

# ETS-Review 2026

Position Paper, THÜGA Aktiengesellschaft | 11 May 2026

The European Commission (COM) has announced a review of the European Emissions Trading System (ETS) for July 2026. With the compromise on the 2040 climate goal - including the postponement of ETS II from 2027 to 2028, the EIB Revenue Frontloading facility, early auctions, and the targeted amendment of the ETS II Market Stability Reserve (ETS2-MSR) - the upcoming revision will and should focus on ETS I.

As the largest network of utility companies in Germany, Thüga recommends the following steps to be considered in the upcoming review:

## 1. On ETS I / Benchmarks

Our focus as utility companies lies on the **heating benchmark**. Although we recognize that a tightening of the benchmark appears unavoidable under the rules and methods originating from the ETS Directive, we emphasize the need of cogeneration plants for district heating, requested by and in accordance with the Energy Efficiency Directive (EED). An overambitious heating benchmark however is counterproductive for the transformation towards district heating.

## 2. On ETS I / Market Stability Reserve (MSR)

The Commission's proposal (COM (2026) 153 final) seems well balanced and is in general supported by Thüga. It provides relief for industry, especially in the medium and long term, while maintaining essential planning and regulatory stability.

However, since a reform of the MSR was proposed prior to the ETS Directive review, all elements (MSR, benchmarks and the general reform) have to be evaluated together and excessive relief / weakening of the ETS needs to be avoided.

## 3. On the ETS I revision in general

- a. The **linear reduction factor (LRF)** should be adjusted **in line with the EU 2040 climate target**; this may lead to a less strict LRF. should prevent price spikes in the 2030s and provide for regulatory stability until 2050.
- b. A **robust Carbon Border Adjustment Mechanism (CBAM)** is necessary to phase out free allowances. Therefore, the Commission should push for a working CBAM and a reduction of free allowances **if and when** CBAM works for the respective sector. In essence, this should boil down to a **slower phase-out of free allowances** in line with the CAP and a working CBAM for each sector respectively.
- c. The **20 MW threshold** for power plants **should be kept** and not lowered; for any power plants below 20MW carbon pricing will be applied via the ETS II. For the Thüga group, up to 23 out of 379 plants would then additionally be included in the ETS I. In any case, Thüga advocates against any threshold below 10 MW. This would affect too many smaller Combined Heat and Power (CHP) plants, oftentimes operated by smaller entities which do not have the personnel resources for ETS administration.
- d. As utility companies, we are operators of **municipal waste incineration plants**; the ETS-Directive (cf. Art. 30 (7)) request the COM 'to assess the feasibility of including municipal waste incineration installations in the EU ETS, including **with a view to their inclusion** from 2028 and with an assessment of the potential need for an option for a Member State to opt out until 31 December 2030'.  
Even with the inclusion of municipal waste incineration plants into the ETS and conservative price assumptions, transforming our current plants / projects remains economically unfeasible. Abatement costs are significantly higher, and the ETS price signal will not sufficiently reach consumers to promote more recycling. **Thüga therefore suggests that an inclusion would be viable if – and only if – accompanied by:**

- CAPEX **funding** for transformation,
  - robust **integration of permanent negative emissions** (BECCS),
  - an adequate **heating benchmark** (see No. 1 above) or a dedicated new benchmark for waste incineration to ensure OPEX viability
  - an ETS-equivalent of **landfill emissions** to provide safeguards against “garbage-leakage”
- e. The consideration of **international carbon credits** must remain limited as a safety net only (e.g., within the framework of the MSR)

#### 4. On ETS II

- a. After the changes that followed and are still following the ‘climate 2040 goal ETS II’-amendments (postponement from 2027 to 2028, adjusting the ETS2-MSR, early auctions, revenue frontloading), Thüga and its partner utility companies aim to to **hold the course and avoid any more drastic changes. Thüga therefore strongly opposes any initiative for another postponement or weakening of the instrument.** Anyone advocating in such a way is implicitly advocating to either abandon the Climate goal or for more regulation. Both alternatives are strongly opposed by Thüga and its group.
- b. **If – and only if – the ETS II should again be reopened**, we propose:
- Providing for a **de-minimis-threshold** in the definition of ‘**regulated entity**’ (Article 3ae) of 1,000t CO<sub>2</sub> per year contributing to a simplified ETS II.
  - **Deleting** Article 30f (3) concerning the reporting obligation of ‘Costs passed through’ (**CPT-reporting**), which creates bureaucracy for companies without any added value.
  - **Widening the scope**; ETS II negotiations excluded certain IPCC reporting sectors, complicating administration of the ETS II. Furthermore some Member States that have already transposed the Directive have declared a national ‘Opt-In’ on these sectors; a European approach would be preferable.

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