# The *EU Emissions Trading System* at a juncture – What is at stake for the EU?

## AN ORIENTATION BRIEFING ON THE POLITICAL TENSIONS AND CHOICES SHAPING THE REVIEW OF THE EU'S FLAGSHIP CLIMATE POLICY

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The review of the EU Emissions Trading System (ETS) is no longer just about the carbon market; it has become a defining political debate about the EU's industrial future. It will test whether the EU can reconcile competitiveness, decarbonisation and fiscal pressures in a more contested geopolitical environment – all while securing lasting political support. The risk is that policymakers weaken the ETS as a quick fix to Europe's deep economic challenges, undermining one of the EU's main tools for delivering on its industrial transformation ambitions.

## Key takeaways

- **The ETS review will not simply shape the feasibility of Europe's climate transition; it is a broader test of the EU**'s capacity to strengthen its industrial competitiveness, security and strategic autonomy in an increasingly contested global economy.
- **The crucial question in the review is whether the ETS can create the incentives and mobilise the investment** needed for decarbonisation to underpin a broader EU industrial strategy – which is in turn crucial for the carbon market to succeed.
- **Different views on how to balance today's competitiveness challenges with effective industrial transformation** are reflected in the most contentious elements: the pace of decarbonisation, industrial protection and the use of ETS revenues. The outcomes from the review need to set the EU up for the more demanding phase of decarbonisation ahead in a way that is politically durable.
- **Political divisions are no longer between industry and climate advocates**, but increasingly within sectors, between industries and across member states as the debate reflects different industrial realities, transition pathways and investment conditions.

# 1. A highly political EU ETS review amid competing pressures

**Europe's climate, industrial and security agendas are increasingly intertwined.** Recent energy shocks exposed the costs of dependence on fossil fuels,[1] while growing competition from China in clean technologies and energy-intensive industries has intensified pressure on the EU's economy.[2] The EU is therefore trying to accelerate the transition[3] while preserving its industrial base in a more contested global environment.

**How to reconcile these objectives, however, is highly contested.** The same economic challenges are simultaneously being used to argue for accelerating the transition[4] and for slowing parts of it down[5]. They strengthen the case for faster electrification, clean investment and industrial policy, while also increasing pressure to reduce short-term costs for industry and households – including those associated with carbon pricing. At the same time, calls for simplification and lower regulatory costs are being used to justify reopening or weakening climate policy instruments.[6]

**The need for industrial decarbonisation is now widely accepted across the EU; the question is whether investment conditions can support the transition at the required pace and scale.** Over recent years, parts of European industry have made real progress: projects have been developed, investment decisions taken, and frontrunners have begun to position themselves around cleaner production models that depend on a stable carbon price and credible long-term regulation.[7] At the same time, the wider investment climate has deteriorated:[8] high energy prices, weak demand, uncertain clean power access, infrastructure delays and global competition have led to postponed or cancelled projects.[9]

**Against this backdrop, the review of the EU Emissions Trading System (ETS) – starting in mid-July 2026 – is becoming a focal point of wider debates about Europe's industrial future.** Since 2005, it has been the cornerstone of EU climate policy: by putting a price on emissions, it creates a signal to invest in cleaner power, electrification, efficiency and industrial transformation. Yet, the dual character of the ETS – simultaneously a long-

[1] Institut Jacques Delors, June 2026, War in Iran: 100 days in, €60 billion out
[2] ECB, 2026, China shock 2.0: Causes, Consequences, and Policy Responses
[3] European Commission, 2026, AccelerateEU to strengthen EU energy resilience
[4] Bruegel, March 2026, How will the Iran conflict hit European energy markets?
[5] Euronews, March 2026, Ten EU countries revolt over carbon rules threatening industry ahead of key summit
[6] CEPS, October 2025, The EU is walking a fine line between simplification and deregulation
[7] E3G and Beyond Fossil Fuels, March 2025, The State of the European Steel Transition; Corporate Leaders Group, May 2026, A Robust ETS for a Competitive and Decarbonised EU
[8] European Investment Bank Group, 2024, Investment barriers in the European Union 2023
[9] GMK Center, October 2025, Major pause in EU steel industry decarbonization projects; Westwood Global Energy Group, December 2024, Over a fifth of all European Hydrogen projects stalled or cancelled

term investment signal and a short-term cost factor – creates difficult trade-offs for the review to address: while it supports investment and industrial transformation, it is also experienced by many companies as an additional cost in an already difficult environment.

