Cleantech for Europe

Cleantech Group

The EU ETS review: Protecting and strengthening Europe's Cleantech engine

Policy Paper

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Introduction

Europe is not endowed with fossil fuel reserves to power its economy even if it wanted to. Therefore, decarbonisation no longer represents only a quest to reach climate neutrality by 2050, but also becomes the only credible path to energy security with a homegrown, fossil-free based energy system. It lies in our ability to invent, develop, manufacture, scale and deploy the solutions that power our economy.

On the 17th of July the Commission unveiled its proposal to revise the EU Emissions Trading System (referred to in this paper as 'the Proposal'). The file now passes to the European Parliament and Member States to shape its outcome at a moment when stakes could not be any higher. This review will determine whether the ETS keeps a credible carbon price, which sustains the business case for decarbonisation through clean technologies and provides financial means to Member States and the EU to build Europe's new industrial policy. Alternatively, it becomes a decarbonisation framework in name only, rid from its substance due to a system generating a CO2 price too low to seriously convince companies to swap technology and energy inputs. While the review was politically framed as relieving somewhat the pressure on energy intensive sectors exposed to high energy prices, it is important to recall that the carbon price, makes up only around 9% of the electricity bill, even in Member States with high prices (ECB)(EMBER).

With negotiations underway, the EU ETS review must not be developed in a siloed approach. Whether a carbon price does its job effectively is determined by how well energy intensive industry can act on it. This means that the price must be combined with ambitious lead markets for low-carbon products through the Industrial Accelerator Act and an ambitious, rapid build-out of the enabling infrastructure that gives ETS sectors a reliable path to switch technology and energy inputs. The necessary financing of both CAPEX and OPEX for that switch must be guaranteed with a far more rapid and effective recycling of ETS revenues, both with Member States who collect 75% of the ETS revenues and at EU level with financial instruments – such as the Innovation Fund – that must become much faster at identifying projects that will move from plans to plants – but also faster at redirecting funding if projects turn out to be un-bankable.
This paper sets out how Cleantech for Europe believes that ambition should be secured. Three outcomes are critical to the review:

- → **Keep a credible market price for ETS allowances into the 2030s and 2040s.**
- → **An effective recycling of revenues to the ETS sectors, open to existing installations, new entrants and substitution activities on equal terms.**
- → **The deployment of those revenues through effective financial instruments that can move at speed.**

In March 2026, more than 150 companies and investors, including EDF, Acciona, Holcim, Danfoss and IKEA, alongside over 100 cleantech companies, including Stegra, PlanetA, EnergyDome, Ineratec, Skeleton, Vianode, Nordic Alpha Partners and GravitHy called on the Commission to maintain the level of ambition on the ETS.

1. Keep the Carbon Price Credible

A credible ETS price matters for two reasons. It makes decarbonisation bankable, closing the gap between what clean production costs and the high-emitting route it replaces. And it generates the revenues that can then be deployed, strategically and intelligently, on the projects that need them. The Proposal makes many changes and adjustments to the ETS framework, with some of the changes cumulatively creating a significant risk that the market may become oversupplied with allowances in the later years, leading to a lower forecasted ETS price in the 2030s and 2040 as identified by Sandbag[1] and the Oeko Institut[2]. A lower forecasted price can have profound implications for investment decisions pertaining to decarbonisation technologies who are quite sensitive to price fluctuations of the ETS.

→ **Linear Reduction Factor.** Post-2030 ambition should align with the EU's 2040 climate target (and a relevant share of emissions for ETS sectors compared to other sectors under the Effort Sharing Regulation, ETS2 and LULUCF), giving investors the long-term visibility decade-long projects require. The biggest risk of oversupply comes from the adjustments to the Linear Reduction Factor (LRF). This means retaining the 4.4% linear reduction factor through 2035 and setting it at 2.7% from 2036 - the rate the Commission itself identifies as consistent with delivering the 2040 target. The proposal instead lowers the factor to 3.7% for 2031-2035 and 1.7% from 2036, with 2.7% appearing only as a fallback should international credits prove unavailable. (See Am 1 below.)

