Basic information	
2015/0148(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Directive	Procedure completed
Enhancing cost-effective emission reductions and low carbon investments; Modernisation Fund Amending Directive 2003/87/EC 2001/0245(COD) Amending Decision (EU) 2015/1814 2014/0011(COD) **Subject** 3.60.05 Alternative and renewable energies 3.60.08 Energy efficiency 3.70.02 Atmospheric pollution, motor vehicle pollution 3.70.03 Climate policy, climate change, ozone layer 3.70.18 International and regional environment protection measures and agreements	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ENVI Environment, Climate and Food Safety	GIRLING Julie (ECR)	31/05/2017
	Shadow rapporteur BELET Ivo (PPE) GUTELAND Jytte (S&D) GERBRANDY Gerben-Jan (ALDE) KONENÁ Kateina (GUE/NGL) EICKHOUT Bas (Verts/ALE) EVI Eleonora (EFDD) D'ORNANO Mireille (ENF)	

Committee for opinion	Rapporteur for opinion	Appointed
DEVE Development	SEBASTIA TALAVERA Jordi Vicent (Verts/ALE)	20/10/2015
BUDG Budgets	The committee decided not to give an opinion.	
ITRE Industry, Research and Energy (Associated committee)	FEDERLEY Fredrick (ALDE)	28/10/2015
IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	

Council of the European Union	**Council configuration** / **Meetings** / **Date**

Council configuration	Meetings	Date
General Affairs	3599	2018-02-27
Environment	3522	2017-02-28

European Commission	

Commission DG	Commissioner
Climate Action	ARIAS CAÑETE Miguel

European Economic and Social Committee
European Committee of the Regions

Key events

Date	Event	Reference	Summary
15/07/2015	Legislative proposal published	COM(2015)0337	Summary
07/09/2015	Committee referral announced in Parliament, 1st reading		
10/03/2016	Referral to associated committees announced in Parliament		
15/12/2016	Vote in committee, 1st reading		
13/01/2017	Committee report tabled for plenary, 1st reading	A8-0003/2017	Summary
13/02/2017	Debate in Parliament	CRE link	
15/02/2017	Decision by Parliament, 1st reading	T8-0035/2017	Summary
15/02/2017	Results of vote in Parliament		
15/02/2017	Matter referred back to the committee responsible for interinstitutional negotiations		
28/02/2017	Debate in Council		
28/11/2017	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE615.245 GEDA/A/(2017)011091	
05/02/2018	Debate in Parliament	CRE link	
06/02/2018	Decision by Parliament, 1st reading	T8-0024/2018	Summary
06/02/2018	Results of vote in Parliament		
27/02/2018	Act adopted by Council after Parliament's 1st reading		
14/03/2018	Final act signed		
14/03/2018	End of procedure in Parliament		
19/03/2018	Final act published in Official Journal		

Technical information

Procedure reference	2015/0148(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation

Legislative instrument	Directive
	Amending Directive 2003/87/EC 2001/0245(COD) Amending Decision (EU) 2015/1814 2014/0011(COD)
Legal basis	Rules of Procedure EP 61 Treaty on the Functioning of the EU TFEU 192-p1
Other legal basis	Rules of Procedure EP 165
Mandatory consultation of other institutions	European Economic and Social Committee European Committee of the Regions
Stage reached in procedure	Procedure completed
Committee dossier	ENVI/8/03972

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE582.397	31/05/2016	
Amendments tabled in committee		PE585.585	07/07/2016	
Amendments tabled in committee		PE585.587	07/07/2016	
Committee opinion	DEVE	PE578.845	14/07/2016	
Amendments tabled in committee		PE585.584	14/07/2016	
Amendments tabled in committee		PE585.583	04/08/2016	
Amendments tabled in committee		PE585.586	23/08/2016	
Committee opinion	ITRE	PE582.103	10/11/2016	
Committee report tabled for plenary, 1st reading/single reading		A8-0003/2017	13/01/2017	Summary
Text adopted by Parliament, partial vote at 1st reading /single reading		T8-0035/2017	15/02/2017	Summary
Text agreed during interinstitutional negotiations		PE615.245	22/11/2017	
Text adopted by Parliament, 1st reading/single reading		T8-0024/2018	06/02/2018	Summary

Council of the EU

Document type	Reference	Date	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2017)011091	22/11/2017	
Draft final act	00063/2017/LEX	14/03/2018	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2015)0337	15/07/2015	Summary
Document attached to the procedure	SWD(2015)0135	16/07/2015	
Document attached to the procedure	SWD(2015)0136	16/07/2015	
	SWD(2015)0297		

