CONFEDERAȚIA PATRONALĂ
CONCORDIA
DIALOG PENTRU DEZVOLTARE

Position Paper

Revision of the EU Emissions Trading System (EU ETS)

September 2026

KEY MESSAGES

- Concordia supports maintaining the EU ETS as the central instrument of European climate policy after 2030.
- Free allocation should be maintained and, where necessary, extended beyond 2031 for sectors exposed to carbon leakage risk.
- The Linear Reduction Factor (LRF) should follow a gradual trajectory with a periodic review mechanism.
- ETS revenues should be directed towards concrete industrial investments and retained in full by the Member States.
- Convergence regions, including Romania, must benefit from fair access to European funding mechanisms.

Context

In July 2026, the European Commission published the Proposal to revise the EU ETS Directive (COM(2026) 616), which establishes the legal framework for Phase 5 of the system (2031–2040) and aligns the emissions trading scheme with the European Union's objective of achieving a 90% net reduction in greenhouse gas emissions by 2040 compared with 1990 levels. The proposal is part of a broader package of measures under the Clean Industrial Deal, aimed at strengthening European industrial competitiveness and accelerating industrial decarbonisation.

Presented alongside the Electrification Action Plan, the proposed revision reflects the European Commission's intention to address genuine competitiveness concerns without altering the architecture of the EU's flagship emissions trading instrument.

The proposal addresses two main areas:

Strengthening the investment architecture

Through the establishment of a new Industrial Decarbonisation Bank and the introduction of the Investment Booster, an expanded Modernisation Fund, conditional free allocation, and stricter rules on the use of revenues generated by the EU ETS.

Enhancing the flexibility of carbon pricing instruments

A gradual emissions reduction trajectory, a more flexible Market Stability Reserve, and expanded and conditional free allocation.

KEY MILESTONES

2027	2028	2029	2031	2036	2038	2040
Assessment of CBAM effectiveness	ETS2 enters into force; the Investment Booster becomes operational	MSR parameters become dynamic	Phase 5 begins; free allocation becomes fully conditional	LRF decreases from 3.7% to 1.7%	Phase-out of free allocation for CBAM sectors	EU target: 90% net emissions reduction compared with 1990 levels

Assessment and recommendations

Through this position paper, Concordia sets out the main observations and proposals of the Romanian business community, with a view to formulating and advocating for a balanced Romanian position in the European negotiations on the revision of the EU ETS. The objective is to ensure that the future ETS framework effectively supports decarbonisation while safeguarding industrial competitiveness, economic security, and the capacity of companies in Romania to invest and grow.

We believe that the EU ETS must remain the cornerstone of European climate policy beyond 2030 and the primary market-based mechanism for achieving climate neutrality by 2050. However, the success of the climate transition depends directly on maintaining the competitiveness of European industry, at a time when companies are already facing rising costs and increasingly fierce global competition.

We support a balanced decarbonisation pathway that:

maintains industrial competitiveness	**ensures energy security**	**encourages private investment**	**protects social cohesion**

We support the process of revising the legislative framework, while also considering that the amendments to the EU ETS Directive should aim to maintain a realistic balance between the European Union's climate targets and the actual capacity of national industry to sustainably bear the costs of the transition. Accordingly, the approach should remain pragmatic, gradual and predictable, ensuring the continuity of industrial activities, safeguarding competitiveness and economic security, and making effective use of European funding instruments to attract investment in decarbonisation.

Concordia's proposals are built around three strategic objectives:

01	02	03
avoiding a disproportionate increase in industrial compliance costs	ensuring fair access to European funding mechanisms for convergence regions	aligning new ETS obligations with other EU legislative packages already in force or currently being implemented

This approach is essential to prevent the climate transition from triggering a chain of adverse effects, including a loss of industrial capacity, lower domestic output, carbon leakage, and reduced investment appetite in Romania.

More specifically, the revised EU ETS framework should allow emissions to be reduced at a pace aligned with the availability of technologies, infrastructure and financing, while accounting for the global and regional geopolitical context and the cumulative impact on the national economy.

Free allocation

80% of free allocation upon submission of an approved decarbonisation investment plan	**20%** subject to verified investment, with the amount clawed back in the event of relocation	**2038** deadline for the phase-out of free allocation in CBAM sectors

The European Commission proposes that, from 2031 onwards, all free allocation become conditional: 80% upon submission of an approved decarbonisation investment plan, and 20% subject to verified investment, with the recovery (clawback) of the tranche paid in the event of relocation. The phase-out of free allocation for CBAM sectors has already been postponed until 2038, while free allocation for non-CBAM sectors will continue at least until 2040, through a reduction in the benchmark update rate (from 2.5% to 2%) and an increase in the cross-sectoral correction factor buffer (from 3% to 4%).

