council amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, and Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme (OJ L […], […], p. […]).

The MSR is a tool for stability of the market established by the EU ETS. As such, the consistency of the MSR with other Union policies is ensured mainly through the consistency of the EU ETS with other Union policies. As the current proposal only involves changes to the design features of the MSR, it does not affect other Union policies directly.

Consistency with other Union policies is ensured through the coherence of the impact assessment for the EU ETS and MSR review with the remainder of the 'fit for 55' climate and energy package: notably the impacts assessments related to the ESR; the Land Use, Land Use Change and Forestry (LULUCF) Regulation; CO2 Emissions Performance Standards for Cars and Vans; the Renewable Energy Directive (RED II); the Energy Efficiency Directive (EED); and, at a later stage, the Energy Performance of Buildings Directive. The market stability reserve captures changes in demand due to these complementary policies.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- Legal basis

The legal basis for this proposal is Article 192 TFEU. In accordance with Article 191 and 192(1) TFEU, the European Union shall contribute to the pursuit, inter alia, of the following objectives: preserving, protecting and improving the quality of the environment; promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate change.

- **Subsidiarity (for non-exclusive competence)**

The EU's right to act stems from the fact that the EU ETS operates as a Union-wide system in a fully harmonised manner. The EU ETS Directive is an existing EU policy instrument introduced in 2003.

Climate change is a trans-boundary problem and both international and EU action can effectively complement and reinforce regional, national and local action. Increasing the 2030 target for EU greenhouse gas reductions will impact many sectors across the EU economy and coordinated action at the EU level is therefore indispensable and has a much bigger chance of leading to the necessary transformation, acting as a strong driver for cost-efficient change and upward convergence.

The objectives of the EU ETS Directive therefore cannot be sufficiently achieved by the Member States acting unilaterally, but can rather, by reasons of the scale and effects of the Directive, be better achieved at Union level. By extension, as the MSR is a tool for stability of the market established by the EU ETS Directive, its objective also cannot be sufficiently achieved by unilateral action by the Member States. It is an existing EU policy instrument adopted in 2015. In accordance with the principle of subsidiarity set out in Article 5 of the TFEU, the objectives of the proposal amending this instrument can only be achieved through a proposal from the Commission at EU level.

- **Proportionality**

As set out in section 7 of the impact assessment, the proposal complies with the proportionality principle because it does not go beyond what is necessary in order to achieve

the objectives of implementing the EU's greenhouse gas emission reduction target for 2030 in a cost-effective manner while at the same time ensuring the proper functioning of the internal market.

- **Choice of the instrument**

A Decision is the appropriate instrument to amend the Decision establishing the MSR.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

There was no ex-post evaluation or fitness check related to these proposals due to the early stage of implementation of existing legislation and, consequently, the limited data availability.

- **Stakeholder consultations**

The general consultation on the revision of the EU ETS gathered stakeholder views on the review of the MSR.

The Commission first invited feedback on an inception impact assessment, outlining the initial considerations and policy options of the review. The inception impact assessment was open for feedback from 29 October 2020 to 26 November 2020 and received about 250 contributions[12]. The Commission then organised an online public consultation with a questionnaire. It was open for 12 weeks from 13 November 2020 to 5 February 2021 and received almost 500 replies[13]. The Commission also instructed the contractor Vivid Economics to organise two expert workshops[14] on the review of the MSR.

The MSR has wide support across stakeholder groups, however, there is no consensus about the necessary changes to its parameters, in particular its thresholds and its intake rate. Civil society expressed relatively more support for a strengthening of the parameters of the MSR than the private sector. The proposal to continue with an intake rate of 24 % and minimum amount to be placed in the reserve of 200 million allowances beyond 2023 and until the end of Phase IV of the EU Emissions Trading System in 2030 strikes a reasonable balance, also reflecting that the MSR with its current parameters has worked well in the past.