**Amid energy and trade shocks, carbon costs are an easier political target than many of the deeper drivers of competitiveness pressure.** For many energy-intensive companies, these drivers – including dependence on volatile fossil fuels – matter more to investment decisions than direct ETS compliance costs at this stage, particularly where free allocation and indirect cost compensation continue to cushion carbon-cost exposure. The risk for the review is therefore that policymakers respond to genuine industrial pressures by weakening the instrument they can most easily adjust,[10] and as a result, worsen the underlying investment and competitiveness problems they aim to address.

These tensions play out differently across sectors, companies and member states with different transition pathways and investment conditions, making the review one of the most politically contested files of this mandate. As a result, it has reached the highest political level – the European Council.[11]

**HOW DOES THE ETS WORK?**

The first EU Emissions Trading System (ETS1) covers around 40% of the EU's greenhouse gas emissions, coming from power and heat generation, energy intensive industries, and parts of maritime transport and aviation.

The ETS sets a declining limit, or cap, on the total emissions these sectors can produce. Companies must monitor their emissions and surrender one allowance for every tonne they emit. Some allowances are bought at auction, generating public revenues that must be spent on climate and energy priorities, while others are allocated for free to sectors deemed exposed to the risk of carbon leakage.[12]

As the cap falls, allowances become scarcer, strengthening the incentive to cut emissions and invest in cleaner production. The Market Stability Reserve (MSR) helps protect this signal by absorbing surplus allowances from the market, so that past oversupply – which long hindered the functioning of ETS1 – does not weaken the price signal over time.

[10] Euronews, February 2026, Italy calls for suspension of EU carbon market

[11] European Council, March 2026, European Council meeting (19 March 2026) - Conclusions

[12] European Commission, October 2025, Carbon Leakage

# 2.What is at stake for the EU and the clean transition

The ETS review will shape how Europe manages the next phase of decarbonisation while responding to competitiveness pressures, investment gaps, energy security concerns and a more contested global environment.

### Europe's industrial renewal and competitiveness

The clean transition is central to helping European industry to compete in growing markets for clean technologies and capture future markets in low-carbon products,[13] reducing exposure to volatile fossil fuel markets and lowering structural energy costs.[14]

The ETS is a cornerstone of this transformation, but it cannot deliver it alone. Other measures are needed to deliver industrial decarbonisation, such as creating demand for clean products, upskilling the workforce, and ensuring access to cheap clean electricity.[15] The review will therefore test whether the ETS can function as a core pillar of Europe's clean industrial strategy, rather than being treated as a standalone carbon-pricing tool.

### The feasibility of Europe's long-term climate transition

As the first major revision following agreement on the EU's 2040 climate target, the ETS review will shape the capacity of the EU's broader long-term climate framework to deliver.[16] Regulatory stability is also at stake: significantly weakening the ETS risks undermining investment certainty[17] while penalising frontrunners that have already invested in decarbonisation and rewarding actors that delayed the transition.[18]

The review will also test whether the ETS can remain politically and economically durable as emissions become harder to reduce and pressure for new flexibilities grows. Avoiding fragile fixes will depend as much on ETS rules as on the wider climate, industrial and financial frameworks that make decarbonisation viable - so that carbon pricing continues to enable the transition instead of recurrent political resistance.

