



2021/0211(COD)

24.1.2022

*****I**

DRAFT REPORT

on the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/757 (COM(2021)0551 – C9-0318/2021 – 2021/0211(COD))

Committee on the Environment, Public Health and Food Safety

Rapporteur: Peter Liese

Rapporteurs for the opinion (*):

José Manuel Fernandes and Valérie Hayer, Committee on Budgets,
Mauri Pekkarinen, Committee on Industry, Research and Energy

(*) Associated committees – Rule 57 of the Rules of Procedure

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the **■** symbol or ~~strikeout~~. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/757 (COM(2021)0551 – C9-0318/2021 – 2021/0211(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2021)0551),
 - having regard to Article 294(2) and Article 192(1) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C9-0318/2021),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the reasoned opinion submitted, within the framework of Protocol No 2 on the application of the principles of subsidiarity and proportionality, by the Czech Senate, asserting that the draft legislative act does not comply with the principle of subsidiarity,
 - having regard to the opinion of the European Economic and Social Committee of 8 December 2021¹,
 - having regard to the opinion of the Committee of the Regions of ... 2022²,
 - having regard to Rule 59 of its Rules of Procedure,
 - having regard to the opinions of the Committee on Budgets, the Committee on Industry, Research and Energy, the Committee on Development and the Committee on Transport and Tourism,
 - having regard to the report of the Committee on the Environment, Public Health and Food Safety (A9-0000/2022),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;

¹ [OJ C 0, 0.0.0000, p. 0. / Not yet published in the Official Journal].

² [OJ C 0, 0.0.0000, p. 0. / Not yet published in the Official Journal].

3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a directive

Recital 13

Text proposed by the Commission

(13) Greenhouse gases that are not directly released into the atmosphere should be considered emissions under the EU ETS and allowances should be surrendered for those emissions unless they are stored in a storage site in accordance with Directive 2009/31/EC of the European Parliament and of the Council⁴⁶, or they are permanently chemically bound in a product so that they do not enter the atmosphere under normal use. The Commission should be empowered to adopt **implementing** acts specifying the conditions where greenhouse gases are to be considered as permanently chemically bound in a product so that they do not enter the atmosphere under normal use, including obtaining a carbon removal certificate, where appropriate, in view of regulatory developments with regard to the certification of carbon removals.

⁴⁶ Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/1/EC and Regulation (EC) No 1013/2006 (OJ L 140, 5.6.2009, p. 114).

Amendment

(13) Greenhouse gases that are not directly released into the atmosphere should be considered emissions under the EU ETS and allowances should be surrendered for those emissions unless they are stored in a storage site in accordance with Directive 2009/31/EC of the European Parliament and of the Council⁴⁶, or they are permanently chemically bound in a product so that they do not enter the atmosphere under normal use. The Commission should be empowered to adopt **delegated** acts specifying the conditions where greenhouse gases are to be considered as permanently chemically bound in a product so that they do not enter the atmosphere under normal use, including obtaining a carbon removal certificate, where appropriate, in view of regulatory developments with regard to the certification of carbon removals.

⁴⁶ Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/1/EC and Regulation (EC) No 1013/2006 (OJ L 140, 5.6.2009, p. 114).

Or. en

Justification

It is an important priority for the Parliament to work with delegated acts whenever possible because it is easier to intervene for the democratically elected body of Europeans.

Amendment 2

Proposal for a directive Recital 13 a (new)

Text proposed by the Commission

Amendment

(13a) All greenhouse gas emissions captured and transferred for utilisation through CCU processes should ideally be accounted for at the point of release into the atmosphere. However, in the short term, in the absence of all economy-wide greenhouse gas emissions, in particular emissions from waste incineration installations, being covered by carbon pricing mechanisms, reliance on calculations at the point of release into the atmosphere would result in emissions being undercounted. Therefore, for a temporary period, the extent of the obligation to surrender allowances in respect of emissions of greenhouse gases which are considered to have been captured and utilised to become chemically bound in a product should be proportionally reduced taking into account a life-cycle assessment of the product. By 31 December 2029, the Commission should present a report to the European Parliament and to the Council in which it examines the progress made towards the coverage of economy-wide greenhouse gas emissions by carbon pricing mechanisms. If sufficient progress has been made, in particular on the inclusion of greenhouse gas emissions from waste incineration installations, the Commission should, where appropriate, present a legislative proposal to amend this Directive so that the obligation to surrender allowances in respect of

emissions of greenhouse gases which are considered to have been captured and utilised arises only at the point of release into the atmosphere.

Or. en

Justification

In addition to the existing exemption for CCS and the proposed exemption for CCU which is permanently chemically bound in a product, the Rapporteur proposes an intermediate category for partial reductions for CCU based on an overall life-cycle assessment of the process and product. In a next step, by 2029, the CCU emission accounting system should be reviewed with the objective to move the counting of emissions to the point of release into the atmosphere, on condition that all relevant economy-wide emissions are adequately covered by carbon pricing to avoid gaps and loopholes.

Amendment 3

Proposal for a directive Recital 13 b (new)

Text proposed by the Commission

Amendment

(13b) Installations should receive allowances in respect of greenhouse gases that are permanently removed from the atmosphere as a result of bio-energy with carbon capture and storage (BECCS) or of greenhouse gases that are captured from the atmosphere through direct air capture and geologically stored or utilised to become permanently chemically bound in a product so that they do not enter the atmosphere under normal use. Installations should be able to sell those allowances or use those allowances to reduce the extent of their remaining surrender obligations.

Or. en

Justification

In addition to the existing exemption for CCS and the proposed exemption for CCU which is permanently chemically bound in a product, the Rapporteur proposes the introduction of a new possibility for negative accounting for BECCS and direct air capture.

Amendment 4

Proposal for a directive Recital 13 c (new)

Text proposed by the Commission

Amendment

(13c) In the long-term, all CO₂ emissions should be covered by the EU-ETS. The inclusion of municipal waste incineration installations would encourage recycling, reuse and repair of products, while also contributing to economy-wide decarbonisation. However, careful preparation is required to avoid large-scale deviation of waste from municipal waste incineration installations towards landfills in the Union, which create methane emissions, and exports to third countries, with a potentially hazardous impact on the environment. Accordingly, the inclusion of municipal waste incineration installations within the scope of Directive 2003/87/EC from 1 January 2028 should be preceded by an impact assessment to be conducted by 31 December 2025, which, where appropriate, should be accompanied by a legislative proposal to prevent any large-scale deviation of waste from municipal waste incineration installations towards landfills in the Union and exports to third countries.

Or. en

Justification

Parliament has repetitively called for all sectors of the economy to contribute to the GHG emission reduction targets. To reach climate neutrality, municipal waste incineration installations should be covered by the EU-ETS in the long-term. 2024 would be too soon due to the risk of diverted waste streams towards landfills and waste exports to third countries. Therefore, the Commission should put in place the necessary legislation to avoid and address any such negative effects, before including municipal waste incineration installations under the EU-ETS by 1 January 2028.

Amendment 5

Proposal for a directive Recital 14 a (new)

Text proposed by the Commission

Amendment

(14a) International maritime transport is the only means of transportation that has not been included in the Union's commitment to reduce greenhouse gas emissions, despite the fact that the European Parliament has repeatedly called for all sectors of the economy to contribute to the joint effort to complete the transition to net-zero greenhouse gas emissions as soon as possible and by 2050 at the latest, in line with the Union's commitments under the Paris Agreement. CO₂ remains the dominant cause of maritime transport's climate impact when calculated on a global warming-potential 100-year basis, accounting for 98 %, or, if black carbon is included, 91 %, of total international greenhouse gas emissions in CO₂ equivalents. However, according to a report entitled 'Fourth IMO Greenhouse Gas Study' of the International Maritime Organization (IMO), published in 2020, there was an 87 % increase of methane (CH₄) over the period from 2012 to 2018. Therefore, and in line with the amendments adopted by the European Parliament on 16 September 2020 on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2015/757, in order to take appropriate account of the global data collection system for ship fuel oil consumption data, both CO₂ and CH₄ emissions should be included in the extension of the EU ETS to maritime transport activities.

Or. en

Justification

Alignment with EP Position on revision of MRV Regulation.

Amendment 6

Proposal for a directive

Recital 17

Text proposed by the Commission

(17) In the European Green Deal, the Commission stated its intention to take additional measures to address greenhouse gas emissions from the maritime transport sector through a basket of measures to enable the Union to reach its emissions reduction targets. In this context, Directive 2003/87/EC should be amended to include the maritime transport sector in the EU ETS in order to ensure this sector contributes to the increased climate objectives of the Union as well as to the objectives of the Paris Agreement, which requires developed countries to take the lead by undertaking economy-wide emission reduction targets, while developing countries are encouraged to move over time towards economy-wide emission reduction or limitation targets.⁴⁹ Considering that emissions from international aviation outside Europe should be capped from January 2021 by global market-based action while there is no action in place that caps or prices maritime transport emissions, it is appropriate that the EU ETS covers a share of the emissions from voyages between a port under the jurisdiction of a Member State and port under the jurisdiction of a third country, with the third country being able to decide on appropriate action in respect of the other share of emissions. The extension of the EU ETS to the maritime transport sector should thus include half of the emissions from ships performing voyages arriving at a port under the jurisdiction of a Member State from a port outside the jurisdiction of a Member State, half of the emissions from ships performing voyages departing from a port

Amendment

(17) In the European Green Deal, the Commission stated its intention to take additional measures to address greenhouse gas emissions from the maritime transport sector through a basket of measures to enable the Union to reach its emissions reduction targets. In this context, Directive 2003/87/EC should be amended to include the maritime transport sector in the EU ETS in order to ensure this sector contributes to the increased climate objectives of the Union as well as to the objectives of the Paris Agreement, which requires developed countries to take the lead by undertaking economy-wide emission reduction targets, while developing countries are encouraged to move over time towards economy-wide emission reduction or limitation targets.⁴⁹ Considering that emissions from international aviation outside Europe should be capped from January 2021 by global market-based action while there is no action in place that caps or prices maritime transport emissions, it is appropriate that the EU ETS covers a share of the emissions from voyages between a port under the jurisdiction of a Member State and port under the jurisdiction of a third country, with the third country being able to decide on appropriate action in respect of the other share of emissions. The extension of the EU ETS to the maritime transport sector should thus include half of the emissions from ships performing voyages arriving at a port under the jurisdiction of a Member State from a port outside the jurisdiction of a Member State, half of the emissions from ships performing voyages departing from a port

under the jurisdiction of a Member State and arriving at a port outside the jurisdiction of a Member State, emissions from ships performing voyages arriving at a port under the jurisdiction of a Member State from a port under the jurisdiction of a Member State, and emissions at berth in a port under the jurisdiction of a Member State. This approach has been noted as a practical way to solve the issue of Common but Differentiated Responsibilities and Capabilities, which has been a longstanding challenge in the UNFCCC context. The coverage of a share of the emissions from both incoming and outgoing voyages between the Union and third countries ensures the effectiveness of the EU ETS, notably by increasing the environmental impact of the measure compared to a geographical scope limited to voyages within the EU, while limiting the risk of evasive port calls and the risk of delocalisation of transshipment activities outside the Union. To ensure a smooth inclusion of the sector in the EU ETS, the surrendering of allowances by shipping companies should be gradually increased with respect to verified emissions reported for the period 2023 to **2025**. To protect the environmental integrity of the system, to the extent that fewer allowances are surrendered in respect of verified emissions for maritime transport during those years, once the difference between verified emissions and allowances surrendered has been established each year, a corresponding number of allowances should be cancelled. As from **2026**, shipping companies should surrender the number of allowances corresponding to all of their verified emissions reported in the preceding year.

under the jurisdiction of a Member State and arriving at a port outside the jurisdiction of a Member State, emissions from ships performing voyages arriving at a port under the jurisdiction of a Member State from a port under the jurisdiction of a Member State, and emissions at berth in a port under the jurisdiction of a Member State. This approach has been noted as a practical way to solve the issue of Common but Differentiated Responsibilities and Capabilities, which has been a longstanding challenge in the UNFCCC context. The coverage of a share of the emissions from both incoming and outgoing voyages between the Union and third countries ensures the effectiveness of the EU ETS, notably by increasing the environmental impact of the measure compared to a geographical scope limited to voyages within the EU, while limiting the risk of evasive port calls and the risk of delocalisation of transshipment activities outside the Union. To ensure a smooth inclusion of the sector in the EU ETS, the surrendering of allowances by shipping companies should be gradually increased with respect to verified emissions reported for the period 2023 to **2024**. To protect the environmental integrity of the system, to the extent that fewer allowances are surrendered in respect of verified emissions for maritime transport during those years, once the difference between verified emissions and allowances surrendered has been established each year, a corresponding number of allowances should be cancelled. As from **2025**, shipping companies should surrender the number of allowances corresponding to all of their verified emissions reported in the preceding year. ***Certain northern shipping routes are dependent on ice-class ships for winter navigation, which can generate additional emissions due to higher fuel consumption. To address this situation, there should be a more gradual phase-in requirement for ice-class ships in combination with specific support for the***

innovation and decarbonisation of ice-class ships through an Ocean Fund.

⁴⁹ Paris Agreement, Article 4(4).

⁴⁹ Paris Agreement, Article 4(4).

Or. en

Justification

By moving forward the envisaged date of full application of emissions trading for the maritime sector by one year, from 2026 to 2025, around 57 million allowances are made available which would otherwise have been cancelled under the Commission proposal. The Rapporteur proposes to make those additional allowances available towards the avoidance of the Cross-Sectoral Correction Factor. For this purpose, around 120 million allowances would be required in total until 2030.

Amendment 7

**Proposal for a directive
Recital 17 a (new)**

Text proposed by the Commission

Amendment

(17a) The Commission, the Council and the European Parliament should work with third countries in order to facilitate acceptance of the provisions of Directive 2003/87/EC as regards maritime transport activities and to strengthen international cooperation in this area. International cooperation should be strengthened through bilateral agreements on market-based measures to reduce greenhouse gas emissions from maritime transport to cover the share of emissions that are not included in the EU ETS, so that 100 % of the emissions from ships performing voyages between Union and third country ports are covered by such measures. At the same time, the Commission, the Council and the European Parliament should work to strengthen global measures through the IMO.

Or. en

Amendment 8

Proposal for a directive Recital 18

Text proposed by the Commission

(18) The provisions of Directive 2003/87/EC as regards maritime transport activities should be kept under review in light of future international developments and efforts undertaken to achieve the objectives of the Paris Agreement, including the second global stocktake in 2028, and subsequent global stocktakes every five years thereafter, intended to inform successive nationally determined contributions. In particular, the Commission should report any time before the second global stocktake in 2028 - and therefore no later than by 30 September 2028 - to the European Parliament and to the Council on progress in the IMO negotiations concerning a global market-based measure. In its report, the Commission should analyse the International Maritime Organization instruments and, assess, as relevant, how to implement those instruments in Union law through a revision of Directive 2003/87/EC. In *its report*, the Commission should *include proposals as appropriate*.

Amendment

(18) The provisions of Directive 2003/87/EC as regards maritime transport activities should be kept under review in light of future international developments and efforts undertaken to achieve the objectives of the Paris Agreement, including the second global stocktake in 2028, and subsequent global stocktakes every five years thereafter, intended to inform successive nationally determined contributions. In particular, the Commission should report any time before the second global stocktake in 2028 - and therefore no later than by 30 September 2028 - to the European Parliament and to the Council on progress in the IMO negotiations concerning a global market-based measure. In its report, the Commission should analyse the International Maritime Organization instruments and, assess, as relevant, how to implement those instruments in Union law through a revision of Directive 2003/87/EC. In *the event that a global market-based measure has been adopted at IMO level leading to greenhouse gas emission reductions which are in line with the Paris Agreement and at least comparable to those resulting from the Union measures*, the Commission should *consider a proportionate reduction of the scope of application of the Union measures to avoid the creation of a double burden. However, in the event that there has been insufficient progress at IMO level or that global measures have been adopted at IMO level which are not in line with the Paris Agreement and at least comparable to those resulting from the Union measures, the Commission should*

have the option of being able to extend the Union measures to cover 100 % of the emissions from ships performing voyages departing from a port under the jurisdiction of a Member State and arriving at a port outside the jurisdiction of a Member State and 100 % of the emissions from ships performing voyages departing from a port outside the jurisdiction of a Member State and arriving at a port under the jurisdiction of a Member State, through an amendment of Directive 2003/87/EC.

Or. en

Amendment 9

Proposal for a directive Recital 20

Text proposed by the Commission

(20) The person or organisation responsible for the compliance with the EU ETS should be the shipping company, defined as the shipowner or any other organisation or person, such as the manager or the bareboat charterer, that has assumed the responsibility for the operation of the ship from the shipowner and that, on assuming such responsibility, has agreed to take over all the duties and responsibilities imposed by the International Management Code for the Safe Operation of Ships and for Pollution Prevention. This definition is based on the definition of ‘company’ in Article 3, point (d) of Regulation (EU) 2015/757, and in line with the global data collection system established in 2016 by the IMO. ***In line with the polluter pays principle, the shipping company could, by means of a contractual arrangement, hold*** the entity that is ***directly*** responsible for the decisions affecting the CO₂ emissions of the ship accountable for the compliance costs under

Amendment

(20) The person or organisation responsible for the compliance with the EU ETS should be the shipping company, defined as the shipowner or any other organisation or person, such as the manager or the bareboat charterer, that has assumed the responsibility for the operation of the ship from the shipowner and that, on assuming such responsibility, has agreed to take over all the duties and responsibilities imposed by the International Management Code for the Safe Operation of Ships and for Pollution Prevention. This definition is based on the definition of ‘company’ in Article 3, point (d) of Regulation (EU) 2015/757, and in line with the global data collection system established in 2016 by the IMO. ***However, the shipping company is not always responsible for purchasing the fuel or taking operational decisions that affect the CO₂ emissions of the ship. Those responsibilities can be assumed by an entity other than the shipping company***

this Directive. This entity would normally be the entity that is responsible for the choice of fuel, route and speed of the ship.

under a contractual arrangement. In that case, in order to ensure that the polluter pays principle is fully respected and to encourage the uptake of efficiency measures and cleaner fuels, a binding clause should be included in such arrangements for the purpose of passing on the costs so that the entity that is ultimately responsible for the decisions affecting the CO₂ emissions of the ship is held accountable for covering the compliance costs paid by the shipping company under this Directive. This entity would normally be the entity that is responsible for the choice and purchasing of the fuel used by the ship, or for the operation of the ship, as regards, for example, the choice of the cargo carried by, or the route and speed of, the ship.

Or. en

Justification

In line with the EP Position on the revision of the MRV Regulation, the commercial operator should be the final responsible for the payment of the EU-ETS price. Because it could be challenging for competent authorities to trace down a commercial operator, especially for such companies based outside the EU because there is no international registry of commercial operators in shipping, the proposed approach ensures that the final responsibility of the commercial operator, by establishing a contractual requirement between the shipowner and commercial operator to pass on the costs.

