Finnwatch ry:n lausunto
Euroopan komissiolle
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**EU emissions trading system for maritime, aviation and stationary installations, and market stability reserve – review**

The ETS1 system has been the driving force of emissions reductions in the EU. As a well-functioning mechanism it should not be weakened as the EU strives to achieve its 2040 climate target. Most importantly, we recommend that the linear reduction factor (LRF) is kept at 4.4% beyond 2030. If any downward adjustments to the LRF are considered absolutely necessary, they should be made only from 2035 onwards.

The proposed LRF adjustment to 3.7% increases the pressure to find additional emission reductions from other sectors where there are many challenges that could jeopardize the achievement of the overall climate target for 2040. Thus, it is important to retain LRF as high as possible so that ETS1 can deliver robust emission reductions.

In addition to weakening the LRF, the commission proposes multiple elements that soften the impact of ETS1 on the industries. Proposals such as prolonged free allocation and revenue recycling back to the ETS1 sectors could be more easily understood and accepted, if the LRF was kept at its current trajectory. Now, the credibility of the ETS1 is challenged by proposing weakening elements on many fronts.

The Commission also proposes some welcome tightenings to the ETS1, most importantly, the increased conditionality for the free allocation and the expansion of ETS1 to extra-ETA flights. However, we'd like to see full expansion of ETS1 to all flights without an arbitrary 5,000 kilometer limit.

While we welcome the limited integration of permanent carbon removals to the ETS1, we call for a caution in this. Integration should be limited – as the Commission has proposed – until it is clear that these removals can and are produced at high quality and at a price that is compatible with the ETS1 allowance prices that drive down emissions. In the long term, all new emission allowances should be based on permanent and verified high quality carbon removals rather than being created politically out of thin air. In the future, there should be a strict cap for the number of permanent removals allowed in the ETS1 in order to control the amount of fossil emissions, to minimize the risk of reversals and to enable the use of removals for other purposes (such as removal of historic emissions from the atmosphere).

On a final note, we would like to point out that as increasing fuel prices have caused social unrest across Europe, it is of utmost importance that social aspects of carbon pricing and revenue use are acknowledged. In this regard, we find it problematic that a clear reference to "climate dividend" is removed from the article 10 paragraph 3. While the remaining wording on providing financial support to address social aspects related to climate change can be interpreted to cover mechanisms such as climate dividend, it would be clearer to retain the wording on the section (hb) of the current directive: "to finance national climate dividend schemes with a proven positive environmental impact".



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