



Vlaanderen
is energie en klimaat

ETS review

Tine Leroux

Context

- ▶ Unprecedented geopolitical and economic context
- ▶ Strong pressure on EU industry and economic resilience
- ▶ Climate policy must remain effective while safeguarding competitiveness, security of supply and affordability
 - Innovation, investments and market-based solutions
 - Protection against carbon leakage
 - Avoidance of unnecessary regulatory burden
- ▶ Preliminary Belgian position:
 - Core principles
 - Key points of attention for the impact assessment
 - Position will be further refined at a later stage following consultations with relevant stakeholders

Core principles

- ▶ All ETS sectors (including maritime and aviation) contribute to the 2040 target, based on cost-effective reduction potential
- ▶ Balance between long-term predictability and flexibility in changing circumstances; 2 methods:
 - If Article 11 of the Climate Law leads to a proposal to amend the 2040 target, this proposal must also include the necessary ETS adjustments
 - Energy prices and competitiveness indicators should be closely monitored and a temporary ETS adjustment mechanism should be triggered when predefined conditions are met
- ▶ ESR: request for a Commission analysis of all options
 - If ESR is maintained:
 - × Smaller spread in targets between MS
 - × Shift the basis for national targets from GDP per capita to cost-effectiveness
 - × Strengthening of intra-ESR flexibility
 - × Limited banking of AEAs
 - If ESR is abolished:
 - × Extension of the ETS to emissions not covered by an ETS system

Feasibility of the post-2030 reduction pathway

Context

- ▶ Concerns regarding feasibility
 - ▶ Current LRF → no new allowances after 2045
 - ▶ Declining cap → reduced market liquidity & higher sensitivity to price spikes
 - ▶ Increasing share of hard-to-abate industrial sectors
 - ▶ Uncertainty:
 - Availability of decarbonisation technologies
 - Role of negative emissions
- ➔ Need for balance between climate ambition and industrial feasibility

Feasibility of the post-2030 reduction pathway

BE position

- ▶ Feasibility is crucial
- ▶ ETS must contribute cost-effectively to post-2030 targets
- ▶ LRF
 - lower LRF post-2030, taking into account:
 - × Residual emissions, availability of technologies (incl. CDR), market liquidity
 - × Competitiveness
 - × Avoid delocalization
- ▶ MSR:
 - Support for Commission proposal to end invalidation
 - Request for an analysis of the MSR, including:
 - × intake, release, thresholds
 - × Alignment of MSR parameters with declining cap
 - × Price-based criteria
 - × Assessment of how non-invalidated EUAs could be used

Carbon Leakage

CBAM

- ▶ Support for CBAM
 - Strengthening of effectiveness
 - safeguarding level playing field
- ▶ Priority = current loopholes & remaining carbon leakage
- ▶ Solution for export

Free allocation

- ▶ Continued FA for non-CBAM sectors, as long as major trading partners have no comparable pricing system
- ▶ Strengthening of conditionalities

CSCF: avoid triggering

ICL: revision & preference for EU-wide budget



Vlaanderen
is energie en klimaat



VLAAMS
ENERGIE- &
KLIMAATAGENTSCHAP