Amendment 10

Proposal for a directive

Recital 20 a (new)

Text proposed by the Commission

Amendment

(20a) The successful transition to zero emission shipping requires an integrated approach and the appropriate enabling environment to stimulate innovation, both on ships and in ports. That enabling environment involves public and private investment in research and innovation, technological and operational measures

to improve the energy efficiency of ships and ports, and the deployment of sustainable alternative fuels, such as hydrogen and ammonia, that are produced from renewable energy sources, including through carbon contracts for difference aimed at bridging the price difference between low- and zero-carbon fuels and conventional fuels, and of zero emission propulsion technologies, including the necessary refuelling and recharging infrastructure in ports. An Ocean Fund should be established from revenues generated from the auctioning of allowances in respect of maritime transport activities under the EU ETS to improve the energy efficiency of ships and support investment aimed at facilitating the decarbonisation of maritime transport, including as regards short sea shipping and ports. In addition, the revenues generated from penalties imposed under Regulation (EU) xxxx/xxxx [FuelEU Maritime] of the European Parliament and of the Council should be allocated to the Ocean Fund as external assigned revenue in accordance with Article 21(5) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council^{1a}. The Commission should ensure that due consideration is given to support innovative projects aimed at accelerating the development and deployment of renewable and low-carbon fuels in the maritime sector, as specified in Article 21(1) of Regulation (EU) xxxx/xxxx [FuelEU Maritime]. Certain northern shipping routes are dependent on ice-class ships for winter navigation. Such ships can generate a greater quantity of emissions compared to similar ships for open-seas navigation due to higher fuel consumption when navigating through ice and the higher relative weight of their hull. In order to take into account the specific circumstances of ice-class ships and avoid undercounting actual emissions, support should be provided through the Ocean Fund for innovation

and decarbonisation as regards ice-class ships.

^{1a} Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

Or. en

Amendment 11

Proposal for a directive Recital 28

Text proposed by the Commission

(28) Achieving the increased climate ambition will require substantial public resources in the EU as well as national budgets to be dedicated to the climate transition. To complement and reinforce the substantial climate-related spending in the EU budget, all auction revenues that are not attributed to the Union budget should be used for climate-related purposes. This includes the use for financial support to address social aspects in lower- and middle-income households by reducing distortive taxes. Further, to address distributional and social effects of the transition in ***low-income Member States***, an additional amount of **2,5 %** of the Union-wide quantity of allowances from [year of entry into force of the Directive] to 2030 should be used to fund the energy transition of the ***Member States with a gross domestic product (GDP) per***

Amendment

(28) Achieving the increased climate ambition will require substantial public resources in the EU as well as national budgets to be dedicated to the climate transition. To complement and reinforce the substantial climate-related spending in the EU budget, all auction revenues that are not attributed to the Union budget should be used for climate-related purposes. This includes the use for financial support to address social aspects in lower- and middle-income households by reducing distortive taxes. Further, to address distributional and social effects of the transition in ***the most affected territories***, an additional amount of **1,25 %** of the Union-wide quantity of allowances from [year of entry into force of the Directive] to 2030 should be used to fund the energy transition of the ***NUTS level 3 regions, or parts thereof, identified in the***

capita below 65 % of the Union average in 2016-2018, through the Modernisation Fund referred to in Article 10d of Directive 2003/87/EC.

territorial just transition plans prepared in accordance with Regulation (EU) 2021/1056 of the European Parliament and of the Council^{1a} through the Modernisation Fund referred to in Article 10d of Directive 2003/87/EC.

^{1a} Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund (OJ L 231 30.6.2021, p. 1).

Or. en

Amendment 12

Proposal for a directive Recital 28 a (new)

Text proposed by the Commission

Amendment

(28a) Since 2013, electricity producers have been obliged to purchase all the allowances they need to generate electricity. However, some Member States have retained the option of being able to continue to provide transitional free allocation for the modernisation of the energy sector in the periods from 2013 to 2020 and from 2021 to 2030. For the period from 2021 to 2030, only three Member States would continue to have that option. However, in its Special Report 18/2020 entitled ‘The EU’s Emissions Trading System: free allocation of allowances needed better targeting’, the European Court of Auditors found that that transitional free allocation did not contribute to the reduction of carbon intensity in the energy sector for countries eligible for such free allocation of allowances in the period from 2013 to 2020. Given the need for rapid decarbonisation, especially in the energy sector, and the limited effectiveness of

that transitional free allocation, the option of transitional free allocation for the modernisation of the energy sector no longer seems fit for purpose. Therefore, that option should cease to be available and any allowances resulting from the exercise of that option which have not been allocated to operators in the Member States concerned by 31 December 2023 should be added to the total quantity of allowances that the Member State concerned receives for auctioning, or should be used to support investments within the framework of the Modernisation Fund.

Or. en

Amendment 13

Proposal for a directive Recital 29

Text proposed by the Commission

(29) Further incentives to reduce greenhouse gas emissions by using cost-efficient techniques should be provided. To that end, *the* free allocation of emission allowances *to stationary installations* from 2026 onwards should *be conditional on investments in techniques to increase energy efficiency and reduce emissions. Ensuring that this is focused on larger energy users would result in a substantial reduction in burden for businesses with lower energy use, which may be owned by small and medium sized enterprises or micro-enterprises. [Reference to be confirmed with the revised EED].* The relevant *delegated acts* should *be adjusted accordingly*.

Amendment

(29) Further incentives to reduce greenhouse gas emissions by using cost-efficient techniques should be provided. To that end, *a bonus-malus system should be introduced for determining the share of free allocation. For installations whose greenhouse gas emissions are above the relevant benchmark values, the amount of free allocation of emission allowances from 2026 onwards should vary according to the implementation of a duly established climate-neutrality plan. Conversely, installations whose greenhouse gas emissions are below the relevant benchmark values should receive an incentive in the form of an additional free allocation.*

Or. en

Amendment 14

Proposal for a directive Recital 30

Text proposed by the Commission

(30) The Carbon Border Adjustment Mechanism (CBAM), established under Regulation (EU) [.../..] of the European Parliament and of the Council⁵¹, is an alternative to free allocation to address the risk of carbon leakage. To the extent that sectors and subsectors are covered by that measure, they should not receive free allocation. However, a transitional phasing-out of free allowances is needed to allow producers, importers and traders to adjust to the new regime. The reduction of free allocation should be implemented by applying a factor to free allocation for CBAM sectors, while the CBAM is phased in. This percentage (CBAM factor) should be equal to 100 % during the transitional period between the entry into force of [CBAM Regulation] and 2025, 90 % in 2026 and should be reduced by 10 percentage points each year to reach 0 % and thereby eliminate free allocation by the tenth year. The relevant delegated acts on free allocation should be adjusted accordingly for the sectors and subsectors covered by the CBAM. ***The free allocation no longer provided to the CBAM sectors based on this calculation (CBAM demand) must be auctioned and the revenues will accrue to the Innovation Fund, so as to support innovation in low carbon technologies, carbon capture and utilisation ('CCU'), carbon capture and geological storage ('CCS'), renewable energy and energy storage, in a way that contributes to mitigating climate change. Special attention should be given to projects in CBAM sectors.*** To respect the proportion of the free allocation available for the non-CBAM sectors, the final amount to deduct from the free allocation and to be auctioned should be calculated

Amendment

(30) The Carbon Border Adjustment Mechanism (CBAM), established under Regulation (EU) [.../..] of the European Parliament and of the Council⁵¹, is an alternative to free allocation to address the risk of carbon leakage. To the extent that sectors and subsectors are covered by that measure, they should not receive free allocation. However, a transitional phasing-out of free allowances, ***combined with a reserve and review mechanism***, is needed to allow producers, importers and traders to adjust to the new regime ***and to assess the effective implementation of the CBAM***. The reduction of free allocation should be implemented by applying a factor to free allocation for CBAM sectors, while the CBAM is phased in. This percentage (CBAM factor) should be equal to 100 % during the transitional period between the entry into force of [CBAM Regulation] and 2025, 90 % in 2026 and should be reduced by 10 percentage points each year to reach 0 % and thereby eliminate free allocation by the tenth year. The relevant delegated acts on free allocation should be adjusted accordingly for the sectors and subsectors covered by the CBAM. ***This phase-out of free allocation should be kept under review in light of the entry into force and effective implementation of the CBAM.*** To respect the proportion of the free allocation available for the non-CBAM sectors, the final amount to deduct from the free allocation and to be auctioned should be calculated based on the proportion that the CBAM demand represents in respect of the free allocation needs of all sectors receiving free allocation.

based on the proportion that the CBAM demand represents in respect of the free allocation needs of all sectors receiving free allocation.

⁵¹ [please insert full OJ reference]

⁵¹ [please insert full OJ reference]

Or. en

Amendment 15

Proposal for a directive Recital 30 a (new)

Text proposed by the Commission

Amendment

(30a) A temporary Carbon Leakage Protection Reserve should be established, linked to an annual review mechanism to assess the entry into force and effective implementation of the CBAM. Each year, the free allocation no longer provided to the CBAM sectors, based on the free allocation phase-out calculation, should be moved into a temporary reserve. By 28 February of the following year, the Commission should assess and report on the entry into force of the CBAM and its effectiveness during the preceding year, namely whether it resulted in an equivalent level of carbon leakage protection. Where the assessment is positive, the allowances in the reserve from the preceding year should automatically be auctioned and the revenues should accrue to the Innovation Fund. Where the assessment is negative, the allowances in the reserve from the preceding year should automatically be released back to industry to fill the carbon leakage protection gap. This should limit any possible gaps that might arise in carbon leakage protection, while avoiding double protection.

Or. en

Amendment 16

Proposal for a directive Recital 30 b (new)

Text proposed by the Commission

Amendment

(30b) To ensure fairness, the Commission should engage and aim to conclude agreements with the least developed countries to actively support the rapid decarbonisation of their manufacturing industries, in particular in sectors covered by the CBAM, in order to facilitate their achievement of carbon neutrality by 2050, while reducing CBAM surrender obligations for installations in the least developed countries. For that purpose, the Commission should use 20 % of revenues generated by the sale of CBAM certificates, including through reinforcing climate spending in the Union budget's Instrument for Pre-Accession Assistance III and the relevant geographic and thematic programmes of the Neighbourhood, Development and International Cooperation Instrument.

Or. en

Amendment 17

Proposal for a directive Recital 31

Text proposed by the Commission

Amendment

(31) In order to better reflect technological progress and adjust the corresponding benchmark values to the relevant period of allocation while ensuring emission reduction incentives and properly rewarding innovation, the maximum adjustment of the benchmark values should be increased from 1,6 % to 2,5 % per year.

(31) In order to better reflect technological progress and adjust the corresponding benchmark values to the relevant period of allocation while ensuring emission reduction incentives and properly rewarding innovation, the maximum adjustment of the benchmark values should be increased from 1,6 % to 2,5 % per year.

For the period from 2026 to 2030, the benchmark values should thus be adjusted within a range of 4 % to 50 % compared to the value applicable in the period from 2013 to 2020.

For the period from 2026 to 2030, the benchmark values should thus be adjusted within a range of 4 % to 50 % compared to the value applicable in the period from 2013 to 2020. ***The adjusted benchmark values should be published as soon as the necessary information becomes available, in order for those adjusted benchmark values to be applicable from 2026.***

Or. en

Amendment 18

Proposal for a directive Recital 33

Text proposed by the Commission

(33) The scope of the Innovation Fund referred to in Article 10a(8) of Directive 2003/87/EC should be extended to support innovation in low-carbon technologies and processes that concern the consumption of fuels in the sectors of buildings and road transport. In addition, the Innovation Fund should serve to support investments to decarbonise the ***maritime transport*** sector, ***including*** investments in sustainable alternative fuels, such as hydrogen and ammonia that are produced from renewables, as well as zero-emission propulsion technologies like wind technologies. ***Considering that revenues generated from penalties raised in Regulation xxxx/xxxx [FuelEU Maritime]⁵² are allocated to the Innovation Fund as external assigned revenue in accordance with Article 21(5) of the Financial Regulation, the Commission should ensure that due consideration is given to support for innovative projects aimed at accelerating the development and deployment of renewable and low carbon fuels in the maritime sector, as specified in Article 21(1) of Regulation xxxx/xxxx [FuelEU Maritime].*** To ensure

Amendment

(33) The scope of the Innovation Fund referred to in Article 10a(8) of Directive 2003/87/EC should be extended to support innovation in low-carbon technologies and processes that concern the consumption of fuels in the sectors of buildings and road transport, ***including collective forms of transport***. In addition, the Innovation Fund should serve to support investments to decarbonise the ***aviation*** sector, ***and*** investments in sustainable alternative fuels, such as hydrogen and ammonia that are produced from renewables, as well as zero-emission propulsion technologies like wind technologies. ***The Innovation Fund should not support nuclear energy-related activities. It should also be possible to use the Innovation Fund to support break-through innovative technologies in the agriculture sector.*** To ensure sufficient funding is available for innovation within this extended scope, the Innovation Fund should be supplemented with 50 million allowances, stemming partly from the allowances that could otherwise be auctioned, and partly from the allowances that could otherwise be allocated for free, in accordance with the current proportion

sufficient funding is available for innovation within this extended scope, the Innovation Fund should be supplemented with 50 million allowances, stemming partly from the allowances that could otherwise be auctioned, and partly from the allowances that could otherwise be allocated for free, in accordance with the current proportion of funding provided from each source to the Innovation Fund.

of funding provided from each source to the Innovation Fund.

⁵² [add ref to the FuelEU Maritime Regulation].

⁵² [add ref to the FuelEU Maritime Regulation].

Or. en

Justification

Several extensions of the stationary ETS as well as the new ETS2 make it necessary to also give affected participants access to the Innovation Fund. No support should be given to nuclear energy as it is no renewable energy. As an Ocean Fund is established, allowances from FuelEU Maritime that are proposed to be added to the Innovation Fund, are instead redirected towards the Ocean Fund and deleted here.

Amendment 19

Proposal for a directive Recital 33 a (new)

Text proposed by the Commission

Amendment

(33a) A significant part of the Innovation Fund should support innovation in the aviation sector, in particular projects related to the development and implementation of new technologies and designs aiming to reduce greenhouse gas emissions from the aviation sector, particularly in the areas of sustainable aviation fuels and operational, aeronautics, airframe and engine innovation, including projects that address the total climate impact of aviation.

Or. en

Amendment 20

Proposal for a directive Recital 43 a (new)

Text proposed by the Commission

Amendment

(43a) In order to ensure that a level playing field exists and to close any remaining gaps between the existing EU ETS and the new emissions trading system, the new emissions trading system should also cover other fuels released for consumption, such as those used for process heating in smaller installations, while avoiding or addressing any double counting. Moreover, such an approach would simplify the implementation, monitoring, reporting and verification of the new emissions trading system for regulated entities.

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating.

Amendment 21

Proposal for a directive Recital 44

Text proposed by the Commission

Amendment

(44) In order to establish the necessary implementation framework and to provide a reasonable timeframe for reaching the 2030 target, emissions trading in the **two** new sectors should start in 2025. During the first year, the regulated entities should

(44) In order to establish the necessary implementation framework and to provide a reasonable timeframe for reaching the 2030 target, emissions trading in the new sectors should start in 2025. During the first year, the regulated entities should be

be required to hold a greenhouse gas emissions permit and to report their emissions for the years **2024 and 2025**. The issuance of allowances and compliance obligations for these entities should be applicable as from **2026**. This sequencing will allow starting emissions trading in the sectors in an orderly and efficient manner. It would also allow the EU funding and Member State measures to be in place to ensure a socially fair introduction of the EU emissions trading into the **two** sectors so as to mitigate the impact of the carbon price on vulnerable households and transport users.

required to hold a greenhouse gas emissions permit and to report their emissions for the years **2023 and 2024**. The issuance of allowances and compliance obligations for these entities should be applicable as from **2025**. This sequencing will allow starting emissions trading in the sectors in an orderly and efficient manner. It would also allow the EU funding and Member State measures to be in place to ensure a socially fair introduction of the EU emissions trading into the **heating and cooling and road transport** sectors so as to mitigate the impact of the carbon price on vulnerable households and transport users.

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 22

Proposal for a directive Recital 44 a (new)

Text proposed by the Commission

Amendment

(44a) Any revenues at Union or national level resulting from the application of the polluter-pays-principle to citizens, households and small and medium-sized enterprises (SMEs) should be used to support citizens, households and SMEs to make the climate transition and to become more sustainable in their consumption.

Or. en

Amendment 23

Proposal for a directive Recital 44 b (new)

Text proposed by the Commission

Amendment

(44b) A temporary opt-out clause should be introduced giving Member States the possibility to delay the application of emissions trading for fuels released for private road transport and private residential building heating and cooling until 2027, on condition that the Member States can demonstrate that they are able to differentiate the monitoring, reporting and verification of fuels released for private road transport and private residential building heating and cooling from other activities covered by this Chapter, and that they can reach their 2030 targets under Regulation (EU) 2018/842 of the European Parliament and of the Council^{1a} without the immediate and full application of emissions trading in those subsectors.

^{1a} Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 24

Proposal for a directive Recital 44 c (new)

Text proposed by the Commission

Amendment

(44c) The auctioning of allowances in Member States making use of the opt-out for fuels released for private road transport and residential building heating and cooling will generate significantly less revenue during the period of this opt-out, including for the Social Climate Fund. Nevertheless, all Member States would continue to benefit from the Social Climate Fund. In order to ensure fairness between Member States and their citizens and households, Member States making use of the opt-out should compensate the estimated loss of auctioning revenues to the Social Climate Fund.

Or. en

Amendment 25

Proposal for a directive Recital 48

Text proposed by the Commission

Amendment

(48) The total quantity of allowances for the new emissions trading should follow a linear trajectory to reach the 2030 emissions reduction target, taking into account the cost-efficient contribution of buildings and road transport of 43 % emission reductions by 2030 compared to 2005. The total quantity of allowances should be established for the first time in **2026**, to follow a trajectory starting in 2024 from the value of the 2024 emissions limits (1 109 304 000 CO₂t), calculated in accordance with Article 4(2) of Regulation

(48) The total quantity of allowances for the new emissions trading should follow a linear trajectory to reach the 2030 emissions reduction target, taking into account the cost-efficient contribution of buildings and road transport of 43 % emission reductions by 2030 compared to 2005. The total quantity of allowances should be established for the first time in **2025**, to follow a trajectory starting in 2024 from the value of the 2024 emissions limits (1 109 304 000 CO₂t), calculated in accordance with Article 4(2) of Regulation

(EU) 2018/842 *of the European Parliament and of the Council*⁵⁹ on the basis of the reference emissions for these sectors for the period from 2016 to 2018. Accordingly, the linear reduction factor should be set at 5,15 %. From 2028, the total quantity of allowances should be set on the basis of the average reported emissions for the years 2024, 2025 and 2026, and should decrease by the same absolute annual reduction as set from 2024, which corresponds to a 5,43 % linear reduction factor compared to the comparable 2025 value of the above defined trajectory. If those emissions are significantly higher than this trajectory value and if this divergence is not due to small-scale differences in emission measurement methodologies, the linear reduction factor should be adjusted to reach the required emissions reduction in 2030.