- **Collection and use of expertise**

This proposal builds upon evidence gathered in the context of the impact assessment[15] accompanying the 2030 Climate Target Plan. It makes use of updated EU Reference

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12 The outcome can be found on the following website: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12660-Updating-the-EU-Emissions-Trading-System

13 The outcome can be found on the following website: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12660-Updating-the-EU-Emissions-Trading-System/public-consultation

14 https://ec.europa.eu/clima/events/expert-workshop-market-stability-reserve_en, https://ec.europa.eu/clima/events/2nd-expert-workshop-market-stability-reserve_en.

15 In particular Vivid Economics, (2021) – "Review of the EU ETS' Market Stability Reserve", report prepared for DG CLIMA.

Scenario[16], which includes COVID-19 impacts, and updated policy scenarios, building upon the scenarios developed for the 2030 Climate Target Plan.

In addition, the Commission bases itself on the growing body of peer-reviewed empirical research on the EU ETS and makes use of several support contracts. Among the support contracts, Vivid Economics conducted a study to support the Commission in the review of the MSR[17]. In the context of the study, two expert workshops were organised by Vivid Economics, with the participation of analysts, market experts and stakeholders. This study supported maintaining the current intake rate after 2023.

- **Impact assessment**

The proposal is accompanied by an impact assessment, which builds on the findings of the comprehensive impact assessment on the 2030 Climate Target Plan[18]. It is based on integrated modelling scenarios that reflect the interaction of different policy instruments on economic operators, in order to ensure complementarity, coherence and effectiveness in achieving the 2030 and 2050 climate ambition. An executive summary and the positive opinion of the regulatory scrutiny board will be made publicly available. Regarding this proposal, the impact assessment showed that, in order to maintain the good functioning of the EU ETS, the intake rate should not be allowed to return to 12 % after 2023, but should be maintained at 24 %, until the full review can be implemented.

- **Regulatory fitness and simplification**

This proposal will imply no direct administrative burden to enterprises as it is implemented by the Commission.

In line with the Commission's commitment to Better Regulation, the proposal has been prepared inclusively, based on full transparency and continuous engagement with stakeholders, listening to external feedback and taking into account external scrutiny to ensure the proposal strikes the right balance (see also section on the collection and use of expertise).

- **Fundamental rights**

The proposal respects the fundamental rights and observes the principles recognised in particular by the Charter of Fundamental Rights of the European Union[19]. In particular, it contributes to the objective of a high level of environmental protection in accordance with the principle of sustainable development as laid down in Article 37 of the Charter of Fundamental Rights of the European Union[20].

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16 Modelling-based projections of energy, transport and greenhouse gas emissions trends to 2050, building on consistent set of assumptions across EU, Member States and EU policies, Member States specific characteristics; and relying on the consultation of Member States experts.

17 Vivid Economics, (2021) – "Review of the EU ETS' Market Stability Reserve", report prepared for DG CLIMA.

18 SWD(2020)176.

19 OJ C 326, 26.10.2012, p. 391.

20 OJ C 326, 26.10.2012, p. 391.

4. BUDGETARY IMPLICATIONS

The EU ETS generates significant revenues for Member States' budgets. Most of the auctioning revenues accrue to Member States. The proposal affects national budgets and administrations primarily because of this link. Maintaining the current intake rate of the MSR will reduce the auction volumes of the Member States. However, this is expected to be compensated by the effect on the price of a reduced surplus of allowances in the market due to the increased ambition of the EU ETS, and by the proposed increase in the scope of the EU ETS Directive to cover maritime transport, and road transport and buildings. Adjustments to the EU budgetary framework will be presented by the Commission as part of the upcoming Own Resources package including a proposal to amend the multiannual financial framework.

IT development and procurement choices will be performed according to the Communication on the guidelines on financing of information technology and cybersecurity, of 10 September 2020[21].

