

# Proposal for an amended EU Emission Trading System

## CEDEC amendments

### RECOMMENDATIONS FOR THE EU EMISSION TRADING SYSTEM (EU ETS)

CEDEC believes that the EU Emission Trading System is an effective policy instrument to contribute to EU climate neutrality. The proposed new and separate **EU ETS for buildings and road transport** has the potential to boost competition for cleaner technologies and to achieve GHG emissions reductions more cost-effectively.

Although buildings and road transport are not considered as sectors at risk of carbon leakage, free allocation of allowances for key technologies such as **high efficiency CHP** should be foreseen.

We welcome the provision that **ETS revenues** should be used for climate-related purposes, while equally addressing its distributional effects on lower- and middle-income households. The revenues from the new ETS on buildings and road transport should be oriented specifically to decarbonisation in these sectors. Generally, the EU programmes financed through the EU ETS should allocate funds in a more **technology neutral way** and to **support just transition** in a majority of European Member States.

**Guidance:** in ***bold italics*** we indicate where the Commission text is being modified and shows our related amendments; text struck through in the Commission text corresponds to existing provisions now being deleted by the Commission proposed review; text added or amended by the rapporteur is indicated in ***bold italics***, and text in ***red bold italics*** indicates where rapporteur text is being modified and shows our related amendments. Wherever no text is presented, no amendment is being proposed.

## AM 1 – Including waste-to-energy into EU ETS harms sustainable waste management

Amendment 2 by the Rapporteur adding <u>Recital 13a</u>		
Text proposed by the Commission	Text proposed by Rapporteur	CEDEC amendment
	<p><i>(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, <b>in particular emissions from waste incineration installations</b>, 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</i></p>	<p><i>(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, 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</i></p>

	<p><i>carbon pricing mechanisms. If sufficient progress has been made, <b>in particular on the inclusion of greenhouse gas emissions from waste incineration installations</b>, 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.</i></p>	<p><i>has been made, 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.</i></p>
<p><b>Justification:</b></p> <p>The exemption of the incineration of municipal and hazardous waste in plants with a total rated thermal input of &gt;20 MW should be kept to ensure sustainable waste management.</p> <p>An inclusion of waste incineration among the technologies covered by the EU ETS produces no steering effect but risks providing an incentive for landfill disposal and waste exports to third countries.</p> <p>Any inclusion should be preceded by a thorough evaluation of the risks of landfill disposal and waste exports by the EC. Eventually, any legislation necessary to avoid and address potential negative effects should be put in place before including waste incineration in the EU ETS.</p> <p>By using state-of-the-art technology for the treatment of hazardous and non-recyclable waste, Waste-to-Energy is key to sustainable waste disposal, to reduce landfilling and therefore achieving decarbonisation and circular economy objectives.</p>		
<p><b>Amendment 4 by the Rapporteur adding <u>Recital 13c</u></b></p>		
<p><b>Text proposed by the Commission</b></p>	<p><b>Text proposed by Rapporteur</b></p>	<p><b>CEDEC amendment</b></p>
	<p><i>(13c) In the long-term, all CO2 emissions should be covered by the EU-ETS. The inclusion of municipal waste incineration installations <b>would</b> encourage recycling, reuse and repair of products, while also</i></p>	<p><i>(13c) In the long-term, all CO2 emissions should be covered by the EU-ETS. The inclusion of municipal waste incineration installations <b>could</b> encourage recycling, reuse and repair of products, while also</i></p>

	<p><i>contributing to economy-wide decarbonisation. However, careful preparation is required to avoid largescale 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, <b>the inclusion of municipal waste incineration installations within the scope of Directive2003/87/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 largescale deviation of waste from municipal waste incineration installations towards landfills in the Union and exports to third countries.</b></i></p>	<p><i>contributing to economy-wide decarbonisation. However, careful preparation is required to avoid largescale 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, <b>by 1 January 2028 the Commission should evaluate the possibility to include municipal waste incineration installations within the scope of Directive2003/87/EC, by verifying, including on the basis of the available waste treatment capacity in Member States, that this inclusion would not provide a direct or indirect incentive towards landfills in the Union and exports to third countries.</b></i></p>
<p><b>Justification:</b></p> <p>The exemption of the incineration of municipal and hazardous waste in plants with a total rated thermal input of &gt;20 MW should be kept to ensure sustainable waste management.</p> <p>An inclusion of waste incineration among the technologies covered by the EU ETS produces no steering effect but risks providing an incentive for landfill disposal and waste exports to third countries.</p> <p>Any inclusion should be preceded by a thorough evaluation of the risks of landfill disposal and waste exports by the EC. Eventually, any legislation necessary to avoid and address potential negative effects should be put in place before including waste incineration in the EU ETS.</p> <p>By using state-of-the-art technology for the treatment of hazardous and non-recyclable waste, Waste-to-Energy is key to sustainable waste disposal, to reduce landfilling and therefore achieving decarbonisation and circular economy objectives.</p>		

