



EUROPEAN COMMISSION

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*Roberto FICO  
President of the Camera dei  
Deputati  
Piazza Montecitorio  
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*Dear President,*

*The Commission would like to thank the Camera dei Deputati for its Opinion 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) 551 final}.*

*The proposal forms part of the Commission's 'Fit for 55' package, which consists in a set of coherent and integrated proposals designed to cut net greenhouse gas emissions in the European Union by at least 55% by 2030. It also paves the way to achieving climate neutrality by 2050, in line with the binding objective set out in the European Climate Law<sup>1</sup>. The proposed actions respond to the need to ensure a just, inclusive and robust green transition where no one is left behind.*

*The proposal aims to strengthen the European Union Emission Trading System (EU ETS) contribution in line with the overall target of at least -55 % greenhouse gas emissions compared to 1990, while ensuring an effective carbon leakage protection, incentivising the uptake of low-carbon technologies and addressing the distributional and social effects of the transition. It also aims to ensure that other sectors contribute cost-effectively to the emission reductions needed in line with European Union target and Paris Agreement commitments, complemented by measures to address the possible social impacts.*

*The Commission has carefully analysed Camera dei Deputati's Opinion and appreciates its favourable assessment. As regards the points to which the Camera dei Deputati has*

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<sup>1</sup> 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').

*drawn the Commission's particular attention, the Commission would like to make the following comments.*

*On the necessity for a **comprehensive examination of the various 'Fit for 55' measures**, the Commission has conducted extensive impact assessments before presenting these proposals to measure the opportunities and costs of the green transition. In September 2020 a comprehensive impact assessment<sup>2</sup> underpinned the Commission's proposal to increase the European Union's 2030 net emissions reduction target to at least 55%, compared to 1990 levels. It showed that this target is both achievable and beneficial. The legislative proposals to deliver on this target are supported by detailed impact assessments, taking into account the interconnection with other parts of the package<sup>3</sup>.*

*As regards defining **mechanisms for monitoring fluctuations in emissions allowance prices**, the EU ETS has in-built safeguards designed to address situations of excessive price fluctuations. While the conditions for triggering Article 29a of the EU Emissions Trading Directive<sup>4</sup> are currently not met, the Commission continues to monitor the evolution of the carbon price.*

*Moreover, two recent reports from the European Securities and Markets Authority and the European Central Bank respectively have concluded that the carbon market functions properly and the observed price movements are in line with market fundamentals. The carbon price reflects the increased demand for emissions allowances, driven by the economic recovery, expectations related to the European Union 2030 climate ambition as well as record gas prices. At the end of 2021, gas prices were on average more than five times higher than a year before.*

*Where the Camera dei Deputati points to the need for **effective mechanisms to control fluctuations in emissions allowance prices in the ETS for road transport and buildings**, the Commission acknowledges the importance of a responsive mechanism to provide more certainty on cost containment. On the other hand, the greenhouse gas emissions targets might not be achieved if the mechanism is too responsive (either triggered too often or releasing too high additional volume), hence a balanced approach is proposed.*

*Regarding the **economic assessment and monitoring the risk of circumvention** in view of the extension of the **ETS to maritime transport**, the Commission has carefully looked at these aspects in its preparatory work. It is important to stress that a number of elements in the Commission's proposal already limit the risk of evasion. First, it will not be possible for a ship to organise fake or ghost port calls. In addition, only half of the emissions from voyages between ports under the jurisdiction of a Member State and ports outside the European Union ('extra-EU voyages') will be accounted in the ETS, whether incoming voyages or outgoing ones. Finally, with regard to monitoring, we*

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<sup>2</sup> SWD(2020) 176

<sup>3</sup> For the ETS impact assessment see SWD(2021) 601.

<sup>4</sup> Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (Text with EEA relevance) – OJ L 275, 25.10.2003, p. 32.

