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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Proposal for a Directive of the European Parliament and of the Council amending Directive 2003/87/EC and Decision (EU) 2015/1814 as regards driving competitiveness and cost-effective decarbonisation and Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2015/757 and Regulation (EU) 2023/1805 to simplify and streamline monitoring, reporting and verification and to align with revisions of the EU Emissions Trading System - Opinion of the European Economic and Social Committee

Delegations will find enclosed the opinion of the European Economic and Social Committee.[1]

[1] DM Search v5.6.1





OPINION

European Economic and Social Committee

Revision of the EU Emissions Trading System

Proposal for a Directive of the European Parliament and of the Council amending Directive 2003/87/EC and Decision (EU) 2015/1814 as regards driving competitiveness and cost-effective decarbonisation
(COM(2026) 616 final – 2026/0212 (COD))

Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2015/757 and (EU) 2023/1805 to simplify and streamline monitoring, reporting and verification and to align with revisions of the EU Emissions Trading System
(COM(2026) 620 final – 2026/0210 (COD))

NAT/998

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Legislative procedure	EU Law Tracker
Referral	European Parliament, 23/7/2026 Council, 11/9/2026
Legal basis	Articles 192(1) and 304 of the Treaty on the Functioning of the European Union
European Commission documents	COM(2026) 616 final COM(2026) 620 final Summary of COM proposals
Relevant Sustainable Development Goals (SDGs)	SDG 13 – Climate action
Section responsible	Agriculture, Rural Development and the Environment
Adopted in section	8/10/2026
Adopted at plenary session	21/10/2026
Plenary session No	609
Outcome of vote (for/against/abstentions)	236/7/16

1. RECOMMENDATIONS

The European Economic and Social Committee (EESC)

1.1 welcomes the Commission's proposal to review the EU Emissions Trading System (ETS) in light of the Union's 2040 climate target, the Clean Industrial Deal and the objective of strengthening Europe's competitiveness and energy security. The ETS has been a central driver of emissions reductions and remains one of the Union's most important instruments for achieving the 2040 climate target and climate neutrality by 2050. Its success should be measured by sustained emissions reductions, competitivity increase of European industries, a credible investment signal, competitive clean industrial production, quality employment and access to secure and affordable clean energy. The EESC is aware that the combination of high energy prices and compliance costs is creating significant difficulties for certain sectors and Member States;

1.2 considers that the review should preserve the environmental integrity of the ETS while improving its ability to support European industrial competitiveness and quality employment. Climate ambition, industrial competitiveness and social cohesion should not be regarded as conflicting objectives but rather as mutually reinforcing pillars of Europe's long-term prosperity and resilience. The carbon price signal provided by the ETS should be combined with creating a more favourable framework for investment in clean industrial production in Europe;

1.3 The phase-out of fossil fuels must be managed in a way that strengthens energy security, reduces exposure to volatile imported fossil fuels, and ensures continuity of industrial production. The transition must be supported by the deployment of clean energy, grids, innovative technologies, energy storage, demand response and energy efficiency to achieve more affordable energy prices and ensure continuity of production, particularly in the most vulnerable regions;

1.4 supports maintaining a predictable long-term emissions trajectory. Adjustments to the Linear Reduction Factor, the Market Stability Reserve or other structural parameters should be aligned with the 2040 climate target, preserve investor confidence by avoiding interventions in the market and core design and ensure that the ETS delivers 85-90% domestic emission reductions by 2040, while promoting the competitiveness of affected sectors;

1.5 supports introducing conditionality for and gradually phasing out free allocation. Free allocation should remain targeted at sectors genuinely exposed to carbon leakage, while progressively evolving from passive compensation into a lever for industrial transformation. Continued allocation should be conditional on credible decarbonisation plans, with measurable milestones proportionate to operator capacity to invest. The rules of conditionality should be transparent and clear for operators. Timelines should reflect industrial project lead times, and administrative requirements should remain proportionate, while ensuring that flexibility does not reward delayed investment. Investments completed before 2031 should also be applicable to avoid disadvantaging front-runners;

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1.6 reiterates its call for an effective, long-term and WTO-compliant carbon-leakage solution for exports to third countries from CBAM sectors and impacted downstream exports with a high risk of carbon leakage;

1.7 welcomes the increase in funding for industrial decarbonisation and recommends better coordination between the Innovation Fund, the proposed Industrial Decarbonisation Bank, the Modernisation Fund, state aid instruments and revenue from the Emissions Trading Scheme (ETS). The co-legislators should consider the possibility of maintaining the Just Transition Fund as a tool to mitigate the impact of the transition for workers, businesses, citizens and industrial regions, as well as accelerating the use of future revenue from carbon charges through a mechanism supported by the EIB or the EU budget. Support should be directed primarily towards innovative and scalable clean technologies, European value chains and high-quality jobs, whilst maintaining rigorous climate protection conditions;

