



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Senat 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 Commission welcomes the Senat's support to amending the EU Emissions Trading System ('EU ETS') so as to reduce its cap on emissions and that it recognises the need to extend emissions trading to new areas by creating a system for emissions from other sources, such as road transport and building sectors. The Commission notes that the Senat's main concerns relate to the introduction of a uniform carbon price for the sectors at EU-level. The Senat highlights the importance of support measures, in particular in the buildings sector, to protect vulnerable households.

In response to the concerns raised, the Commission would like to offer the following explanations.

The past years have shown that existing EU and national policies to reduce emissions in the areas of road transport and buildings do not deliver sufficient emission reductions to achieve the 55% emissions reduction target by 2030. In both sectors taken together, we have seen emissions at EU level increasing by 5% between 2014 and 2019, whereas a reduction of 43% by 2030 is required. Hence, there is an urgent need to enact stronger policies for these sectors, both at EU and at national level. This is the reason why the Commission has proposed to introduce an EU carbon price in addition to policies at national level.

The application of a uniform carbon price for emissions from buildings and road transport through a new emissions trading system is economically cost-efficient and provides economic incentives to move away from fossil fuels for the heating of buildings. As the Senat indicates, this is in principle in line with the 'Energy Policy of Poland until 2040'.

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However, considering that fuel suppliers will pass on additional costs to the consumers, carbon pricing in these sectors will have a social impact both within and between Member States. The Commission's proposal aims to address these impacts, especially in Member States such as Poland, that embark on the transition towards climate neutrality from a different starting point. The proposed increase of the Modernisation Fund and, in particular, the proposal for the establishment of a Social Climate Fund and its proposed allocation key are evidence of the Commission's efforts to direct support to where it is needed most. Poland is the largest beneficiary of both proposed funds.

Furthermore, the Commission proposes that Member States use the entirety of auction revenues, both from the existing ETS and the new emissions trading system for buildings and road transport, to advance climate action and energy transformation including its social aspects, contributing to secure an affordable supply of energy to the most vulnerable households.

With regard to the Senat's proposal that 'heating' should be brought within the scope of the Modernisation Fund and the Innovation Fund, the Commission notes that for the Innovation Fund this is already the case, as the proposal extends the scope to the new activities, which includes the heating of commercial, institutional and residential buildings. The Modernisation Fund, on the other hand, targets the modernisation of the entire energy system, which includes renewables, energy efficiency, storage, grids, and district heating networks. This reduces emissions and hence the carbon costs passed on to final consumers. The Commission has furthermore proposed that the Modernisation Fund gives more prominence to renewable sources and energy efficiency investments in heating and the support of households to modernise heating systems and address energy poverty (all these would be regarded as priority investments).

Whilst distributional policies at EU level will help mitigate the burden for vulnerable households, the impacts of the new system will crucially depend on the effectiveness of complementary policies. Hence, national action remains important in the areas of buildings and road transport. This is also recognised by the proposal to keep these sectors in the scope of the Effort Sharing Regulation.

The points made above 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 Commission hopes that these clarifications address the issues raised by the Senat and looks forward to continuing the political dialogue in the future.

Yours faithfully,

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Executive Vice-President*

*Maroš Šefčovič
Vice-President*