→ **International credits.** Should be kept out of the ETS. The proposal sets aside up to 260 million allowances to buy up to 260 Mt of international credits from 2036, cutting domestic effort from 90% to 85%. Europe is short of finance for decarbonisation on its own territory, and allowances and ETS revenues are better spent at home than on emission reductions and industrial investments abroad. They should be deleted from the ETS and the 2.7% factor applied directly (See Am 2 below.)

→ **Market Stability Reserve.** The Proposal sets the intake rate at 12% from 2028, replacing the 24% rate that currently applies until the end of 2030. It also lowers the threshold above which allowances enter the reserve and adds a second threshold below it. At half the rate, a surplus emerging in the early 2030s would take twice as long to absorb and would remain in the market for years, settling the price below the level the cap is meant to produce, precisely when major industrial decarbonisation investment decisions are being taken. The current intake rate and thresholds in force should be retained (See Am 12 below).

→ **Free allocation phase-out.** Proceed on schedule from 2026 for CBAM-covered sectors. Companies that built investment strategies around this legal framework would be directly penalised by any delay. A delay signals to markets that the

1. Sandbag (2026), EU ETS review: impacts on the market balance. Technical brief, August 2026.
2. Öko-Institut (2026), Out of balance: assessing the 2026 Commission proposal for the EU ETS 1. By Jakob Graichen, Sabine Gores, Johanna Cludius, Nora Wissner, Felix Matthes.

schedule is negotiable, raising the cost of financing the low-carbon pathway for everyone. The same holds for the pace of that phase-out. The proposal slows it and stretches it to 2038, holding free allocation at 15% from 2034 to 2037; the end-date set in current law, 2034, should be kept, so the switch to a full carbon-border signal is not deferred (see Am 8 below). A delay of the phaseout also means Member States and the EU will auction off less allowances, seeing a reduced level of revenues that can supply funding instruments.

2. Fix the Enabling Conditions Industry Actually Needs through More Effective Deployment of ETS Revenues

A credible price is not sufficient on its own. Industrial decarbonisation and modernisation projects stall for different reasons which can be linked to market evolution, with shrinking or evolving demand, as well as to the lack of enabling conditions in the form of grid, hydrogen or CO2 pipelines or the ability to source electricity or green molecules at affordable price points. What turns the price signal into actual investments is a set of enabling conditions around it, which will involve both the availability of financing and the speed of execution of building infrastructure.

2.1 Conditionality on allowances

Up to now, many industries falling under the ETS have received significant volumes of free allowances to help mitigate the risk of carbon leakage. However, particular in some sectors, the availability of free allowances – sometimes even over-allocation – has not resulted in significant investments in decarbonisation of existing assets, with some companies preferring to invest outside Europe due to better framework conditions or even recycling revenues into dividends and share buybacks to capital markets.

We fully agree with the Proposal that in the next phase of the ETS (2031 – 2040), free allowances should act as a signal for investments in low-carbon production in the EU with demonstrable emission reductions and therefore should become conditional. The challenge of conditionality will be one of design: binding enough that allowances fund genuinely new capacity or upgrading installations, simple enough to administer and plan against. Too loose, and it will be free allocation with a new name. Too complex and bureaucratic, and disbursement will stall the way it has for the Innovation Fund.

Through that lens, we are supportive of the proposal to have 80% of authorised free allowances disbursed in annual tranches, with 20% kept in reserve and only disbursed after it is verified that the decarbonisation investments have been committed for Final Investment Decision (FID) in line with the Invest in EU Decarbonisation Plans and relate to verifiable CO2 emission reductions. Rather than having a complex clawback regime, we would argue that automatically 'netting' the number of free allowances granted in excess versus future allowances disbursement would be the easiest.