1.8 considers ETS revenue one of Europe's most important sources of financing for the clean transition. Member States should channel 100% of it towards climate and energy transition, with 50% dedicated to industrial, maritime and aviation decarbonisation, clean energy and transport, innovation, skills and targeted support for affected workers, regions and rural areas. Where sectors outside ETS, such as agriculture and downstream industries, bear demonstrable indirect costs and have credible decarbonisation investments, they should be eligible for support. The Modernisation Fund should remain a strong, well-targeted solidarity mechanism for clean energy transition for lower-income Member States, with any change in its size assessed against investment needs and distributional impacts;

1.9 stresses that decarbonisation will only succeed with a just transition. The review should reinforce jobs creation, upskilling, labour market adaptation and local economic diversification, with meaningful involvement of social partners. Support should cover affected industrial and rural regions, sectors indirectly exposed to transition costs and vulnerable households, while safeguarding quality employment, territorial cohesion and access to essential energy services, while upholding incentives to invest in clean alternatives. The Commission, ESMA and competent national authorities should create a dedicated unit to monitor the market, decarbonisation options and pathways, and maintain structured dialogue with ETS compliance companies and social partners, with accessible channels to report suspected market abuse and market-functioning concerns, ensuring timely assessment and follow-up. This cooperation should strengthen rules-based safeguards against excessive price volatility and help prevent severe structural market shortages, technological bottlenecks and punitive compliance costs that could lead to forced deindustrialisation and job losses;

1.10 Furthermore, the EESC underlines that the starting points for the transition, including infrastructure and technical constraints, geographical and climate conditions, energy mix, and purchasing power vary in each region. The European Commission should monitor economic and social consequences of measures implemented, apply an industrial competitiveness check and propose measures to preserve the EU's cohesion while upholding the single market;

1.11 supports adapting the Market Stability Reserve to a tightening market. It should remain rules-based, transparent and predictable, with calibrated parameters that reduce excessive volatility

without creating a discretionary price target, including by strengthening the ability of the MSR to respond to price shocks through Article 29a. The Commission should strengthen market transparency, supervision and safeguards against manipulation and excessive speculative behaviour, drawing on existing institutional competences, and report regularly on market functioning;

1.12 supports the inclusion of robust permanent carbon removals as an instrument enabling climate neutrality. Inclusion of permanent removals, including land-based and CCS removals, mainly by means of the BECCS and DACCS, can help manage the liquidity of the declining market, balance hard-to-abate emissions and provide incentives for scaling up carbon capture. Carbon capture can play an important role in achieving climate neutrality. The EESC encourages EU Member States to support research for improving and expanding technologies to have CCS as a supporting tool for decarbonisation;

1.13 is not in favour of including international credits in the ETS, as this would divert revenue that could otherwise be invested in decarbonising European industries away from the EU. High quality international credits should mainly be used by the Member States themselves as a flexibility tool.To prevent investment leakage, projects that would directly fund strategic competitors to European industries should be avoided in the EU 2040 regime;

1.14 calls for aviation to make a fair and progressively increasing contribution to the Union's climate objectives, with ETS coverage and supporting measures strengthened to deliver effective emissions reductions;

1.15 welcomes safeguards against transhipment and evasion and calls for them to be swiftly strengthened, based on evidence, where traffic diversion is demonstrated. Measures should not distort the level playing field between different sectors of shipping, including based on the carrying capacity of vessels. The maritime ETS should fully preserve incentives to cut emissions while adopting targeted, transparent measures that recognise the specific connectivity needs of islands, remote regions and ice-class vessels. A meaningful share of maritime ETS revenues should support scalable zero-emission fuels, vessel efficiency and electrification, including onshore power supply and electrification of ports, ferries and short sea shipping and decarbonisation of existing fleets. The EU should continue to pursue an ambitious global International Maritime Organization framework and adjust the ETS correspondingly to avoid double payments if an agreement is reached;

1.16 welcomes the gradual integration of municipal waste incineration into the ETS, accompanied by robust monitoring and measures preventing waste exports or diversion to landfill. Incineration of hazardous waste originating from the EU should be exempted. The pace and scope of integration should consider the availability of viable decarbonisation and recycling technologies for the waste sector with a gradual phase-in starting in 2035 and reaching full inclusion by 2038. Inclusion should reinforce the waste hierarchy, circularity, prevention and recycling, and ensure consistent treatment of comparable emissions source;

1.17 The EESC reiterates its support for the proportionate extension of the scope of the CBAM to avoid shifting the risk of carbon leakage downstream in the value chain. European producers

incur production costs arising from the CBAM because materials such as steel are covered by the mechanism, resulting in higher production costs compared to those of imported finished or processed products. Therefore, the Commission and the Member States should also consider revisions to the tax system to address the competitive disadvantage faced by European exports affected by CBAM-related costs;