(EU) 2018/842 on the basis of the reference emissions for these sectors for the period from 2016 to 2018. Accordingly, the linear reduction factor should be set at 5,15 %. From 2028, the total quantity of allowances should be set on the basis of the average reported emissions for the years 2024, 2025 and 2026, and should decrease by the same absolute annual reduction as set from 2024, which corresponds to a 5,43 % linear reduction factor compared to the comparable 2025 value of the above defined trajectory. If those emissions are significantly higher than this trajectory value and if this divergence is not due to small-scale differences in emission measurement methodologies, the linear reduction factor should be adjusted to reach the required emissions reduction in 2030.

⁵⁹ *Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).*

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating.

Amendment 26

Proposal for a directive Recital 49 a (new)

Text proposed by the Commission

Amendment

(49a) In order to ensure that a level playing field exists for companies in sectors or subsectors which are exposed to a genuine risk of carbon leakage due to significant indirect costs incurred from the extension of the new emissions trading system to fuels released for consumption in sectors other than buildings and road transport, such as process heating in installations not covered by the existing EU ETS, the Commission should assess the need for those sectors or subsectors to be included in the existing carbon leakage protection measures.

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 27

Proposal for a directive Recital 50

Text proposed by the Commission

Amendment

(50) In order to ensure a smooth start to emissions trading in the buildings and road transport sectors and taking into account the need of the regulated entities to hedge or buy ahead allowances to mitigate their price and liquidity risk, a higher amount of

(50) In order to ensure a smooth start to emissions trading in the buildings and road transport sectors and taking into account the need of the regulated entities to hedge or buy ahead allowances to mitigate their price and liquidity risk, a higher amount of

allowances should be auctioned early on. In **2026**, the auction volumes should therefore be 30 % higher than the total quantity of allowances for **2026**. This amount would be sufficient to provide liquidity, both if emissions decrease in line with reduction needs, and in the event emission reductions only materialise progressively. The detailed rules for this front-loading of auction volume are to be established in a delegated act related to auctioning, adopted pursuant to Article 10(4) of Directive 2003/87/EC.

allowances should be auctioned early on. In **2025**, the auction volumes should therefore be 30 % higher than the total quantity of allowances for **2025**. This amount would be sufficient to provide liquidity, both if emissions decrease in line with reduction needs, and in the event emission reductions only materialise progressively. The detailed rules for this front-loading of auction volume are to be established in a delegated act related to auctioning, adopted pursuant to Article 10(4) of Directive 2003/87/EC.

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 28

Proposal for a directive Recital 52

Text proposed by the Commission

(52) The introduction of the carbon price in road transport and buildings should be accompanied by effective social compensation, especially in view of the already existing levels of energy poverty. About 34 million Europeans reported an inability to keep their homes adequately warm in 2018, and 6,9 % of the Union population have said that they cannot afford to heat their home sufficiently in a 2019 EU-wide survey⁶⁰. To achieve an effective social and distributional compensation, Member States should be required to spend the auction revenues **on the climate and energy-related purposes**

Amendment

(52) The introduction of the carbon price in road transport and buildings should be accompanied by effective social compensation, especially in view of the already existing levels of energy poverty. About 34 million Europeans reported an inability to keep their homes adequately warm in 2018, and 6,9 % of the Union population have said that they cannot afford to heat their home sufficiently in a 2019 EU-wide survey⁶⁰. To achieve an effective social and distributional compensation, Member States should be required to spend the auction revenues **as a priority** for measures specifically to

already specified for the existing emissions trading, but also for measures added specifically to address related concerns for the new sectors of road transport and buildings, including related policy measures under Directive 2012/27/EU of the European Parliament and of the Council⁶¹. Auction revenues should be used to address social aspects of the emission trading for the new sectors with a specific emphasis in vulnerable households, micro-enterprises and transport users. In this spirit, a new Social Climate Fund will provide dedicated funding to Member States to support the European citizens most affected or at risk of energy or mobility poverty. This Fund will promote fairness and solidarity between and within Member States while mitigating the risk of energy and mobility poverty during the transition. It will build on and complement existing solidarity mechanisms. The resources of the new Fund will in principle correspond to 25 % of the expected revenues from new emission trading in the period 2026-2032, and will be implemented on the basis of the Social Climate Plans that Member States should put forward under Regulation (EU) 20.../nn of the European Parliament and the Council⁶². In addition, each Member State should use their auction revenues inter alia to finance a part of the costs of their Social Climate Plans.

⁶⁰ Data from 2018. Eurostat, SILC [ilc_mdcs01].

⁶¹ Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012, p. 1–56).

⁶² [Add ref to the Regulation establishing the Social Climate Fund].

address social aspects of the emission trading for the new sectors *of road transport and heating and cooling* with a specific emphasis in vulnerable households, micro-enterprises and transport users. In this spirit, a new Social Climate Fund will provide dedicated funding to Member States to support the European citizens most affected or at risk of energy or mobility poverty. This Fund will promote fairness and solidarity between and within Member States while mitigating the risk of energy and mobility poverty during the transition. It will build on and complement existing solidarity mechanisms. The resources of the new Fund will in principle correspond to 25 % of the expected revenues from new emission trading in the period 2026-2032, and will be implemented on the basis of the Social Climate Plans that Member States should put forward under Regulation (EU) 20.../nn of the European Parliament and the Council⁶². In addition, each Member State should use their auction revenues inter alia to finance a part of the costs of their Social Climate Plans.

⁶⁰ Data from 2018. Eurostat, SILC [ilc_mdcs01].

⁶¹ Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012, p. 1–56).

⁶² [Add ref to the Regulation establishing the Social Climate Fund].

Amendment 29

Proposal for a directive Recital 52 a (new)

Text proposed by the Commission

Amendment

(52a) In order to achieve greater coherence and efficiency in the management and use of Union funds and resources, the Commission should carry out an assessment and, where appropriate, present a legislative proposal in 2030, with the aim of bringing the Innovation Fund, the Ocean Fund, the Modernisation Fund and the Social Climate Fund within the scope of the general budget of the Union and thereby making them subject to the Union's budgetary procedure.

Or. en

Amendment 30

Proposal for a directive Recital 52 b (new)

Text proposed by the Commission

Amendment

(52b) Since the transport sector is currently the only sector that has failed to deliver any reductions of greenhouse gas emissions, a significant level of investment in sustainable transport options is required to achieve the Union climate goals and support a modal shift to rail transport. Therefore, at least 10 % of the expected revenues from the increased trading of emissions to arise as a result of the extension of the scope of the EU ETS pursuant to this Directive, 10 % of the national revenues to be allocated by

Member States as well as 10 % of the revenues under the Innovation Fund should be allocated to the further development of railway systems and local public transport.

Or. en

Amendment 31

Proposal for a directive Recital 55

Text proposed by the Commission

(55) Regulated entities covered by the ***buildings and road transport*** emissions trading should surrender allowances for their verified emissions corresponding to the quantities of fuels they have released for consumption. They should surrender allowances for the first time for their verified emissions in **2026**. In order to minimise the administrative burden, a number of rules applicable to the existing emissions trading system for stationary installations and aviation should be made applicable to emissions trading for buildings and road transport, with the necessary adaptations. This includes, in particular, rules on transfer, surrender and cancellation of allowances, as well as the rules on the validity of allowances, penalties, competent authorities and reporting obligations of Member States.

Amendment

(55) Regulated entities covered by the ***new*** emissions trading should surrender allowances for their verified emissions corresponding to the quantities of fuels they have released for consumption. They should surrender allowances for the first time for their verified emissions in **2025**. In order to minimise the administrative burden, a number of rules applicable to the existing emissions trading system for stationary installations and aviation should be made applicable to emissions trading for buildings and road transport, with the necessary adaptations. This includes, in particular, rules on transfer, surrender and cancellation of allowances, as well as the rules on the validity of allowances, penalties, competent authorities and reporting obligations of Member States.

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 32

Proposal for a directive Recital 56

Text proposed by the Commission

(56) For emissions trading *in the buildings and road transport sectors* to be effective, it should be possible to monitor emissions with high certainty and at reasonable cost. Emissions should be attributed to regulated entities on the basis of fuel quantities released for consumption and combined with an emission factor. Regulated entities should be able to reliably and accurately identify and differentiate the sectors in which the fuels are released for consumption, as well as the final users of the fuels, in order to avoid undesirable effects, such as double burden. To have sufficient data to establish the total number of allowances for the period from 2028 to 2030, the regulated entities holding a permit at the start of the system in **2025** should report their associated historical emissions for **2024**.

Amendment

(56) For emissions trading *for fuels* to be effective, it should be possible to monitor emissions with high certainty and at reasonable cost. Emissions should be attributed to regulated entities on the basis of fuel quantities released for consumption and combined with an emission factor. Regulated entities should be able to reliably and accurately identify and differentiate the sectors in which the fuels are released for consumption, as well as the final users of the fuels, in order to avoid undesirable effects, such as double burden. To have sufficient data to establish the total number of allowances for the period from 2028 to 2030, the regulated entities holding a permit at the start of the system in **2024** should report their associated historical emissions for **2023**.

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating.

Amendment 33

Proposal for a directive Recital 66 a (new)

Text proposed by the Commission

Amendment

(66a) To ensure that there is predictability for operators and avoid disincentivising best-performers and innovation as a result of additional and unforeseen costs, it is crucial to avoid the application of the cross-sectoral correction factor. Therefore, additional allowances should be made available for the avoidance of the correction factor through different mechanisms, including by accelerating the phase-in of emissions trading for the maritime sector by one year and through similar measures related to the phase-out of free allocation for the aviation sector. Any remaining shortages regarding the avoidance of the correction factor should be resolved by using allowances which would otherwise be invalidated from the Market Stability Reserve.

Or. en

Amendment 34

Proposal for a directive Recital 67 a (new)

Text proposed by the Commission

Amendment

(67a) Given that this Directive will generate additional compliance costs for the aviation sector, compensatory actions should be taken in order to prevent an increase in the total level of the regulatory burden. The Commission should therefore, where appropriate and before the entry into force of this Directive, present legislative proposals to counterbalance the regulatory burden resulting from this Directive, through the amendment or repeal of provisions in other Union legislation that generate compliance costs in the affected sector. In

doing so, the Commission should concentrate on regulatory measures and provisions that constitute obstacles for the green transition and hinder the development and introduction of technologies which enable the creation of processes and products that pollute less with a view to achieving climate neutrality.

Or. en

Amendment 35

Proposal for a directive

Article 1 – paragraph 1 – point 2 – point d

Directive 2003/87/EC

Article 3 – paragraph 1 – point v

Text proposed by the Commission

(v) ‘shipping company’ means the shipowner or any other organisation or person, such as the manager or the bareboat charterer, that has assumed the responsibility for the operation of the ship from the shipowner and that, on assuming such responsibility, has agreed to take over all the duties and responsibilities imposed by the International Management Code for the Safe Operation of Ships and for Pollution Prevention, set out in Annex I to Regulation (EC) No 336/2006 of the European Parliament and of the Council(*);

(*) Regulation (EC) No 336/2006 of the European Parliament and of the Council of 15 February 2006 on the implementation of the International Safety Management Code within the Community and repealing Council Regulation (EC) No 3051/95 (OJ L 64, 4.3.2006, p. 1).

Amendment

(v) ‘shipping company’ means the shipowner or any other organisation or person, such as the manager, *the time charterer* or the bareboat charterer, that has assumed the responsibility for the operation of the ship from the shipowner and that, on assuming such responsibility, has agreed to take over all the duties and responsibilities imposed by the International Management Code for the Safe Operation of Ships and for Pollution Prevention, set out in Annex I to Regulation (EC) No 336/2006 of the European Parliament and of the Council(*);

(*) Regulation (EC) No 336/2006 of the European Parliament and of the Council of 15 February 2006 on the implementation of the International Safety Management Code within the Community and repealing Council Regulation (EC) No 3051/95 (OJ L 64, 4.3.2006, p. 1).

Or. en

Justification

In line with the EP Position on the revision of the MRV Regulation, the commercial operator should be the final responsible for the payment of the EU-ETS price. Because it could be challenging for competent authorities to trace down a commercial operator, especially for such companies based outside the EU because there is no international registry of commercial operators in shipping, the proposed approach ensures that the final responsibility of the commercial operator, by establishing a contractual requirement between the shipowner and commercial operator to pass on the costs.

Amendment 36

Proposal for a directive

Article 1 – paragraph 1 – point 2 – point d

Directive 2003/87/EC

Article 3 – paragraph 1 – point y

Text proposed by the Commission

(y) ‘fuel’ for the purposes of Chapter IVa shall mean any fuel listed in Table-A and Table-C of Annex I to Directive 2003/96/EC, as well as any other product offered for sale as motor fuel or heating fuel as specified in Article 2(3) of that Directive;

Amendment

(y) ‘fuel’ for the purposes of Chapter IVa shall mean any fuel listed in Table-A and Table-C of Annex I to Directive 2003/96/EC, as well as any other product ***intended for use***, offered for sale ***or used*** as motor fuel or heating fuel as specified in Article 2(3) of that Directive;

Or. en

Justification

As the scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations), it shall be ensured that the definition of 'fuels' concerned does include all relevant activities.

Amendment 37

Proposal for a directive

Article 1 – paragraph 1 – point 4

Directive 2003/87/EC

Article 3a – paragraph 1 a (new)

Text proposed by the Commission

Amendment

By 31 December 2026, the Commission shall assess, and report to the European

Parliament and to the Council on, the impact on the global climate of greenhouse gas emissions other than CO₂ and CH₄, from ships arriving at, within or departing from ports under the jurisdiction of a Member State. That report shall be accompanied, where appropriate, by a legislative proposal to address the question of how to deal with such emissions.

Or. en

Justification

In addition to CO₂ and CH₄, there are additional greenhouse gases that have similar or even worse impacts on the climate. Therefore, the Commission shall evaluate this impact and make changes accordingly where appropriate.

Amendment 38

Proposal for a directive

Article 1 – paragraph 1 – point 6

Directive 2003/87/EC

Article 3ga – paragraph 1 – point a

Text proposed by the Commission

Amendment

(a) **20** % of verified emissions reported for 2023;

(a) **33,3** % of verified emissions reported for 2023;

Or. en

Justification

By moving forward the envisaged date of full application of emissions trading for the maritime sector by one year, from 2026 to 2025, around 57 million allowances are made available which would otherwise have been cancelled under the Commission proposal. The Rapporteur proposes to make those additional allowances available towards the avoidance of the Cross-Sectoral Correction Factor. For this purpose, around 120 million allowances would be required in total until 2030.

Amendment 39

Proposal for a directive

Article 1 – paragraph 1 – point 6

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Directive 2003/87/EC
Article 3ga – paragraph 1 – point b

Text proposed by the Commission

Amendment

(b) **45** % of verified emissions reported for 2024;

(b) **66,6** % of verified emissions reported for 2024;

Or. en

Justification

By moving forward the envisaged date of full application of emissions trading for the maritime sector by one year, from 2026 to 2025, around 57 million allowances are made available which would otherwise have been cancelled under the Commission proposal. The Rapporteur proposes to make those additional allowances available towards the avoidance of the Cross-Sectoral Correction Factor. For this purpose, around 120 million allowances would be required in total until 2030.

Amendment 40

Proposal for a directive

Article 1 – paragraph 1 – point 6

Directive 2003/87/EC

Article 3ga – paragraph 1 – point c

Text proposed by the Commission

Amendment

(c) **70** % of verified emissions reported for 2025;

(c) **100** % of verified emissions reported for 2025 **and each year thereafter.**

Or. en

Justification

By moving forward the envisaged date of full application of emissions trading for the maritime sector by one year, from 2026 to 2025, around 57 million allowances are made available which would otherwise have been cancelled under the Commission proposal. The Rapporteur proposes to make those additional allowances available towards the avoidance of the Cross-Sectoral Correction Factor. For this purpose, around 120 million allowances would be required in total until 2030.

Amendment 41

Proposal for a directive

Article 1 – paragraph 1 – point 6

Directive 2003/87/EC

Article 3ga – paragraph 1 – point d

Text proposed by the Commission

Amendment

(d) 100 % of verified emissions reported for 2026 and each year thereafter.

deleted

Or. en

Justification

By moving forward the envisaged date of full application of emissions trading for the maritime sector by one year, from 2026 to 2025, around 57 million allowances are made available which would otherwise have been cancelled under the Commission proposal. The Rapporteur proposes to make those additional allowances available towards the avoidance of the Cross-Sectoral Correction Factor. For this purpose, around 120 million allowances would be required in total until 2030.

Amendment 42

Proposal for a directive

Article 1 – paragraph 1 – point 6

Directive 2003/87/EC

Article 3ga – paragraph 1 a (new)

Text proposed by the Commission

Amendment

By way of derogation from the first paragraph, shipping companies shall be liable to surrender allowances for vessels on the basis of the vessel's ice class or navigation in ice or both, according to the following schedule:

(a) 25 % of verified emissions reported for 2023;

(b) 45 % of verified emissions reported for 2024;

(c) 70 % of verified emissions reported for 2025;

(d) 100 % of verified emissions reported for 2026 and each year thereafter.

The Commission shall adopt implementing acts to establish detailed rules relating to the identification of a vessel's ice class or navigation in ice under this paragraph. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 22a(2).

Or. en

Justification

Certain northern shipping routes are dependent on ice-class ships for winter navigation, which may generate additional emissions due to higher fuel consumption. To take this situation into account, the Rapporteur proposes a more gradual phase-in for ice-class ships in combination with specific support for the innovation and decarbonisation of ice-class ships through the Ocean Fund.

Amendment 43

Proposal for a directive

Article 1 – paragraph 1 – point 6

Directive 2003/87/EC

Article 3ga – paragraph 2

Text proposed by the Commission

To the extent that fewer allowances are surrendered compared to the verified emissions from maritime transport for the years 2023, **2024 and 2025**, once the difference between verified emissions and allowances surrendered has been established in respect of each year, a corresponding quantity of allowances shall be cancelled rather than auctioned pursuant to Article 10.

Amendment

To the extent that fewer allowances are surrendered compared to the verified emissions from maritime transport for the years 2023 **and 2024**, once the difference between verified emissions and allowances surrendered has been established in respect of each year, a corresponding quantity of allowances shall be cancelled rather than auctioned pursuant to Article 10.

By way of derogation from the second paragraph of this Article, 57 million allowances [the difference between the phase-in requirements set out in the first paragraph and the phase-in proposed by

the Commission (20 % in 2023, 45 % in 2024, 70 % in 2025)] shall only be auctioned after the application of Article 10a(5ba), to the extent such allowances are still available.

Or. en

Justification

By moving forward the envisaged date of full application of emissions trading for the maritime sector by one year, from 2026 to 2025, around 57 million allowances are made available which would otherwise have been cancelled under the Commission proposal. The Rapporteur proposes to make those additional allowances available towards the avoidance of the Cross-Sectoral Correction Factor. For this purpose, around 120 million allowances would be required in total until 2030.