[13] IEA, 2026, Deployment of clean energy technologies, materials and fuels – Energy Technology Perspectives 2026
[14] EEA, July 2026, Renewables lower energy prices and play key role to reduce vulnerability to fossil fuel supply shocks
[15] E3G, August 2025, Powering Europe's Industrial Foundation
[16] E3G, April 2026, Making the EU's climate and energy policy fit for the 2030s
[17] IIGCC, June 2026, Investors call for a robust and predictable EU ETS
[18] Reuters, July 2026, Industrial firms warn EU carbon overhaul could benefit polluters

## Europe's capacity to mobilise investment at scale for its clean transition

Delivering the next phase of the clean transition will require large-scale investment in clean production, electrification, infrastructure, and innovation.[19] The ETS plays a distinctive role by combining three functions: creating incentives for decarbonisation, providing long-term investment signals, and generating public revenues that can help finance the transition. A credible carbon price can strengthen the business case for clean investment and reduce the amount of public subsidy needed to close the gap.[20] At the same time, ETS revenues can support public investment where markets alone will not deliver, especially in enabling infrastructure, innovation and early-stage deployment.[21]

The review will determine how effectively these functions work alongside the wider investment architecture – including the EU's multiannual budget (MFF), industrial policy initiatives and the proposed Industrial Decarbonisation Bank – to mobilise both public and private capital.[22]

## The EU's strategic autonomy and global influence

The review will also have influence on the EU's strategic autonomy and ability to shape the global transition. The EU ETS is the reference point for carbon pricing beyond Europe, supported by EU regulatory cooperation with countries such as China[23] and by new diplomatic initiatives[24] to strengthen and spread compliance carbon markets. It also underpins CBAM: without a credible domestic carbon price and a robust phase-out of free allowances, CBAM would lose much of its economic and diplomatic muscle.

A weakened ETS would therefore not only affect Europe's internal investment signal, but also the credibility of its external climate and trade policy. This matters for global climate action, but also competitiveness: the more trading partners put a meaningful price on emissions[25], the less European industry faces carbon-cost asymmetries.

[19] European Central Bank, December 2025, Investing in Europe's green future - Green investment needs, outlook and obstacles to funding the gap

[20] EUI-FSR, June 2025, Carbon contracts for difference

[21] Bruegel, December 2024, An investment strategy to keep the European Green Deal on track

[22] E3G, June 2026, Maximising the investment power of the EU ETS

[23] EC, June 2024. Memorandum of Understanding to Enhance Cooperation on Emissions Trading between the European Commission and the Ministry of Ecology and Environment of the People's Republic of China

[24] EC, May 2026, EU, Brazil and China launch open coalition to boost integrity and effectiveness of carbon markets

[25] ICAP, April 2026, Emissions Trading Worldwide: ICAP Status Report 2026

# 3. The most contentious elements in the ETS revision

Beneath the technical complexity of the ETS lies a set of highly political choices about how quickly emissions should fall, how industry should be protected during the transition, and how the revenues generated by the system should be used.

### How much domestic decarbonisation should the ETS require, and by when?

The amount of domestic emission reductions required from ETS sectors will be determined mainly by the Linear Reduction Factor, which sets how fast the ETS cap declines. This will largely depend on how much space the ETS makes for international carbon credits and carbon removals over domestic emission reductions. The size of the ETS carbon budget will also be determined by whether the 'invalidation mechanism' of the Market Stability Reserve – which permanently removes unused allowances when there is oversupply instead of keeping them available for future use – is scrapped or kept.[26] In 2025, this mechanism invalidated 271 million allowances – roughly one-fifth of that year's ETS cap – showing that oversupply remains significant.[27]

**Why is it contentious?** Differences largely reflect divergent assessments of how quickly ETS sectors can decarbonise. Some actors see a steeper pathway as necessary to maintain climate ambition and investment certainty.[28] Others point to technological constraints, infrastructure bottlenecks, uneven industrial circumstances across member states and the political difficulty of delivering increasingly costly emissions reductions.[29] While international carbon credits and carbon removals can help address residual emissions and reduced market liquidity as the cap approaches zero,[30] they have also become the main focus of proposals to weaken the domestic decarbonisation trajectory of the ETS.

