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'I/A' ITEM NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

Subject: Draft DECISION OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL amending Decision (EU) 2015/1814 as regards the market
stability reserve for buildings, road transport and additional sectors (**first
reading**)
- Adoption of the legislative act
= Statements

**Denmark, Finland, Luxembourg, the Netherlands, Spain and Sweden have requested that the
following statement be entered in the Council minutes**

Denmark, Finland, Luxembourg, the Netherlands, Spain and Sweden reiterate our support for
emissions trading as the key market-based instrument for a cost-effective European climate policy,
enhancing predictability and competitiveness for European businesses. We are concerned by recent
calls for further amendments to and postponement of ETS2.

The proposed Council Decision for an amendment to the MSR-decision is part of a larger ETS2-package, including amendments to the delegated Auctioning Regulation and a Frontloading Facility by the EIB. The package delivers on all suggestions in the letter to the Commission signed by 19 Member States. We expected that this package would prevent a revision or a delay of the system. However, the European Climate Law Negotiations resulted in a 1-year postponement of ETS2.

We are concerned that any further postponement or amendments related to the market-based price of ETS2 would substantially undermine the effectiveness of EU climate policy. Ongoing discussions on additional ETS2 price stabilisation measures or fixed prices are reducing the system's credibility and increase uncertainty for investment decisions by firms and households already today.

Going forward, EU businesses and households need political stability and predictability. Recalling the widely recognised success of ETS1, Denmark, Finland, Luxembourg, the Netherlands, Spain and Sweden therefore object to further postponement or amendments related to the market-based price of ETS2, including in the upcoming review of the ETS-Directive.

Estonia has requested that the following statement be entered in the Council minutes

Commission's response to Member States' concerns and the targeted amendment of the Market Stability Reserve (MSR) is welcomed, this represents a necessary first step towards improving price stability under ETS2.

Estonia welcomes the Commission's commitment to assess price stability measures by October 2027 to ensure that the price does not exceed EUR 45 per unit. We believe it is essential that the Commission considers extending these price measures beyond 2029, as set out in recital 9.

At the same time, Estonia remains concerned about the predictability of ETS2 prices and the potential socio-economic impacts of the system. The proposed measures primarily address the initial years of implementation, until 2029, and do not provide sufficient assurance regarding long-term price stability in the sectors covered by ETS2.

Estonia is also concerned about the distributional effects of ETS2, particularly for lower-income households and higher costs in parts of Central and Eastern Europe. This underlines the importance of ensuring that the implementation of ETS2 remains socially fair and does not exacerbate existing disparities between Member States.

Thus, it is essential to establish a clear vision for the ETS2 framework beyond 2029. We remain in the position that the forthcoming review of the ETS Directive should explicitly cover ETS2 and address its long-term functioning, including issues related to price stability and predictability. Estonia supports further reflection on measures that could strengthen the long-term resilience and effectiveness of the system.

Estonia also considers that opportunities for reducing unnecessary administrative burden of ETS2 should be further explored. Monitoring and reporting requirements should be better aligned with existing obligations under other Union legislation, including RED III, particularly where equivalent data are already collected through established national systems. Such alignment would improve efficiency while preserving the environmental integrity of the framework.

In light of the improvements introduced by the proposal, Estonia is able to support the text. Nevertheless, Estonia would like to highlight its concerns regarding the long-term functioning of ETS2, the need for greater price predictability, and the potential socio-economic impacts of the system and hence retains its overall view that the implementation of the system has to be postponed until these concerns are alleviated.