## AM 2 – Recognition of role of cogeneration and district heating in the new EU ETS

<u>Recital 49</u>		
Text proposed by the Commission	Text proposed by Rapporteur	CEDEC amendment
<p>(49) The auctioning of allowances is the simplest and the most economically efficient method for allocating emission allowances, which also avoids windfall profits. Both the buildings and road transport sectors are under relatively small or non-existent competitive pressure from outside the Union and are not exposed to a risk of carbon leakage. <b>Therefore</b>, allowances for buildings and road transport should only be allocated via auctioning <b>without there being any</b> free allocation.</p>		<p>(49) The auctioning of allowances is the simplest and the most economically efficient method for allocating emission allowances, which also avoids windfall profits. Both the buildings and road transport sectors are under relatively small or non-existent competitive pressure from outside the Union and are not exposed to a risk of carbon leakage. <b>In general</b>, allowances for buildings and road transport should only be allocated via auctioning. <b>For highly efficient CHP and district heating, that will continue to be cornerstones of the transformation to a climate-neutral and secure electricity and heat supply, the free allocation of allowances should be foreseen as it exists in the current EU ETS.</b></p>
<p><b>Justification:</b></p> <p>The specific contributions of district heating and cooling and energy-efficient cogeneration as important building blocks for decarbonisation of heating and cooling in buildings must be taken into account by foreseeing the possibility to allocate free allowances, comparable to the current Article 10a paragraph 4. This is necessary to ensure that high-efficiency CHP is not in a worse position than pure heat generators (i.e. gas boilers) and that small CHP plants are not in competitive disadvantage with large CHP plants.</p>		

Free allocation would therefore mitigate the disadvantage for CHP resulting from the design of the new ETS, and notably from the fact that CHP bears also the CO2 cost of the electricity. For decarbonisation purpose, it is key to make CHP-based district heating more attractive than heat generators i.e. gas boilers.

### AM 3 – Earmark new EU ETS revenues for supporting burdened sectors

<u>Recital 54</u>		
Text proposed by the Commission	Text proposed by Rapporteur	CEDEC amendment
<p>(54) Innovation and the development of new low-carbon technologies in the buildings and road transport sectors are crucial to ensure the cost-effective contribution of these sectors to the expected emission reductions. Therefore, the revenues from the auctioning of 150 million allowances from emissions trading in the buildings and road transport sectors should also be made available to the Innovation Fund in order to provide incentives for cost-effective emission reductions.</p>		<p>(54) Innovation and the development of new low-carbon technologies in the buildings and road transport sectors are crucial to ensure the cost-effective contribution of these sectors to the expected emission reductions. Therefore, the revenues from the auctioning of 150 million allowances from emissions trading in the buildings and road transport sectors should also be made available to the Innovation Fund in order to incentivise cost-effective emission reductions <b><i>in the sectors covered by the new EU ETS.</i></b></p>
<p><b>Justification:</b>            In order to ensure a fair and transparent distribution of scarce financial resources for the decarbonisation of entire sectors, the revenues from allowances auctioned from the new ETS and made available to the Innovation Fund should be returned to those sectors from which they originate. This will increase acceptance of the new emissions trading system in these sectors and mitigate distributional effects.</p>		