### How far should carbon-leakage protection continue, and under what conditions?

Carbon leakage refers to the risk that production or investment moves outside Europe if companies face higher carbon costs in the EU than competitors elsewhere. To prevent this, many energy-intensive industries currently receive most of their ETS allowances for free and the EU introduced a CBAM for some sectors. The debate now has several dimensions:

[26] CE Delft, June 2026, Revision of the EU ETS Market Stability Reserve (MSR)
[27] European Commission, 2026, Market Stability Reserve
[28] Cleantech for Europe, March 2026, open letter: European Industry needs the predictability of a robust ETS to Compete and Invest
[29] Handelsblatt, June 2026. 40 Industriekonzerne fordern Kurswechsel bei Emissionshandel
[30] Pahle, M. et al., 2025, The emerging endgame: the EU ETS on the road towards climate neutrality

whether the agreed free allocation phase-out for CBAM sectors should continue as planned, which some member states and industries are contesting[31]; what level of free allocation should remain for sectors not covered by CBAM; and how far member states should be able to compensate industries for indirect carbon costs passed through electricity prices. Across all three, a key question is whether support should come with stronger conditions, such as investments in decarbonisation or credible transition plans.[32]

**Why is it contentious?** The debate reflects a mix of competitiveness concerns, uncertainty about whether CBAM will address all carbon-leakage risks, lack of confidence in the pace and affordability of industrial decarbonisation, and resistance from companies whose current production models still depend on being shielded from carbon costs. Disagreement centres on the level of continued protection needed to preserve Europe's industrial base during the transition, how it can become more targeted and conditional, and how far it risks delaying decarbonisation by muting the carbon price signal and reducing revenues that could otherwise support industrial transformation.

### How should ETS revenues be used, and who should control them?

Auctioning is the default allocation method, providing a significant source of public revenues – €38.8bn in 2024 alone,[33] – mostly for member states. The previous ETS revision required member states to spend these revenues on climate and energy purposes, but adherence varies, reporting is uneven, and revenues are often double counted against existing spending commitments.[34] The debate is now about how to enforce this requirement, what transparency and oversight are needed, and which uses of ETS revenues would be genuinely strategic and impactful.[35] Yet, the revision is also raising questions about the need for more EU-level joint spending, including via the proposed Industrial Decarbonisation Bank and the EU's multi-year budget now under negotiation.

**Why is it contentious?** The core tension is between using ETS revenues as strategically as possible and preserving member state control over a growing revenue source. Stronger rules, transparency and EU-level coordination could help direct funding towards high-impact transition investments, especially industrial decarbonisation and enabling infrastructure.[36] But many governments resist tighter earmarking, centralised funding or additional oversight, particularly where revenues are already used to meet national climate, energy, social or budgetary priorities. The debate is becoming sharper because it links to wider budget politics amid increasing priorities and needs, with pressures to divert

[31] Reuters, March 2026, Ten EU members press Brussels to keep giving industry free carbon permits
[32] E3G, June 2026, Maximising the investment power of the EU ETS
[33] European Commission, December 2025, 2025 Carbon Market Report: EU ETS lowers power sector emissions and expands to maritime transport
[34] Ecologic, June 2022, The use of auctioning revenues from the EU ETS for climate action
[35] Strategic Perspectives, June 2026, Stop blaming the ETS. Spend it better.
[36] Bruegel, January 2026, Europe's emissions trading system is an ally, not an enemy, of industrial competitiveness

part of EU-level ETS revenues away from climate and energy purposes towards the general EU budget to help repay EU debt.[37]

# 4. Political dynamics shaping the process

The political dynamics of the ETS review reflect competing views about how Europe should reconcile competitiveness and decarbonisation. For some, the ETS is an immediate burden on competitiveness and energy costs. For others, it is an enabler of industrial transformation, a source of revenues for clean investment, and part of Europe's response to fossil fuel dependence. These competing narratives mirror the political pressures shaping the review process.

