



EUROPEAN COMMISSION

Wopke Hoekstra  
Member of the Commission

Brussels, 21 October 2025  
CLIMA.B.1

Mr Petr Hladík  
Minister of the Environment  
Czech Republic  
Prague

**Subject: Joint Member States Non-Paper on ETS2 Price Uncertainties and Proposed Improvements**

Dear Minister Hladík,

Thank you for your letter dated 1 July 2025 and for sharing the joint non-paper co-signed by Austria, Belgium, Bulgaria, Croatia, Czechia, Estonia, France, Germany, Greece, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, and Spain.

Let me start by stressing how important our decarbonisation policies are. Not only to reach our climate objectives, but also to achieve two other key goals: more competitiveness, and more strategic independence. Fossil fuel imports cost the EU nearly €400 billion in 2024. This continued dependence has been a major driver of high and volatile energy prices for European companies and households and is the cause of one of our main competitive disadvantages at global level. This is why we need to take bold action to transition away from fossil fuels and ensure that businesses and citizens across Europe benefit from stable and affordable energy prices. This is a clear priority.

I understand the concerns regarding uncertainties on future price levels and price volatility in ETS2 and share those to a large extent. Therefore, I appreciate the objective you pursue: to ensure a stable and predictable regulatory framework for the start of the ETS2. This is key to set up a credible and trusted carbon market which contributes to the EU decarbonisation objectives and provides economic opportunities to clean business and choices to citizens.

While the ETS2 framework already contains strong safeguards to avoid too high prices and sudden price increases, the Commission has assessed how to ensure further stability and predictability of the regulatory framework for the start of the ETS2 system. We did so based on your constructive proposals.

Hence, in response to the points outlined in your letter, the Commission proposes a package delivering a quadruple win: 1) by boosting the affordability of clean heating and transport solutions for low and middle-income citizens; 2) by delivering on our EU climate targets; 3) by increasing energy security and 4) by creating jobs and unlocking business

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opportunities for EU clean-tech producers. We propose the following 5 measures to keep ETS2 prices in check and further support the transition towards clean heating and mobility:

The Commission intends to further enhance, expand and empower the role of the ETS2 Market Stability Reserve. In particular, the main changes will:

- **Measure 1. Enhance price stability and predictability**, by strengthening the mechanism to release allowances if market prices exceed €45/t CO<sub>2</sub>, with a top-up to double the volume of allowances to be released in the market. The Commission also intends to issue a statement clarifying that the mechanism will be applied twice in a period of 12 months if triggered. Combined, this could release up to 80 million allowances into the market each year in 2027, 2028 and 2029. This will more decisively address unwarranted price rises and improve market confidence, which is key to plan decarbonisation investments.
- **Measure 2. Expand liquidity and long-term predictability**, by keeping in the reserve all allowances not released by the end of 2030. This will strengthen the reserve's effectiveness in promoting price stability and predictability also in the longer term.
- **Measure 3. Empower additional price stability and predictability**, with the reserve's earlier and smoother intervention in case of lower market liquidity through gradual injections of allowances into the market by adding a buffer to the lower threshold. This will contribute to stabilise the price signal.

In addition, the Commission proposes **earlier carbon revenues to support better preparation (Measure 4)**. To help Member States, citizens and companies to optimally prepare for the start of the new carbon pricing system, the Commission proposes changes to the Auctioning Regulation to allow for an earlier start for ETS2 auctions and this will:

- Make ETS2 carbon revenues available already in 2026 to Member States for the financing of investments and support measures to accelerate the adoption of affordable clean technologies, which is crucial to reduce fossil fuels imports, support the transition and smoothen future price levels.
- Provide an earlier and reliable price signal, allowing Member States, companies and consumers to be better prepared.
- Give companies possibilities to hedge expected carbon costs in 2027, of particular relevance for gas suppliers and consumers given the offer of fixed-price contracts at retail level.

In addition, the proposal will provide additional flexibilities for small operators to participate in auctions, without the need to resort to credit institutions or other financial actors.

Furthermore, in partnership with the Commission, the European Investment Bank is exploring a new financing facility for Member States, the **Frontloading Facility (Measure 5)**. This facility would allow the pre-financing of programmes to accelerate the adoption of necessary decarbonisation technologies in ETS2 sectors, and target improving the affordability of these investments for low and lower middle-income households.

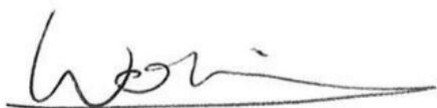
The ETS2 Frontloading Facility will:

- Pre-finance ETS2 revenues for Member States, including in support of the Social Climate Fund and national Social Climate Plans.

- Support investments and technical assistance to decarbonise heating and cooling or reduce the energy needs of housing/buildings, e.g. through measures that reduce the high-upfront costs of such technologies and solutions (such as heat pump leasing, home renovation support), as well as encourage a shift to public transport, improve multimodality, e-mobility schemes to accelerate the uptake of zero-emission vehicles, e-bikes and support the deployment of fully interoperable refuelling and recharging infrastructure.

This concrete set of proposals should be discussed by the European Parliament and the Council and implemented with urgency in the coming months. We will also ensure that any adjustments are made in close consultation with relevant stakeholders. I welcome your offer to engage further. Your continued collaboration is invaluable as we work together to refine ETS2 and ensure its effectiveness in driving decarbonisation across the transport and building and other sectors.

Yours sincerely,



Wopke Hoekstra

Agence Europe