1.18 acknowledges that European industrial sectors face high energy prices, international competition and significant investment needs. The objective should be to enable European competitive industrial production and decarbonisation, supported by affordable clean energy, electrification, modern infrastructure, innovation and simpler permitting. The Commission should also assess and mitigate indirect material ETS and CBAM impacts on sectors outside the ETS, including downstream industry and agriculture, through the cost of key inputs. The Commission should monitor and react accordingly in particular when the impact on fertilisers and on the competitiveness of European agriculture is negative, and propose, if necessary, targeted and proportionate measures to safeguard the EU's food security;

1.19 notes that the proposal leaves key details to be resolved through delegated and implementing acts in several instances, for example the criteria for conditionality and funding, and recommends that key requirements impacting operators be stated clearly in the directive where possible. Where technical details are necessarily left to be determined in delegated and implementing acts, they should be adopted well before they apply, with clear definitions. Benchmark updates should reflect technically feasible efficiency improvements while rewarding early investment in cleaner production routes;

1.20 considers that this review is an opportunity to bolster confidence in the European climate transition but carbon pricing alone cannot deliver industrial transformation. Complementary policies should prioritise efficient direct electrification where feasible and reserve scarce renewable fuels for sectors with limited alternatives. A stable and predictable ETS can simultaneously strengthen Europe's industrial leadership and social cohesion, reduce dependence on imported fossil fuels, stimulate innovation and contribute to achieving climate neutrality by 2050.

2. EXPLANATORY NOTES

2.1 The EESC's position is based on a review of previous opinions covering different aspects of the ETS, including *EU climate target for 2040*, *European Climate Law Amendment*, *CBAM revision*, *Recalibrating the Green Deal*, *Ensuring affordable stable energy for the energy-intensive industries* and *Economic impact of ETS implementation.*

Arguments in support of the recommendations on the emissions trajectory and the Linear Reduction Factor

2.2 The EESC considers that the review should preserve the environmental integrity of the ETS as a market-based instrument, protected from speculation while improving its ability to support European industrial competitiveness and quality employment. Climate ambition,

competitiveness and social cohesion should be mutually reinforcing pillars of Europe's long-term prosperity and resilience.

2.3 In the context of the 2040 climate target, a lesser emissions reduction contribution by ETS sectors would result in proportionally higher contributions by other sectors, including agriculture and transport. Where changes affect the distribution of effort across the wider climate framework, their implications for sectors outside the ETS should be assessed transparently, taking account of technical and economic capacity, competitiveness and consistency with the objective of European food security. Given the current difficulties facing European industry, the review of the ETS and complementing policies should focus on industrial competitiveness, investment and production in the EU. Residual emissions from hard to abate sectors should be recognised beyond 2039 to provide longer term predictability.

2.4 The EESC points out that the effectiveness of the ETS increasingly depends on complementary policies. Carbon pricing alone cannot deliver industrial transformation. Continued progress on electricity market integration, grid expansion, bridging the electricity-gas tax gap, permitting reform, affordable renewable and clean electricity, electrification, hydrogen infrastructure, circular economy measures and industrial innovation will be essential to enable investment in and decarbonisation of European industries.

2.5 The EESC recognises the importance of resilient European value chains, including upstream materials serving security and defence needs. The Commission should assess evidence of carbon leakage, supply concentration and strategic dependencies and use harmonised existing instruments to maintain critical production while accelerating decarbonisation. Any support should be targeted, time-limited, transparent and conditional on credible decarbonisation investment plans; broad or product-specific exemptions from ETS obligations should be avoided.

2.6 The EESC notes that Europe currently accounts for 6% of global emissions, which is declining further as the EU progresses towards climate neutrality by 2050. This underlines the necessity to engage with other major economies in order to achieve the goals of the Paris Agreement and continue to promote carbon pricing outside the EU to build a more level playing field and advance effective decarbonisation at global level;

Arguments in support of the recommendation on free allocation and investment conditionalities

2.7 Free allocation remains necessary where a genuine carbon-leakage risk exists. However, additional free allocation resulting from this review should support verifiable investment rather than constitute unconditional compensation. While the EESC supports the principle of conditionality in exchange for added free allocation, it also highlights the need to clarify the rules and ensure that their application is feasible for companies and genuinely supports decarbonisation.

2.8 The EESC stresses the need for a long-term, WTO-compliant export solution to support Europe's export-oriented CBAM and downstream sectors to complement the phasing out of free

allocation. The CBAM addresses carbon leakage on the Union market but does not level the playing field for EU producers competing in third-country markets.

2.9 The proposal should avoid disadvantaging operators that invest early in decarbonisation. Decarbonisation investments completed between 2026 and 2031 should be considered eligible for the 2031-2035 free-allocation conditionality period where they continue to deliver verified emissions reductions. Eligible costs should include both capital expenditure (CAPEX) and decarbonisation-related operating expenditure (OPEX).