### Industry is not speaking with one voice

**As the focus of the ETS shifts towards industrial decarbonisation, new actors and interests are moving to the centre of the debate.** The political landscape around the ETS has become more fragmented as the system enters a more demanding phase. Earlier reforms coincided with accelerating power-sector decarbonisation, where falling renewable costs and supportive regulation helped shift the economics of electricity generation – turning many utilities into stronger supporters of the system, now part of their investment and profitability models. The next phase focuses more heavily on industrial, aviation and maritime decarbonisation, where costs are higher, abatement options more uneven, the enabling environment less mature, and exposure to international competition greater.[38]

**The current pushback draws strength from the overlap between structural and more immediate factors**. In part, it reflects long-standing opposition to carbon pricing, tighter climate rules and the transformation of existing business models. It also reflects genuine concerns about whether industrial transformation can happen at the required pace, given that key enabling conditions – from access to affordable clean electricity and infrastructure to finance, skills and demand for clean products[39] – remain incomplete or unevenly distributed across sectors and member states. A more challenging investment environment has amplified these concerns while creating more favourable political conditions for actors that have long opposed stronger ETS rules, even where weakening the ETS would not address the main sources of industrial pressure.

**But the ETS is also increasingly being used as a proxy for wider competitiveness pressures that often have little to do with carbon pricing** – including high energy costs,

[37] Bruegel, April 2026, Financing the EU budget: an assessment of five proposals for new resources

[38] IEA, September 2020, The challenge of reaching zero emissions in heavy industry; Urban, F. et al., September 2024, Decarbonizing maritime shipping and aviation: Disruption, regime resistance and breaking through carbon lock-in and path dependency in hard-to-abate transport sectors

[39] E3G, August 2025, Powering Europe's Industrial Foundation

weak demand, trade pressure and global overcapacity. Industrial actors seeking to slow the tightening of ETS rules have been particularly effective at shaping the political debate through direct lobbying, coordinated national mobilisation and cross-sector alliances spanning chemicals, steel and oil and gas. [40] Their influence has helped elevate concerns about short-term competitiveness, energy prices and deindustrialisation to the centre of the political discussion, while also giving greater visibility to calls for slowing carbon price increases, extending free allocations or linking future ETS tightening to the successful implementation of CBAM.

**Yet, industrial divisions run within sectors, countries and associations.** Companies facing similar carbon costs often take different positions depending on their market strategy, exposure to energy prices, investments already undertaken, confidence in future low-carbon markets and access to enabling conditions such as clean electricity and infrastructure. As a result, the main divisions increasingly cut across sectors and industry associations, with European and national associations struggling to maintain common positions and company statements becoming increasingly disconnected from those of their sectoral organisations.[41]

**Table 1.** Four broad categories of industrial actors depending on their attitudes to the ETS revision. Source: E3G.

| | |
|---|---|
| **Transition frontrunners** | They have already made significant investments based on a credible carbon price and long-term regulatory direction. Their priority is to protect the business case for low-carbon assets and avoid penalising early movers. |
| **Exposed transitioners** | They are often incumbent companies with mixed portfolios, particularly in sectors such as cement, metals, and chemicals. They need a credible carbon price to justify clean investment but also face immediate pressure on existing operations as costs increase. |
| **Delay proponents** | Particularly visible in parts of the chemicals, steel, fossil fuel sectors (e.g. refining), aviation and maritime shipping, they seek to preserve existing assets and slow the tightening of ETS rules. This includes companies in energy-intensive industries with long-standing concerns about carbon pricing, but also sectors and sites where decarbonisation pathways remain less developed or enabling conditions weak. |
| **System enablers and financiers** | They include investors, utilities, cleantech providers and infrastructure developers, whose investment decisions depend heavily on regulatory credibility, long-term policy certainty and the successful transformation of other sectors. |

[40] InfluenceMap, June 2026, Europe's Emissions Trading System: Unpacking Industry Opposition

[41] Influence Map, April 2026, EU Industry Associations Increasingly Misaligned with Corporate Support for the Emissions Trading System

### Support for the ETS remains substantial

Polling across major European economies reveals broad public support for its core principles and attaching conditionalities to remaining free allowances[42] – across party lines.

