Council of the European Union
General Secretariat

PUBLIC

Interinstitutional files:
2026/0212 (COD)

Brussels, 04 September 2026

WK 13500/2026 INIT

LIMITE

ENV
CLIMA
ENER
TRANS
IND
COMPET
MI
ECOFIN
CODEC

This is a paper intended for a specific community of recipients. Handling and further distribution are under the sole responsibility of community members.

MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on the Environment
Subject:	ETS Review: WPE on 9 September 2026: Presidency steering note

With a view to the above WPE, delegations will find attached the Presidency steering note concerning the Commission proposal amending the scope of ETS for the Aviation sector (Block 2.A) and the Market Stability Reserve (Block 1.D).

ÉIRE2026.EU
IRELAND2026.EU

PUBLIC

Working Party on the Environment

9 September 2026

ETS review

Proposal amending scope of ETS for the Aviation sector (Block 2.A) and

Proposal to amend the Market Stability Reserve (Block 1.D)

Introduction:

Following the presentations by the Commission of the proposals for the revision of ETS1 on 20 and 22 July, the Presidency wishes to continue discussions at the technical level in order to move towards the drafting of compromise texts.

Delegations were requested by the Council Secretariat to submit comments and questions in writing by 24 August in view of the Q and A session at the WPE on 2 September and to further inform discussions at subsequent WPEs.

The meeting on 9 September will as previously advised focus on the blocks on Aviation (Block 2.A) and the Market Stability Reserve (Block 1.D).

On 9 September, the Commission will respond to outstanding questions received from delegations on the above blocks.

Part 1 - Aviation

Aviation was brought within the scope of the EU ETS in 2012 through Directive 2008/101/EC, which amended Directive 2003/87/EC. Under the system, aircraft operators are required to monitor, report and verify their carbon dioxide emissions and surrender allowances corresponding to those emissions. The aviation EU ETS currently

PUBLIC

applies to flights within the European Economic Area (EEA), as well as flights from the EEA to Switzerland and to the United Kingdom, while the EU also implements the International Civil Aviation Organization's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) on relevant international routes outside the EEA.

The current proposal to amend the EU ETS Directive as part of preparations for Phase V of the ETS 'COM(2026) 616 final' is informed by the Commission's statutory review of CORSIA under Article 28b of the ETS Directive and the accompanying impact assessment. It proposes retaining the current aviation ETS scope for 2027 and 2028 and introducing an expansion from 2029 to 2032. Under this approach, from 2029 the ETS would apply to flights departing the EEA and arriving at certain third-country destinations located within 5,000 kilometres of Frankfurt Airport. It maintains the EU's implementation of CORSIA for international flights to third countries. Flights within the 5000km radius proposed to be covered by ETS, would be able to deduct their CORSIA offsetting costs to avoid double payment. For 2027 and 2028, the only changes to the scope are the coverage of flights to and from Gibraltar from 2027 and all business flights to and from EEA states from 2028.

The proposal also removes the current distinction between commercial and non-commercial aircraft operators for ETS coverage purposes. The proposal also lowers the emission threshold, bringing more business aviation operators within the scope of the system. It also maintains certain derogations, including domestic routes serving outermost regions. In addition, it adjusts the provisions of the Sustainable Aviation Fuel (SAF) Support Mechanism.

The Presidency has identified the key elements of the proposal for discussion below and invites delegations to consider the accompanying questions in advance, with a view to facilitating a focused and productive exchange.

PUBLIC

Proposed Amendments

Amendments to the aviation provisions of the EU ETS are proposed following the Commission's review of CORSIA and its assessment of the continued need for EU action to reduce aviation emissions. The key elements of the proposal are outlined below.