## AM 4 – Including waste-to-energy into EU ETS harms sustainable waste management

Amendment 48 by the Rapporteur adding <u>Article 3h paragraph 1a</u>		
Text proposed by the Commission	Text proposed by Rapporteur	CEDEC amendment
	<p><i>1a. <b>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.</b></i></p>	<p><i>1a. <b>By 1 January 2028, the Commission shall evaluate the possibility to extend the provisions of this Chapter 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 verify, including on the basis of the available waste treatment capacity in Member States, 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. Following that evaluation, the Commission shall, where appropriate, submit a legislative proposal to prevent those impacts.</b></i></p>
<p><b>Justification:</b></p> <p>The exemption of the incineration of municipal and hazardous waste in plants with a total rated thermal input of &gt;20 MW should be kept to ensure sustainable waste management.</p> <p>An inclusion of waste incineration among the technologies covered by the EU ETS produces no steering effect but risks providing an incentive for landfill disposal and waste exports to third countries.</p>		

Any inclusion should be preceded by a thorough evaluation of the risks of landfill disposal and waste exports by the EC. Eventually, any legislation necessary to avoid and address potential negative effects should be put in place before including waste incineration in the EU ETS.  
 By using state-of-the-art technology for the treatment of hazardous and non-recyclable waste, Waste-to-Energy is key to sustainable waste disposal, to reduce landfilling and therefore achieving decarbonisation and circular economy objectives.

**Amendment 49 by the Rapporteur adding Article 9 paragraph 3a**

Text proposed by the Commission	Text proposed by Rapporteur	CEDEC amendment
	<p><i>3a. 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).</i></p>	<p><i>Deleted</i></p>

**Justification:**

As an effect of first part of amendment n° 4, this paragraph loses its basis and therefore can be deleted. Please refer to justification above.



## AM 5 – Distribution of funds from the Modernisation Fund to regions in transition

Article 1(11) amending Article 10 – Auctioning of allowances		
Text proposed by the Commission	Text proposed by Rapporteur	CEDEC amendment
<p>(a) 2 % of the total quantity of allowances between 2021 and 2030 shall be auctioned to establish a fund to improve energy efficiency and modernise the energy systems of certain <b>Member States ('the beneficiary Member States')</b> as set out in Article 10d ('the Modernisation Fund'). The beneficiary <b>Member States</b> for this amount of allowances shall be the Member States with a GDP per capita at market prices below 60 % of the Union average in 2013. <b>The funds corresponding to this quantity of allowances shall be distributed in accordance with Part A of Annex IIb.</b></p> <p>In addition, <b>2,5 %</b> 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. <b>The beneficiary Member States for this amount</b> of allowances shall be <b>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</b></p>	<p>(a)</p> <p>In addition, <b>1,25 %</b> 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. <b>That percentage</b> of allowances shall be <b>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</b></p>	<p>(a) 2 % of the total quantity of allowances between 2021 and 2030 shall be auctioned to establish a fund to improve energy efficiency and modernise the energy systems of certain <b>European regions</b> as set out in Article 10d ('the Modernisation Fund'). The beneficiary <b>European regions</b> for this amount of allowances shall be the <b>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</b> of the <b>European Parliament and of the Council.</b></p> <p>In addition, <b>1,25 %</b> 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. <b>That percentage</b> of allowances shall be <b>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</b></p>

<p><i>corresponding to this quantity</i> of allowances shall be distributed in accordance with <b>Part B of Annex IIb.</b></p> <p>(b) 3. Member States shall determine the use of revenues generated from the auctioning of allowances, [...]:</p> <p>(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 <b>distortive taxes</b>;</p>	<p><b>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).</b></p> <p>(b) 3. Member States shall determine the use of revenues generated from the auctioning of allowances, [...]:</p> <p>(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 <b>in particular taxes on and charges for renewable electricity</b>;</p>	<p><b>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).</b></p> <p>(b) 3. Member States shall determine the use of revenues generated from the auctioning of allowances, [...]:</p> <p>(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 <b>in particular taxes on and charges for renewable energy sources</b>;</p>
<p><b>Justification:</b></p> <p>The part of the EU ETS revenues that will be attributed to the Social Climate Fund and other EU funds, such as the Modernisation Fund and the Innovation Fund, should be invested in a technology neutral way, making funds available for all energy sources that contribute to GHG emissions reductions. Therefore 3(h) should mention renewable energy sources and not only renewable electricity.</p>		

For the Modernisation Fund, the beneficiaries are intended to be countries with a GDP lower than 65% and 60% of the EU's average, thus restricting the funding to regions in transition only within those Member States. However, this access to funding should equally be ensured to regions in transition in all Member States to support the modernisation of their energy system. The NUTS level 3 regions as identified in the territorial just transition plans under the Just Transition Mechanism, is a better criteria for the allocation of the Modernisation Fund.