CONCORDIA'S POSITION

1. We call for the maintenance and, where necessary, extension of free allocation beyond 2031 for industrial sectors exposed to the risk of carbon leakage, particularly energy-intensive industries and sectors covered by the CBAM. For CBAM sectors, the phase-out of free allocation should be eligible for further postponement if the assessment scheduled for 2027 shows that the mechanism implemented through the CBAM is not effective in preventing carbon leakage. Such an approach is necessary to maintain the competitiveness of European and national industry, prevent production from shifting to jurisdictions with less stringent climate standards, and avoid carbon leakage.

2. The conditionality attached to free allocation should be designed to incentivise investment in decarbonisation, rather than impose an additional administrative burden. In this regard, the decarbonisation plans required from operators should be realistic, proportionate to the specific characteristics of each sector, and aligned with the availability of technologies, energy infrastructure and funding sources. Depending on the nature of their industrial activities, eligible investments should include energy efficiency, the use of low-emission hydrogen, carbon capture, utilisation and storage (CCUS), the modernisation of installations, the integration of alternative fuels, and other technological solutions with a demonstrable and viable impact on emissions reductions. Verification criteria should be clear, predictable and applied gradually, so that companies that effectively invest in the transition and maintain their production within the European Union are not penalised for delays caused by external factors, such as a lack of infrastructure, permitting delays or insufficient access to funding.

Linear Reduction Factor

3.7%
Proposed Linear Reduction Factor (LRF) for 2031–2035

1.7%
Proposed Linear Reduction Factor (LRF) from 2036 onwards

The European Commission proposes a Linear Reduction Factor (LRF) of 3.7% for the period 2031–2035 and 1.7% from 2036 onwards.

CONCORDIA'S POSITION

We call for a gradual reduction trajectory for the Linear Reduction Factor (LRF) and the introduction of a periodic review mechanism allowing it to be adjusted in line with technological developments, the availability of decarbonisation solutions, access to infrastructure, and the industry's actual capacity to reduce emissions. An excessively rapid reduction in the volume of available allowances could lead to a sharp increase in compliance costs, directly affecting the competitiveness of industrial companies.

Market Stability Reserve

–4%/year
reduction in thresholds and issuance volumes from 2029 onwards

24% → 12%
halving the rate at which allowances are withdrawn from circulation

The European Commission proposes making the MSR parameters dynamic: the thresholds and the volume of allowances released would decrease by 4% per year from 2029 onwards, the intake rate would be halved from 24% to 12%, and the rule for invalidating allowances would be removed through a separate proposal.

CONCORDIA'S POSITION

We call for a review and greater flexibility in the Market Stability Reserve (MSR) mechanism through the introduction of intervention thresholds tailored to market liquidity and the need for carbon price predictability. The mechanism should prevent both the excessive accumulation of allowances and an overly rapid contraction in market liquidity, which could increase volatility in the ETS market and generate additional costs that are difficult for industrial operators to anticipate.

Directing investment

≥ 50%
of auctioning revenues allocated to priority areas

250 Mt
additional cap for permanent carbon removals (BioCCS, DACCS)

The European Commission proposes that at least 50% of revenues from allowance auctions be allocated to priority areas, including grid development, clean energy, low-emission transport, industrial decarbonisation, waste management, and research and innovation, while prohibiting the financing of investments that create fossil fuel lock-in.

For the first time, the proposal also introduces an additional cap of 250 Mt for permanent carbon removals through BioCCS and DACCS technologies. These removals would be carried out through auctions conducted by a public authority and paid for upon delivery. In addition, operators may offset their fossil emissions using their own certified carbon removals, but their net emissions may never fall below zero.

CONCORDIA'S POSITION

1. We call for revenues from emissions allowance auctions to be prioritised for tangible investments in the decarbonisation of ETS-covered sectors, particularly those that bear the direct costs of compliance and require substantial investment to maintain production capacity within the European Union. The allocation of these revenues should make a tangible contribution to emissions reductions and the modernisation of the industrial base, rather than merely covering general public expenditure.

2. In this regard, we support broadening the list of technologies eligible for funding and applying the principle of technological neutrality. Depending on the specific characteristics of each sector, supported projects should include electrification, energy efficiency, the modernisation of industrial and energy infrastructure, carbon capture, utilisation and storage (CCUS), low-emission hydrogen, energy storage, alternative fuels, including biomethane, biogenic CO_2 capture, and permanent carbon removals.

Eligibility criteria should avoid excluding funding for low-emission transition technologies that are already available or could become operational in the short to medium term. At the same time, the definition of "fossil lock-in" investments needs to be clarified to ensure that it does not prevent funding for transition solutions with a demonstrated potential to reduce emissions and that do not entail long-term dependence on fossil fuels.