- **Scope of the EU ETS (Article 28a and Annex I):** The current scope of the aviation ETS would remain unchanged for 2027 and 2028, continuing to apply to intra-EEA flights and flights from the EEA to the United Kingdom and to Switzerland. From 2029 to 2032, the system would be expanded to include flights departing the EEA and arriving at certain third-country destinations located within 5,000 km of Frankfurt Airport. This would then be subject to a review under Article 28b.
- **Continued Implementation of CORSIA (Articles 12, 25a and 28b):** The proposal maintains the EU's implementation of ICAO's CORSIA beyond 2027 and until 2035. Aircraft operators shall continue to meet CORSIA obligations through the cancellation of eligible carbon credits on relevant international routes. From 2029, aircraft operators flying routes covered both by ETS and CORSIA can make use of a newly introduced mechanism to deduct CORSIA offsetting costs from their ETS compliance costs avoiding double payment.
- **Aviation Allowances and Sustainable Aviation Fuel (SAF) Support Mechanism (Article 3c):** The proposal revises the aviation allowance mechanism designed to support the uptake of SAF. It increases and extends the mechanism out to 2040, changes the levels of support available, reserves allowances to incentivise long-term offtake agreements and contrail avoidance, and expands to cover electric aircraft. It also amends the eligibility criteria under which aircraft operators can qualify for support, by restricting it to EU-made SAF, while also encouraging further SAF using EU-sourced feedstocks with a premium.
- **Definitions (Article 3):** Technical amendments would update aviation-related definitions.

PUBLIC

- **Business Aviation (Article 3, Annex I):** The proposal includes certain private and business aviation operators meeting specified emissions thresholds within the scope of the aviation ETS, and introduces a definition of *"business flight"*. Annex I is amended to set out the flights covered by the revised scope.
- **Monitoring and Reporting (Article 14):** Monitoring and reporting provisions would also be updated.

Discussion Guidance

Delegations will be invited to react to the Commission's presentation including providing any preliminary considerations on the proposal.

Part 2 - Amendment to the Market Stability Reserve

The Market Stability Reserve (MSR) for the EU ETS was established by Decision (EU) 2015/1814 to address structural supply-demand imbalances within EU ETS between the available allowances to emit CO2 and the emissions of the companies covered.

It functions like an overflow container holding extra allowances. If the number of allowances in the market falls below a certain threshold, more are brought out from the reserve to balance things out. Equally, if the market is flooded with too many allowances, depressing prices, then some are removed and put into the reserve.

The Commission has proposed a two-pronged approach to amending the 2015 MSR decision:

a) A proposal to cease the MSR's invalidation clause (Commission's proposal of 1 April 2026 COM(2026) 153 final) [dealt with separately],
b) A more comprehensive amendment to the structure of the MSR as part of the broader ETS1 revision (COM (2026) 616).

PUBLIC

The Presidency has summarised below the key points for discussion in order to further negotiations, and requests delegations to reflect on these in their interventions, as well as the guiding question that follows.

Proposed Amendments to MSR

The following amendments to the MSR have been proposed by the Commission in the context of the ETS1 revision:

(1) The calculation of the total number of allowances in circulation is amended to exclude aviation emissions from flights covered by CORSIA between 1 January 2012 and 31 December 2023 (currently January to December 2024) **(Article 1(4a))**,

(2) The intake rate is lowered from 24% to 12% and accordingly the upper threshold for triggering the removal of allowances from the quantity auctioned and placed into the MSR decreases from 1096 million to 947 million . From 2029 thresholds triggering removal of allowances will reduce by 4% annually **(Article 1(5) and Annex)**,

(3) The calculation of the number of allowances released from the reserve to be auctioned changes from 100 million allowances released if the total number in circulation is less than 400 million, to either:

a. If the total number in circulation is between 300 million and 400 million, the allowances released will equal the difference between the total number in circulation and 400 million; or
b. If the total number in circulation is less than 300 million, 100 million allowances will be released for auction **(both Article 1(6))**

From 2029, the above thresholds and the quantity to be released will decrease by 4% annually **(Article 1(6) and Annex).**

ÉIRE2026.EU
IRELAND2026.EU

PUBLIC

Discussion Guidance

Delegations will be invited to react to the Commission's presentation including detailed comments on specific amendments.