New ETS for road transport and buildings

ETS2 or ETS BRT
How to make the ETS2 work for climate and people

1. Price control safeguards
   - Increased *regulatory ambition*
   - Requiring *fuel suppliers to absorb* part of the ETS2 price
   - Price ceiling or *corridor*

2. Distributive impacts safeguards
   - *Progressive potential* of SCF with full revenues recycling
   - *Targeted* SCF excluding fossil fuel projects
   - Frontloading of ETS2 revenues to *start SCF early*

3. Scope interventions
We need all policy tools to reach the 2030 targets, including ETS2

- Road transport and buildings target: -43% by 2030
- Without ETS2: gap of 8-10%

But: weak car CO2 standards increase ETS2 prices for citizens

- Stronger transport regs could ↓ ETS2 price by -80% in 2030
- To avoid very high ETS2 prices (and make the scheme politically and socially acceptable), EU regulatory ambition must be increased

Increased regulatory ambition
Requiring oil majors to absorb part of ETS2 cost

Justification: citizens not only polluters and certainly not biggest one + oil majors have not taken responsibility / been paying their fair share

Would work as follows:

- **Price setting transparency**: breakdown of different costs elements (extraction, refinery, profit,...) in commodity price. Already required for agriculture products and at national level for windfall profit (IT)
- **Legal limit (50%) on and monitoring** of cost pass-through
- **Fine into Social Climate Fund**
Price ceiling or corridor

- SCF + national co-financing can compensate:
  - Poorest 20% in all MS
  - Poorest 40% in low and middle income MS
  - Poorest 60% in low income MS

- But under high CO2 prices: small regressive impact on middle incomes (deciles 4-6)

- **Price ceiling can help shield those HH + help MS planning**
  - Analysis: €50/tCO2 increasing by €5-10 annually could deliver emissions budget
Distributive impact safeguards

- **All ETS2 revenues** for social climate action in buildings and road transport
  - No ETS2 revenues for innovation fund
  - All spending reported under the Social Climate Plans (SCPs)
- SCF size **linked** to ETS2 price
- SCF **top-up** from ETS1
- **Targeted** SCF: no SMEs and no low-emission transport
- SCF to start **multiple years before** ETS2 price kicks in
## ETS2 scope reduction

<table>
<thead>
<tr>
<th>Vehicles covered</th>
<th>ETS2 full scope</th>
<th>ETS2 commercial vehicles only</th>
<th>ETS2 heavy duty vehicles only</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>All vehicles</td>
<td>Commercial vehicles (trucks, vans, buses and corporate fleets)</td>
<td>HDV only</td>
</tr>
<tr>
<td>Emissions covered</td>
<td>794 Mt (100%)</td>
<td>± 415 Mt (52%)</td>
<td>± 183 Mt (23%)</td>
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