3. Limited or overly restrictive access to funding would undermine industry's capacity to invest in decarbonisation solutions and could widen competitive disparities between Member States. For Romania and other economies undergoing convergence, channelling ETS revenues into tangible industrial projects is essential to reducing emissions, retaining investment and preventing production from relocating elsewhere.

Access to funding mechanisms

2%	400 million	25%
of allowances allocated to the Modernisation Fund, maintained until 2040	allowances in Phase 1 of the Investment Booster, allocated on a "first-come, first-served" basis	share reserved for lower-income Member States

Under the proposal, the Modernisation Fund is maintained until 2040, accounting for 2% of allowances, and its scope is expanded to cover industrial decarbonisation, electrification, CCS/CCU and low-emission fertilisers, while fossil fuel-based production is excluded. An additional 0.5% of the cap allocated to beneficiaries is channelled through the Bank, while the 10% solidarity share is channelled through the Fund. The Innovation Fund continues to receive 200 million allowances and is complemented by technical assistance for Member States with low participation rates.

Phase 1 of the Industrial Decarbonisation Bank (the Investment Booster, operational from 2028) allocates 400 million allowances on a "first-come, first-served" basis, with a 25% share reserved for lower-income Member States, without further specification of how this access will be guaranteed.

In practice, the share allocated to the Modernisation Fund will be lower than under the current 2% + 2.5% arrangement, as the additional 0.5% will be redirected to a competitive mechanism (the Bank) rather than allocated to the Fund under its existing quota-based system.

CONCORDIA'S POSITION

1. We call for a more ambitious solidarity allocation and fairer access criteria under the ETS Investment Booster, reflecting differences in economic, industrial and administrative capacity across Member States. A solidarity share limited to 25%, combined with funding allocated primarily through competitive auctions, risks restricting access to available resources for industry in cohesion regions, including Romania, and favouring Member States with greater administrative capacity to prepare projects, thereby widening development disparities.

2. We call for the Innovation Fund and the ETS Investment Booster to be structured in a way that ensures effective access for industry, through streamlined procedures, adequate advance funding, technical assistance and eligibility criteria that facilitate support for industrial projects in Member States with significant investment needs, including Romania. These instruments should enable the development of a diverse portfolio of projects, reflecting varying levels of technological readiness and complexity, and help safeguard industrial competitiveness in the medium and long term.

3. We support expanding the scope of the Modernisation Fund to include the production of low-emission fertilisers, a sector exposed to both the EU ETS and the CBAM and essential to keeping agricultural input costs under control.

4. Regarding the scenario of transferring ETS revenues to the EU's own resources under the new Multiannual Financial Framework (MFF), we strongly support retaining 100% of these revenues within the Member States. Keeping these resources at national level,

including in Romania, is essential to ensuring that Member States can finance the investments required for the industrial transition.

Avoiding regulatory overlaps

CONCORDIA'S POSITION

We call for the new targets and obligations arising from the revision of the EU ETS to be aligned with other relevant EU legislative acts, including ETS2, the CBAM, the Effort Sharing Regulation, RED III, the Energy Efficiency Directive (EED), ReFuelEU Aviation, FuelEU Maritime, and the reporting and investment requirements associated with the European decarbonisation package. A cumulative assessment of these obligations is necessary to prevent overlapping compliance costs and losses in competitiveness.

Otherwise, adverse effects on energy security and a chilling effect on private investment in industrial sectors exposed to international competition could become unavoidable, particularly in Member States with lower levels of economic development and limited capacity to absorb the costs of the transition.

Measures required at national level

Given the direct and indirect impact of the ETS on the vast majority of economic operators, the revision of the European framework must be accompanied by domestic measures to support preparedness, provide funding and protect against sudden cost increases.

The Social Climate Fund

The Social Climate Fund must be made operational before ETS2 enters into force in 2028, in order to protect economic operators across all sectors, including the automotive and agricultural sectors, from sudden increases in energy and fuel costs.

Alignment with the NECP

Romania's position in the negotiations on the revision of the EU ETS should be aligned with the objectives, measures and assumptions set out in its National Energy and Climate Plan (NECP), ensuring that new EU obligations are compatible with the realistic pace of transformation of the national economy. Without such alignment, industry risks being exposed to compliance costs that exceed its available investment capacity, potentially leading to lower domestic production, job losses and carbon leakage to countries outside the European Union.

Conclusions

Overall, Concordia supports the EU ETS as a central instrument of European climate policy, provided that its post-2030 revision is accompanied by effective mechanisms to safeguard competitiveness, ensure equitable access to funding, including at regional level, and clearly channel ETS revenues towards tangible industrial investments.

For Romania, the priority is to achieve decarbonisation through investment, predictability and technological neutrality, rather than through disproportionate increases in compliance costs or a loss of production capacity.