



To

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Preserve the integrity of the ETS1 with a credible, predictable long-term carbon price

Dear President von der Leyen,

European industry faces major competitiveness challenges. In this context, the pressure to weaken the ETS is high. However, steering an effective decarbonisation is a key element to safeguard investments that have been made in the previous years and preserve reliability of EU policy as well as competitiveness and resilience in the long-term. We therefore call for preserving a credible and predictable ETS. Targeted adjustments should be made to help certain sectors where short-term solutions to decarbonisation are still a challenge, while addressing the underlying structural competitiveness challenges where it really makes a difference.

Address competitiveness challenges with the right instruments

Protecting European industry requires an effective framework against carbon leakage, including a robust carbon border adjustment mechanism (CBAM) and appropriate protection for European producers exposed to international competition. Strengthening the internal market, speeding-up permitting, cutting bureaucracy, good infrastructure and targeted support for industrial investment in decarbonization are equally essential. ETS revenues should be channeled back into decarbonization.

Where sectors face specific competitiveness challenges, these should primarily be addressed through targeted measures, including adjustments to the ETS and complementary instruments:

The phase-out of free allocation should be accompanied by effective carbon leakage protection, including a robust CBAM that adequately addresses the risks faced by European exporters. Conditioning attached to free allocation should be designed to encourage investments in industrial decarbonization, particularly electrification, while maintaining effective protection against carbon leakage throughout the investment period.

However, weakening the carbon price signal across the entire ETS would not address the structural causes of Europe's competitiveness gap.

On the contrary, Europe needs to accelerate investment in electrification and low-carbon technologies to reduce its exposure to imported fossil fuels and their price volatility.

- **Industrial decarbonisation should therefore be seen not only as a climate objective, but also as a strategy for strengthening Europe's long-term competitiveness, resilience and energy independence.**

Protect investments and companies that move first

European companies throughout all sectors and industries have already committed significant capital to electrification, low-carbon energy and new industrial processes on the basis of Europe's climate and carbon-pricing framework.

The ETS revision should ensure that companies investing early in decarbonisation are not disadvantaged by subsequent changes to the framework that weaken the economic case for these investments.

Regulatory predictability is essential to mobilise private capital. A structurally weaker carbon signal would increase uncertainty for investors and risk making industrial transformation more dependent on public support.

- **Europe should protect its industry not by undermining investments already made in decarbonisation, but by creating the conditions for these investments to become competitive.**

Preserve a credible and predictable long-term carbon signal

A credible carbon price remains an important part of this investment framework. Electrification and other industrial decarbonisation technologies require long-term visibility to become economically viable and attract private capital.

The ETS revision should therefore provide market participants with a credible, market-based and predictable trajectory and should not structurally weaken the long-term investment signal of the EU ETS. This requires a robust emissions reduction trajectory, meaning that the current Linear Reduction Factor (LRF) should not be substantially reduced. The Market Stability Reserve (MSR) also has an important role to play in ensuring the proper functioning of the carbon market. In this sense, the Commission's proposal to adapt the parameters of the MSR are welcomed. It should stay a market- and volume-based instrument.

Flexibilities may play a role in managing the transition and addressing residual emissions. However, they should preserve the environmental integrity of the system and be designed in a way that maintains a credible and predictable long-term carbon price signal. Therefore, the LRF should not be dependent on the inclusion of international carbon credits and domestic carbon removals.

A Franco-German approach combining competitiveness and decarbonisation

France and Germany have already recognised that an effective carbon price is critical for mobilising investment towards net-zero and low-carbon technologies, while stressing the need to safeguard Europe's industrial base.

UFE and BDEW believe that the forthcoming ETS negotiations provide an opportunity to translate this shared approach into action.

- **Europe does not have to choose between industrial competitiveness and an effective carbon market. It needs a policy framework that addresses carbon leakage directly and supports investment in industrial transformation, and**

preserves the long-term carbon signal needed to reduce Europe's dependence on fossil fuels.

France and Germany can play a central role in building such an approach at European level.

Yours sincerely,



Christian Buchel
President of the UFE



Kerstin Andreae
Chairwoman of the General Executive Management Board

About UFE

The Union of the French Electricity (UFE) is the professional association of the electricity sector. It represents companies across the entire value chain of the French electricity sector: producers across all technologies, network operators, electricity suppliers and energy efficiency service providers, as well as storage and consumption management operators. It brings together more than 500 companies, representing over 300,000 direct and indirect jobs throughout France.

Homepage: [Home - Union Française de l'Electricité](#)

About BDEW

The German Association of Energy and Water Industries (BDEW), Berlin, represents over 2,000 companies. The range of members stretches from local and communal through regional and up to national and international businesses. It represents around 90 percent of the electricity production, over 60 percent of local and district heating supply, 90 percent of natural gas, over 90 percent of energy grid as well as 80 percent of drinking water extraction as well as around a third of wastewater disposal in Germany.

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