We are also supportive of the possibility of complying jointly with emission reduction objective across different installations, in which case the emissions reduction should be measured against the combined emissions reduction of the whole group (see Am 10 below). Free allowances that are withheld from companies failing to implement their investment plan in line with the conditions should flow towards the Industrial Decarbonisation Bank, rather than back into a free-allocation pool. (see Am 11 below).

We are sceptical of applying the conditionality down to the level of installations. Companies operating multiple ETS installations should be required to invest in decarbonisation but should have the flexibility to not only focus on transforming brownfield installations – some of which may struggle to remain competitive – and instead focus on possible new greenfield investments. While we understand the rationale to also maintain jobs and employment in existing ETS installations, it is possible that conditionality at installation level may push operators to consider closing installations for which they do not see a competitive pathway in the future on an accelerated timetable.

2.2 Earmarking of national ETS revenues

EU ETS auctions raised over €258 billion from 2013–2025 with €43 billion in 2025 alone, the majority of which flows back towards Member States. Only a relatively small share of these revenues ends up clearly supporting directly ETS sectors in their decarbonisation efforts.[3,4] It is also not clear that a majority of these funds were used to strengthen the enabling conditions in the form of infrastructure (grids, hydrogen pipelines, etc…), support for long-term Power Purchase Agreements (PPAs) at prices adequate to build a business case for industrial decarbonisation. This happened despite the latest ETS revision mandating that Member States should spend 100% of these revenues on climate related measures.

The Proposal requires Member States to allocate at least 50% of their auction revenues to support the decarbonisation of ETS sectors, including related energy-system investment, while allowing the remainder to be used for other specified climate and environmental purposes. We believe the Proposal can be improved on that point: **Member States should use 50% of the auction revenues on supporting the decarbonisation of ETS sectors, both incumbents and new entrants. The other 50% should be geared towards supporting enabling infrastructure – grids, hydrogen and CO2 pipelines.**

2.3 EU Financing instruments

The Proposal revisits the 1) EU Innovation Fund (IF) – funded through ETS auction revenues at EU level, 2) the new Investment Booster (IB) (2028 – 2030 – phase 1) and 3) the Industrial Decarbonisation Bank (IDB) (2030 – 2040 – phase 2). The IF focusses on funding innovation at an early stage, while the IB and IDB will look at funding

3. Agora Energiewende (2026), How Europe's carbon market can boost clean investment. July 2026. By Benjamin Görlach, Julian Parodi, Andreas Wehrl, Lorenzo Montrone.
4. Jacques Delors Institute (2026), Conditionalities, earmarking, frontloading: how to get the white smoke on ETS. Policy Paper No. 322, July 2026. By Phuc-Vinh Nguyen, Alice Moscovici.

decarbonisation investments that will deploy cleantech equipment. Below we look at each of these financial instruments in turn and argue for a much clearer alignment of Made in Europe (local content requirements) in their allocation methodology.

Innovation Fund (Article 10cb)

The Proposal, which was accompanied by an Evaluation Report of the EU Innovation Fund, contains a new provision for the Innovation Fund

It confirms that the Innovation Fund will focus predominantly on technologies and projects that are not commercially viable yet, in line with the 'incentive effect' enshrined in the EU budgetary rules. We argue this is problematic: the EU has sufficient innovation funding schemes but lacks a scaling fund that is able to provide low-cost capital to projects that are scaling towards commercial success. That capital is equally needed for first-of-a-kind facilities, including their demonstration pathway, to de-risk the technologies. This is particularly problematic as the Innovation Fund is also the only financial instrument targeted at Cleantech manufacturing, with the IB and IDB being financial instruments funding deployment (Am 3).

The Fund will be deployed via grants, competitive mechanisms or contributions to Invest EU. We would argue that the IF should have greater flexibility in the types of instruments it can deploy, including low-cost loans as done under the Battery Booster Facility. While contributions to Invest EU could be recycled in the form of loans from the EIB and National Promotional Banks, as the evaluation report points the EIB has yet to deploy some of the capital committed already in the past by the Innovation Fund to the Invest EU guarantee.