Amendment 44

Proposal for a directive

Article 1 – paragraph 1 – point 6

Directive 2003/87/EF

Article 3gd a (new)

Text proposed by the Commission

Amendment

Article 3gda

Contractual arrangements

Where the ultimate responsibility for the purchase of the fuel or the operation of the ship is assumed, pursuant to a contractual arrangement, by an entity other than the shipping company, Member States shall ensure that that entity is responsible under the contractual arrangement for covering the costs arising from the implementation of this Directive.

For the purposes of this Article, ‘operation of the ship’ means determining the cargo carried by, or the route and speed of, the ship.

Or. en

Justification

In line with the EP Position on the revision of the MRV Regulation, the commercial operator should be the final responsible for the payment of the EU-ETS price. Because it could be challenging for competent authorities to trace down a commercial operator, especially for such companies based outside the EU because there is no international registry of commercial operators in shipping, the proposed approach ensures that the final responsibility of the commercial operator, by establishing a contractual requirement between the shipowner and commercial operator to pass on the costs.

Amendment 45

Proposal for a directive

Article 1 – paragraph 1 – point 6

Directive 2003/87/EC

Article 3gd b (new)

Text proposed by the Commission

Amendment

Article 3gdb

Ocean Fund

1. A fund ('the Ocean Fund') shall be established for the period from ... [the year of the start of auctioning of allowances in the maritime sector under this Directive] to 2030 with the objective of supporting projects and investments referred to in paragraph 3. At least 75 % of the revenues generated from the auctioning of allowances referred to in Article 3g shall be used through the Ocean Fund. Furthermore, the external assigned revenues referred to in Article 21(2) of Regulation (EU) [FuelEU Maritime] shall be allocated to the Ocean Fund and used in accordance with paragraph 3.

2. The Ocean Fund shall be managed centrally through a Union body and the governance structure of the Ocean Fund shall be similar to the governance structure of the Innovation Fund established under Article 10a(8). The Ocean Fund's governance structure and decision-making process shall be transparent and inclusive, in particular in

relation to the setting of priority areas, criteria and grant allocation procedures. Relevant stakeholders shall have an appropriate consultative role. All information on the projects and investments supported by the Ocean Fund and all other relevant information on the functioning of the Ocean Fund shall be made available to the public.

3. Funds provided under the Ocean Fund shall be used to support projects and investments in relation to the following:

(a) improvement of the energy efficiency of ships and ports;

(b) innovative technologies and infrastructure for decarbonising the maritime transport sector, including as regards short sea shipping and ports;

(c) deployment of sustainable alternative fuels, such as hydrogen and ammonia, that are produced from renewable energy, including through carbon contracts for difference aimed at bridging the price difference between low- and zero-carbon fuels and conventional fuels;

(d) zero-emission propulsion technologies, including wind technologies;

(e) development of innovative technologies and fuels for ice-class ships and winter navigation in frozen areas.

All investment supported by the Ocean Fund shall be made public and shall be consistent with the aims of this Directive.

4. The Commission shall engage with third countries with regard to exploring options as to how they could also make use of the Ocean Fund.

5. The Commission is empowered to adopt delegated acts in accordance with Article 23 to supplement this Directive concerning the implementation of this Article. In implementing the Ocean Fund,

the Commission shall take all the appropriate measures in accordance with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council to ensure the protection of funds in relation to measures and investments supported by the Ocean Fund, in the event of failure to respect the rule of law in the Member States. To that end, the Commission shall provide an effective and efficient internal control system and shall seek recovery of amounts wrongly paid or incorrectly used.*

** Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433I, 22.12.2020, p. 1).*

Or. en

Justification

Under the MRV regulation the Parliament called for a dedicated “Ocean Fund” to support innovation in the shipping industry. In addition, certain northern shipping routes are dependent on ice-class ships for winter navigation, which may generate additional emissions due to higher fuel consumption. To take this situation into account, specific support should be provided for the innovation and decarbonisation of ice-class ships through the Innovation Fund. Commission should ensure the same rule of law conditionality for ETS funds as for programmes under the general Union budget.

Amendment 46

Proposal for a directive

Article 1 – paragraph 1 – point 6

Directive 2003/87/EC

Article 3gd c (new)

Text proposed by the Commission

Amendment

Article 3gdc

Cooperation with third countries and international organisations

1. The Commission shall engage with third countries with the aim of establishing bilateral agreements on market-based measures to reduce greenhouse gas emissions from maritime transport covering 100 % of the emissions from ships performing voyages departing from a port under the jurisdiction of a Member State and arriving at a port under the jurisdiction of one of those third countries, and 100 % of the emissions from ships performing voyages departing from a port under the jurisdiction of one of those third countries and arriving at a port under the jurisdiction of a Member State.

2. The Commission shall engage with the International Maritime Organization (IMO) with the aim of strengthening the global market-based measure to reduce greenhouse gas emissions in line with the Paris Agreement and to at least a level comparable to that resulting from the Union measures taken under this Chapter for the voyages referred to in paragraph 1.

Or. en

Justification

As only 50% of extra-EU voyages are covered under the proposed Maritime ETS, the rapporteur proposes that the Commission and Member States should foster the cooperation with third countries to accept the scope of the EU-ETS and work on international cooperations to finally cover 100% of extra-EU voyages.

Amendment 47

Proposal for a directive
Article 1 – paragraph 1 – point 6
Directive 2003/87/EC
Article 3ge – paragraph 1

Text proposed by the Commission

1. The Commission shall ***consider possible amendments in relation to*** the

Amendment

1. The Commission shall ***continuously monitor progress made***

adoption by the International Maritime Organization of a global market-based measure to reduce greenhouse gas emissions from maritime transport. ***In the event of the adoption of such a measure***, and in any event before the 2028 global stocktake and no later than 30 September 2028, the Commission shall present a report to the European Parliament and to the Council in which it shall examine any such measure. Where appropriate, the Commission ***may follow to*** the report with a legislative proposal to ***the European Parliament and to the Council to*** amend this Directive ***as appropriate***.

through the IMO. In the event of the IMO adoption of a global market-based measure to reduce greenhouse gas emissions from maritime transport and in any event before the 2028 global stocktake and no later than 30 September 2028 the Commission shall present a report to the European Parliament and to the Council in which it shall examine any such measure. Where appropriate, the Commission ***shall accompany*** the report with a legislative proposal to amend this Directive:

(a) ***to ensure a proportionate reduction of the scope of application of the Union measures taken under this Chapter in the event of the adoption of a global market-based measure leading to a reduction of greenhouse gas emissions from maritime transport in line with the Paris Agreement and at least comparable to that resulting from the Union measures taken under this Chapter for the voyages referred to in Article 3gdc(1);***

(b) ***to cover 100 % of the emissions from ships performing voyages departing from a port under the jurisdiction of a Member State and arriving at a port outside the jurisdiction of a Member State, and 100 % of the emissions from ships performing voyages departing from a port outside the jurisdiction of a Member State and arriving at a port under the jurisdiction of a Member State, in the absence of a global market-based measure or in the event of the adoption of a global market-based measure that does not lead to a reduction of greenhouse gas emissions from maritime transport in line with the Paris Agreement and at least comparable to that resulting from the Union measures taken under this Chapter for the voyages referred to in Article 3gdc(1).***

Or. en

Justification

Although a global measure would be the preferred option, progress at IMO level is disappointing. Should such a measure be adopted at the IMO and be at least as ambitious as the proposed EU ETS for shipping, the Commission should consider decreasing its scope. On the other hand, the Commission should consider the extension of the scope of the EU ETS for shipping to 100% if there has not been enough progress at IMO level.

Amendment 48

Proposal for a directive

Article 1 – paragraph 1 – point 7

Directive 2003/87/EC

Article 3h – paragraph 1 a (new)

Text proposed by the Commission

Amendment

From 1 January 2028, the provisions of this Chapter shall apply to greenhouse gas emissions permits and the allocation and issue of allowances in respect of municipal waste incineration installations. In this respect, the Commission shall, by 31 December 2025, present a report to the European Parliament and to the Council in which it shall examine the possible impacts of the inclusion of municipal waste incineration installations in the EU ETS on the disposal of waste by landfilling in the Union and on waste exports to third countries. The Commission shall, where appropriate, accompany that report with a legislative proposal to prevent those impacts.

Or. en

Justification

Parliament has repetitively called for all sectors of the economy to contribute to the GHG emission reduction targets. To reach climate neutrality, municipal waste incineration installations should be covered by the EU-ETS in the long-term. This should not happen too soon due to the risk of diverted waste streams towards landfills and waste exports to third countries. Therefore, the Commission should put in place the necessary legislation to avoid and address any such negative effects, before including municipal waste incineration installations under the EU-ETS by 1 January 2028.

Amendment 49

Proposal for a directive

Article 1 – paragraph 1 – point 10

Directive 2003/87/EC

Article 9 – paragraph 3 a (new)

Text proposed by the Commission

Amendment

From 1 January 2028, the Union-wide quantity of allowances shall be increased to take account of the inclusion of municipal waste incineration installations in the EU ETS. The Commission shall adopt implementing acts setting out the amount of the increase in the Union-wide quantity of allowances to take into account the inclusion of municipal waste incineration installations in the EU ETS. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 22a(2).

Or. en

Justification

Parliament has repetitively called for all sectors of the economy to contribute to the GHG emission reduction targets. To reach climate neutrality, municipal waste incineration installations should be covered by the EU-ETS in the long-term. 2024 would be too soon due to the risk of diverted waste streams towards landfills and waste exports to third countries. Therefore, the Commission should put in place the necessary legislation to avoid and address any such negative effects, before including municipal waste incineration installations under the EU-ETS by 1 January 2028.

Amendment 50

Proposal for a directive

Article 1 – paragraph 1 – point 11 – point a

Directive 2003/87/EC

Article 10 – paragraph 1 – subparagraph 4

Text proposed by the Commission

Amendment

In addition, **2,5** % of the total quantity of allowances between [year following the

In addition, **1,25** % of the total quantity of allowances between ... [year following the

entry into force of the Directive] and 2030 shall be auctioned for the Modernisation Fund. ***The beneficiary Member States for this amount*** of allowances shall be ***the Member States with a GDP per capita at market prices below 65 % of the Union average during the period 2016 to 2018.*** ***The funds corresponding to this quantity*** of allowances shall be distributed in accordance with ***Part B of Annex IIb.***

entry into force of the Directive] and 2030 shall be auctioned for the Modernisation Fund. ***That percentage*** of allowances shall be ***used to fund investments in the NUTS level 3 regions, or parts thereof, identified in the territorial just transition plans prepared in accordance with Article 11 of Regulation (EU) 2021/1056 of the European Parliament and of the Council*.*** ***The revenues generated from the auctioning of that percentage*** of allowances shall be distributed ***to Member States*** in accordance with ***Annex I to Regulation (EU) 2021/1056.***

In addition, 1,25% of the total quantity of allowances between ... [year following the entry into force of the Directive] and 2030 shall be made available for the Innovation Fund established under Article 10a(8).

**** Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund (OJ L 231 30.6.2021, p. 1).***

Or. en

Justification

The top-up will be divided. Half of the top up will be used for the Modernisation Fund, but according to regions in transition instead of national borders. The other half of the top up should be used to increase the Innovation Fund as this will enable the transition wherever it is needed.

Amendment 51

Proposal for a directive

Article 1 – paragraph 1 – point 11 – point b

Directive 2003/87/EC

Article 10 – paragraph 3 – subparagraph 1 – introductory part

Text proposed by the Commission

Amendment

3. Member States shall determine the use of revenues generated from the

3. Member States shall determine the use of revenues generated from the

auctioning of allowances, except for the revenues established as own resources in accordance with Article 311(3) TFEU and entered in the Union budget. Member States shall use their revenues generated from the auctioning of allowances referred to in paragraph 2, with the exception of the revenues used for the compensation of indirect carbon costs referred to in Article 10a(6), for one or more of the following:

auctioning of allowances, except for the revenues established as own resources in accordance with Article 311(3) TFEU and entered in the Union budget. Member States shall use their revenues generated from the auctioning of allowances referred to in paragraph 2, with the exception of the revenues used for the compensation of indirect carbon costs referred to in Article 10a(6), for one or more of the following, ***excluding nuclear energy-related activities and technologies***:

Or. en

Justification

Revenues should be focused on technologies that are supported by all Member States. Nuclear energy raises a lot of concerns and should thus not receive support.

Amendment 52

Proposal for a directive

Article 1 – paragraph 1 – point 11 – point b a (new)

Directive 2003/87/EC

Article 10 – paragraph 3 – point f

Present text

(f) to encourage a shift to low-emission and public forms of transport;

Amendment

(ba) in paragraph 3, point (f) is replaced by the following:

“(f) to encourage a shift to low-emission, ***zero-emission*** and public forms of transport, ***including the development of passenger and freight rail transport;***”

Or. en

Justification

Railways are one of the most environment friendly mode of transport. A modal shift to railways is extremely beneficial for the climate. Therefore, extra revenues shall be given to the train sector. This will not only deliver climate change mitigation but also major energy savings in the long run. Vulnerable households are particularly dependent on a good public transport service. It is therefore particularly important to invest the revenues from the ETS in developing public transport and providing a more affordable and attractive offer to users.

Amendment 53

Proposal for a directive

Article 1 – paragraph 1 – point 11 – point c

Directive 2003/87/EC

Article 10 – paragraph 3 – point h

Text proposed by the Commission

(h) measures intended to improve energy efficiency, district heating systems and insulation, or to provide financial support in order to address social aspects in lower- and middle-income households, including by reducing *distortive* taxes;

Amendment

(h) measures intended to improve energy efficiency, district heating systems and insulation, or to provide financial support in order to address social aspects in lower- and middle-income households, including by reducing *in particular* taxes *on and charges for renewable electricity*;

Or. en

Justification

Many new technologies are already available but the relatively low taxes and fees on gas, oil, diesel and gasoline compared to the relatively high taxes and fees on electricity hinder the market uptake of these technologies including heat pumps or electric vehicles.

Amendment 54

Proposal for a directive

Article 1 – paragraph 1 – point 11 – point c a (new)

Directive 2003/87/EC

Article 10 – paragraph 3 – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

(ca) in paragraph 3, the following subparagraph is inserted after the first subparagraph:

“By way of derogation from the first subparagraph, Member States shall use at least 10 % of the revenues generated from the auctioning of allowances for the development of passenger and freight rail transport as referred to in point (f) of the first subparagraph.”

Justification

Railways are one of the most environment friendly mode of transport. A modal shift to railways is extremely beneficial for the climate. Therefore, extra revenues shall be given to the train sector. This will not only deliver climate change mitigation but also major energy savings in the long run. Vulnerable households are particularly dependent on a good public transport service. It is therefore particularly important to invest the revenues from the ETS in developing public transport and providing a more affordable and attractive offer to users.

Amendment 55**Proposal for a directive****Article 1 – paragraph 1 – point 11 – point c b (new)**

Directive 2003/87/EC

Article 10 – paragraph 3 – subparagraph 2

Present text

Member States shall be deemed to have fulfilled the provisions of this paragraph if they have in place and implement fiscal or financial support policies, including in particular in developing countries, or domestic regulatory policies, which leverage financial support, established for the purposes set out in the first subparagraph and which have a value equivalent to at least **50%** of the revenues generated from the auctioning of allowances referred to in paragraph 2, including all revenues from the auctioning referred to in paragraph 2, points (b) and (c).

Amendment

(cb) in paragraph 3, the second subparagraph is replaced by the following:

“Member States shall be deemed to have fulfilled the provisions of this paragraph if they have in place and implement fiscal or financial support policies, including in particular in developing countries, or domestic regulatory policies, which leverage financial support, established for the purposes set out in the first subparagraph and which have a value equivalent to at least **100 %** of the revenues generated from the auctioning of allowances referred to in paragraph 2, including all revenues from the auctioning referred to in paragraph 2, points (b) and (c).”

Or. en

(<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02003L0087-20210101>)

Justification

Correction of the text: 100 % of the revenues should be spent on the purposes specified under Article 10(3) points (a) to (k).

Amendment 56

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point a – point i

Directive 2003/87/EC

Article 10a – paragraph 1 – subparagraph 2a

Text proposed by the Commission

In the case of installations covered by the obligation to conduct an energy audit under Article 8(4) of Directive 2012/27/EU of the European Parliament and of the Council() [Article reference to be updated with the revised Directive], free allocation shall only be granted fully if the recommendations of the audit report are implemented, to the extent that the pay-back time for the relevant investments does not exceed five years and that the costs of those investments are proportionate. Otherwise, the amount of free allocation shall be reduced by 25 %. The amount of free allocation shall not be reduced if an operator demonstrates that it has implemented other measures which lead to greenhouse gas emission reductions equivalent to those recommended by the audit report. The measures referred to in the first subparagraph shall be adjusted accordingly.*

Amendment

By 1 January 2026, operators shall establish a climate-neutrality plan for installations. That plan shall be consistent with the climate-neutrality objective set out in Article 2(1) of Regulation (EU) 2021/1119 and any relevant sectoral roadmaps prepared in accordance with Article 10 of that Regulation and shall set out:

- (a) measures and investments to reach climate-neutrality by 2050 at installation or company-level;*
- (b) intermediate targets and milestones to measure, by 31 December 2025 and by 31 December of each fifth year thereafter until 2050, progress made towards reaching climate-neutrality as set out in point (a);*
- (c) an estimate of the impact of each of the measures and investments referred to in point (a) as regards the reduction of greenhouse gas emissions.*

Member States may provide financial support towards the implementation of the climate-neutrality plans referred to in the third subparagraph. Such support shall not be considered illegal state aid.

The attainment of the targets and milestones referred to in point (b) of the third subparagraph shall be verified by 31 December 2025 and by 31 December of each fifth year thereafter until 2050, in accordance with the verification and accreditation procedures provided for in Article 15.

In the case of installations ***whose greenhouse gas emission levels are above the average of the 10 % most efficient installations in a sector or subsector in the Union in the years 2021 and 2022*** for the relevant ***product benchmarks***, free allocation shall be reduced by 25 % ***if no climate-neutrality plan has been established or if the milestones and targets in the installation's climate-neutrality plan have not been attained.*** The measures referred to in the first subparagraph shall be adjusted accordingly.

An additional free allocation of 10 % of the applicable benchmark value shall be given to installations whose greenhouse gas emission levels are below the average of the 10 % most efficient installations in a sector or subsector in the Union in the years 2021 and 2022 for the relevant product benchmarks.

For the purpose of the additional free allocation referred to in the seventh subparagraph of this paragraph, the following allowances shall be used:

- (a) any allowances that are not allocated due to a reduction of free allocation by 25 % in accordance with the sixth subparagraph of this paragraph;***
- (b) by way of derogation from Article 1(5a) of Decision (EU) 2015/1814 and to the extent necessary, allowances which***

would otherwise be invalidated in accordance with that Article.

(*) Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012, p. 1).