## AM 6 – Support high-efficiency CHP and DHC through maintaining free allocation

Article 1(12) amending Article 10a – Transitional Union-wide rules for harmonised free allocation		
Text proposed by the Commission	Text proposed by Rapporteur	CEDEC amendment
<p>(a)(d) paragraphs 3 <b>and 4 are</b> deleted;</p> <p><del>[4. Free allocation shall be given to district heating as well as to high efficiency cogeneration, as defined by Directive 2012/27/EU of the European Parliament and of the Council, for economically justifiable demand, in respect of the production of heating and cooling. In each year subsequent to 2013, the total allocation of such installations in respect of the production of that heat shall be adjusted by the linear factor referred to in Article 9 of this Directive, except for any year in which those allocations are adjusted in a uniform manner pursuant to paragraph 5 of this Article.]</del></p>		<p>(a)(d) paragraph 3 <b>is</b> deleted;</p> <p>[4. Free allocation shall be given to district heating as well as to high efficiency cogeneration, as defined by Directive <b>[reference to be updated with the revised Directive on energy efficiency]</b> of the European Parliament and of the Council, for economically justifiable demand, in respect of the production of heating and cooling. In each year subsequent to <b>[the year following the entry into force of this amendment]</b>, the total allocation of such installations in respect of the production of that heat shall be adjusted by the linear factor referred to in Article 9 of this Directive, except for any year in which those allocations are adjusted in</p>

		a uniform manner pursuant to paragraph 5 of this Article.]
<p><b>Justification:</b></p> <p>For the purpose of EU climate objectives, it is important to maintain free allocation of allowances for high-efficiency cogeneration as already foreseen in the current EU ETS. Its deletion is in contrast with the principle expressed by the Commission in Recital 12 that the use of CHP should be stimulated and all district heating plants should be treated equally. Cogeneration and district heating are important building blocks for the decarbonisation of heating and cooling in buildings, for improving energy efficiency and security of supply.</p>		

## AM 7 – Technology neutral Modernisation Fund

Article 1(14) amending Article 10d – Modernisation Fund		
Text proposed by the Commission	Text proposed by Rapporteur	CEDEC amendment
(a) 1. A fund to support investments proposed by the beneficiary Member States, including the financing of small-scale investment projects, to modernise energy systems and improve energy efficiency shall be established for the period from 2021 to 2030 (the ‘Modernisation Fund’). The Modernisation Fund shall be financed through the auctioning of allowances as set out in Article 10, for the beneficiary Member States set out therein.		(a) 1. A fund to support investments proposed by the beneficiary Member States, including the financing of small-scale investment projects, to modernise energy systems and improve energy efficiency shall be established for the period from 2021 to 2030 (the ‘Modernisation Fund’). The Modernisation Fund shall be financed through the auctioning of allowances as set out in Article 10, for the beneficiary Member States set out therein.