Finally, the IF under the current ETS Phase was funded with 530 million allowances. Under the next phase (2030 – 2040), the IF will be funded with 200 million allowances. Assuming a higher ETS price for that phase compared to current price, it is still likely that the size of the IF shrinks in the next phase. We believe the IF should receive additional funding under the next phase of the ETS.

Investment Booster (IB) (Article 10cd) and Industrial Decarbonisation Bank (Article 10cc)

The proposed IB, the first phase of the IDB (2028 – 2030), which the European Commission estimates could potentially represent up to EUR 30 billion at the current ETS price, will be funded via the allocation of allowances in the New Entrants Reserve to projects which can then sell these allowances on the market. The IB has a few novel design features for EU financial instruments which we see as a welcome experiment to make these instruments more rapidly deployable, a challenge that has plagued the IF in particular.

A critical point is that both the IB and the IDB should be open to non-ETS installations doing ETS-equivalent activities, so ready-to-deploy solutions are not penalised for not yet being in the system. The same principle should extend to projects already

under construction but not yet operating, and to existing low-carbon installations whose cost gap did not close when they finished building. As drafted, the Booster is built around projects that start construction after approval, which risks excluding the frontrunners it should reward. (See Am 4, 5 and 6 below.). It will also be important to build safeguards to ensure that in the event the support from the IB is financially very material for projects, that the level playing field with existing installations producing low carbon products is not materially distorted. This may take the form of allowing existing installations some lower level of support from the IB.

We welcome the move towards a first-come-first-served basis, with some envelope reserved for certain Member States with lower GDP levels. While it is a step away from competitive bidding, and may result in a sub optimal allocation, it does have the merit that the support will be focussed on projects that are very likely to materialise, unlike the IF where we see a non-negligeable level of termination of projects It is also welcome that the support will take the form of 10 year support per unit of production, with the ability to cover both CAPEX and OPEX expenditures. This is particularly important as it will avoid scenarios where projects will get support per unit of production but may see retroactive partial clawbacks if the level of support exceeds the eligible costs.

We welcome the fact that support will be output, paid against verified low-carbon production and more similar to production-based support type instruments that Cleantech for Europe advocated for in the context of the CISAF. However, the Commission will have to build appropriate safeguards to ensure it supports truly low-carbon production rather than merely incremental changes.

Finally, we understand the support is likely to be paid out in allowances rather than capital, leaving the market risk of the ETS price with project developers. As a result, the effectiveness of the IB will be contingent on keeping a credible carbon price (see Part 1) that remains market-based and insulated from political risk. Else the amount of support will be unpredictable and hence not fully bankable for projects. The need for a credible price will be even more important for the IDB as with a CCFD system as the main instrument to deploy support, the public sector – either the IDB or the EU Budget – will be fully exposed to the risk of ETS price appreciating more slowly than forecasted.

Finally, the IDB's CCfDs should also open earlier - launching the first bidding round in 2028, even with payments starting in 2031, lets companies take investment decisions against a contracted price years sooner (see Am 9 below). This would allow all the administrative processes of call setups, auctioning systems and contractual arrangements to be in place so that projects can get support from the 1st January 2028.

Made in Europe – Alignment with the Industrial Accelerator Act

The Industrial Accelerator Act, published in March, has as one of its policy objectives to create clear and predictable demand and investment signals for Cleantech manufactured in Europe. The core idea is a simple one: whenever public money at EU or national level is deployed it should be steered towards procuring equipment made in Europe. The Proposal already states that the IDB should align with the Net-Zero Industry Act and the Industrial Accelerator Act, including on EU content (Recital 61). We would argue to include for each specific funding instrument a specific reference to local content requirements (see Am 7 below), to provide legal clarity. This would also avoid repeated uncertainty we have seen in the various calls under the EU Hydrogen Bank where resilience criteria were adjusted for each call, requiring market participants each time to figure out the nature of the resilience requirements used.