Document attached to the procedure		14/01/2016	
Commission response to text adopted in plenary	SP(2018)178	24/04/2018	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	ES_PARLIAMENT	COM(2015)0337	20/10/2015	
Contribution	IT_SENATE	COM(2015)0337	26/10/2015	
Contribution	RO_CHAMBER	COM(2015)0337	10/11/2015	
Contribution	LU_CHAMBER	COM(2015)0337	02/12/2015	
Contribution	CZ_SENATE	COM(2015)0337	08/12/2015	
Contribution	IT_CHAMBER	COM(2015)0337	22/02/2016	
Contribution	FR_ASSEMBLY	COM(2015)0337	09/04/2018	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ESC	Economic and Social Committee: opinion, report	CES4053/2015	09/12/2015	
CofR	Committee of the Regions: opinion	CDR5368/2015	07/04/2016	

Final act	
Directive 2018/0410 OJ L 076 19.03.2018, p. 0003	Summary

Enhancing cost-effective emission reductions and low carbon investments; Modernisation Fund

2015/0148(COD) - 15/07/2015 - Legislative proposal

PURPOSE: to amend the EU emissions trading system (EU ETS) in order to enhance cost-effective emission reductions and promote low-carbon investments.

PROPOSED ACT: Directive of the European Parliament and of the Council.

ROLEOF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: Directive 2003/87/EC of the European Parliament and of the Council established a system for greenhouse gas emission allowance trading within the Union in order to promote reductions of greenhouse gas emissions in a cost-effective and economically efficient manner.

To tackle climate change effectively and achieve the EU's long-term decarbonisation objectives to **cut emissions by at least 80% by 2050,** an important step was taken when the European Council agreed in October 2014 the 2030 policy framework for climate and energy.

A centrepiece of the 2030 policy framework is the **binding target to reduce overall EU greenhouse gas emissions by at least 40% domestically below 1990 levels by 2030**. To achieve this target cost-effectively, the sectors covered by the EU emissions trading system (EU ETS) will have to reduce their emissions by 43% compared to 2005 while non-ETS sectors will have to reduce their emissions by 30% compared to 2005.

The European Council confirmed that a well-functioning, reformed EU ETS with an instrument to stabilise the market would be the main European instrument to achieve this target.

This proposal is part of the **Commission's ten political priorities**, and an important element of the Strategic Framework for the Energy Union.

IMPACT ASSESSMENT: the impact assessment is largely based on the findings of the comprehensive impact assessment on the 2030 framework, focusing on certain ETS-specific methodological elements not already assessed. It includes (i) addressing the potential risk of carbon leakage, (ii) the establishment of a Modernisation and an Innovation Fund, (iii) optional free allocation to modernise the electricity sector in lower income Member States, as well as (iv) aspects building on the lessons learnt since 2013, such as the validity of emission allowances, guaranteeing a robust and secure registry and the continuation of the optional exclusion of small emitters.

CONTENT : the proposal is a first piece of legislation **implementing the 2030 Climate and Energy package** agreed by the European Council in October 2014, to achieve the EU 2030 greenhouse gas emission reduction target of at least -40% compared to 1990 in a cost effective manner and to contribute to limiting global warming.

The EU ETS Directive exists and continues being in force post-2020. This proposal:

- **translates the 43% greenhouse gas reduction target** in 2030 in the ETS into a cap **declining by 2.2% annually** from 2021 onwards, corresponding to an additional reduction of around 556 million tonnes of carbon dioxide in the period 2021-2030 compared to the current annual decline of 1.74%;
- **guarantees that free allocation to industry will continue after 2020 to address the potential risk of carbon leakage**, as long as comparable climate policies are not undertaken by other major economies. The proposal provides that the benchmarks for the determination of the free allocation to industry will be updated to reflect the **technological progress** realised over time in the relevant sectors. **Sectors deemed to be exposed to a risk of carbon leakage** would continue to receive a higher allocation than others who have a higher ability to pass on relevant costs in product prices.
- **maintains the Innovation Fund** as a stepped-up effort to rapidly introduce new low-carbon technologies to the market enabling the EU to reach its long-term decarbonisation goals. Existing EU-level support for innovation is supplemented through dedicating 400 million allowances for these purposes. An **extra 50 million allowances** is added to this amount from the allowances that remain unused in 2013 to 2020 and would otherwise be placed in the Market Stability Reserve in 2020.
- **establishes the Modernisation Fund and optional free allocation to the energy sector** to contribute to the modernisation of the energy systems in lower income Member States. The Modernisation Fund is created with 2% of the overall quantity of allowances. These will be auctioned in accordance with the rules provided for in the EU ETS Auctioning Regulation to generate the necessary funds for projects to be carried out.

The Commission also proposes that auction revenues should be used for **climate financing actions in vulnerable third countries,** including adaptation to the impacts of climate.

BUDGETARY IMPLICATIONS: the EU ETS generates significant revenues for Member States' budgets. The proposal affects national budgets and administrations primarily because of this link. The secure operation of the Union registry is funded from the Union budget. There is also a small and limited impact on the EU budget – **EUR 14,639 million -** which is, however, fully covered by the current MFF 2014-2020.

DELEGATED ACTS: the proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union.

