Joint statement on the EU ETS revision on behalf of Bulgaria, Cyprus, Czechia, Estonia, Greece, Hungary, Italy, Poland, Romania and Slovakia.

European Emission Trading System has been contributing to emission reductions for over 20 years. Its oncoming reform is an important opportunity to adjust to current challenges facing European industry and electricity generation sectors.

The system must provide predictability and factor in new European priorities: increasing competitiveness (incl. through affordable energy prices), security and resilience as well as maintaining strong manufacturing base. The system that proved its worth in cutting CO2 must now be turned into an element of an emerging EU industrial policy.

Bearing that in mind we call for a pragmatic and fair reform of the EU ETS. One that aims at rebuilding Europe as an industrial powerhouse. The priorities outlined below are without prejudice to additional priorities that signatories may pursue.

We call on the Commission to factor in the following elements in their proposal:

1. **Reduction pathway**

   We support a clear and realistic emission reduction pathway. The current system, which requires energy and industry sectors to reach near-zero already by 2039, will push industries out of Europe. Extending the ETS cap closer to 2050 is therefore necessary. This adjustment should be introduced as soon as possible as our industries are under acute pressure facing immediate and irreversible costs.

2. **Free allocation**

   The benchmark methodology must be revised swiftly through two complementary workstreams. The ongoing fast-track revision should urgently address the fallback benchmarks to ensure that free allocation continues to effectively mitigate carbon leakage for the 2026 allocation period. At the same time, the broader ETS revision should comprehensively review the product benchmark methodology to better reflect technological and industrial realities.

   Incentive-based conditionality linked to investments may be considered for additional, much-needed allocations for sectors in a position to undertake extra efforts. A general conditionality applied to all free allocation would impose new heavy strain on already struggling industrial sectors. Free allocation is not a reward but a necessity providing protection against carbon leakage. The phase-out of free allocation in CBAM-covered sectors should be paused until this new tool proves its effectiveness.

3. **National circumstances**

   The revision must make the system more flexible to allow taking into account specific national circumstances such as energy mix or GDP per capita. The revision must also ensure a level playing field for all countries to continue their transformation pathways. This should be duly reflected in all ETS funding mechanisms.

4. Price predictability

ETS is impacting energy prices as well as manufacturing goods. Since carbon footprint is not the leading element of global competitiveness CO_2 price must be predictable and immune to speculation. It should also be affordable to maintain EU competitiveness globally.

5. Maritime sector

While sharing the objectives of decarbonizing the sector, it is necessary to take due account of the competitiveness of the European port system. The revision should avoid unintended carbon leakage by preventing the relocation of traffic from the EU transshipment hubs to neighboring third-country ports. It should also support a global solution within the IMO framework, maintain adequate derogations for essential public services and continue the process of administrative simplification.

6. Aviation sector

The revision of the aviation ETS should take into account the specific features of international air transport, the needs of the sector and the evolution of the CORSIA negotiations, while ensuring a level playing field for European operators.

7. ETS2

Public acceptance is a precondition for the credibility of carbon pricing and climate policies in general. ETS2 is a particularly socially sensitive instrument, and it impacts mainly the most vulnerable households, which are already disproportionately affected by the fuel price crisis. European citizens should not be facing new climate taxes in current economic and geopolitical circumstances. ETS2 should be therefore addressed directly in the revision and carefully reconsidered.