2.4 Support for sustainable fuels in maritime and aviation

Targeted ETS-based incentives for sustainable fuels in Maritime and Aviation are a welcome development and send an important market signal. Such mechanisms are critical to bridge the cost gap and support long-term offtake commitments by end-users, thereby accelerating investment and deployment across the value chain.

To maximise effectiveness, support should be more strongly differentiated according to actual emissions abatement and fossil phase out potential, and the degree of commercial scaling challenges faced by each pathway. In maritime transport, the current support gap between low-carbon fuels (80%) and zero-emission technologies or fuels (90%) is too narrow to reflect the substantial differences in climate performance, funding needs and contribution to a net-zero trajectory. We therefore recommend increasing support differentiation to 40% for low-carbon fuels, 55% for advanced biofuels, and 100% for RFNBOs and zero-emission technologies/fuels. In aviation, a greater share of available resources should be directed towards e-fuels, where production costs remain highest and where targeted support is most needed to unlock scale-up and achieve long-term decarbonisation objectives.

Amendment 1 – Linear Reduction Factor

Article 1(12)(b)

→ **Justification:** The biggest risk of oversupply comes from the adjustments to the linear reduction factor. Retaining 4.4% through 2035 and setting 2.7% from 2036 keeps the rate the Commission itself identifies as consistent with delivering the 2040 target.

Commission text	Proposed amendment
The linear factor shall be 3.7% from 2031 to 2035 and 1.7% from 2036.	The linear factor shall be ~~3.7%~~ **4.4%** from 2031 to 2035 and ~~1.7%~~ **2.7%** from 2036.

Amendment 2 – International credits

Article 1(13), proposed Article 9b

→ **Justification:** Europe is short of finance for decarbonisation on its own territory, and allowances are better spent at home than on emission reductions abroad. The facility should be deleted and the 2.7% factor applied directly.

Commission text

Article 9b — Funding for international credits

1. Up to 260 million allowances from the Union-wide quantity of allowances referred to in Article 9 shall be made available to the facility for the purchase of up to 260 Mt of high quality and high integrity international credits [...] from 2036 to 2040. [...]

4. Subject to the report in paragraph 3, by way of derogation from Article 9, in the event that high-quality and high-integrity, cost-effective international credits referred to in paragraph 1, are not available, the linear factor shall revert to 2.7% from 2036.

Proposed amendment

~~Article 9b — Funding for international credits~~

~~1. Up to 260 million allowances from the Union-wide quantity of allowances referred to in Article 9 shall be made available to the facility for the purchase of up to 260 Mt of high quality and high integrity international credits [...] from 2036 to 2040. [...]~~

~~4. Subject to the report in paragraph 3, by way of derogation from Article 9, in the event that high-quality and high-integrity, cost-effective international credits referred to in paragraph 1, are not available, the linear factor shall revert to 2.7% from 2036.~~

Amendment 3 – Strengthening the Innovation Fund for scale-up

Article 1(17), proposed Article 10cb

→ **Justification:** The EU has sufficient innovation funding schemes but lacks a scaling fund able to provide low-cost capital to projects scaling towards commercial success. The Innovation Fund is also the only instrument targeted at cleantech manufacturing.

