

November 2021

## UFE's reply to the consultation of the European Commission on [updating the EU emissions trading system \(ETS\)](#)

UFE, the association representing the French Electricity Industry, is mainly aligned with the Commission's proposal on the revision of the existing EU ETS. We believe that the Commission has put together the right set of measures to ensure the EU ETS remains a core instrument of decarbonisation in the EU - in particular increasing the linear reduction factor (LRF) to 4.2% in combination with a one-off reduction of the cap as of 1 January 2024.

- **Finding a swift agreement on the EU ETS is now essential to ensure a smooth and rapid implementation of the EU ETS reform** and reach the 2030 objectives.

**UFE will therefore focus its feedback on the introduction of a new ETS for building and road transport.**

UFE takes note of the Commission's decision to introduce an emissions trading system applying to road transport and building but **remains sceptical regarding both the effectiveness and the social consequences of the proposed mechanism.**

This is why:

- UFE supports the Commission's decision to **maintain building and road transport in the scope of the Effort Sharing Regulation. Sectoral regulations such as the Regulation on CO2 standards for vehicles have proven to be a successful decarbonisation tool<sup>1</sup>.** Therefore, in order to have a coherent and harmonised approach with predictable effects in a timely manner, **a similar approach should be taken for the building sector.**

**Indeed, studies have shown that only a carbon price of around 200€/tCO<sub>2</sub> in 2030<sup>2</sup> and a**

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<sup>1</sup> The implementation of a standard CO2 regulation in France has led to a reduction of new cars' CO2 emissions by around 13,4% between 2019 and 2020.

<sup>2</sup> This has been highlighted by several reports, e.g. [Quinet report](#) from February 2019 (in French), [Agora Energiewende and Ecologic Institute](#) from March 2021, or [I.C.I.S.](#) from March 2021.

coherent trajectory until then would drive substantial behavioural changes and induce a significant additional reduction of GHG emissions in road transport and building. Given the climate urgency, such a high price must be reached very quickly to contribute the 2030 decarbonisation target, which will be very difficult and would hardly be acceptable to consumers, especially low-income households.

- **A robust and efficient set of measures is needed to address the social and distributional impacts** of such a high CO<sub>2</sub> price on vulnerable households. In this regard, UFE takes note of the Commission's proposal to establish a Social Climate Fund, however **the €8 billion allocated to France for the 2025-2032 period will be insufficient to properly address these impacts, especially considering that only a share of this amount will be dedicated to compensation measures.** UFE recalls that it is key to both **help vulnerable households invest in low-carbon technologies and establish compensation measures, which will be an important driver of social acceptance.** Measures facilitating consumption management by consumers should also be considered under the Social Climate Fund.

To limit any possible negative effects of the ETS for buildings and road transport, UFE recommends the following:

- **Appropriate measures should be taken to limit price volatility** under the ETS.
- Particular attention should be paid to **limiting the management constraints that will lie with energy suppliers when it comes to the operational functioning of the ETS.**