<p>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.</p> <p>(b)</p> <p>2. At least 80 % of the financial resources from the Modernisation Fund shall be used to support investments in the following:</p> <p>(a) the generation and use of <b>electricity</b> from renewable sources;</p> <p>(b) heating and cooling from renewable sources;</p> <p>(c) the improvement of demand side energy efficiency, including in transport, buildings, agriculture and waste;</p>	<p>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 <b>nuclear energy-related technologies, projects or installations or</b> energy generation facilities that use fossil fuels.</p> <p>(b)</p> <p>2. <b>100</b> % of the financial resources from the Modernisation Fund shall be used to support investments in the following:</p>	<p>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 <b>unless they contribute substantially to the decarbonization targets.</b></p> <p>(b)</p> <p>2. At least 80 % of the financial resources from the Modernisation Fund shall be used to support investments in the following:</p> <p>(a) the generation and use of <b>energy</b> from renewable sources;</p> <p>(b) heating and cooling from renewable <b>and low-carbon</b> sources;</p> <p>(c) the improvement of demand side energy efficiency, including in transport, buildings, agriculture and waste;</p>
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<p>(d) energy storage and the modernisation of energy networks, including district heating pipelines, grids for <b>electricity</b> transmission and the increase of interconnections between Member States;</p> <p>(e) the support of low-income households, including in rural and remote areas, to address energy poverty and to modernise their heating systems; and</p> <p>(f) a just transition in carbon-dependent regions in the beneficiary <b>Member States</b>, so as to support the redeployment, re-skilling and up-skilling of workers, education, job-seeking initiatives and start-ups, in dialogue with the social partners.</p>		<p>(d) energy storage and the modernisation of energy networks, including district heating pipelines, grids for <b>energy</b> transmission <b>and distribution</b> and the increase of interconnections between Member States;</p> <p>(e) the support of low-income households, including in rural and remote areas, to address energy poverty and to modernise their heating systems; and</p> <p>(f) a just transition in carbon-dependent regions in the beneficiary <b>NUTS 3 regions</b>, so as to support the redeployment, re-skilling and up-skilling of workers, education, job-seeking initiatives and start-ups, in dialogue with the social partners.</p>
<p><b>Justification:</b></p> <p>The part of the EU ETS revenues that will be attributed to the Social Climate Fund and other EU funds, such as the Modernisation Fund and the Innovation Fund, should be invested in a technology neutral way, making funds available for all energy sources that contribute to GHG emissions reductions. Therefore 2(a) and 2(d) should mention energy and not only electricity.</p> <p>For the Modernisation Fund, the beneficiaries are intended to be countries with a GDP lower than 65% and 60% of the EU's average, thus restricting the funding to Just Transition regions only within these Member States. However, this access to funding should equally be ensured to Just Transition regions in all Member States to support their energy and economic transition.</p>		

## AM 8 – Fair and comparable linear reduction factor

Article 1(21) introducing Article 30c – Total quantity of allowances		
Text proposed by the Commission	Text proposed by Rapporteur	CEDEC amendment
<p>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 factor of <b>5,15 %</b>. By 1 January 2024, the Commission shall publish the Union-wide quantity of allowances for the year 2026.</p> <p>2. The Union-wide quantity of allowances issued under this Chapter each year from 2028 shall decrease in a linear manner beginning from 2025 on the basis of the average emissions reported</p>	<p>1. The Union-wide quantity of allowances issued under this Chapter each year from <b>2025</b> 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(*) <b>multiplied by the percentage of emissions that would be subject to the reporting obligations pursuant to Article 30f of this Directive from 2025 onwards</b> 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 factor of 5,15 %. By 1 January 2024, the Commission shall publish the Union-wide quantity of allowances for the year <b>2025</b>.</p>	<p>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 factor of <b>4,2 %</b>. By 1 January 2024, the Commission shall publish the Union-wide quantity of allowances for the year 2026.</p> <p>2. The Union-wide quantity of allowances issued under this Chapter each year from 2028 shall decrease in a linear manner beginning from 2025 on the basis of the average emissions reported</p>

<p>under this Chapter for the years 2024 to 2026. The quantity of allowances shall decrease by a linear reduction factor of 5,43 %, except if the conditions of point 1 of Annex IIIa apply, in which case, the quantity shall decrease with a linear reduction factor adjusted in accordance with the rules set out in point 2 of Annex IIIa. By 30 June 2027, the Commission shall publish the Union-wide quantity of allowances for the year 2028 and, if required, the adjusted linear reduction factor.</p>		<p>under this Chapter for the years 2024 to 2026. The quantity of allowances shall decrease by a linear reduction factor of 5,43 %, except if the conditions of point 1 of Annex IIIa apply, in which case, the quantity shall decrease with a linear reduction factor adjusted in accordance with the rules set out in point 2 of Annex IIIa. By 30 June 2027, the Commission shall publish the Union-wide quantity of allowances for the year 2028 and, if required, the adjusted linear reduction factor.</p>
<p><b>Justification:</b></p> <p>The number of allowances available for the new EU ETS is intended to decrease faster with a linear reduction factor of 5.15% (starting from 2026), which is higher than the newly proposed general ETS linear reduction factor of 4,2%. Compared to industry, this implies higher and sooner financial efforts for buildings and transport which will touch citizens particularly strongly without them having the possibility to adapt their investments timely in heating and transport appliances. Both should therefore be aligned on the same linear reduction factor of 4,2% for the period until 2028.</p>		