2.10 The conditional share of free allocation should be released progressively against verified milestones, rather than only after the end of the assessment period. Operators should also not lose free allocation due to permitting, infrastructure or other delays beyond their control.

2.11 The EESC recommends that investment supported by the Modernisation Fund, where comparable to criteria for projects financed by the Innovation Fund, the Industrial Decarbonisation Bank and the Investment Booster, should be recognised under the post-2030 free allocation conditionality framework, ensuring consistent treatment across all decarbonisation funding instruments.

2.12 The EESC supports the Commission's approach whereby joint projects by several operators should be counted towards conditionality. These can be, for example, related to energy infrastructure, production of renewable hydrogen or electrification of processes.

2.13 Delegated and implementing acts on benchmarks, free-allocation conditionality, pooling and funding eligibility must be adopted well before they apply, with clear key definitions. As many elements as possible should be clearly defined in the directive. Operators can only prepare compliant decarbonisation plans and make sound investment decisions once the relevant definitions, benchmarks, eligibility rules and verification requirements are clear. The definition for low-carbon installation should be technology-neutral and based on verified emissions performance while reflecting the gradual nature of industrial decarbonisation.

Arguments in support of the recommendation on ETS revenues

2.14 The Innovation Fund should continue to support the development and uptake of innovative clean technologies based on excellency and competitive bidding. Eligibility rules for the new funding instruments, the Industrial Decarbonisation Bank and the Investment Booster should be set early and applied consistently. Support should be available for both CAPEX and decarbonisation-related OPEX where needed to deploy, ramp up and operate low-carbon technologies. The Commission should clearly establish eligible cost categories, support periods, calculation methods and safeguards against double funding. Clear rules would increase legal certainty, improve project bankability and make industrial decarbonisation support more effective.

2.15 The Investment Booster should be designed around the real financing needs of capital-intensive industrial decarbonisation projects. Because support may only come after operations start and emissions reductions are verified, companies could have to bear the full investment cost during

long development and construction phases. The EESC therefore calls for measures that improve access to financing during project implementation, lower financing costs and strengthen project bankability, especially for large-scale industrial transformation projects, while ensuring proper verification, quality and recovery safeguards.

2.16 The Modernisation Fund should remain a strong, well-targeted solidarity mechanism for lower-income Member States, with any change in its size assessed against investment needs, distributional impacts and the integrity of the overall ETS system. While the EESC supports the increased focus on priority areas in the Commission proposal, it should cover all clean energy sources.

2.17 Industrial decarbonisation requires substantial upfront investment, while ETS revenues accrue progressively over time, creating a financing gap for strategic projects. Frontloading a portion of expected future ETS revenues could help bridge this gap by providing financing for investments today against predictable future carbon revenues. An EU-budget or EIB-backed mechanism could leverage public financing and mobilise additional private investment in innovative and scalable clean technologies. This approach could complement existing instruments such as the Innovation Fund and the proposed Industrial Decarbonisation Bank.

2.18 Greater transparency and accountability regarding the use of auction revenue would strengthen public confidence in the system. The EESC therefore recommends improving reporting requirements for Member States and ensuring a greater share of ETS revenue is channelled towards industrial decarbonisation, clean energy infrastructure and transport, innovation, skills development and support for affected workers and regions. For the sake of transparency, the Member States should disclose their ETS revenue usage in at least one official EU language.

2.19 ETS revenues must be used more effectively and transparently to enable affected workers, households and regions to participate in the transition. Member States should dedicate a share to jobs creation, skills, employment transitions and social protection, based on plans developed with social partners, and report clearly on the results achieved.

2.20 Operators can only prepare compliant decarbonisation plans and make sound investment decisions once the relevant definitions, benchmarks, eligibility rules and verification requirements are clear. EU and national rules should be adopted in a timely manner, so that operators and authorities have enough time to comply.

2.21 The EESC supports the proposal's inclusion of sustainable fertilisers among the priority areas for the use of ETS revenues and the Modernisation Fund, recognising their strategic role in European food security and the decarbonisation of agriculture. ETS revenues should also facilitate the uptake of bio-based, organic and circular fertilisers by end users. Such support should help offset the increase in input costs for European farmers resulting from the increase of fertilizer prices arising from the CBAM, reduce agricultural emissions while enabling the transition towards more resource-efficient and circular fertiliser use.

Arguments in support of the recommendation on market functioning

2.22 The Commission should publish regular assessments of price volatility, trading activity and market concentration, and work with existing financial-market supervisors to investigate evidence of manipulation or excessive speculation. Any further safeguards should be proportionate and evidence-based, without introducing a discretionary carbon price target. Article 29a should be strengthened to respond to potential price shocks.