Commission text	Proposed amendment
Article 10cb - Innovation Fund [...]	Article 10cb - Innovation Fund [...]
2. The Innovation Fund shall be funded from the auctioning of 200 million allowances resulting from the reduction of free allocation in line with Article 10a(1a). To the extent that fewer than 50 million allowances remain available following the increase of the maximum amount under Article 10a(5) in accordance with Article 10a(5b), the difference shall be made available to the Innovation Fund from the quantity which could otherwise be auctioned pursuant to Article 10 in 2028. [...]	2. The Innovation Fund shall be funded from the auctioning of **400** million allowances resulting from the reduction of free allocation in line with Article 10a(1a). To the extent that fewer than 50 million allowances remain available following the increase of the maximum amount under Article 10a(5) in accordance with Article 10a(5b), the difference shall be made available to the Innovation Fund from the quantity which could otherwise be auctioned pursuant to Article 10 in 2028. [...]
4. The Innovation Fund shall prioritise innovative technologies at a high level of technological readiness that are not yet commercially viable in line with the Union's climate and energy targets as well as circularity objectives.	4. The Innovation Fund shall prioritise innovative technologies at a high level of technological readiness, **as well as first-of-a-kind facilities, that are scaling towards commercial viability, as well as those** that are not yet commercially viable in line with the Union's climate and energy targets as well as circularity objectives.

Amendment 4 – Investment Booster – eligibility for projects under construction

Article 1(17), proposed Article 10cd(4)

→ **Justification:** As drafted, the Booster is built around projects that start construction after approval, which risks excluding the frontrunners it should reward. Projects already under construction but not yet operating should be eligible.

Commission text	Proposed amendment
4. Upon formal approval of the allocation under this Article, projects shall start physical construction within a maximum period of 30 months set in the relevant Terms and Conditions. [...] Following the start of physical construction within the period set in the first sentence of this paragraph, the Commission shall release half of the completion bond. In the event a project has not started physical construction within the period set in the first sentence of this paragraph, the Commission shall call the completion bond in full. In addition, the support shall be revoked and all entitlements of the beneficiary of the support shall cease.	4. Upon formal approval of the allocation under this Article, projects shall start physical construction within a maximum period of 30 months set in the relevant Terms and Conditions. [...] **Projects in which physical construction has started before the date of formal approval of the allocation, and which have not yet started operations, shall be eligible for support under this Article, and the first sentence of this paragraph shall not apply to them. In that case the Commission shall release half of the completion bond upon formal approval of the allocation.** Following the start of physical construction within the period set in the first sentence of this paragraph, the Commission shall release half of the completion bond. In the event a project has not started physical construction within the period set in the first sentence of this paragraph, the Commission shall call the completion bond in full. In addition, the support shall be revoked and all entitlements of the beneficiary of the support shall cease.

Amendment 5 – Investment Booster – eligibility for existing installations

Article 1(17), proposed Article 10cd, new paragraph 5a

→ **Justification:** Existing low-carbon installations, whose cost gap did not close when they finished building, should also be able to access the Booster rather than being penalised for not being new projects.

Commission text	Proposed amendment
[new paragraph]	**5a. Projects in installations already carrying out low-carbon production at the time of the allocation decision shall be eligible for support under this Article. Where such a project does not involve the start of physical construction, paragraphs 3 and 4 and the first sentence of paragraph 5 shall not apply, and the beneficiary shall receive allowances periodically, upon independent verification of emissions avoidance, for a maximum period of 10 years from the date of the allocation decision.**

Amendment 6 – Investment Booster – eligibility for non-ETS activities

Article 1(17), Article 10cd(1)

→ **Justification:** Both the Booster and the IDB should be open to non-ETS installations doing ETS-equivalent activities, so ready-to-deploy solutions are not penalised for not yet being in the system.

Commission text

Until 2030, in line with Article 10cc paragraph 1, the Commission shall support under the Industrial Decarbonisation Bank projects through allocating allowances based on a fixed carbon premium to eligible projects within the Union.

The Commission shall publish open invitations for submissions of applications on the basis of which it will pre-select projects. [...]

Proposed amendment

Until 2030, in line with Article 10cc paragraph 1, the Commission shall support under the Industrial Decarbonisation Bank projects through allocating allowances based on a fixed carbon premium to eligible projects within the Union.

Eligible projects shall include projects in stationary installations substituting industrial production processes referred to in Annex I, in accordance with Article 10cc(1), irrespective of whether those installations carry out an activity listed in that Annex.