Numerous investors,[43] scientific bodies,[44] member states,[45] utilities,[46] and companies,[47] including from sectors often portrayed as broadly opposed to the system, continue to view the ETS as a core source of investment certainty, reindustrialisation and reduced exposure to fossil fuel volatility.

### Policymakers are divided, outcomes still open

**The ETS has become one of the most politically exposed elements of the EU's climate framework.** Market-based and technology-neutral, it was built around the kind of cost-efficient emissions reduction logic traditionally supported by centre-right policymakers.[48] However, sustained industry pressure following the previous ETS reform and a politically fraught introduction of an ETS2 for buildings and transport in the past years contributed to erode the political consensus behind the ETS. High-level discussions at the Alden Biesen EU leaders' retreat of February 2026 marked a turning point that placed the ETS into the centre of wider debates about Europe's economic future.[49] Since then, some member states have moved beyond calls for targeted adjustments to the ETS and started pushing to pause, scrap or structurally weaken parts of the system, creating political space for other governments – particularly in Central and Eastern Europe – to harden their own positions.[50]

**Paradoxically, the political salience of the ETS depends on countries' exposure to heightened fossil fuel prices.** Where fossil fuel generation continues to set electricity prices, carbon costs are passed through into power prices, linking carbon costs to wider concerns about electricity bills. But the impact differs sharply between member states, depending on past energy choices and the current power mix.[51] This has made the ETS a more central political issue for countries where fossil-based price-setting remains more important, despite the system's role in addressing the underlying dependence on fossil fuels that drives much of this exposure.[52] It has also tied the review more closely to debates

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[42] E3G, July 2026, Polling across six major European economies reveals broad support for carbon pricing
[43] Agence Europe, June 2026, 46 investors call for retention of "robust and predictable" Emissions Trading System
[44] WKR, June 2026, European Climate Councils urge Leaders in joint letter to stand firm on emissions trading
[45] Agence Europe, March 2026, Denmark, Finland, Luxembourg, Portugal, Slovenia, Spain, Sweden and Netherlands reject any major changes to ETS
[46] Statkraft, March 2026, Power industry call for fostering Europe's competitiveness through innovation, cooperation and decarbonisation
[47] Cemnet, March 2026, Ecocem and 100 companies send open letter on EU ETS
[48] EPP, 2019. Climate resolution: EPP vision for a sustainable planet cutting the emissions while creating jobs
[49] EPRS, February 2026, Outcome of the 12 February 2026 EU leaders' competitiveness retreat
[50] E&E News, March 2026, 9 EU countries plot to weaken EU carbon pricing system
[51] Econopolis, February 2026, Three maps to show the impact of ETS on European power prices
[52] E3G, March 2026, Facts over Fiction: Why the EU ETS is key for a competitive, secure Europe

on electricity market design and the role of fossil fuels – notably gas – in setting electricity prices.

**As a result, member states have diverging positions** in the Council (see below), and these are likely to influence the position of national delegations of the political groups in the **European Parliament**. Two parliamentary majorities seem possible: either one of the centrists that supported the von der Leyen Commission or one of the centre-right with the far-right. A highly polarised debate could favour the latter, likely resulting in significant rollbacks.

The **Commission** is broadly navigating pressures from some member states and part of industry by seeking to preserve the core architecture of the ETS while accommodating demands for targeted adjustments.[53]

**Table 2.** Member states and Parliament groups' positions stated so far on the upcoming ETS revision. Source: mapping by EPRS[54] and Contexte[55], complemented by E3G's analysis.