Arguments in support of the recommendation on international credits

2.23 International credits should not replace emissions reductions and investment within the EU. Using ETS allowances to purchase such credits would weaken the domestic carbon-price signal and divert resources that could finance European industrial decarbonisation..

Arguments in support of the recommendation on aviation

2.24 Aviation should progressively move towards ETS coverage of all flights departing the EEA, with any transitional limitations reviewed in light of environmental effectiveness and the performance of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The EESC recommends impact evaluation before such a measure is implemented. Private and business aviation should be fully covered. Measures to address carbon leakage should be targeted, proportionate and evidence-based. Aviation ETS revenues and the sustainable aviation fuel allowance mechanism should prioritise additional e-fuel production and zero-emission aviation technologies, while avoiding open-ended operational subsidies. In parallel, the Commission should develop an effective framework to address aviation's non-CO_2 climate impacts, building on strengthened monitoring and reporting.

3. PROPOSED AMENDMENTS TO THE LEGISLATIVE PROPOSAL OF THE EUROPEAN COMMISSION

Amendment 1

linked to recommendation 1.13
Delete Article 1(13) of Commission proposal COM(2026) 616 final, which inserts a new Article 9b into Directive 2003/87

Text proposed by the European Commission	EESC amendment
(13) the following Articles are inserted: ***Article 9b. Funding for international credits.*** ***[...]*** ***1. [...]*** ***2. [...]*** ***3. [...]*** ***4. [...]*** ***5.Allowances set aside under paragraph 1 shall***	

be allocated to the Industrial Decarbonisation Bank for industrial decarbonisation projects in accordance with Article 10ce in the event they are not allocated for the purposes established in paragraph 1.	

Reason
Using ETS allowances to finance international credits would reduce domestic mitigation and divert resources from European investment. Excluding such credits from the ETS preserves its investment signal while remaining consistent with the opinion's position that Member States may use high-quality credits as a separate flexibility mechanism. The Linear Reduction Factor is amended to account for the exclusion of international credits from the ETS.

Amendment 2

linked to recommendation 1.7
Amend Article 1(14) of Commission proposal COM(2026) 616 final, which amends Article 10 of Directive 2003/87

Text proposed by the European Commission	EESC amendment
(14) Article 10 is amended as follows: [...] 3. Member States shall determine the use of revenues generated from the auctioning of allowances referred to in paragraph 2 of this Article, except for the revenues established as own resources in accordance with Article 311, third paragraph, TFEU and entered in the Union budget. Member States shall use ***at least 50% of*** those revenues, with the exception of the revenues used for the compensation of indirect carbon costs referred to in Article 10a(6) of this Directive, ***or the equivalent in financial value*** of those revenues, to support the decarbonisation of ETS sectors, for one or more of the following priority purposes: [...] 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.***; [...]	(14) Article 10 is amended as follows: [...] 3. Member States shall determine the use of revenues generated from the auctioning of allowances referred to in paragraph 2 of this Article, except for the revenues established as own resources in accordance with Article 311, third paragraph, TFEU and entered in the Union budget. Member States shall use those revenues, with the exception of the revenues used for the compensation of indirect carbon costs referred to in Article 10a(6) of this Directive, ***for climate- and energy-related purposes. As part of this requirement, Member States shall use at least 50%*** of those revenues to support the decarbonisation of ETS sectors, for one or more of the following priority purposes: [...] ***(k): measures to support a just transition towards climate neutrality, including measures to support affected workers, households, communities and regions, through reskilling and upskilling, job creation, social protection and economic diversification;*** ***(l): measures to support the decarbonisation of***

	maritime and aviation; [...] The reporting shall be sufficiently detailed to enable the Commission to assess ***compliance with this Article and the outcomes achieved. Member States shall make this information publicly available in at least one official language of the Union.*** [...]

Reason
The amendment seeks to ensure that the revised ETS framework does not weaken the current requirement that 100% of ETS revenues be used for climate- and energy-related purposes, including a just transition. The proposal introduces a more focused requirement for Member States to allocate at least 50% of revenues to the wider clean transition, including industrial decarbonisation, clean energy and transport, innovation, skills and targeted support for affected workers and regions. Maritime and aviation are added to the priority areas to consider the different economic structures of Member States, including island states, and support the most effective national decarbonisation strategies. The amendment would therefore strengthen the effectiveness and predictability of ETS revenues as a source of financing for the Union's climate objectives, while preserving Member States' flexibility to address their specific investment and transition needs.