The Commission shall publish open invitations for submissions of applications on the basis of which it will pre-select projects. [...]

Amendment 7 – Compliance with the Industrial Accelerator Act

Investment Booster (Article 10cd), Industrial Decarbonisation Bank phase two (Article 10ce(2)) and Innovation Fund (Article 10cb(9))

→ **Justification:** Whenever public money is deployed it should be steered towards equipment made in Europe. Including a specific reference to local content requirements for each funding instrument provides legal clarity and avoids the repeated uncertainty seen in the EU Hydrogen Bank calls.

Commission text

Article 10ce(2): Prior to launching a competitive bidding procedure, the Commission shall publish Terms and Conditions developed in consultation with stakeholders to specify in particular: eligibility criteria, mandatory documentation, size of the bid bond and the completion bond as well as monitoring and verification requirements, ensuring transparency.

Article 10cb(9): [empowerment for the Commission to adopt delegated acts on the operation of the Innovation Fund, including eligibility and related conditions.]

Proposed amendment

Terms and Conditions developed in consultation with stakeholders to specify in particular: eligibility criteria, **including compliance, at a minimum, with the requirements of the Industrial Accelerator Act,** mandatory documentation, size of the bid bond and the completion bond as well as monitoring and verification requirements, ensuring transparency.

Article 10cb(9) and the Investment Booster Terms and Conditions (Article 10cd) shall likewise require projects to comply, at a minimum, with the requirements of the Industrial Accelerator Act.

Amendment 8 – Phase-out of free allocation for CBAM sectors

Article 1(15)(b)(i)

→ **Justification:** The proposal slows the phase-out and stretches it to 2038. The end-date set in current law, 2034, should be kept, so the switch to a full carbon-border signal is not deferred.

Commission text

The CBAM factor shall be equal to 100 % for the period between the entry into force of that Regulation and the end of 2025 and [...] shall be equal to 97,5 % in 2026, 95 % in 2027, 91.5 % in 2028, 81 % in 2029, 59% in 2030, 48% in 2031, 37,5% in 2032 and 27% in 2033, 15% from 2034 to 2037. From 2038, a CBAM factor of 0 % shall apply.

Proposed amendment

Maintain the phase-out trajectory established by Directive (EU) 2023/959, with the CBAM factor reaching 0% in 2034, by deleting the proposed slower trajectory ~~(...15% from 2034 to 2037. From 2038, a CBAM factor of 0 % shall apply).~~

Amendment 9 – Industrial Decarbonisation Bank – timeline for CCfDs

Article 1(17), proposed Article 10ce(1)

→ **Justification:** Launching the first bidding round in 2028, even with payments starting in 2031, lets companies take investment decisions against a contracted price years sooner, with the administrative processes in place so projects can be supported from 1 January 2028.

Commission text	Proposed amendment
1. From 2031, the Commission shall use the revenues from the number of allowances reserved in line with Article 10cc reserving 400 million allowances to support industrial decarbonisation projects within the Union through competitive bidding procedures awarding Carbon Contracts for Difference (CCfD) or carbon premia without prejudice to the use of other forms of support where appropriate.	1. From 2031, the Commission shall use the revenues from the number of allowances reserved in line with Article 10cc reserving 400 million allowances to support industrial decarbonisation projects within the Union through competitive bidding procedures awarding Carbon Contracts for Difference (CCfD) or carbon premia without prejudice to the use of other forms of support where appropriate. **In order to facilitate investment decisions and to ensure the bankability of projects, the Commission shall open the application period and launch the first competitive bidding procedure for the award of Carbon Contracts for Difference as of 2028. Carbon Contracts for Difference and carbon premia awarded under such procedures may provide for support to be disbursed from 2031 onwards, upon verified emission reductions or removals.**

Amendment 10 – Conditionality – pooling of installations

Article 1(15)(d), proposed Article 10a(3d), fourth subparagraph

→ **Justification:** Where installations comply jointly with the emission reduction objective, the emissions reduction should be measured against the combined emissions reduction of the whole group.