## AM 9 – Recognition of role of cogeneration and district heating in the new ETS & Earmark new EU ETS revenues for supporting burdened sectors

Article 1(21) introducing Article 30d – Auctioning of allowances for the activity referred to in Annex III		
Text proposed by the Commission	Text proposed by Rapporteur	CEDEC amendment
<p>1. From 2026, allowances covered by this Chapter shall be auctioned, unless they are placed in the Market Stability Reserve established by Decision</p>	<p>1. From <b>2025</b>, allowances covered by this Chapter shall be auctioned, unless they are placed in the Market Stability Reserve established by Decision</p>	<p>1. From 2026, allowances covered by this Chapter, <b>and which are not allocated free of charge according to paragraph 3a of this Article</b>, shall be</p>



<p>(EU) 2015/1814. The allowances covered by this Chapter shall be auctioned separately from the allowances covered by Chapters II, IIa and III.</p> <p>[...]</p> <p>3. 150 million allowances issued under this Chapter shall be auctioned and all revenues from these auctions made available for the Innovation Fund established under Article 10a(8). Article 10a(8) shall apply to the allowances referred to in this paragraph.</p> <p>[...]</p>	<p>(EU) 2015/1814. The allowances covered by this Chapter shall be auctioned separately from the allowances covered by Chapters II, IIa and III.</p>	<p>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.</p> <p>[...]</p> <p>3. 150 million allowances issued under this Chapter shall be auctioned and all revenues from these auctions made available for the Innovation Fund established under Article 10a(8). Article 10a(8) shall apply to the allowances referred to in this paragraph. <b><i>Auction proceeds from the Innovation Fund from the new separate emissions trading scheme for buildings and road transport are to be used exclusively to support projects in these sectors.</i></b></p> <p><b><i>3a. Free allocation shall be given to district heating as well as to high efficiency cogeneration with a thermal capacity of less than 20MW, as defined by Directive [reference to be updated with the revised Directive on energy efficiency] of the European Parliament and of the Council, for economically justifiable demand, in respect of the production of heating and cooling. In each year subsequent to [the year following the entry into force of this amendment], the total allocation of</i></b></p>
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<p>4. The <b>total</b> 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 this Chapter for the average of the period from 2016 to 2018, of the Member State concerned.</p>		<p><i>such installations in respect of the production of that heat shall be adjusted by the linear factor referred to in Article 30c of this Directive, except for any year in which those allocations are adjusted in a uniform manner.</i></p> <p>4. The quantity of allowances covered by this Chapter after deducting the quantities set out in paragraph 3 <b>and 3a</b>, 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 this Chapter for the average of the period from 2016 to 2018, of the Member State concerned.</p>
<p><b>Justification:</b></p> <p>The specific contributions of district heating and cooling and energy-efficient cogeneration as important building blocks for decarbonisation of heating and cooling in buildings must be taken into account by foreseeing the possibility to allocate free allowances, comparable to the current Article 10a paragraph 4. This is necessary to ensure that high-efficiency CHP is not in a worse position than pure heat generators (i.e. gas boilers) and that small CHP plants are not in competitive disadvantage with large CHP plants.</p> <p>Free allocation would therefore mitigate the disadvantage for CHP resulting from the design of the new ETS, and notably from the fact that CHP bears also the CO2 cost of the electricity. For decarbonisation purpose, it is key to make CHP-based district heating more attractive than heat generators i.e. gas boilers.</p>		

In order to ensure a fair and transparent distribution of scarce financial resources for the decarbonisation of entire sectors, the revenues from allowances auctioned from the new ETS and made available to the Innovation Fund should be returned to those sectors from which they originate. This will increase acceptance of the new emissions trading system in these sectors and mitigate distributional effects.