Or. en

Justification

The Rapporteur proposes a bonus-malus system to further incentivise decarbonisation. Installations above the benchmark, which take no steps towards decarbonisation, should no longer benefit from the same amount of free allocation. On the other hand, a share of best-performers below the benchmark should be able to receive a bonus in free allocation.

Amendment 57

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point a – point ii

Directive 2003/87/EC

Article 10a – paragraph 1 – subparagraph 3

Text proposed by the Commission

In order to provide further incentives for reducing greenhouse gas emissions and improving energy efficiency, the determined Union-wide ex-ante benchmarks shall be reviewed before the period from 2026 to 2030 in view of potentially modifying the definitions and system boundaries of existing product benchmarks.;

Amendment

In order to provide further incentives for reducing greenhouse gas emissions and improving energy efficiency, the determined Union-wide ex-ante benchmarks shall be reviewed before the period from 2026 to 2030 in view of potentially modifying the definitions and system boundaries of existing product benchmarks. ***The benchmark values resulting from that review shall be published as soon as the necessary information becomes available, in order for the updates to apply from 2026.***

Or. en

Justification

A timely update of the benchmarks shall be ensured

Amendment 58

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point b

Directive 2003/87/EC

Article 10a – paragraph 1a – subparagraph 2

Text proposed by the Commission

By way of derogation from the *previous* subparagraph, for the first years of operation of Regulation [CBAM], the production of *these* products shall benefit from free allocation in reduced amounts. A factor reducing the free allocation for the production of *these* products shall be applied (CBAM factor). The CBAM factor shall be equal to 100 % for the period *during the* entry into force of [CBAM regulation] and the end of 2025, 90 % in 2026 and shall be reduced by 10 percentage points each year to reach 0 % by the tenth year.

Amendment

By way of derogation from the *first* subparagraph, for the first years of operation of Regulation [CBAM], the production of products *listed in Annex I to that Regulation* shall benefit from free allocation in reduced amounts. A factor reducing the free allocation for the production of *those* products shall be applied (CBAM factor). The CBAM factor shall be equal to 100 % for the period *between ... [the date of* entry into force of [CBAM regulation]] and the end of 2025, *shall be equal to* 90 % in 2026 and shall be reduced by 10 percentage points each year to reach 0 % by the tenth year.

Or. en

Justification

The phase out of free allocation should be kept under review in light of the actual entry into force and effectiveness of the Carbon Border Adjustment Mechanism. Therefore, the Rapporteur proposes a temporary CBAM reserve linked to a rolling review mechanism, to avoid double protection while enabling quick reactions in case any unforeseen gaps in carbon leakage protection would arise. Any corresponding gaps in the Innovation Fund are compensated through other provisions in this draft report.

Amendment 59

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point b

Directive 2003/87/EC

Article 10a – paragraph 1a – subparagraph 2a (new)

The revenues generated by the sale of CBAM certificates shall constitute internal assigned revenue in accordance with Article 21(3) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council*. Those revenues shall be assigned, to the extent necessary, to cover the costs of the operation, maintenance and enforcement of the CBAM. 80 % of the revenue remaining after covering those costs shall be assigned to the Union budget to support the decarbonisation of sectors listed in Annex I to Regulation (EU) .../... [CBAM], including through reinforcing innovation spending in Horizon Europe. 20 % of the revenue remaining after covering those costs shall be assigned to the Union budget to support the least developed countries' efforts towards the de-carbonisation of their manufacturing industries, including through reinforcing climate spending in the Union budget's Instrument for Pre-Accession Assistance III and the relevant geographic and thematic programmes of the Neighbourhood, Development and International Cooperation Instrument.

**** Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).***

Or. en

Justification

To ensure fairness, the Commission should engage and aim to conclude agreements with least developed countries to actively support the rapid decarbonisation of their manufacturing industries, in particular in sectors covered by the CBAM, in order to help their achievement of carbon neutrality by 2050.

Amendment 60

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point b

Directive 2003/87/EC

Article 10a – paragraph 1a – subparagraph 2b (new)

Text proposed by the Commission

Amendment

The Commission shall engage with the least developed countries with the aim of supporting the rapid decarbonisation of their manufacturing industries, including through climate spending from relevant programmes in the Union budget, in order to reduce the number of CBAM certificates to be surrendered by declarants in the least developed countries, while ensuring sustainable growth.

Or. en

Justification

To ensure fairness, the Commission should engage and aim to conclude agreements with least developed countries to actively support the rapid decarbonisation of their manufacturing industries, in particular in sectors covered by the CBAM, in order to help their achievement of carbon neutrality by 2050.

Amendment 61

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point b

Directive 2003/87/EC

Article 10a – paragraph 1a – subparagraph 4

Text proposed by the Commission

Amendment

Allowances resulting from the reduction of free allocation shall be made available to support innovation in accordance with Article 10a(8).;

deleted

Or. en

Justification

As a CBAM reserve is established for these allowances, this subparagraph is deleted.

Amendment 62

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point b

Directive 2003/87/EC

Article 10a – paragraph 1a a (new)

Text proposed by the Commission

Amendment

Iaa. For each year in the period from 2026 to 2035, the allowances resulting from the reduction of free allocation in accordance with paragraph 1a shall be placed in a Carbon Leakage Protection Reserve.

By 28 February 2026 and by 28 February of each subsequent year in the period referred to in the first subparagraph, the Commission shall present a report to the European Parliament and to the Council on the implementation of the Carbon Border Adjustment Mechanism (CBAM) during the calendar year preceding that of the report. In its report, the Commission shall, in particular, assess if the CBAM has entered into force and has been effectively implemented such that it leads to a level of carbon leakage protection that is equivalent to that of the free allocation system which it replaces under this Article.

In the event that the Commission in its report concludes that, in the calendar year preceding that of the report, the CBAM has been effectively implemented such that it leads to a level of carbon leakage protection at least equivalent to that of the free allocation system which it replaces under this Article, the allowances placed in the Carbon Border Adjustment Reserve for the preceding calendar year shall be made available to support innovation in accordance with Article 10a(8).

In the event that the Commission in its report concludes that, in the calendar year preceding that of the report, the CBAM has not been effectively implemented such that it leads to a level of carbon leakage protection at least equivalent to that of the free allocation system which it replaces under this Article, the allowances placed in the Carbon Border Adjustment Reserve for the preceding calendar year shall be reallocated to installations in accordance with Article 10a(1).

Or. en

Justification

The phase out of free allocation should be kept under review in light of the actual entry into force and effectiveness of the Carbon Border Adjustment Mechanism. Therefore, the Rapporteur proposes a temporary CBAM reserve linked to a rolling review mechanism, to avoid double protection while enabling quick reactions in case any unforeseen gaps in carbon leakage protection would arise. Any corresponding gaps in the Innovation Fund are compensated through other provisions in this draft report.

Amendment 63

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point b

Directive 2003/87/EC

Article 10a – paragraph 1a b (new)

Text proposed by the Commission

Amendment

1ab. The Commission is empowered to adopt delegated acts in accordance with

Article 23 to supplement this Directive concerning the detailed arrangements for the Carbon Border Adjustment Reserve provided for in paragraph 1aa of this Article, including the criteria to be used for the assessment referred to in the second subparagraph of that paragraph, and the modalities for the reallocation of allowances from the Carbon Border Adjustment Reserve to installations referred to in the fourth subparagraph of that paragraph.

Or. en

Justification

The phase out of free allocation should be kept under review in light of the actual entry into force and effectiveness of the Carbon Border Adjustment Mechanism. Therefore, the Rapporteur proposes a temporary CBAM reserve linked to a rolling review mechanism, to avoid double protection while enabling quick reactions in case any unforeseen gaps in carbon leakage protection would arise. Any corresponding gaps in the Innovation Fund are compensated through other provisions in this draft report.

Amendment 64

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point d a (new)

Directive 2003/87/EC

Article 10a – paragraph 5b a (new)

Text proposed by the Commission

Amendment

(da) the following paragraph is inserted:

“5ba. By way of derogation from Article 3ga and from paragraph 5 of this Article, allowances which would otherwise be auctioned pursuant to Article 3ga, third paragraph, shall, to the extent necessary, be used to increase the maximum amount available up to 2030 under paragraph 5 of this Article.”

Or. en

Justification

By moving forward the envisaged date of full application of emissions trading for the maritime sector by one year, from 2026 to 2025, around 57 million allowances are made available which would otherwise have been cancelled under the Commission proposal. The Rapporteur proposes to make those additional allowances available towards the avoidance of the Cross-Sectoral Correction Factor. For this purpose, around 120 million allowances would be required in total until 2030.

Amendment 65

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point d b (new)

Directive 2003/87/EC

Article 10a – paragraph 5b b (new)

Text proposed by the Commission

Amendment

(db) the following paragraph is inserted:

“5bb. By way of derogation from Article 3d and from paragraph 5 of this Article, allowances which would otherwise be auctioned pursuant to Article 3d, paragraphs 1 to 1c, shall, to the extent necessary, be used to increase the maximum amount available up to 2030 under paragraph 5 of this Article.”

Or. en

Justification

By accelerating the phase-out of free allocation for the aviation sector by one year, from 2027 to 2026, around 12 million allowances are made available which would be auctioned in addition to the Commission proposal. The Rapporteur proposes to make these additional allowances available instead towards the avoidance of the Cross-Sectoral Correction Factor. For this purpose, around 120 million allowances would be required in total until 2030.

Amendment 66

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point d c (new)

Directive 2003/87/EC

Article 10a – paragraph 5b c (new)

Text proposed by the Commission

Amendment

(dc) the following paragraph is inserted:

“5bc. By way of derogation from Article 1(5a) of Decision (EU) 2015/1814 and from paragraph 5 of this Article, allowances which would otherwise be invalidated pursuant to Article 1(5a) of that Decision shall, to the extent necessary, be used to increase the maximum amount available up to 2030 under paragraph 5 of this Article after the application of paragraphs 5ba and 5bb of this Article.”

Or. en

Justification

To avoid the application of the Cross-Sectoral Correction Factor under the Commission proposal, around 120 million allowances would be required until 2030. For this purpose, the Rapporteur proposes to use, stepwise, first moving forward the envisaged date of full application of the ETS for shipping by one year. Second, accelerating the phase-out of free allocation for the aviation sector by one year. Third and finally, as a variable back-up to the extent necessary after the other means have been used, a share of MSR allowances which would otherwise be invalidated.

Amendment 67

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point g

Directive 2003/87/EC

Article 10a – paragraph 8 – subparagraph 1

Text proposed by the Commission

Amendment

365 million allowances from the quantity which could otherwise be allocated for free pursuant to this Article, and 85 million allowances from the quantity which could otherwise be auctioned pursuant to Article 10, as well as the allowances resulting from the reduction of free allocation *referred to in* Article 10a(1a), shall be made available to a Fund with the objective

365 million allowances from the quantity which could otherwise be allocated for free pursuant to this Article, and 365 million allowances from the quantity which could otherwise be auctioned pursuant to Article 10, *from which are to be deducted the allowances used for the Ocean Fund established under Article 3gdb*, as well as the *allowances referred to in Article 10(1)*,

of supporting innovation in low-carbon technologies and processes, and contribute to zero pollution objectives (the ‘Innovation Fund’). Allowances that are not issued to aircraft operators due to the closure of aircraft operators and which are not necessary to cover any shortfall in surrenders by those operators, shall also be used for innovation support as referred to in the first subparagraph.

fifth subparagraph, and any allowances resulting from the reduction of free allocation ***and released from the Carbon Leakage Protection Reserve pursuant to Article 10a(1aa), third subparagraph,*** shall be made available to a Fund with the objective of supporting innovation in low-carbon technologies and processes, and contribute to zero pollution objectives (the ‘Innovation Fund’). ***The Innovation Fund shall not support nuclear energy-related activities.*** Allowances that are not issued to aircraft operators due to the closure of aircraft operators and which are not necessary to cover any shortfall in surrenders by those operators, shall also be used for innovation support as referred to in the first subparagraph.

Or. en

Justification

In order to guarantee at least an equivalent top-up for the Innovation Fund up to 2030 as proposed by Commission, while ensuring effective carbon leakage protection through the creation of a CBAM reserve, the Rapporteur proposes to increase the amount of allowances auctioned for the Innovation Fund that would otherwise be auctioned by the Member States by an equivalent amount of 280 million allowances. In addition, the Rapporteur proposes to transfer 50% of the proposed Modernisation Fund top-up to projects under the Innovation Fund, corresponding to around 97 million allowances.

Amendment 68

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point g

Directive 2003/87/EC

Article 10a – paragraph 8 – subparagraph 2

Text proposed by the Commission

In addition, 50 million unallocated allowances from the market stability reserve shall supplement any remaining revenues from the 300 million allowances available in the period from 2013 to 2020 under Commission Decision 2010/670/EU(*), and shall be used in a

Amendment

In addition, 50 million unallocated allowances from the market stability reserve shall supplement any remaining revenues from the 300 million allowances available in the period from 2013 to 2020 under Commission Decision 2010/670/EU(*), and shall be used in a

timely manner for innovation support as referred to in the first subparagraph. Furthermore, the external assigned revenues referred to in Article 21(2) of Regulation (EU) [FuelEU Maritime] shall be allocated to the Innovation Fund and implemented in line with this paragraph.

(*) Commission Decision 2010/670/EU of 3 November 2010 laying down criteria and measures for the financing of commercial demonstration projects that aim at the environmentally safe capture and geological storage of CO₂ as well as demonstration projects of innovative renewable energy technologies under the system for greenhouse gas emission allowance trading within the Union established by Directive 2003/87/EC of the European Parliament and of the Council (OJ L 290, 6.11.2010, p. 39).

timely manner for innovation support as referred to in the first subparagraph. Furthermore, the external assigned revenues referred to in Article 5(6) of Regulation (EU) 2018/842 shall be allocated to the Innovation Fund and implemented in line with this paragraph.

(*) Commission Decision 2010/670/EU of 3 November 2010 laying down criteria and measures for the financing of commercial demonstration projects that aim at the environmentally safe capture and geological storage of CO₂ as well as demonstration projects of innovative renewable energy technologies under the system for greenhouse gas emission allowance trading within the Union established by Directive 2003/87/EC of the European Parliament and of the Council (OJ L 290, 6.11.2010, p. 39).

Or. en

Justification

The Rapporteurs for the ETS and ESR revisions propose to allocate any revenues from the proposed penalties for ESR non-compliance to the ETS Innovation Fund.

Amendment 69

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point g

Directive 2003/87/EC

Article 10a – paragraph 8 – subparagraph 3

Text proposed by the Commission

The Innovation Fund shall cover the sectors listed in Annex I and Annex III, including environmentally safe carbon capture and utilisation (“CCU”) that contributes substantially to mitigating climate change, as well as products substituting carbon intensive ones produced in sectors listed in Annex I, and

Amendment

The Innovation Fund shall cover the sectors listed in Annex I and Annex III, including environmentally safe carbon capture and utilisation (“CCU”) that contributes substantially to mitigating climate change, as well as products substituting carbon intensive ones produced in sectors listed in Annex I, and

to help stimulate the construction and operation of projects aimed at the environmentally safe capture and geological storage (“CCS”) of CO₂, as well as of innovative renewable energy and energy storage technologies; in geographically balanced locations. The Innovation Fund may also support break-through innovative technologies **and** infrastructure **to decarbonise the maritime sector and for** the production of low- and zero-carbon fuels in aviation, rail and road transport. Special attention shall be given to projects in sectors covered by the [CBAM regulation] to support innovation in low carbon technologies, CCU, CCS, renewable energy and energy storage, in a way that contributes to mitigating climate change.

to help stimulate the construction and operation of projects aimed at the environmentally safe capture and geological storage (“CCS”) of CO₂, as well as of innovative renewable energy and energy storage technologies; in geographically balanced locations. The Innovation Fund may also support break-through innovative technologies, infrastructure **and** the production of low- and zero-carbon fuels in aviation, rail and road transport, **including collective forms of transport such as public transport and occasional coach services**. Special attention shall be given to projects in sectors covered by the [CBAM regulation] to support innovation in low carbon technologies, CCU, CCS, renewable energy and energy storage, in a way that contributes to mitigating climate change. ***The Innovation Fund may also support break-through innovative technologies in the agriculture sector. A significant amount of the Innovation Fund shall be earmarked for projects to support innovation and new technologies in the aviation sector, in particular those related to operational, aeronautics, airframe, and engine innovation, and clean and sustainable aviation fuels to reduce greenhouse gas emissions, including projects that address the total climate impact of aviation.***

Or. en

Justification

Several extensions of the stationary ETS as well as the new ETS for road transport and heating make it necessary to also give affected participants access to the Innovation Fund. Earmarking the Innovation Fund for the aviation sector is important to support breakthrough technologies and thus decarbonise the aviation sector.

Amendment 70

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point g

Text proposed by the Commission

Amendment

At least 10 % of the allowances made available to the Innovation Fund under this paragraph shall be used for the further development of railway systems and local public transport, addressing both the physical and digital infrastructure and fleets.

Or. en

Justification

Railways are one of the most environment friendly mode of transport. A modal shift to railways is extremely beneficial for the climate. Therefore, special support shall be given to the train sector under the Innovation Fund. The use of revenues for the railway system will contribute to the development of a low-emission multimodal infrastructure and fleet for passenger and freight, both a precondition for delivering the EU modal shift objectives. It is important to develop public transport and provide a more affordable and attractive offer to users.

Amendment 71

Proposal for a directive

Article 1 – paragraph 1 – point 12 – point g

Directive 2003/87/EC

Article 10a – paragraph 8 – subparagraph 7

Text proposed by the Commission

Amendment

The Commission is empowered to adopt delegated acts in accordance with Article 23 to supplement this Directive concerning rules on the operation of the Innovation Fund, including the selection procedure and criteria, and the eligible sectors and technological requirements for the different types of support.

The Commission is empowered to adopt delegated acts in accordance with Article 23 to supplement this Directive concerning rules on the operation of the Innovation Fund, including the selection procedure and criteria, and the eligible sectors and technological requirements for the different types of support. ***In implementing the Fund, the Commission shall take all the appropriate measures in accordance with Regulation (EU, Euratom) 2020/2092 to ensure the protection of funds in relation to measures and investments supported by***

the Innovation Fund in the event of failure to respect the rule of law in the Member States. To this effect, the Commission shall provide an effective and efficient internal control system and shall seek recovery of amounts wrongly paid or incorrectly used.

Or. en

Justification

The Commission should ensure the same rule of law conditionality for the Innovation and Modernisation Fund as for programmes under the general Union budget.

Amendment 72

Proposal for a directive

Article 1 – paragraph 1 – point 13

Directive 2003/87/EC

Article 10c

Text proposed by the Commission

Amendment

(13) *in Article 10c, paragraph 7 is replaced by the following:*

(13) *Article 10c is deleted ;*

“Member States shall require benefiting electricity generating installations and network operators to report, by 28 February of each year, on the implementation of their selected investments, including the balance of free allocation and investment expenditure incurred and the types of investments supported. Member States shall report on this to the Commission, and the Commission shall make such reports public.”;

Or. en

Justification

Free allocation for the power sector ended in 2013 yet 3 Member States continue to use transitional free allocation for this sector under Article 10c. A recent European Court of Auditors report concluded that this had not contributed to the decarbonisation of the power sector in those Member States. Therefore, this transitional provision should be ended, but the

Member States concerned should be allowed to keep these allowances for other purposes by either auctioning and adding the revenues to the Modernisation Fund or using the revenues for other purpose in line with this Directive.