| | Reduced Linear Reduction Factor | Stop the invalidation mechanism of the MSR | International carbon credits in the ETS | Carbon removals in the ETS | Extension or slower phase-out of free allowances |
|---|---|---|---|---|---|
| Austria | 👍 | | 👍 | 👍👎 | 👍 |
| Bulgaria | 👍 | | | | 👍 |
| Croatia | 👍 | | | | 👍 |
| Czechia | 👍 | 👍 | | | 👍 |
| Denmark | 👎 | 👎 | 👎 | 👍 | 👎 |
| Estonia | | | | | 👍👎 |
| Finland | 👎 | | 👎 | 👍👎 | 👎 |
| France | 👍 | | 👎 | 👍 | 👍👎 |
| Germany | 👍 | | 👎 | 👍 | 👍👎 |
| Greece | 👍 | | | | 👍 |
| Hungary | 👍 | 👍 | | | 👍 |
| Italy | 👍 | 👍 | 👍 | | 👍 |
| Lithuania | | | | | 👎 |
| Luxembourg | 👎 | | | | 👎 |

[53] European Commission, May 2026, Remarks by Hoekstra during the European Parliament debate on 'Reviewing the ETS system'

[54] EPRS, January 2026, Revision of the EU emissions trading system

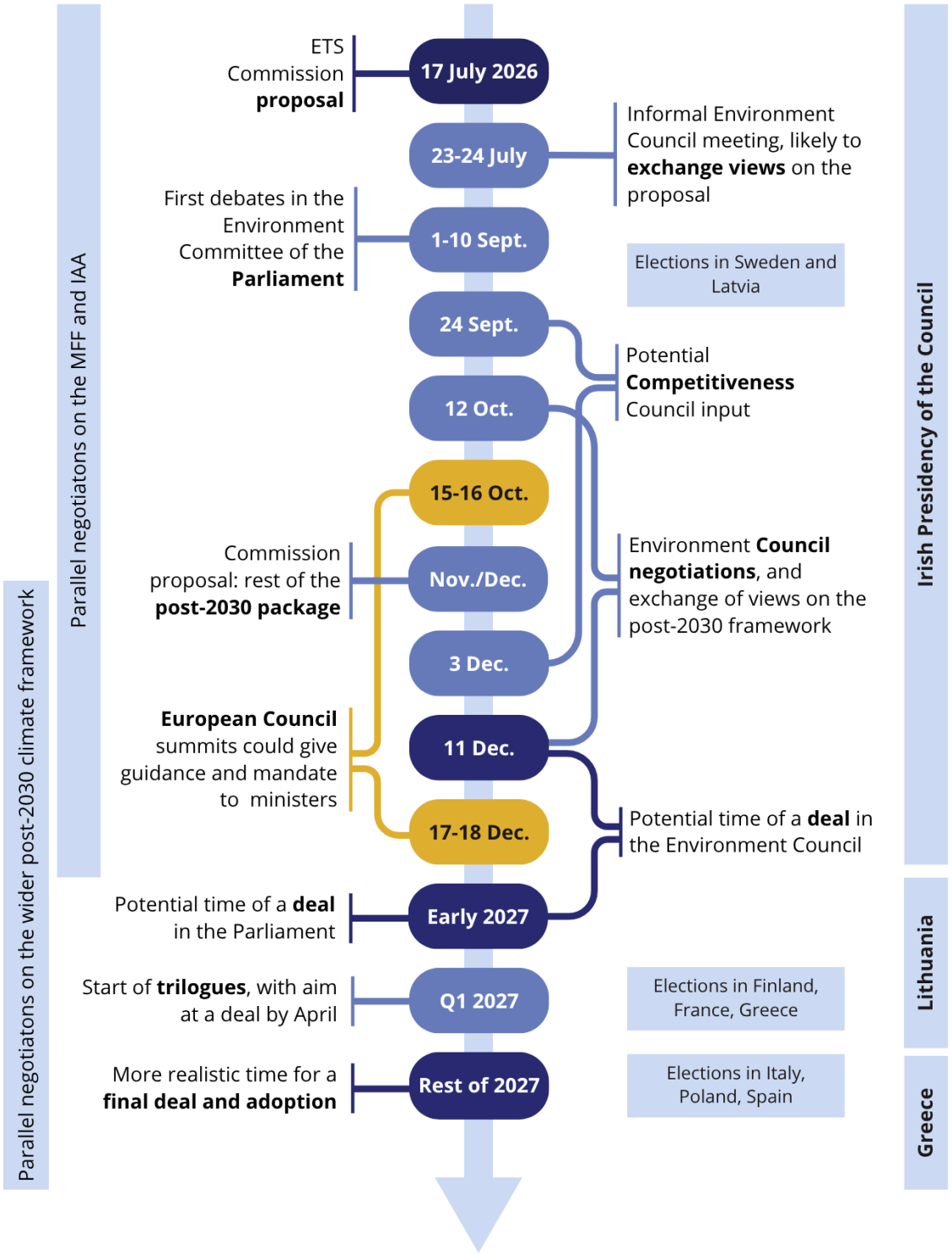
[55] Contexte, 2026, Infographic - What EU member states want from carbon market reform