*propose to review the functioning of the system once in place, notably in relation to possible evasive practices, and to propose measures if necessary.*

*The Commission fully agrees with the need to ensure effective coordination with the work of the International Maritime Organisation on the reduction of greenhouse gas emissions from maritime transport. This is why, in our proposed review clause, it is planned that the Commission shall consider possible amendments, if appropriate, in relation to the adoption of any such global market-based-measure by the International Maritime Organisation.*

*As regards **establishing effective instruments to support companies' decarbonisation**, while avoiding additional administrative burden and allocating additional resources to innovation-driven research in low-carbon technologies, the Commission agrees and proposes to increase the Innovation Fund size (with 50 million allowances from the revised ETS, 150 million allowances from the ETS for road transport and buildings and with allowances from the Carbon Border Adjustment Mechanism implementation), while also introducing support to projects through competitive tendering mechanisms such as carbon contracts for difference.*

*As regards **carbon capture and utilisation systems ('CCU')** and the proposal to account for the **product life cycle**, the Commission considers that surrendering allowances can only be excluded where the carbon will remain permanently in the product produced with CCU. Removing the obligation to surrender allowances based on a life-cycle approach – thus potentially reducing the surrender obligation also where the use of the carbon is not permanent – does not ensure environmental integrity in a context where carbon pricing does not exist in all stages of the life-cycle, in particular regarding emissions from waste incineration.*

*Where the Camera dei Deputati points to the **strengthened cooperation with third countries** through bilateral agreements on market-based measures, the Commission assures that the European Union engagement with third countries ranges from bilateral linking to other forms of cooperation, including support and engagement in multilateral activities. The Agreement between the European Union and the Swiss Confederation on the linking of their greenhouse gas emissions trading systems entered into force on 1 January 2020. It represents the first agreement at national level by which independent emission trading systems are linked to the benefit of the participants under the emission trading systems in both jurisdictions. Since 2014, we have supported the People's Republic of China in establishing its nation-wide carbon market, which started operation in July 2021. The European Union intends to continue its support to China in terms of capacity building and training with a view to extending the Chinese emission trading system through the inclusion of industrial sectors as soon as possible. Furthermore, we are cooperating with other established emissions trading systems such as New Zealand and California. The European Union supports and engages in multilateral initiatives and forums for exchange including International Carbon Action Partnership, the World Bank's Partnership for Market Implementation, and the Florence Process by the European Commission and European University Institute.*

*On the consideration regarding the **Modernisation Fund**, the Commission flags that the Modernisation Fund is fully aligned with the objectives of the Communication from the Commission of 11 December 2019 on the European Green Deal<sup>5</sup> and the European Climate Law Regulation (EU) 2021/1119<sup>6</sup>. It should also be noted that the Commission proposal excludes from the scope of the Modernisation Fund support to energy generation facilities that use fossil fuels.*

*On other greenhouse gases, the Effort Sharing legislation covers the six greenhouse gases controlled by the Kyoto Protocol during its first commitment period (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride)<sup>7</sup>. The EU is also taking regulatory action to control fluorinated gases<sup>8</sup>. Where the attached opinion from the XIV Commissione Politiche dell'Unione Europea points to the possible benefits for the ecological transition from the **inclusion of municipal waste incineration plants** within the scope of the ETS, the Commission proposal does not provide for a change to the existing ETS scope where these activities are not included in the ETS Directive scope and are included in the Member States targets under the Effort Sharing Regulation. The Commission will continue to follow and provide technical support to the discussions in this matter.*

*The points made are based on the initial proposal presented by the Commission, which is currently in the legislative process involving both the European Parliament and the Council. The Camera dei Deputati's Opinion has been made available to the Commission's representatives in the ongoing negotiations of the co-legislators and will inform these discussions.*

*We hope that the clarifications provided in this reply address the remarks raised by the Camera dei Deputati and look forward to continuing the political dialogue in the future.*

*Yours faithfully,*

*Věra JOUROVÁ  
Vice-President*

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<sup>5</sup> COM(2019) 640 final

<sup>6</sup> 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)

<sup>7</sup> [https://ec.europa.eu/clima/eu-action/effort-sharing-member-states-emission-targets\\_en](https://ec.europa.eu/clima/eu-action/effort-sharing-member-states-emission-targets_en)

<sup>8</sup> [https://ec.europa.eu/clima/eu-action/fluorinated-greenhouse-gases\\_en](https://ec.europa.eu/clima/eu-action/fluorinated-greenhouse-gases_en)