## AM 10 – Including waste-to-energy into EU ETS harms sustainable waste management

ANNEX I – Categories of activities to which this directive applies					
Text proposed by the Commission		Text proposed by Rapporteur		CEDEC amendment	
Combustion of fuels in installations with a total rated thermal input exceeding 20MW (except in installations for the incineration of hazardous or municipal waste)	Carbon dioxide	Combustion of fuels in installations with a total rated thermal input exceeding 20MW (except in installations for the incineration of hazardous or municipal waste) <b><i>including, from 1 January 2028, the combustion of fuels in installations for the incineration of municipal waste</i></b>	Carbon dioxide	Combustion of fuels in installations with a total rated thermal input exceeding 20MW (except in installations for the incineration of hazardous or municipal waste) <b><i>including, by 1 January 2028 and depending on the Commission's evaluation foreseen in Article 3h paragraph 1a, the combustion of fuels in installations for the incineration of municipal waste</i></b>	Carbon dioxide
<p><b>Justification:</b></p> <p>The exemption of the incineration of municipal and hazardous waste in plants with a total rated thermal input of &gt;20 MW should be kept to ensure sustainable waste management.</p> <p>An inclusion of waste incineration among the technologies covered by the EU ETS produces no steering effect but risks providing an incentive for landfill disposal and waste exports to third countries.</p> <p>Any inclusion should be preceded by a thorough evaluation of the risks of landfill disposal and waste exports by the EC. Eventually, any legislation necessary to avoid and address potential negative effects should be put in place before including waste incineration in the EU ETS.</p>					

By using state-of-the-art technology for the treatment of hazardous and non-recyclable waste, Waste-to-Energy is key to sustainable waste disposal, to reduce landfilling and therefore achieving decarbonisation and circular economy objectives.

## AM 11 – Distribution of funds from the Modernisation Fund to regions in transition

ANNEX IIb – Distribution of funds from the Modernisation Fund corresponding to article 10.1 (Part A & Part B)																						
Text proposed by the Commission	Text proposed by Rapporteur	CEDEC amendment																				
<b>Part A - DISTRIBUTION OF FUNDS FROM THE MODERNISATION FUND CORRESPONDING TO ARTICLE 10(1), THIRD SUBPARAGRAPH Share</b> <table border="1"> <tr><td>Bulgaria</td><td>5,84 %</td></tr> <tr><td>Czechia</td><td>15,59 %</td></tr> <tr><td>Estonia</td><td>2,78 %</td></tr> <tr><td>Croatia</td><td>3,14 %</td></tr> <tr><td>Latvia</td><td>1,44 %</td></tr> <tr><td>Lithuania</td><td>2,57 %</td></tr> <tr><td>Hungary</td><td>7,12 %</td></tr> <tr><td>Poland</td><td>43,41 %</td></tr> <tr><td>Romania</td><td>11,98 %</td></tr> <tr><td>Slovakia</td><td>6,13 %</td></tr> </table>	Bulgaria	5,84 %	Czechia	15,59 %	Estonia	2,78 %	Croatia	3,14 %	Latvia	1,44 %	Lithuania	2,57 %	Hungary	7,12 %	Poland	43,41 %	Romania	11,98 %	Slovakia	6,13 %	<i>Deleted</i>	<i>Deleted</i>
Bulgaria	5,84 %																					
Czechia	15,59 %																					
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Lithuania	2,57 %																					
Hungary	7,12 %																					
Poland	43,41 %																					
Romania	11,98 %																					
Slovakia	6,13 %																					
<b>Part B - DISTRIBUTION OF FUNDS FROM THE MODERNISATION FUND CORRESPONDING TO ARTICLE 10(1), FOURTH SUBPARAGRAPH Share</b> <table border="1"> <tr><td>Bulgaria</td><td>5,0 %</td></tr> <tr><td>Czechia</td><td>12,9 %</td></tr> </table>	Bulgaria	5,0 %	Czechia	12,9 %	<i>Deleted</i>																	
Bulgaria	5,0 %																					
Czechia	12,9 %																					

Estonia	2,2 %		
Greece	10,3 %		
Croatia	2,3 %		
Latvia	1,1 %		
Lithuania	1,9 %		
Hungary	5,9 %		
Poland	34,8 %		
Portugal	8,8 %		
Romania	9,9 %		
Slovakia	4,9 %		

**Justification:**

For the Modernisation Fund, the beneficiaries are intended to be countries with a GDP lower than 65% and 60% of the EU's average, thus restricting the funding to regions in transition only within those Member States. In amendments n°6 and 8 we propose that funding should equally be ensured to regions in transition in all Member States to support the modernisation of their energy system. The Annex IIb should therefore be deleted.