Amendment 3

linked to recommendation 1.7
Amend Article 1(15) of Commission proposal COM(2026) 616 final, which amends Article 10a of Directive 2003/87

Text proposed by the European Commission	EESC amendment
(15) Article 10a is amended as follows: [...] 3c. Upon submission of an Invest in EU decarbonisation plan [...] By way of derogation from the first subparagraph, where a project that was selected for the award of support under the Industrial Decarbonisation Bank and Investment Booster established under Articles 10cc, 10cd and 10ce or the Innovation Fund referred to in Article 10cb is being implemented in the installation during the five-year period under which it applies for free allocation, the operator of that installation shall be exempted from the obligation to establish a plan in accordance with paragraph 3b and shall receive 80 % of the	(15) Article 10a is amended as follows: [...] 3c. Upon submission of an Invest in EU decarbonisation plan [...] By way of derogation from the first subparagraph, where a project that was selected for the award of support under the Industrial Decarbonisation Bank and Investment Booster established under Articles 10cc, 10cd and 10ce or the Innovation Fund referred to in Article 10cb ***or the Modernisation Fund referred to in Article 10d, provided that the project leads to significant emissions reductions at the installation,*** is being implemented in the installation during the five-year period under which it applies for free allocation, the operator

amount of free allocation as referred to in the first subparagraph without additional verification. By way of derogation from the third subparagraph, the remaining 20 % of the amount of free allocation for the relevant five-year period shall only be allocated to that same installation, after the launch of the disbursement of support to the project under the Innovation Fund or upon the start of construction regarding projects awarded support under the Industrial Decarbonisation Bank or Investment Booster, ***and after*** where ***the competent authority confirms in accordance with the third subparagraph that*** eligible costs corresponding to a volume at least equivalent to the economic value of 100% of the amount of free allocation under the relevant five-year period were invested in the EU. [...] [...]	of that installation shall be exempted from the obligation to establish a plan in accordance with paragraph 3b and shall receive 80 % of the amount of free allocation as referred to in the first subparagraph without additional verification. By way of derogation from the third subparagraph, the remaining 20 % of the amount of free allocation for the relevant five-year period shall only be allocated to that same installation, after the launch of the disbursement of support to the project under the Innovation Fund or ***the Modernisation Fund or*** upon the start of construction regarding projects awarded support under the Industrial Decarbonisation Bank or Investment Booster, where eligible costs corresponding to a volume at least equivalent to the economic value of 100% of the amount of free allocation under the relevant five-year period were invested in the EU, ***including eligible costs incurred before the start of that five-year period where the supported investment continues to deliver verified emissions reductions during the relevant allocation period.*** [...]

Reason
The amendment allows installations implementing Modernisation Fund projects to benefit from simplified free allocation where the project leads to significant emissions reductions at the installation. This ensures consistent treatment with projects supported by the Innovation Fund, the Industrial Decarbonisation Bank and the Investment Booster, while preserving the environmental purpose of free-allocation conditionality.

Amendment 4

linked to recommendation 1.5
Amend Article 1(15) of Commission proposal COM(2026) 616 final, which amends Article 10a of Directive 2003/87

Text proposed by the European Commission	**EESC amendment**
(15) Article 10a is amended as follows: [...] 3c. Upon submission of an Invest in EU decarbonisation plan[...] [...] 3d. Operators of installations[...]	(15) Article 10a is amended as follows: [...] 3c. Upon submission of an Invest in EU decarbonisation plan[...] [...] ***Investments in decarbonisation completed between 2026 and 1 January 2031 shall be***

	considered eligible for the conditionality requirements applicable to the 2031-2035 free-allocation period, provided that they continue to deliver verified emissions reductions. ***Eligible costs shall include both capital expenditure (CAPEX) and operating expenditure (OPEX) directly related to the implementation and operation of the decarbonisation measures. The conditional share of free allocation shall be released progressively upon the achievement of verified decarbonisation milestones set in the investment plans.*** 3d. Operators of installations[...]

Reason
The amendment aims to ensure that the free-allocation conditionality framework does not disadvantage operators that have already invested in decarbonisation between 2026 and 2031. Recognising such investments in the 2031-2035 conditionality period would reward early action and avoid creating an incentive to postpone emissions-reduction investments until the new rules take effect.

Amendment 5

linked to point 2.7
Amend Article 1(15) of Commission proposal COM(2026) 616 final, which amends Article 10a of Directive 2003/87

Text proposed by the European Commission	EESC amendment
(15) Article 10a is amended as follows: [...] (d) [...] These decarbonisation investments shall qualify as eligible costs, be implemented in the EU and lead to significant emissions reduction at the level of the installation within the relevant five-year period for which that installation is applying for free allocation, in accordance with the list and criteria established pursuant to paragraph 3e of this Article.	(15) Article 10a is amended as follows: [...] (d) [...] These decarbonisation investments shall qualify as eligible costs, be implemented in the EU and lead to significant emissions reduction at the level of the installation within the relevant five-year period for which that installation is applying for free allocation, in accordance with the list and criteria established pursuant to paragraph 3e of this Article. ***For the purposes of this paragraph, investments commissioned, and eligible costs incurred, during the five-year period immediately preceding the relevant five-year period for free allocation shall also be taken into account provided that the investment forms part of the installation's transition***

