6 November 2025

To: Mr. Wopke Hoekstra, European Commissioner for Climate, Net Zero & Clean Growth;

CC: Mr. Dan Jørgensen, European Commissioner for Energy and Housing

Subject: Open letter on MSR2 reform and suggestion to postpone ETS2

Dear Commissioner Hoekstra,

As environmental organisations, we have been following the developments around ETS2 with mixed feelings. However, we all agree that the ETS2 has now become an essential tool in decarbonising two sectors that have seen little progress over the past decades in many EU countries. In our opinion, the **introduction of the ETS2 must therefore not be postponed**.

We understand and share the concern of certain Member States regarding the social impacts and the need to ensure public acceptance of the system and wrote to you in September (here), regarding the suggestions proposed by the Czech non-paper signed by 19 Member States. We fully support measures aimed at unlocking more investments such as by enabling access to frontloaded ETS2 revenues before the first year of application of the ETS2 and by earlier auctions of emissions. However, we regret the Commission's statement on 5th November to propose postponing the introduction of the ETS2, in the context of the Council position on the 2040 target. This runs contrary to the aim of containing the price level, as a steeper reduction will very likely be necessary in the years 2028-2030. Furthermore, we regret the proposal to revise the MSR-decision without upholding the environmental integrity of the ETS2. We are concerned that the Commission is not insisting more prominently on the crucial role of complementary measures to contain the ETS2 price. Member states should be reminded that their actions and initiatives have a significant role to play in containing the carbon price and delivering a policy mix that drives socially fair climate action on road transport and buildings.

We oppose the proposed changes to the MSR2, **as they are likely to significantly increase emissions from ETS2 sectors**. Under current rules, only a small proportion of allowances placed in the market stability reserve (MSR2) is expected to be used[1]. Therefore, loosening rules regarding outflow of the MSR2 and especially removing the sunset clause will significantly increase the total amount of emissions in the ETS2 sectors, threatening the integrity and implementation of the Fit for 55 package.

We view the proposed **review of the sunset clause** after 2030 as particularly dangerous: Not only does it risk considerably increasing the number of allowances in the system. This will also create uncertainty for market participants and jeopardise urgently needed climate investments. Only a robust price can ensure the competitiveness of decarbonizing technologies and desperately needed investments in decarbonization solutions, including cleantech manufacturing, building renovations or electricity grid flexibility. This is especially true in light of fluctuating international fossil fuel prices.

The increase in emissions that changes to the MSR2 decision can generate is significant. Without corresponding increased national efforts to reduce fossil fuel demand, many Member

States will not be able to reach their mandated mitigation goals under the Effort Sharing Regulation. Communicating the EU governments' responsibility appears essential. The European Commission should make clear it will evaluate whether countries have adjusted their NECPs in light of the lower contribution that a reformed ETS2 can have, to ensure climate targets are reached (i.e strengthening other national policies and measures). In fact, the suggested MSR changes risk leading to carbon prices falling upon introduction of the ETS2 in those EU countries which currently have national carbon prices, undermining climate action. The Commission should encourage EU governments to take fiscal measures and consider national price floors to ensure that this cannot happen.

It is also a missed opportunity that the Commission did not follow up on the very first proposal in the non-paper, i.e. to increase data availability to enable better ETS2 price predictions. In our view, this idea has the potential for unlocking investments by providing greater certainty about the market conditions for fossil alternatives.

To enable these foreseeable consequences for other areas to be fully transparent, we trust that the Commission will adhere to the EU Better Regulation guidelines and accompany the proposals with an impact assessment and ensure a public consultation is swiftly opened. We would be happy to discuss these matters further in person at your convenience. We will continue to support the Commission in all efforts to ensure the EU reaches its climate goals. We are deeply moved by the grave consequences of climate change already playing out around the world today.

Signed:

EEB European Environmental Bureau

Carbon Market Watch

CAN Climate Action Network Europe

The Green Tank

Citizens' Climate Europe

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Fundación Renovables

REScoop.EU

Levegő Munkacsoport

Electra Energy.coop

Energiaklub Szakpolitikai Intézet Climate Policy Institute

CDE Centre for Transport and Energy

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[1] See the recent report for the German Environment Agency (2024). They analyse the amount of MSR allowances used and find that only a very limited amount of MSR allowances is likely to be used. Under current rules, they estimate that 467-600m allowances are invalidated in 2031 as the MSR2 ends.