| | Reduced Linear Reduction Factor | Stop the invalidation mechanism of the MSR | International carbon credits in the ETS | Carbon removals in the ETS | Extension or slower phase-out of free allowances |
|---|---|---|---|---|---|
| Malta | | | | | 👍 |
| Netherlands | 👎 | 👎 | 👎 | 👍👎 | 👎 |
| Poland | 👍 | 👍 | 👍 | | 👍 |
| Portugal | 👎 | | 👎 | | 👍👎 |
| Romania | 👍 | | | | 👍 |
| Slovakia | 👍 | | | | 👍 |
| Slovenia | 👎 | | | | 👍 |
| Spain | 👎 | 👍 | 👎 | | 👍👎 |
| Sweden | 👎 | 👎 | 👎 | 👍👎 | 👎 |
| EPP | 👍 | 👍 | 👍 | 👍 | 👍 |
| S&D | 👎 | | 👎 | 👍👎 | 👎 |
| ECR | 👍 | 👍 | 👍 | | 👍 |
| Renew | 👎 | | 👎 | 👍👎 | 👍👎 |
| Greens/EFA | 👎 | 👎 | 👎 | 👎 | 👎 |
| The Left | 👎 | 👎 | 👎 | 👎 | 👎 |

# 5. What to watch next?

## EU Emissions Trading System revision

KEY POLITICAL MOMENTS SHAPING THE PROCESS



The Commission proposal of the revision of the EU ETS is expected on 17 July 2026. Reactions of member states, MEPs and Parliamentary groups, stakeholders and international partners will set the stage for the negotiations ahead.

During the second half of 2026, the Irish Presidency will seek to build a Council position while political groups in the European Parliament define their respective negotiating positions. The Council and the Parliament could wait for greater clarity from key parallel proposals and negotiations – such as the broader post-2030 climate and energy framework, the Multiannual Financial Framework (MFF), the Industrial Accelerator Act or the Circular Economy Act – before taking a final decision on the future of the ETS and its role within broader climate, industrial and budgetary policies.

Given the political sensitivity of the file, EU leaders could provide political guidance for the negotiations if ministers are unable to resolve the most contentious issues. If agreement is not reached under the Irish Presidency, negotiations will continue under the Lithuanian Presidency before moving into trilogues.

While the "One Europe, One Market" roadmap foresees the adoption of the revision by April 2027,[56] this will only be possible if there is strong alignment between and within the Council and Parliament. Adoption would happen in the second half of 2027 instead if negotiations took longer and the process had a similar length as the previous revision.

Elections in major member states throughout 2027 – including France, Italy, Spain, Poland and Greece – could become sources of political instability and shift negotiating positions.

## ABOUT E3G

E3G is an independent think tank working to deliver a safe climate for all.

We drive systemic action on climate by identifying barriers and constructing coalitions to advance the solutions needed. We create spaces for honest dialogue, and help guide governments, businesses and the public on how to deliver change at the pace the planet demands.

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[56] Council of the EU, April 2026, One Europe, One Market Roadmap