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The Commission will continue to monitor and evaluate the functioning of the EU ETS, including the MSR, in its annual Carbon Market Report, as provided under Article 10(5) of the EU ETS Directive. The initiative builds on the process based on integrated national energy and climate plans and the robust transparency framework for greenhouse gas emissions and other climate information that is contained in Regulation (EU) 2018/1999 of the European Parliament and of the Council[22]. The Commission will use inter alia the information submitted and reported by Member States under the Governance Regulation as a basis for its regular assessment of progress. This includes information on greenhouse gas emissions, policies and measures, projections and adaptation. The Commission will also make use of this information for the Environmental Implementation Reviews and the monitoring of the Environment Action Programmes.

Furthermore, evaluation of progress on the application of the EU ETS Directive is regulated in Article 21 of the EU ETS Directive, which requires Member States to submit to the Commission an annual report paying particular attention to issues including the allocation of allowances, operation of the Registry, application of monitoring and reporting, verification and accreditation and issues relating to compliance.

In addition, Article 3 of the MSR Decision requires the Commission to regularly review the MSR after this first review.

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21 C(2020) 6126.

22 Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1–77).

- **Detailed explanation of the specific provisions of the proposal**

As the MSR Decision currently stands, the 24 % intake rate of the MSR and the minimum amount to be placed in the reserve of 200 million allowances will expire in 2023. As from 2024, the intake rate would become 12 %. The impact assessment has shown that 12 % intake rate would not be enough to ensure that the objectives of the MSR in terms of reducing the surplus and ensuring market resilience would still be fulfilled. The aim of this proposal is to ensure that the current parameters of the MSR (intake rate of 24 % and minimum amount to be placed in the reserve of 200 million allowances) are maintained beyond 2023 and until the end of Phase IV of the EU ETS on 31 December 2030 to ensure market predictability. The MSR intake rate would revert to 12 % after 2030.

2021/0202 (COD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Decision (EU) 2015/1814 as regards the amount of allowances to be placed in the market stability reserve for the Union greenhouse gas emission trading scheme until 2030

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 192(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[1],

Having regard to the opinion of the Committee of the Regions[2],

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) The Paris Agreement, adopted in December 2015 under the United Nations Framework Convention on Climate Change (UNFCCC) entered into force in November 2016 ("the Paris Agreement")[3]. The Parties to the Paris Agreement have agreed to hold the increase in the global average temperature well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels.

(2) Tackling climate and environmental-related challenges and reaching the objectives of the Paris Agreement are at the core of the Communication on "The European Green Deal", adopted by the Commission on 11 December 2019[4].

(3) The European Green Deal combines a comprehensive set of mutually reinforcing measures and initiatives aimed at achieving climate neutrality in the EU by 2050, and sets out a new growth strategy that aims to transform the Union into a fair and prosperous society, with a modern, resource-efficient and competitive economy, where economic growth is decoupled from resource use. It also aims to protect, conserve and enhance the Union's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. At the same time, this transition affects women and men differently and has a particular impact on some disadvantaged groups, such as older people, persons with disabilities and persons with a minority racial or ethnic background. It must therefore be ensured that the transition is just and inclusive, leaving no one behind.

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1 OJ C , , p. .
2 OJ C , , p. .
3 Paris Agreement (OJ L 282, 19.10.2016, p. 4).
4 COM(2019)640 final.

(4) The necessity and value of the European Green Deal have only grown in light of the very severe effects of the COVID-19 pandemic on the health, living and working conditions and well-being of the Union's citizens, which have shown that our society and our economy need to improve their resilience to external shocks and act early to prevent or mitigate them. European citizens continue to express strong views that this applies in particular to climate change[5].

(5) The Union committed to reduce the Union's economy-wide net greenhouse gas emissions by at least 55 % by 2030 below 1990 levels in the updated nationally determined contribution submitted to the UNFCCC Secretariat on 17 December 2020[6].