Amendment 73

Proposal for a directive

Article 1 – paragraph 1 – point 13 a (new)

Directive 2003/87/EC

Article 10c a (new)

Text proposed by the Commission

Amendment

(13a) the following article is inserted:

“Article 10ca

Transitional free allocation for the modernisation of the energy sector

Any allowances for transitional free allocation for the modernisation of the energy sector that have not been allocated to operators in the Member States concerned by 31 December 2023 shall be added to the total quantity of allowances that the Member State concerned receives for auctioning pursuant to Article 10(2), point (a). However, Member States may use those allowances, or some of those allowances, in accordance with Article 10d to support investments within the framework of the Modernisation Fund.”

Or. en

Justification

Despite free allocation for the power sector having been ended already in 2013, 3 Member States continue to use transitional free allocation for the power sector under Article 10c. In a recent report, the European Court of Auditors concluded that this had not contributed to the decarbonisation of the power sector in these Member States. Therefore, this transitional provision should be ended, but the Member States concerned should be allowed to keep these allowances for other purposes, either to be auctioned or to support investments within the framework of the Modernisation Fund.

Amendment 74

Proposal for a directive

Article 1 – paragraph 1 – point 14 – point a

Directive 2003/87/EC

Article 10d – paragraph 1 – subparagraph 2

Text proposed by the Commission

The investments supported shall be consistent with the aims of this Directive, as well as the objectives of the Communication from the Commission of 11 December 2019 on The European Green Deal (*) and Regulation (EU) 2021/1119 of the European Parliament and of the Council (**) and the long-term objectives as expressed in the Paris Agreement. No support from the Modernisation Fund shall be provided to energy generation facilities that use fossil fuels.”;

(*) COM(2019) 640 final.

(**) Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (‘European Climate Law’) (OJ L 243, 9.7.2021, p. 1).

Amendment

The investments supported shall be consistent with the aims of this Directive, as well as the objectives of the Communication from the Commission of 11 December 2019 on The European Green Deal (*) and Regulation (EU) 2021/1119 of the European Parliament and of the Council (**) and the long-term objectives as expressed in the Paris Agreement. No support from the Modernisation Fund shall be provided to **nuclear energy-related technologies, projects or installations** or energy generation facilities that use fossil fuels.”;

(*) COM(2019)0640.

(**) Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (‘European Climate Law’) (OJ L 243, 9.7.2021, p. 1).

Or. en

Justification

The Commission proposal suggests to exempt any kind of fossil fuel which means that also very modern gas power plants that will be switching very soon to carbon neutral technologies, cannot be supported. In this respect it would be an imbalance if nuclear energy-related technologies, projects or installations are supported. That is why the Rapporteur suggests to exclude them as well.

Amendment 75

Proposal for a directive

Article 1 – paragraph 1 – point 14 – point b

Directive 2003/87/EC

Article 10d – paragraph 2 – introductory part

Text proposed by the Commission

2. **At least 80** % of the financial resources from the Modernisation Fund shall be used to support investments in the following:

Amendment

2. **100** % of the financial resources from the Modernisation Fund shall be used to support investments in the following:

Or. en

Justification

The support for the priorities under the Modernisation Fund shall be increased as the Rapporteur deems them especially important for the green transition in the respective member states.

Amendment 76

Proposal for a directive

Article 1 – paragraph 1 – point 14 – point ba (new)

Directive 2003/87/EC

Article 10d – paragraph 12

Present text

12. The Commission shall adopt implementing acts concerning detailed rules on the operation of the Modernisation Fund. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 22a(2).

Amendment

(ba) paragraph 12 is replaced by the following:

"12. The Commission shall adopt implementing acts concerning detailed rules on the operation of the Modernisation Fund. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 22a(2). ***In implementing the Modernisation Fund, the Commission shall take all the appropriate measures in accordance with Regulation (EU, Euratom) 2020/2092 to ensure the protection of funds in relation to measures and investments supported by the Modernisation Fund in the event of***

failure to respect the rule of law in the Member States. To this effect, the Commission shall provide an effective and efficient internal control system and shall seek recovery of amounts wrongly paid or incorrectly used.”

Or. en

(<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02003L0087-20210101>)

Justification

The Commission should ensure the same rule of law conditionality for the Innovation and Modernisation Fund as for programmes under the general Union budget.

Amendment 77

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point e

Directive 2003/87/EC

Article 12 – paragraph 3b – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

The number of allowances required to be surrendered in respect of such emissions shall be proportionally reduced in respect of emissions of greenhouse gases which are considered to have been captured and utilised to become chemically bound in a product in a way other than that referred to in the first subparagraph, taking into account a life-cycle assessment of the product.

Or. en

Justification

In addition to the existing exemption for CCS and the proposed exemption for CCU which is permanently chemically bound in a product, the Rapporteur proposes an intermediate category for partial reductions for CCU based on an overall life-cycle assessment of the process and product. In a next step, by 2029, the CCU emission accounting system should be reviewed with the objective to move the counting of emissions to the point of release into the atmosphere, on condition that all relevant economy-wide emissions are adequately covered by carbon pricing to avoid gaps and loopholes.

Amendment 78

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point e

Directive 2003/87/EC

Article 12 – paragraph 3b – subparagraph 2

Text proposed by the Commission

The Commission shall adopt ***implementing acts concerning*** the requirements to consider that greenhouse gases have become permanently chemically bound in a product so that they do not enter the atmosphere under normal use.

Amendment

The Commission shall adopt ***delegated acts in accordance with Article 23 to supplement this Directive by setting out*** the requirements to consider that greenhouse gases have become permanently chemically bound in a product so that they do not enter the atmosphere under normal use ***as referred to in the first subparagraph of this paragraph, as well as by setting out a transparent, comparable and reliable methodology for the proportional reduction of the extent of the obligation to surrender allowances and for the life-cycle assessment of the product referred to in the second subparagraph of this paragraph. The methodology for the life-cycle assessment of the product shall take into account the double role of greenhouse gases as emissions and as feed stock, including the emissions captured in the manufacture of the product, the emissions produced during the capture and utilisation process, the emissions utilised in the manufacture of the product compared to a similar product that does not result from the utilisation of recycled carbon, and the number of years the carbon captured from greenhouse gas emissions is bound in the product.***

Or. en

Justification

In addition to the existing exemption for CCS and the proposed exemption for CCU which is permanently chemically bound in a product, the Rapporteur proposes an intermediate category for partial reductions for CCU based on an overall life-cycle assessment of the

process and product. In a next step, by 2029, the CCU emission accounting system should be reviewed with the objective to move the counting of emissions to the point of release into the atmosphere, on condition that all relevant economy-wide emissions are adequately covered by carbon pricing to avoid gaps and loopholes.

Amendment 79

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point e

Directive 2003/87/EC

Article 12 – paragraph 3b – subparagraph 3

Text proposed by the Commission

Amendment

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 22a(2).; *deleted*

Or. en

Justification

In addition to the existing exemption for CCS and the proposed exemption for CCU which is permanently chemically bound in a product, the Rapporteur proposes an intermediate category for partial reductions for CCU based on an overall life-cycle assessment of the process and product. In a next step, by 2029, the CCU emission accounting system should be reviewed with the objective to move the counting of emissions to the point of release into the atmosphere, on condition that all relevant economy-wide emissions are adequately covered by carbon pricing to avoid gaps and loopholes.

Amendment 80

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point e a (new)

Directive 2003/87/EC

Article 12 – paragraph 3b a (new)

Text proposed by the Commission

Amendment

(ea) the following paragraph is inserted:

"3ba. Installations shall receive allowances in respect of greenhouse gases that are removed from the atmosphere as a result of bio-energy with carbon capture

and storage (BECCS) or greenhouse gases that are captured from the atmosphere through direct air capture and geologically stored or utilised to become permanently chemically bound in a product so that they do not enter the atmosphere under normal use."

Or. en

Justification

BECCS and direct air capture are innovative technologies that help us generate negative emissions and help us reach the Union target of climate neutrality.

Amendment 81

Proposal for a directive

Article 1 – paragraph 1 – point 15 – point e b (new)

Directive 2003/87/EC

Article 12 – paragraph 3b b (new)

Text proposed by the Commission

Amendment

(eb) the following paragraph is inserted:

"3bb. By 31 December 2029, the Commission shall present a report to the European Parliament and to the Council in which it shall examine whether all economy-wide greenhouse gas emissions, in particular from waste incineration installations, are subject to carbon pricing mechanisms. The Commission shall, where appropriate, accompany that report with a legislative proposal to amend this Directive so that the obligation to surrender allowances only arises at the point of release into the atmosphere in respect of emissions of greenhouse gases which are considered to have been captured and utilised."

Or. en

Justification

In addition to the existing exemption for CCS and the proposed exemption for CCU which is permanently chemically bound in a product, the Rapporteur proposes an intermediate category for partial reductions for CCU based on an overall life-cycle assessment of the process and product. In a next step, by 2029, the CCU emission accounting system should be reviewed with the objective to move the counting of emissions to the point of release into the atmosphere, on condition that all relevant economy-wide emissions are adequately covered by carbon pricing to avoid gaps and loopholes.

Amendment 82

Proposal for a directive

Article 1 – paragraph 1 – point 20

Directive 2003/87/EC

Article 30 – paragraph 2

Text proposed by the Commission

The measures applicable to CBAM sectors shall be kept under review in light of the application of Regulation xxx [reference to CBAM].;

Amendment

The measures applicable to CBAM sectors, ***including the measures set out in Article 10a(1a) and (1aa) of this Directive***, shall be kept under review in light of the application of Regulation xxx [reference to CBAM].;

Or. en

Justification

The phase out of free allocation should be kept under review in light of the actual entry into force and effectiveness of the Carbon Border Adjustment Mechanism. Therefore, the Rapporteur proposes a temporary CBAM reserve linked to a rolling review mechanism, to avoid double protection while enabling quick reactions in case any unforeseen gaps in carbon leakage protection would arise. Any corresponding gaps in the Innovation Fund are compensated through other provisions in this draft report.

Amendment 83

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Chapter IVa – title

Text proposed by the Commission

EMISSIONS TRADING SYSTEM FOR
BUILDINGS AND ROAD TRANSPORT

Amendment

EMISSIONS TRADING SYSTEM FOR
BUILDINGS, ROAD TRANSPORT AND
OTHER FUELS

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 84

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30a – paragraph 1

Text proposed by the Commission

The provisions of this Chapter shall apply to emissions, greenhouse gas emission permits, issue and surrender of allowances, monitoring, reporting and verification in respect of the activity referred to in Annex III. This Chapter ***shall not apply to any emissions*** covered by ***Chapters II, IIa and III***.

Amendment

The provisions of this Chapter shall apply to emissions, greenhouse gas emission permits, issue and surrender of allowances, monitoring, reporting and verification in respect of the activity referred to in Annex III.

By way of derogation from the first paragraph, Member States may request, by 31 July 2024, that the provisions of this Chapter apply only from 1 January 2027 to the release for consumption of fuels which are used for combustion in private road transport and private heating or cooling of residential buildings, provided that they can demonstrate that they can differentiate the monitoring, reporting and verification of those activities from other activities covered by this Chapter

and that they can reach their 2030 targets under Regulation (EU) 2018/842 without the full application of this Chapter. By 31 July 2024, any Member State intending to make use of this derogation shall inform the Commission and provide any necessary information in that regard. Member States making use of this derogation shall be required to compensate the estimated loss of auctioning revenues to the Social Climate Fund established in accordance with Regulation (EU) [Social Climate Fund]. The Commission shall adopt implementing acts to calculate the estimated loss of revenue for the Social Climate Fund, as well as detailed rules for the payment of the compensation to the Social Climate Fund. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 22a(2).

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating or cooling.

Amendment 85

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30b – paragraph 1

Text proposed by the Commission

1. Member States shall ensure that, from 1 January **2025**, no regulated entity carries out the activity referred to in Annex III unless that regulated entity holds a

Amendment

1. Member States shall ensure that, from 1 January **2024**, no regulated entity carries out the activity referred to in Annex III unless that regulated entity holds a

permit issued by a competent authority in accordance with paragraphs 2 and 3.

permit issued by a competent authority in accordance with paragraphs 2 and 3.

Or. en

Justification

Because the rapporteur proposes an opt-out for private heating and private transport, and at the same time it is important to have a level playing field in the common market as soon as possible, the Rapporteur proposes to advance the start of the ETS for commercial operations by one year.

Amendment 86

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30b – paragraph 2 – point b

Text proposed by the Commission

(b) the type of fuels it releases for consumption ***and which are used for combustion in the buildings and road transport sectors as defined in Annex III*** and the means through which it releases those fuels for consumption;

Amendment

(b) the type of fuels it releases for consumption and the means through which it releases those fuels for consumption;

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating.

Amendment 87

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30b – paragraph 2 – point c

Text proposed by the Commission

Amendment

(c) the end use(s) of the fuels released for consumption for the activity referred to in Annex III; **deleted**

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating.

Amendment 88

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30b – paragraph 4 – point b

Text proposed by the Commission

Amendment

(g) a description of the means by which the regulated entity releases the fuels for consumption *in the sectors covered by this Chapter*;

(b) a description of the means by which the regulated entity releases the fuels for consumption;

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating.

Amendment 89

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30b – paragraph 4 – point c

Text proposed by the Commission

(h) a list of the fuels the regulated entity releases for consumption ***in the sectors covered by this Chapter***;

Amendment

(c) a list of the fuels the regulated entity releases for consumption;

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 90

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30c – paragraph 1

Text proposed by the Commission

1. The Union-wide quantity of allowances issued under this Chapter each year from **2026** shall decrease in a linear manner beginning in 2024. The 2024 value shall be defined as the 2024 emissions limits, calculated on the basis of the reference emissions under Article 4(2) of Regulation (EU) 2018/842 of the European Parliament and of the Council(*) ***for the sectors covered by this Chapter*** and applying the linear reduction trajectory for all emissions within the scope of that Regulation. The quantity shall decrease each year after 2024 by a linear reduction

Amendment

1. The Union-wide quantity of allowances issued under this Chapter each year from **2025** shall decrease in a linear manner beginning in 2024. The 2024 value shall be defined as the 2024 emissions limits, calculated on the basis of the reference emissions under Article 4(2) of Regulation (EU) 2018/842 of the European Parliament and of the Council(*) ***multiplied by the percentage of emissions that would be subject to the reporting obligations pursuant to Article 30f of this Directive from 2025 onwards*** and applying the linear reduction trajectory for all

factor of 5,15 %. By 1 January 2024, the Commission shall publish the Union-wide quantity of allowances for the year **2026**.

emissions within the scope of that Regulation. The quantity shall decrease each year after 2024 by a linear reduction factor of 5,15 %. By 1 January 2024, the Commission shall publish the Union-wide quantity of allowances for the year **2025**.

(*) Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

(*) Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 91

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30c – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2a. The Commission is empowered to adopt delegated acts in accordance with Article 23 to supplement this Directive by setting out an additional amount of allowances to be issued for each year from 2025 onwards to compensate for allowances surrendered in cases where there was double counting of emissions notwithstanding rules to avoid such

double counting as referred to in Article 30f(4). The additional amount of allowances set by the Commission shall correspond to the total amount of greenhouse gas emissions compensated for in the relevant reporting year pursuant to the delegated acts referred to in Article 30f(4a), point (a).

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 92

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30d – paragraph 1

Text proposed by the Commission

1. From **2026**, allowances covered by this Chapter shall be auctioned, unless they are placed in the Market Stability Reserve established by Decision (EU) 2015/1814. The allowances covered by this Chapter shall be auctioned separately from the allowances covered by Chapters II, IIa and III.

Amendment

1. From **2025**, allowances covered by this Chapter shall be auctioned, unless they are placed in the Market Stability Reserve established by Decision (EU) 2015/1814. The allowances covered by this Chapter shall be auctioned separately from the allowances covered by Chapters II, IIa and III.

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road

transport and residential building heating and cooling.

Amendment 93

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30d – paragraph 2 – subparagraph 1

Text proposed by the Commission

The auctioning of the allowances under this Chapter shall start in **2026** with a volume corresponding to 130 % of the auction volumes for **2026** established on the basis of the Union-wide quantity of allowances for that year and the respective auction shares and volumes pursuant to paragraph 3, 5 and 6. The additional volumes to be auctioned shall only be used for surrendering allowances pursuant to Article 30e(2) and be deducted from the auction volumes for the period from 2028 to 2030. The conditions for these early auctions shall be set in accordance with paragraph 7 and Article 10(4).

Amendment

The auctioning of the allowances under this Chapter shall start in **2025** with a volume corresponding to 130 % of the auction volumes for **2025** established on the basis of the Union-wide quantity of allowances for that year and the respective auction shares and volumes pursuant to paragraph 3, 5 and 6. The additional volumes to be auctioned shall only be used for surrendering allowances pursuant to Article 30e(2) and be deducted from the auction volumes for the period from 2028 to 2030. The conditions for these early auctions shall be set in accordance with paragraph 7 and Article 10(4).

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 94

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30d – paragraph 2 – subparagraph 2

Text proposed by the Commission

In **2026**, 600 million allowances covered by this Chapter are created as holdings in the Market Stability Reserve pursuant to Article 1a(3) of Decision (EU) 2015/1814.

Amendment

In **2025**, 600 million allowances covered by this Chapter are created as holdings in the Market Stability Reserve pursuant to Article 1a(3) of Decision (EU) 2015/1814.

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 95

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30d – paragraph 3 a (new)

Text proposed by the Commission

Amendment

3a. 25 % of the total quantity of allowances covered by this Chapter shall be auctioned and the revenues generated therefrom shall be allocated to the Social Climate Fund established by Regulation (EU) 20.../nn [Social Climate Fund Regulation].

Or. en

Justification

It is important to make sure that the size of the Social Climate Fund is increasing when the auctioning revenues are increasing. The Commission proposal is not good enough in this respect because they assume that 25% of the revenues will be spent for the Social Climate Fund but in case the carbon price is significantly higher than expected, also the burden for people in need will be higher than expected. The Social Climate Fund should therefore be directly linked to the ETS revenues. It should be managed outside the EU budget like the Innovation Fund and the Modernisation Fund.

Amendment 96

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30d – paragraph 3 b (new)

Text proposed by the Commission

Amendment

3b. The revenues referred to in paragraph 3a shall constitute external assigned revenue in accordance with Article 21(5) of Regulation (EU, Euratom) 2018/1046, and shall be used in accordance with the rules applicable to the Social Climate Fund.