Commission text	Proposed amendment
Where a joint decarbonisation investment agreement is concluded, the decarbonisation investments referred to in the fifth subparagraph of paragraph 3b shall correspond to a volume at least equivalent to the economic value of 100% of the amount of free allocation allocated to all installations that are part of the pool under the relevant five-year period.	Where a joint decarbonisation investment agreement is concluded, the decarbonisation investments referred to in the fifth subparagraph of paragraph 3b shall correspond to a volume at least equivalent to the economic value of 100% of the amount of free allocation allocated to all installations that are part of the pool under the relevant five-year period, **and shall lead to significant emissions reduction assessed against the combined emissions of all installations that are part of the pool.**

Amendment 11 – Conditionality – allowances withheld or reimbursed

Article 1(15)(d), proposed Article 10a(3c), fourth subparagraph

→ **Justification:** Free allowances withheld from companies failing to implement their investment plan should flow towards the Industrial Decarbonisation Bank, rather than back into a free-allocation pool.

Commission text	Proposed amendment
Allowances that are not allocated in accordance with the first and third subparagraphs or that are returned in accordance with the second subparagraph shall be made available for free allocation in the subsequent five-year period.	Allowances that are not allocated in accordance with the first and third subparagraphs or that are returned in accordance with the second subparagraph shall be **allocated to the Industrial Decarbonisation Bank for industrial decarbonisation projects in accordance with Articles 10cc**, ~~10cd and 10ce. made available for free allocation in the subsequent five-year period.~~

Amendment 12 – Market Stability Reserve – intake

Article 2(2)

→ **Justification:** The proposal halves the intake rate from 24% to 12% from 2028, so any surplus emerging in the early 2030s would take twice as long to clear and would sit in the market lowering the price. The intake rate and thresholds in force should be retained.

Commission text

(2) in paragraph 5, the first subparagraph is replaced by the following:

'In any given year, if the total number of allowances in circulation is between 833 million and 947 million, a number of allowances equal to the difference between the total number of allowances in circulation, as set out in the most recent publication as referred to in paragraph 4 of this Article, and 833 million shall be deducted from the quantity of allowances to be auctioned by the Member States under Article 10(2) of Directive 2003/87/EC and shall be placed in the reserve over a period of 12 months beginning on 1 September of that year. If the total number of allowances in circulation is above 947 million allowances, the number of allowances to be deducted from the quantity of allowances to be auctioned by the Member States under Article 10(2) of Directive 2003/87/EC and to be placed in the reserve over a period of 12 months beginning on 1 September of that year shall be equal to 12 % of the total number of allowances in circulation. From 2029, the thresholds of 833 and 947 million under this paragraph shall decrease annually by 4%, rounded to the nearest million, as specified in the Annex'.

Proposed amendment

~~(2) in paragraph 5, the first subparagraph is replaced by the following:~~

~~'In any given year, if the total number of allowances in circulation is between 833 million and 947 million, a number of allowances equal to the difference between the total number of allowances in circulation, as set out in the most recent publication as referred to in paragraph 4 of this Article, and 833 million shall be deducted from the quantity of allowances to be auctioned by the Member States under Article 10(2) of Directive 2003/87/EC and shall be placed in the reserve over a period of 12 months beginning on 1 September of that year. If the total number of allowances in circulation is above 947 million allowances, the number of allowances to be deducted from the quantity of allowances to be auctioned by the Member States under Article 10(2) of Directive 2003/87/EC and to be placed in the reserve over a period of 12 months beginning on 1 September of that year shall be equal to 12 % of the total number of allowances in circulation. From 2029, the thresholds of 833 and 947 million under this paragraph shall decrease annually by 4%, rounded to the nearest million, as specified in the Annex'.~~