(6) In Regulation (EU) 2021/1119 of the European Parliament and of the Council[7] the Union has enshrined the target of economy-wide climate neutrality by 2050 in legislation. That Regulation also establishes a binding Union domestic reduction commitment of net greenhouse gas emissions (emissions after deduction of removals) of at least 55 % below 1990 levels by 2030.

(7) All sectors of the economy need to contribute to achieving those emission reductions. Therefore, the ambition of the EU Emissions Trading System (EU ETS), established by Directive 2003/87/EC of the European Parliament and of the Council[8], should be adjusted to be in line with the economy-wide net greenhouse gas emissions reduction commitment for 2030.

(8) In order to address the structural imbalance between supply and demand of allowances in the market, Decision (EU) 2015/1814 of the European Parliament and of the Council[9] established a market stability reserve (the 'reserve') in 2018, which has been operational since 2019.

(9) The reserve functions by triggering adjustments to the annual volumes of allowances to be auctioned. In order to preserve a maximum degree of predictability, Decision (EU) 2015/1814 established clear rules for placing and releasing allowances in the reserve.

(10) Where the number of allowances in circulation is above the established upper threshold, an amount of allowances corresponding to a given percentage of these allowances is deducted from the volumes of allowances to be auctioned and placed in the reserve. Meanwhile, a corresponding number of allowances is released from the reserve to Member States, and added to the volumes of the allowances to be auctioned, if the total number of allowances in circulation falls below the established lower threshold.

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5 Special Eurobarometer 513 on Climate Change, 2021 (https://ec.europa.eu/clima/citizens/support_en).

6 https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/European %20Union %20First/EU_NDC_Submission_December %202020.pdf

7 Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

8 Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).

9 Decision (EU) 2015/1814 of the European Parliament and of the Council of 6 October 2015 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC (OJ L 264, 9.10.2015, p. 1).

(11) Directive (EU) 2018/410 of the European Parliament and of the Council[10] amended Decision (EU) 2015/1814 by doubling the percentage rate to be used for determining the number of allowances to be placed each year in the reserve from 12 % to 24 % until 31 December 2023.

(12) In accordance with Decision (EU) 2015/1814, within three years of the start of the operation of the reserve, the Commission is to carry out its first review on the basis of an analysis of the orderly functioning of the European carbon market and, where appropriate, submit a proposal to the European Parliament and to the Council.

(13) The review paid particular attention to the percentage figure for the determination of the number of allowances to be placed in the reserve, as well as to the numerical value of the threshold for the total number of allowances in circulation and the number of allowances to be released from the reserve.

(14) The analysis carried out in the context of the reserve's review and the expected developments relevant to the carbon market demonstrate that a rate of 12 % of the total number of allowances in circulation to be placed in the reserve each year after 2023 is insufficient to prevent a significant increase of the surplus of allowances in the EU ETS. Therefore, after 2023 the percentage figure should continue to be 24 %, and the minimum number of allowances to be placed in the reserve should also continue to be 200 million.

(15) If the rate of the total number of allowances in circulation to be placed in the reserve each year reverts to 12 % after 2023, a potentially harmful surplus of allowances in the EU ETS may disturb market stability. In addition, the rate of 24 % after 2023 should be established separately from the general review of Directive 2003/87/EC and Decision (EU) 2015/1814 to strengthen the EU Emissions Trading System in line with the Union's increased climate ambition for 2030 to ensure market predictability.

(16) Decision (EU) 2015/1814 should therefore be amended accordingly,

HAVE ADOPTED THIS DECISION:

Article 1

Amendments to Decision (EU) 2015/1814

In Article 1(5), first subparagraph, of Decision (EU) 2015/1814, the last sentence is replaced by the following:

'By way of derogation from the first and second sentences, until 31 December 2030, the percentages and the 100 million allowances referred to in those sentences shall be doubled.'

[10] Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814 (OJ L 76, 19.3.2018, p. 3).

Article 2

Entry into force

This Decision shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union.*

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*