Or. en

Justification

It is important to make sure that the size of the Social Climate Fund is increasing when the auctioning revenues are increasing. The Commission proposal is not good enough in this respect because they assume that 25% of the revenues will be spent for the Social Climate Fund but in case the carbon price is significantly higher than expected, also the burden for people in need will be higher than expected. The Social Climate Fund should therefore be directly linked to the ETS revenues. It should be managed outside the EU budget like the Innovation Fund and the Modernisation Fund.

Amendment 97

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30d – paragraph 4

Text proposed by the Commission

Amendment

4. The total quantity of allowances covered by this Chapter after deducting the quantities set out in **paragraph 3**, shall be auctioned by the Member States and distributed amongst them in shares that are identical to the share of reference emissions under Article 4(2) of Regulation (EU) 2018/842 **for the sectors covered by**

4. The total quantity of allowances covered by this Chapter after deducting the quantities set out in **paragraphs 3 and 3a**, shall be auctioned by the Member States and distributed amongst them in shares that are identical to the share of reference emissions under Article 4(2) of Regulation (EU) 2018/842 **multiplied by the**

this Chapter for the average of the period from 2016 to 2018, of the Member State concerned.

percentage of emissions that would be subject to the reporting obligations pursuant to Article 30f of this Directive from 2025 onwards for the average of the period from 2016 to 2018, of the Member State concerned.

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 98

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30d – paragraph 5 – subparagraph 1 – introductory part

Text proposed by the Commission

5. Member States shall determine the use of revenues generated from the auctioning of allowances referred to in paragraph 4, except for the revenues *established as own resources* in accordance with *Article 311(3) TFEU and entered in the Union budget*. Member States shall use their revenues for *one or more of the activities referred to in Article 10(3) or* for one or more of the following:

Amendment

5. Member States shall determine the use of revenues generated from the auctioning of allowances referred to in paragraph 4, except for the revenues *generated from the auctioning of allowances* in accordance with *paragraph 3a*. Member States shall use their revenues for *the national co-financing of their Social Climate Plans and* for one or more of the following *social climate measures and investments in accordance with Article 6 of Regulation (EU) 2020/2184 [Social Climate Fund Regulation]*:

Or. en

Justification

It is absolutely indispensable that 100% of the money generated by ETS2 is spent according to the criteria of the Social Climate Fund. 25% will go to the Social Climate Fund and the

75% that will remain in member states' pockets should be spent according to the same strict criteria to really enable the people to do the transition.

Amendment 99

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30d – paragraph 5 – subparagraph 1 – point a

Text proposed by the Commission

(a) measures intended to contribute to the **decarbonisation** of heating and cooling of buildings or to the reduction of the energy needs of buildings, including the integration of renewable energies and related measures according to Articles 7(11), 12 and 20 of Directive 2012/27/EU [references to be updated with the revised Directive], as well as measures to provide financial support for low-income households **in worst-performing buildings**;

Amendment

(a) measures intended to contribute to the **climate neutrality** of heating and cooling of buildings or to the reduction of the energy needs of buildings, including the integration of renewable energies and related measures according to Articles 7(11), 12 and 20 of Directive 2012/27/EU [references to be updated with the revised Directive], as well as **the reduction of environmentally counterproductive taxes and charges, in particular taxes on and charges for renewable electricity, and** measures to provide financial support for low-income households;

Or. en

Justification

The target should be climate neutrality and not only decarbonisation. Other kinds of emissions like methane and f-gases should also be reduced. To give support only for people living in the worst-performing buildings could be counterproductive because it would reward those that didn't engage in improving their buildings. Many new technologies are already available but the relatively low taxes and fees on gas, oil, diesel and gasoline compared to the relatively high taxes and fees on electricity hinder the market uptake of these technologies including heat pumps or electric vehicles.

Amendment 100

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30d – paragraph 5 – subparagraph 1 – point b

Text proposed by the Commission

(b) measures intended to accelerate the uptake of zero-emission vehicles or to provide financial support for the deployment of fully interoperable refuelling and recharging infrastructure for zero-emission vehicles or measures to encourage a shift to public forms of transport and improve multimodality, or to provide financial support in order to address social aspects concerning low and middle-income transport users.

Amendment

(b) measures intended to accelerate the uptake of zero-emission vehicles or to provide financial support for the deployment of fully interoperable refuelling and recharging infrastructure for zero-emission vehicles or measures to encourage a shift to public forms of transport and improve multimodality, ***including the development of passenger and freight rail transport***, or to provide financial support in order to address social aspects concerning low and middle-income transport users.

Or. en

Justification

Railways are one of the most environment friendly mode of transport. A modal shift to railways is extremely beneficial for the climate. Vulnerable households are particularly dependent on a good public transport service. It is therefore particularly important to invest the revenues from the ETS in developing public transport and providing a more affordable and attractive offer to users. Therefore, extra revenues shall be given to the train sector.

Amendment 101

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30d – paragraph 5 – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

By way of derogation from the first subparagraph, Member States shall use at least 10 % of the revenues generated from the auctioning of allowances for the development of passenger and freight rail transport as referred to in point (b) of the first subparagraph.

Or. en

Justification

Railways are one of the most environment friendly mode of transport. A modal shift to railways is extremely beneficial for the climate. Vulnerable households are particularly dependent on a good public transport service. It is therefore particularly important to invest the revenues from the ETS in developing public transport and providing a more affordable and attractive offer to users. Therefore, extra revenues shall be given to the train sector. This will not only deliver climate change mitigation but also major energy savings in the long run.

Amendment 102

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30e – paragraph 2

Text proposed by the Commission

2. From 1 January **2027**, Member States shall ensure that, by 30 April each year, the regulated entity surrenders a number of allowances covered by this Chapter, that is equal to the total emissions, corresponding to the quantity of fuels released for consumption pursuant to Annex III, during the preceding calendar year as verified in accordance with Articles 15 and 30f, and that those allowances are subsequently cancelled.

Amendment

2. From 1 January **2026**, Member States shall ensure that, by 30 April each year, the regulated entity surrenders a number of allowances covered by this Chapter, that is equal to the total emissions, corresponding to the quantity of fuels released for consumption pursuant to Annex III, during the preceding calendar year as verified in accordance with Articles 15 and 30f, and that those allowances are subsequently cancelled.

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 103

Proposal for a directive

Article 1 – paragraph 1 – point 21

Text proposed by the Commission

2. Member States shall ensure that each regulated entity monitors for each calendar year as from **2025** the emissions corresponding to the quantities of fuels released for consumption pursuant to Annex III. They shall also ensure that each regulated entity reports these emissions to the competent authority in the following year, starting in **2026**, in accordance with the acts referred to in Article 14(1).

Amendment

2. Member States shall ensure that each regulated entity monitors for each calendar year as from **2024** the emissions corresponding to the quantities of fuels released for consumption pursuant to Annex III. They shall also ensure that each regulated entity reports these emissions to the competent authority in the following year, starting in **2025**, in accordance with the acts referred to in Article 14(1).

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 104

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30f – paragraph 2 a (new)

Text proposed by the Commission

Amendment

2a. Member States shall ensure that each regulated entity monitors for each calendar year from 2025 the share of costs that are related to the surrender of allowances and passed on to the final consumer for the quantities of fuels released for consumption pursuant to Annex III. Member States shall also ensure that each regulated entity reports those costs to the competent authority in the following year, starting in 2026, in

accordance with the implementing acts referred to in Article 14(1). The Commission shall report annually on the share of costs that are related to the surrender of allowances and passed on to the final consumer for each regulated entity. That report shall be made public.

Or. en

Justification

While it is legally challenging to require a share of the carbon costs to not be passed on to the end-consumer, the share of costs passed on to end consumers by each company should be publicly reported to provide comparative and transparent information.

Amendment 105

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30f – paragraph 3

Text proposed by the Commission

3. Member States shall ensure that each regulated entity holding a permit in accordance with Article 30b on 1 January **2025** report their historical emissions for year **2024** by 30 March **2025**.

Amendment

3. Member States shall ensure that each regulated entity holding a permit in accordance with Article 30b on 1 January **2024** report their historical emissions for year **2023** by 30 March **2024**.

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 106

Proposal for a directive

Article 1 – paragraph 1 – point 21

Text proposed by the Commission

4. ***Member States shall ensure that the regulated entities are able to identify and document reliably and accurately per type of fuel, the precise volumes of fuel released for consumption which are used for combustion in the buildings and road transport sectors as identified in Annex III, and the final use of the fuels released for consumption by the regulated entities. The Member States shall take appropriate measures to avoid any risk of double counting of emissions covered under this Chapter and the emissions under Chapters II, IIa and III. Detailed rules for avoiding double counting shall be adopted in accordance with Article 14(1).***

Amendment

4. ***The implementing acts provided for in Article 14(1) shall set out detailed and harmonised rules to avoid any double counting of emissions covered under this Chapter and the emissions under Chapters II, IIa and III.***

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 107

Proposal for a directive

Article 1 – paragraph 1 – point 21

Directive 2003/87/EC

Article 30f – paragraph 4 a (new)

Text proposed by the Commission

Amendment

4a. ***The Commission is empowered to adopt delegated acts in accordance with Article 23 to supplement this Directive by setting out the Union-wide and fully harmonised rules regarding compensation***

of indirect costs arising as a result of the emissions trading system under this Chapter.

Those delegated acts shall also include rules regarding:

(a) compensation of indirect costs for operators of installations pursuant to Article 3e that are incurred from costs passed on in fuel prices concerning emissions from the combustion of fuels and provided that those emissions are reported by the operator pursuant to Article 14 as well as the regulated entity pursuant to this Article and that the double counting is not avoided pursuant to paragraph 4 of this Article; the calculation of the compensation amount shall be based on the average price of allowances auctioned pursuant to Article 30d(4) in the reporting year concerned pursuant to this Article; the revenues generated from the auctioning of allowances covered by this Chapter shall, to the extent necessary and up to a level corresponding to the double counting in the reporting year pursuant to this Article, be used for the compensation amount;

(b) compensation of indirect costs for companies in sectors or subsectors which are exposed to a genuine risk of carbon leakage due to significant indirect costs that are actually incurred from greenhouse gas emission costs passed on in fuel prices; in addition to the sectors and subsectors determined in the delegated acts referred to in Article 10b(5), the Commission shall assess the carbon leakage exposure and whether to include further sectors and subsectors based on the criteria set out in Article 10b(2) in accordance with the procedure set out in Article 10b(3), second and third subparagraphs; the compensation granted under this point shall be based on the ex-ante benchmarks determined in accordance with Article 10a(2) and shall be such as to ensure that there is adequate

protection against the risk of carbon leakage and that there is a level playing field as regards installations covered by Chapter III so that installations in the same sector or subsector are treated equally; beneficiaries of the compensation shall be subject to the requirements set out in Article 10a(1), third subparagraph.

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 108

Proposal for a directive

Article 3 – paragraph 1 – point 14 – point a

Regulation (EU) 2015/757

Article 23 – paragraph 2 – subparagraph 2

Text proposed by the Commission

The power to adopt delegated acts referred to in Article 5(2), as regards ensuring the functioning of the EU ETS, and Articles 6(8), 7(5), 11a(4), 13(6) and 15(6) shall be conferred on the Commission for ***an indeterminate*** period of ***time*** from the entry into force of [revised MRV Regulation].”;

Amendment

The power to adopt delegated acts referred to in Article 5(2), as regards ensuring the functioning of the EU ETS, and Articles 6(8), 7(5), 11a(4), 13(6) and 15(6) shall be conferred on the Commission for ***a*** period of ***five years*** from the entry into force of [revised MRV Regulation]. ***The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the five-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.***”;

Justification

Alignment with EP position on the MRV revision on Article 23(2) of the MRV Regulation.

Amendment 109

Proposal for a directive

Annex – paragraph 1 – point b – point -i (new)

Directive 2003/87/EC

Annex I – table – row 1

Present text

Combustion of fuels in installation with a total rated thermal input exceeding 20MW (except in installations for the incineration of hazardous *or municipal* waste)

Carbon dioxide

Amendment

(-i) The first row is replaced by the following:

Combustion of fuels in installations with a total rated thermal input exceeding 20 MW (except in installations for the incineration of hazardous waste) *including, from 1 January 2028, the combustion of fuels in installations for the incineration of municipal waste*

Carbon dioxide

Amendment 110

Proposal for a directive

Annex – paragraph 1 - point c – point vii

Directive 2003/87/EC

Annex I – table – row 30

Text proposed by the Commission

“Maritime transport

Greenhouse gases covered by Regulation (EU) 2015/757”;

Maritime transport activities of ships

covered by Regulation (EU) 2015/757 of the European Parliament and of the Council performing voyages with the purpose of transporting passengers or cargo for commercial purposes

Amendment

“Maritime transport

Carbon dioxide (CO₂) and methane (CH₄) in line with Regulation (EU) 2015/757”

Maritime transport activities of ships covered by Regulation (EU) 2015/757 of the European Parliament and of the Council performing voyages with the purpose of transporting passengers or cargo for commercial purposes

Or. en

Amendment 111

Proposal for a directive

Annex – paragraph 1 – point 1

Directive 2003/87/EC

Annex II b – part B

Text proposed by the Commission

Part B - DISTRIBUTION OF FUNDS FROM THE MODERNISATION FUND CORRESPONDING TO ARTICLE 10(1), FOURTH SUBPARAGRAPH

<i>Bulgaria</i>	<i>5,0 %</i>
<i>Czechia</i>	<i>12,9 %</i>
<i>Estonia</i>	<i>2,2 %</i>
<i>Greece</i>	<i>10,3 %</i>
<i>Croatia</i>	<i>2,3 %</i>
<i>Latvia</i>	<i>1,1 %</i>
<i>Lithuania</i>	<i>1,9 %</i>
<i>Hungary</i>	<i>5,9 %</i>
<i>Poland</i>	<i>34,8 %</i>
<i>Portugal</i>	<i>8,8 %</i>
<i>Romania</i>	<i>9,9 %</i>

Amendment

deleted

Or. en

Amendment 112

**Proposal for a directive
Annex – paragraph 1 – point 2**

Directive 2003/87/EC
Annex III – table

Text proposed by the Commission

Activity:

Greenhouse gases

1. Release for consumption of fuels which are used for combustion *in the sectors of buildings and road transport*.

Carbon dioxide (CO₂)

This activity shall not include:

(a) the release for consumption of fuels used in the *activities set out in Annex I to this Directive, except if used for combustion in the activities of transport of greenhouse gases for geological storage (activity row twenty seven)*;

(b) the release for consumption of fuels for which the emission factor is zero.

2. The sectors of buildings and road transport shall correspond to the following sources of emissions, defined in 2006 IPCC Guidelines for National Greenhouse Gas Inventories, with the necessary modifications to those definitions as follows:

(a) Combined Heat and Power Generation (CHP) (source category code 1A1a ii) and Heat Plants (source category code 1A1a iii), insofar as they produce heat for categories under (c) and (d) of this point, either directly or through district heating networks;

(b) Road Transportation (source category

code 1A3b), excluding the use of agricultural vehicles on paved roads;

(c) Commercial / Institutional (source category code 1A4a);

(d) Residential (source category code 1A4b).

Amendment

Activity:	Greenhouse gases
Release for consumption of fuels which are used for combustion.	Carbon dioxide (CO2)
This activity shall not include:	
the release for consumption of fuels used in the activity “Aviation” of Annex I of this Directive.	

Or. en

Amendment 113

Proposal for a directive

Annex I – point 3 – point c

Directive 2003/87/EC

Annex IV – Part C – point B – introductory part

Text proposed by the Commission

Amendment

B. For each type of fuel released for consumption and which is used for combustion *in the buildings and road transport sectors as defined in Annex III, for which emissions are calculated:*

B. For each type of fuel released for consumption and which is used for combustion:

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating and cooling.

Amendment 114

Proposal for a directive

Annex I – point 3 – point c

Directive 2003/87/EC

Annex IV – Part C – point B – indent 4

Text proposed by the Commission

Amendment

— *end use(s) of the fuel released for consumption; and* *deleted*

Or. en

Justification

The scope of the new ETS is extended to all fuels to ensure a level playing field and close gaps between the existing and new ETS (notably process heating in smaller installations). In addition, it simplifies administration for fuel distributors. To avoid double counting, a corresponding correction mechanism is established. In addition, implementation is moved forward by 1 year, while introducing an opt-out clause until 2027 for fuels for private road transport and residential building heating.

EXPLANATORY STATEMENT

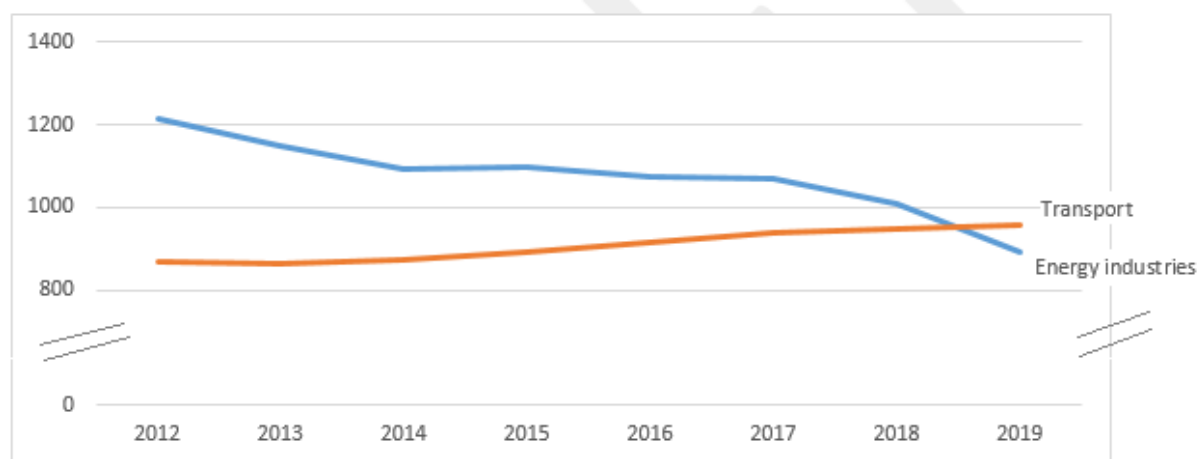
Explanatory Memorandum

“Policies reflecting a high price on emissions are necessary in models to achieve cost-effective 1.5°C pathways (high confidence).”¹

IPCC

The ETS is the **core of the European climate policy**. In the areas where it has been introduced, especially in the electricity sector, it has **triggered dramatic reductions of emissions**, especially in the last three years when major reforms were implemented. In other areas such as the transport sector where carbon pricing did not exist at European level, **emission have increased**.

Figure 1. Co2 Emissions EU27 by sector (million tonnes)



Source: European Environment Agency (EEA), June 2021

The Commission proposals in the Fit for 55 package includes on top of carbon pricing a policy mix among others the **advancement of alternative fuels infrastructure**, the increase of **renewable energy** and a lot of other elements that will altogether enable us to achieve our targets. The rapporteur in principle supports the Commission proposal and at the same time, he thinks it is necessary to improve the texts.

