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CONTRIBUTION

From: General Secretariat of the Council

To: Coreper I

Subject: Fit for 55 package - ETS: Comments from a delegation

In view of Coreper I meeting on 15 June 2022, delegations will find attached a proposal by the SK delegation on alternative utilization of spared free allocated allowances initially dedicated for CBAM sectors.

SLOVAKIA

COREPER_15.6.2022: FIT FOR 55 – ETS

Proposal for alternative utilization of spared free allocated allowances initially dedicated for CBAM sectors

The Slovak Republic perceives that despite eager efforts from the French Presidency, a solution brought forward for CBAM sectors based on special attention and calls under the Innovation Fund and revision clause does not reflect the preferences of a significant number of the Member States. From our point of view, the Innovation Fund is an important and necessary measure to support breakthrough innovations. On the other hand, the capability of economic entities across the Member States to apply is not equal because of various rational reasons associated, for instance, with sources available for R&D, lack of starting capital for testing innovative solutions, ownership structure, etc.

Because of that, Slovakia would like to propose and suggest exploring the following possibility:

- **A particular share of allowances resulting from the reduction of free allocation for CBAM sectors would be divided among the Member States**

The rationale behind the proposition is a better understanding of the Member States to assign spared allowances to economic entities for the decarbonization purposes of their processes more accurately. As a result, a higher number of economic entities from the various Member States would have a possibility to enhance their competitiveness in international markets in compliance with WTO rules. To sum up, the allowances from the smaller Member States would have only a limited effect on the revenues of the Innovation Fund but would represent a significant loss for economic entities operating in their territories. Conversely, we are convinced that the proposition presented would tackle inevitable decarbonisation needs more effectively and fairly across all Member States.

We propose to make the following amendments to the Commission's proposal:

CION proposal	SK amendments (bold and underlined)
Article 10a, paragraph 1a, fourth subparagraph	
Allowances resulting from the reduction of free allocation shall be made available to support innovation in accordance with Article 10a(8).	<u>50 % of allowances</u> resulting from the reduction of free allocation shall be made available to support innovation in accordance with Article 10a(8) <u>and 50 % of allowances resulting from this reduction shall be auctioned by each Member State in shares that are identical to the share of free allocation calculated in accordance with Article 11 in relation to the production of products listed in Annex I of Regulation [CBAM].</u>
Article 10, paragraph 2, the following point (c) is added:	
	<u>c) 50 % of allowances resulting from the reduction of free allocation in accordance with Article 10a(1a) shall be distributed amongst Member States in shares that are identical to the share of free allocation calculated in accordance with Article 11 in relation to the production of products listed in Annex I of Regulation [CBAM].</u>