	pathway and continues to deliver verified emissions reductions during that period. For duly justified investments with an expected economic lifetime exceeding 10 years, the delegated act referred to in paragraph 3e may provide for a longer period.
[...]	[...]
The remaining 20 % of the amount of free allocation for that five-years period shall only be allocated to the installation after the confirmation, no later than two years after the end of the relevant five-year period, by the competent authority where the decarbonisation investments are implemented that the following conditions are met: (a) the decarbonisation investments were implemented by that time and they were implemented in the EU; (b) eligible costs corresponding to a volume at least equivalent to the economic value of 100% of the amount of free allocation under the relevant five-year period were invested; (c) the existing annual reports referred to in Article 15 show that significant emissions reductions were achieved at the level of the installation in the relevant five-year period. [...]	The remaining 20 % of the amount of free allocation for that five-years period shall only be allocated to the installation after the confirmation, no later than two years after the end of the relevant five-year period, by the competent authority where the decarbonisation investments are implemented that the following conditions are met: (a) the decarbonisation investments were implemented by that time and they were implemented in the EU; (b) eligible costs corresponding to a volume at least equivalent to the economic value of 100% of the amount of free allocation under the relevant five-year period were invested. ***Eligible costs incurred during the five-year period immediately preceding the relevant five-year period may also be taken into account where the associated investment forms part of the installation's transition pathway and continues to deliver verified emissions reductions during that five-year period. For duly justified investments with an expected economic lifetime exceeding 10 years, the delegated act referred to in paragraph 3e may provide for a longer period, while avoiding double counting***; (c) the existing annual reports referred to in Article 15 show that significant emissions reductions were achieved at the level of the installation in the relevant five-year period. [...]

Reason
A major decarbonisation investment may be completed shortly before an allocation period while delivering most of its emissions benefit during that period. Excluding such investment would penalise early action and could require duplicative expenditure unrelated to the installation's technically optimal transition pathway. Double counting should be avoided.

Amendment 6

linked to recommendation 1.16

Amend Article 12a of Commission proposal COM(2026) 616 final – 2026/0212 (COD)

Text proposed by the European Commission	EESC amendment
Phase-in of requirements for waste incineration and waste co-incineration	Phase-in of requirements for waste incineration and waste co-incineration
Waste incineration and waste co-incineration installations that become subject to the system from ***2031*** shall be liable to surrender allowances according to the following schedule:	Waste incineration and waste co-incineration installations that become subject to the system from ***2035*** shall be liable to surrender allowances according to the following schedule:
(a) 25% of verified emissions reported for ***2031*** that would be subject to surrender requirements in accordance with Article 12; (b) 50% of verified emissions reported for ***2032*** that would be subject to surrender requirements in accordance with Article 12; (c) 75 % of verified emissions reported for ***2033*** that would be subject to surrender requirements in accordance with Article 12; (d) 100% of verified emissions reported for ***2034*** and each year thereafter in accordance with Article 12.	(a) 25% of verified emissions reported for ***2033*** that would be subject to surrender requirements in accordance with Article 12; (b) 50% of verified emissions reported for ***2036*** that would be subject to surrender requirements in accordance with Article 12; (c) 75% of verified emissions reported for ***2037*** that would be subject to surrender requirements in accordance with Article 12; (d) 100% of verified emissions reported for ***2038*** that would be subject to surrender requirements in accordance with Article 12;
By way of derogation from the first paragraph of this Article, Member States may exempt waste incineration and waste co-incineration installations located in outermost regions within the meaning of Article 349 TFEU from the obligation to surrender allowances until 31 December 2035.	By way of derogation from the first paragraph of this Article, Member States may exempt waste incineration and waste co-incineration installations located in outermost regions within the meaning of Article 349 TFEU from the obligation to surrender allowances until 31 December 2035.

Reason
There is no objective justification for limiting the opt-out to a few years where a Member State continues to meet at least two of the three conditions. The exemption should therefore remain available without a fixed end date, subject to those conditions being met for each reference year.

Brussels, 21 October 2026.