Carbon pricing through the ETS is crucial. Everybody who has a good idea to reduce CO₂ emissions and implements it, should be better off. This holds true for companies but also private people. Command and control measures alone cannot do the trick because the **447 million people living in the EU definitely have more and better ideas than politicians** in the capitals or Brussels only. **Command and control measures also come with a cost** that is much higher than carbon pricing sometimes but these costs are not transparent.

A more targeted use of revenues with a strong social component

¹ IPCC Special Report: “Mitigation Pathways Compatible with 1.5°C in the Context of Sustainable Development”, https://www.ipcc.ch/site/assets/uploads/sites/2/2019/02/SR15_Chapter2_Low_Res.pdf, p. 95.

The ETS in contrast will not only **create costs** but also **revenues that can be used to support new technologies and especially support people in need**. Many new technologies are already available but the relatively low taxes and fees on gas, oil, diesel and gasoline compared to the relatively high taxes and fees on electricity hinder the market uptake of these technologies including heat pumps or electric vehicles.

To really make the Fit for 55 package a success, carbon pricing must be combined with **targeted use of the revenues**. Taxes and fees on renewable energies should be reduced as these hinder innovation and are a particular problem for low-income households that spend a bigger share of their income on electricity than the average population.

ETS1 - Decarbonise Industry, Not Deindustrialise Europe

The rapporteur agrees with the general approach of the European Commission and the **ambition of the proposed text**. It is in **line with the net 55% target** for 2030. However, he suggests targeted improvements for innovation and carbon leakage protection.

Decarbonise Industries: More Targeted Support for Innovation

The Commission proposal already includes some **very important tools to support breakthrough technologies**, for example, the climate-neutral production of steel. Companies that no longer use fossil fuels will anyhow benefit from free allowances for five more years to incentivise these breakthrough innovations. A new benchmark will be created to include new technologies such as hydrogen-based steel. The rapporteur proposes a clarification to make sure that this new benchmark will in fact be implemented no later than 1st January 2026.

On top of the Commission proposal, the rapporteur introduces two new elements roughly described as a **bonus-malus-system**. Those **installations that** not only operate at benchmark level but **perform better than the average of the 10% best** in any given product class should be **given an additional bonus**. The rapporteur suggests that all participants in the ETS must provide **climate neutrality plans**. This is an important tool to make sure that everybody understands that finally all economic operators must assure climate neutrality. **Free allowances** should be **significantly reduced for companies that do not have convincing plans** or don't implement them. Free allowances should be a tool to enable decarbonisation and climate neutrality but should not be a tool to keep traditional plants alive forever. National state aid to support the transition in line with the climate neutrality plans should not be considered as illegal state aid.

Not Deindustrialise Europe - Intelligent Combination of Free Allowances and CBAM

Unfortunately, the Commission proposal does not exclude the **risk that even the best performers will have to purchase additional allowances** by the end of phase 4 as a result of the cross sectoral correction factor (CSCF) kicking in. This decreases predictability for operators, will discourage investments in Europe and **may lead to carbon leakage and the loss of jobs**. That is why it is important to make additional allowances available to avoid the CSCF application up to the extent that **at least the best performers can be sure that they**

will not be burdened with additional costs until 2030. To make these allowances available, the rapporteur proposes an **accelerated phase-in of the maritime sector** and engaged with the rapporteur on the **aviation sector** for the same. Should these additional allowances still not be sufficient to prevent the application of the CSCF, then any leftover should be taken from the MSR.

It is very important to ensure the best possible interplay between free allowances and CBAM. The Commission proposal foresees a step by step increase of CBAM protection and a step by step decrease of free allowances. The rapporteur is convinced that **it is necessary to have a safeguard clause in case the CBAM cannot be implemented as foreseen.** The free allowances that are no longer given to the CBAM sector as the CBAM kicks in, should not be cancelled or used otherwise but put into a reserve for any given year and only be auctioned if CBAM has been working effectively in that respective year. In case CBAM has not been working effectively, they should be given to affected installations retroactively. This reserve should not reduce the overall amount of the Innovation Fund. That is why the Innovation Fund should be stabilised by other revenues that are taken from the member states' share.

Yes to Solidarity but More Targeted

The rapporteur **supports the most important solidarity elements of the Commission proposal.** Since 2013 10% of the revenues are redistributed among member states mainly from Western to Central and Eastern Europe to acknowledge the particular challenges in these countries in the green transition. Assuming a carbon price of 50€, this 10% would mean **30.65 billion euro** from 2021 to 2030. The rapporteur does not intend to touch this solidarity clause.

The second element of solidarity is the **Modernisation Fund** from which 10 member states currently benefit. 2% of the revenues are used for this fund. The Commission suggests a **top up of the Modernisation Fund** of additional 2.5% and argues that two more member states need to benefit from it for calculation reasons. This however, **increases a problem already existing in border regions.** The Modernisation Fund is limited to national borders while also regions in other member states are tremendously challenged and not all regions in beneficiary member states are equally challenged. One example is the border between Spain and Portugal. According to the Commission proposal, Spain would not benefit at all from the fund while Portugal would benefit substantially (up to 850 million euro until 2030, assuming a carbon price of 50€). The same applies for Slovenia that does not benefit from the fund in contrast to its neighbouring member states Hungary and Croatia (up to 792 million euro until 2030 combined, assuming a carbon price of 50€). That is why the rapporteur suggests the following compromise:

2% of allowances shall remain in the Modernisation Fund and be redistributed in the same way as in the past. The top up will be divided. Half of the **top up will be used for** the Modernisation Fund but not according to national borders but **to regions.** The regions that can benefit should be the same as those under the Just Transition Fund. The distribution among member states will be the same. The other half of the top up should be used to increase the Innovation Fund as this will be available for all member states and enable the transition wherever it is needed.

The third element is the Article 10c which allows some member states to give **free allowances to their power sector.** This possibility is banned for the vast majority of member

states since 2013 and it is obvious that free allowances to fossil fuels are not in line with the ambitious targets of the European Union. For this reason, the rapporteur suggests to **delete the possibility** of free allowances in Article 10c. Member states that benefit from this provision may use the money for the Modernisation Fund or auction the allowances and use the revenues according to their national priorities in line with this directive.

Treatment of fossil fuels and nuclear energy in the funds

The Commission proposes to exclude fossil fuels from the Modernisation Fund **completely**. This would mean that even the most modern gas fired power plant that will be transitioned to carbon neutral fuel in a very short time, cannot be financed. In contrast, **there is no rule on nuclear energy**. Given the current controversy, the rapporteur thinks that the Modernisation Fund **should be focused on renewables, efficiency and other clearly uncontroversial technologies**. Nuclear energy should generally not be financed through the ETS to not undermine the credibility of the schemes, especially in those countries that are net contributors to the scheme.

Waste Incineration - Immediate Inclusion Problematic, Long-Term Inclusion a Must

It has been suggested to include municipal waste incineration in the ETS. This cannot be done overnight because sometimes the alternative to incineration is landfilling which is very environmentally unfriendly due to the **methane emissions or export of waste** to countries where the EU has not yet enough control over how it is processed. However, it is very important that **all emitters are finally subject to a carbon price** in the European Union and waste incineration is definitely not the best possible option. Adding a carbon price to the incineration, it will incentivise recycling, reuse and other environment friendly choices in line with circular economy. That is why the rapporteur suggests that after an impact assessment and after assuring that negative effects due to landfills and exports can be ruled out as much as possible, waste incineration will be **included in the ETS on 1st January 2028**.

Maritime ETS - High Time for Carbon Pricing

It is a **long standing demand of the European Parliament** that emissions from the maritime sector should be included in the EU ETS. Therefore, the rapporteur generally supports the proposal of the European Commission. To cover not only intra-European routes but also **50% of trips from and to the European Union is an intelligent approach**.

The rapporteur proposes to strengthen the **international dimension** of the proposal. The Commission, the Parliament and the member states should **engage to convince third countries** not only to accept the proposal including the 50% incoming and outgoing trips but to work with third countries to also cover the rest of the 50%. The efforts of the IMO are **more than disappointing**. In the long-term, a global solution is of course preferable but the EU ETS can only be transferred to the global level or replaced by a global solution if its ambition is higher or at least as high.

“IMO member states have so far missed every opportunity to collectively send credible positive signals for determined climate action. Therefore, although we prefer global

provisions as a global industry, we are now convinced that the EU must lead the way for the maritime industry if we are to achieve results in time. If the EU succeeds in combining ambitious climate protection with economic success, the European model will quickly find imitators and thus promote comprehensive global progress.”

Dr. Reinhard Lüken, Managing Director (Verband für Schiffbau und Meerestechnik e.V.)

The European Parliament in its report on the MRV, asked with a strong majority for a **dedicated fund to support innovation and carbon neutrality in the maritime sector**. The rapporteur supports this demand and suggests to use all revenues from maritime that are not used for own resources, which equals **75% of the revenues** from maritime, for a dedicated fund to support climate neutrality innovations in shipping. There is no reason to transfer money to other sectors as shipping is the most environmental friendly mode of transport and modal shift from shipping to other modes of transport should be avoided.

In line with the position of the Parliament on MRV, **all gases should be covered, especially methane**. The European Parliament has never foreseen a phase-in of auctioning in the shipping sector. That is why the proposal of the Commission has been strongly criticised as full-auctioning will only be applicable from 2026. The rapporteur suggests a compromise that includes a short phase-in period until 2025. The additional free allowances that are made available should **be used for carbon leakage provisions in the stationary ETS sectors**. Every tonne of steel or every tonne of chemicals that is produced in Europe can be replaced by imports. Shipping is not subject to similar challenges because goods and persons that need to be transported inside of Europe or from Europe to third countries cannot be easily replaced by extra-EU ports, especially when the ETS2 for road transport is implemented and goods cannot arrive at European countries from ports outside the EU without a significant cost increase. Various impact assessments of the European Commission have analysed specific cases such as the ports of Tanger, Southampton, Haydarpara or Kaliningrad and have come to the conclusion that the **risk of carbon leakage is low**². At that time a road ETS had not been assessed yet so that the risk is significantly lower now.

Polluter-pays-principle and Arctic Navigation

Member states in Northern Europe argue that due to their weather conditions they have a higher burden through the ETS navigating in ice waters. The rapporteur suggests to **make funds available from the Ocean Fund** especially for this problem and give ships that navigate in arctic areas a **slower phase-in** in 2027.

The European Parliament has insisted on the ‘polluter-pays-principle’ and made clear that the **operator of a ship should be the final responsible** for the payment of the EU-ETS price. This has not been taken into account by the European Commission. To address this problem the rapporteur suggests that the final responsibility of the commercial operator be ensured through a **contractual requirement** between the ship owner and commercial operator to pass on the costs. This solution ensures that whoever is the operator is the final responsible for the carbon price, while the need for authorities to trace down commercial operators, which would be challenging for such companies based outside the EU because there is no international registry of commercial operators in shipping.

² See summary on p. 146 of Commission IA (option MAR 1, MEXTRA 50 = Commission proposal); https://ec.europa.eu/clima/system/files/2016-11/ghg_maritime_annex_en.pdf.

The New ETS - an Indispensable Part of the Fit for 55 Package

As in other areas, carbon pricing is also key to enable the green transition in transport and heating. Command and control measures only cannot or only with many additional problems enable us to achieve the climate targets.

“A new ETS will not be the main tool to decarbonise road transport. However, it can play an important role to both tackle demand but most importantly to generate new revenues to help the most vulnerable to transition away from fossil fuels.”³

Transport & Environment

“CER believes that the creation of a separate ETS for road transport fuels is unavoidable to internalise negative externalities with a concrete application of the polluter-pays principle and to incentivise passengers and logistics companies to use climate-friendly transport modes. At the same time, the Social Climate Fund will have to be used to support those who need it the most and invested in a way that promotes the access to low and zero-emission collective mobility services.”⁴

Community of European Railway and Infrastructure Companies (CER)

CO2 cars regulation alone can create a Havana effect

It is often argued that instead of ETS2 we should just increase ambition for CO2 cars. Evidence shows that this will just not work because even the most ambitious proposals for CO2 cars will not address the problem of existing cars. It can lead to the so called ‘Havana effect’ to not have a carbon price in transport and at the same time a very ambitious regulation for new cars. **People could use their old cars** not only 15 or 20 years but even **30 or 40 including all the negative effects on the environment**. That is why especially in this area, a policy mix is crucial. The same applies to buildings where only a targeted policy mix can really incentivise the necessary changes.

In both areas it is important that not only one tool is determined to bring the necessary emissions reductions. For road transport, not only new cars need to be regulated but the attractiveness of railway and other forms of public transport as well as conditions for bicycles, car sharing etc. increased to ensure a shift to green mobility. This should be encouraged and financed through the ETS revenues. For buildings, the solutions are equally numerous and not all of them can be achieved through regulation. Instead, a carbon price and incentives are needed.

Support for those in need

A strong link with the Social Climate Fund is important to address the challenges for low-income families. Among others, people that depend on their (old and polluting) car to generate their income, should be supported to make the transition happen and avoid hardships. In agreement with the co-rapporteurs for the Social Climate Fund, the rapporteur

³ https://www.transportenvironment.org/wp-content/uploads/2021/12/Road-to-road-ETS-10-ETS2_SCF-criteria.pdf

⁴ <https://www.cer.be/media/press-releases/eu-emissions-trading-system-ets-cornerstone-eu-climate-policy>

not only insists that 25% of the revenues are used for the Social Climate Fund but all revenues also the **75% remaining revenues should be spent in line with the criteria of the Social Climate Fund in the respective member states.** In line with the two co-rapporteurs on the Social Climate Fund, the rapporteur suggests to keep the Social Climate Fund outside the budget to have a **direct link with ETS2** and to have **more targeted support if the carbon price increases.** In line with the position of the Parliament, the rapporteur suggests in the long run to have all funds inside the budget including Innovation Fund and Modernisation Fund. From the date of application of date of this Directive, the general principles of the EU budget such as the **rule of law should be implemented** by the European Commission **in the four funds linked to the ETS.** Special attention should be given to the **reduction of taxes and fees for environment friendly products such as renewable energy.**

Level playing field for all commercial operators - Opt Out for private transport and buildings

It is imperative to create a level playing field for all commercial operators in the European market. The Commission proposal rightly foresees the new ETS to apply to **commercial transport and the heating for commercial buildings.** Unfortunately, other important commercial operations are not subject to the new ETS such as **non-road machinery and process heating.** They **should be covered** and appropriate carbon leakage protection should be introduced.

The challenge for private households are a particular concern for many colleagues. While the rapporteur thinks that the Commission's proposal is a good way forward, he reacts to the proposals by his colleagues and proposes an **opt-out for private buildings and private transport** for a limited time under specific criteria to allow member states to better prepare themselves and use other instrument to achieve their national target. Inversely, the ETS for commercial operators should be introduced one year earlier and the Social Climate Fund should also be introduced one year earlier than suggested by the European Commission.

The key point for the rapporteur is that rather sooner than later all emissions should be covered by carbon pricing.

“Carbon should be given a price.”⁵

António Guterres, UN Secretary-General

⁵ <https://news.un.org/en/story/2020/11/1077712>.

**ANNEX: LIST OF ENTITIES OR PERSONS
FROM WHOM THE RAPPORTEUR HAS RECEIVED INPUT**

The following list is drawn up on a purely voluntary basis under the exclusive responsibility of the rapporteur. The rapporteur has received input from the following entities or persons in the preparation of the draft report:

Entity and/or person
AGORA Energiewende
Air Products
Airbus
AMK Entsorgung
Association of European Energy Exchanges (Europex)
BASF
Bundesverband der Deutschen Industrie e.V. (BDI)
Bundesverband der deutschen Kalkindustrie
Bundesverband der Energie- und Wasserwirtschaft e. V. (BDEW)
Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA)
Business Europe
CAN Europe
Carbon Engineering
Carbon Market Watch
Cem'In'EU
Cembureau
Ceramic-Unie
Cambridge Institute for Sustainability Leadership (CISL)
City of London
Cleantech for Europe
CLG Europe
CO2 Value Europe
Community of European Railway and Infrastructure Companies (CER)
Confederation of European Paper Industries (CEPI)
Confederation of European Waste-to-Energy Plants (CEWEP)
Cruise Lines International Association (CLIA)
Danish Shipping
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
Deutsche Umwelthilfe e.V.
Deutscher Naturschutzring
DIHK Brüssel
eFuel Alliance
European Industrial Gases Association (EIGA)
EIT InnoEnergy
Électricité de France (EDF)
Energie Baden-Württemberg
Eurima
Eurofer

Eurofuels
Eurelectric
Eurometaux
Euromines
European Automobile Manufacturers' Association
European Automotive Suppliers' Industry
European Cement Association
European Chemical Industry Council (CEFIC)
European Climate Foundation
European Community Shipowners' Association (ECSA)
European Copper Institute
European Environment Bureau
European Federation of Local and Regional Energy Companies (CEDEC)
European Heat Pump Organisation (EHPA)
European Heating Industry (EHI)
European Roundtable on Climate Change & Sustainable Transition (ERCST)
European Trade Union Confederation (ETUC)
Europolitix
Federation of European Private Port Companies and Terminals (FEPORT)
Fertilizers Europe
Finnish Industries' Confederation
Finnish Shipowners Association
Fortum
French Association of Private Enterprises (AFEP)
Fridays for Future
Fuels Europe
German Biofuel Industry Association (VDB)
Germanwatch
H2 Green Steel
Heidelberg Cement AG
Helyum
Hydro aluminium
Hydrogen Europe
IG Metall
IHK Arnsberg
IHK Siegen
Intercargo
Interessengemeinschaft der Thermischen Abfallbehandlungsanlagen in Deutschland e.V. (ITAD)
International Association of Oil and Gas Producers (IOGP)
International Emissions Trading Association (IETA)
International Road Transport Union (IRU)
Klima-Allianz
Kommissariat der deutschen Bischöfe
Lanzatech
LKAB
Lobbe Holding

Lubrizol
Mouvement de Entreprises de France
Municipal Waste Europe
NABU
Norsk Hydro
Polska Grupa Energetyczna S.A. (PGE)
Potsdam-Institut für Klimafolgenforschung
Primagas
Rolls Royce
RWE
Salzgitter AG
SEA Europe
Shell
Siemens Energy
Statkraft Brussels SRRL
Stiftung 2 Grad
Stiftung Klima Wirtschaft
ThyssenKrupp
Transport & Environment
Trimet Aluminium SE
Union of Greek Shipowners
Vattenfall
Verband Chemische Industrie (VCI)
Verband der Elektro- und Digitalindustrie (APPLia)
Verband Deutscher Omnibusunternehmen e.V. (BDO)
Verein Deutscher Zementwerke
Wacker Chemie
Wiener Stadtwerke
Wind Europe
Wirtschaftskammer Österreich
Wirtschaftsvereinigung Metalle
Wirtschaftsvereinigung Stahl
World Shipping Council
WWF
Yara Fertilizers
Zentraler Immobilienausschuss (ZIA)
Zentralverband des Deutschen Handwerks
Zero Waste Europe