The President of the European Economic and Social Committee
Séamus BOLAND

NAT/998 – EESC-2026-02077-00-01-AC-TRA (EN) 14/18

ANNEX to the OPINION
of the
European Economic and Social Committee

The following amendments, which received at least a quarter of the votes cast, were rejected during the discussions (Rule 74(3) of the Rules of Procedure):

AMENDMENT 11

Tabled by:
TREFON Grzegorz

NAT/998
Revision of the EU emissions trading system

Point 1.4

Amend as follows:

Section opinion	*Amendment*
supports introducing conditionality for and gradually phasing out free allocation. Free allocation should remain targeted at sectors genuinely exposed to carbon leakage, while progressively evolving from passive compensation into a lever for industrial transformation. Continued allocation should be conditional on credible decarbonisation plans, with measurable milestones proportionate to operator capacity to invest. The rules of conditionality should be transparent and clear for operators. Timelines should reflect industrial project lead times, and administrative requirements should remain proportionate, while ensuring that flexibility does not reward delayed investment. Investments completed ***before*** 2031 ***should also be applicable*** to avoid disadvantaging front-runners;	supports introducing conditionality for and gradually phasing out free allocation. Free allocation should remain targeted at sectors genuinely exposed to carbon leakage, while progressively evolving from passive compensation into a lever for industrial transformation. Continued allocation should be conditional on credible decarbonisation plans ***and attached to strong social conditionality, securing quality employment, reskilling, upskilling, and social dialogue***, with measurable milestones proportionate to operator capacity to invest. The rules of conditionality should be transparent and clear for operators. Timelines should reflect industrial project lead times, and administrative requirements should remain proportionate, while ensuring that flexibility does not reward delayed investment. Investments completed ***between 2026 and*** 2031, ***including eligible CAPEX and OPEX incurred during the 5-year period preceding an allocation period, must be eligible under conditionality rules*** to avoid disadvantaging front-runners. ***Furthermore, projects supported by the Modernisation Fund should benefit from simplified conditionality on equal footing with the Innovation Fund and Industrial***

	Decarbonisation Bank;

Reason
Front-runners who invested early in decarbonisation must not be penalised. Recognising prior CAPEX/OPEX and placing Modernisation Fund projects on equal footing ensures fairness for lower-income Member States while attaching social conditionality guarantees that free allocations directly protect quality jobs and worker transitions.

Outcome of the vote
In favour: 99 Against: 154 Abstention: 12

AMENDMENT 28

NAT/998
Revision of the EU emissions trading system

Point 1.4

Amend as follows:

Tabled by:
BALON Krzysztof
BRONIARZ Sławomir
CHARRY Philippe
ÉLŐ Gábor
HAJNOŠ Miroslav
ILNICKI Wojciech
JANKOWSKI Rafał Bogusław
MARIN Florian
MASTANTUONO Alena
PATER Krzysztof
POTYRAŁA Dariusz
ROGET ALEMANY Joan
SAKAŘOVÁ Dana
SIKORA Grzegorz
SZYMAŃSKI Mateusz
TREFON Grzegorz
ZARIŅA Katrīna

Section opinion	*Amendment*
supports introducing conditionality for and gradually phasing out free ***allocation. Free*** allocation should remain targeted at sectors genuinely exposed to carbon leakage, while progressively evolving from passive compensation into a lever for industrial transformation. Continued allocation should be ***conditional on credible decarbonisation plans,*** with measurable milestones proportionate to operator capacity to invest. ***The rules of conditionality should be transparent and clear***	free allocation should remain targeted at sectors genuinely exposed to carbon leakage, while progressively evolving from passive compensation into a lever for industrial transformation. Continued allocation should be ***combined*** with ***creation of the incentives for investments in energy efficiency and*** measurable milestones proportionate to operator capacity to invest. Timelines should reflect industrial project lead times, and administrative requirements should remain proportionate, while

for operators. Timelines should reflect industrial project lead times, and administrative requirements should remain proportionate, while ensuring that flexibility does not reward delayed investment. Investments completed before 2031 should also be applicable to avoid disadvantaging front-runners;	ensuring that flexibility does not reward delayed investment. Investments completed before 2031 should also be applicable to avoid disadvantaging front-runners;

Outcome of the vote
In favour: 69 Against: 168 Abstention: 24

AMENDMENT 44

NAT/998
Revision of the EU emissions trading system

Point 1.14

Delete point

Tabled by:
BALON Krzysztof
BRONIARZ Sławomir
CHARRY Philippe
ÉLŐ Gábor
HAJNOŠ Miroslav
ILNICKI Wojciech
JANKOWSKI Rafał Bogusław
MARIN Florian
MASTANTUONO Alena
PATER Krzysztof
POTYRAŁA Dariusz
ROGET ALEMANY Joan
SAKAŘOVÁ Dana
SIKORA Grzegorz
SZYMAŃSKI Mateusz
TREFON Grzegorz
ZARIŅA Katrīna

Section opinion	*Amendment*
welcomes the gradual integration of municipal waste incineration into the ETS, accompanied by robust monitoring and measures preventing waste exports or diversion to landfill. Incineration of hazardous waste originating from the EU should be exempted. The pace and scope of integration should consider the availability of viable decarbonisation and recycling technologies for the waste sector. Inclusion should reinforce the waste hierarchy, circularity, prevention and	

recycling, and ensure consistent treatment of comparable emissions source;	

Outcome of the vote
In favour: 73 Against: 164 Abstention: 28