Enhancing cost-effective emission reductions and low carbon investments; Modernisation Fund

2015/0148(COD) - 14/03/2018 - Final act

PURPOSE: to reform the EU emissions trading scheme (EU ETS) for the period after 2020.

LEGISLATIVE ACT: Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814.

CONTENT: this Directive revises Directive 2003/87/EC on emissions trading (ETS) with a view to contributing to the EU achieving its objective of reducing greenhouse gas emissions by at least 40% by 2030 compared to 1990 levels and meeting its commitments under the Paris Agreement on Climate Change.

Emission allowance reductions: the Directive provides for an increase in the annual reduction of emission allowances to be placed on the market (‘linear reduction factor’) by 2.2% from 2021. The number of allowances to be placed in the market stability reserve will be temporarily doubled until the end of 2023. A new mechanism to limit the validity of allowances held in the market stability reserve beyond a certain level will become operational in 2023.

Auctioning of allowances: the auctioning of quotas will remain the general rule and the allocation of allowances free of charge, the exception.

From **2019** onwards, Member States shall auction all allowances that are not allocated free of charge and that are not placed in the market stability reserve or are cancelled.

From **2021** onwards, the share of allowances to be auctioned shall be **57 %**. In the event that demand for free allowances triggers the need to apply a uniform cross-sectoral correction factor before 2030, the share of allowances to be auctioned over the ten year period beginning on 1 January 2021 should be reduced by up to 3 % of the total quantity of allowances.

For the purposes of solidarity, **10 % of the allowances** to be auctioned by the Member States should be distributed among those Member States whose gross domestic product (GDP) per capita at market prices did not exceed 90 % of the Union average in 2013, and the rest of the allowances should be distributed among all Member States on the basis of verified emissions.

Carbon leakage: the directive provides for the continued temporary allocation of allowances to facilities in sectors that are exposed to a genuine risk of carbon leakage, to prevent real risks of increased greenhouse gas emissions in third countries where companies are not subject to comparable carbon emission constraints. The least exposed sectors would receive **30% for free**. Free allocations to other sectors and subsectors, except district heating, shall decrease by equal amounts after 2026 so as to reach a level of no free allocation in 2030.

The **level of free allocation for installations** shall be better aligned with their actual production levels. To that end, allocations shall be periodically adjusted in a symmetrical manner to take account of relevant increases and decreases in production.

New entrants reserve: the Directive provides that allowances from the maximum amount which were not allocated for free by 2020 shall be set aside for new entrants, together with 200 million allowances placed in the market stability reserve. Of the allowances set aside, up to 200 million shall be returned to the market stability reserve at the end of the period from 2021 to 2030 if not allocated for that period.

Indirect carbon costs: Member States shall adopt financial measures in favour of sectors or subsectors which are exposed to a genuine risk of carbon leakage due to significant indirect costs that are actually incurred from greenhouse gas emission costs passed on in electricity prices, provided that such financial measures are in accordance with State aid rules, and in particular do not cause undue distortions of competition in the internal market.

Where the amount available for such financial measures exceeds 25 % of the revenues generated from the auctioning of allowances, the Member State concerned shall set out the reasons for exceeding that amount.

Modernisation fund: the Directive creates a modernisation fund to support investments proposed by the beneficiary Member States, including the financing of small-scale investment projects, to modernise energy systems and improve energy efficiency, in Member States with a GDP per capita at market prices below 60 % of the Union average in 2013.

This fund established for the period 2021-2030 will be **financed by the auction of 2 % of the total quantity of allowances**. The modernisation fund shall operate under the responsibility of the beneficiary Member States.

At least **70 % of the financial resources** from the modernisation fund shall be used to support investments in the generation and use of electricity from renewable sources, and the improvement of energy efficiency, as well as to support a just transition in carbon-dependent regions in the beneficiary Member States, so as to support the redeployment, re-skilling and up-skilling of workers, education, job-seeking initiatives and start-ups.

Innovation: an innovation fund shall support renewable energy, carbon capture and storage and low-carbon innovation projects.

In addition to the **400 million** allowances initially made available for the period from 2021 onwards, revenues from the 300 million allowances available for the period 2013-2020 that have not yet been committed to innovation activities shall be supplemented by 50 million unallocated allowances from the market stability reserve to be used in a timely manner to support innovation.

Review: this Directive shall be kept under review in the light of international developments and efforts undertaken to achieve the long-term objectives of the Paris Agreement.

The Commission shall report to the European Parliament and to the Council in the context of each global stocktake agreed under the Paris Agreement. Before 1 January 2020, the Commission shall present an updated analysis of the non-CO2 effects of aviation, accompanied, where appropriate, by a proposal on how best to address those effects.

ENTRY INTO FORCE: 8.4.2018.

TRANSPOSITION: no later than 9.10.2019.

Enhancing cost-effective emission reductions and low carbon investments; Modernisation Fund

2015/0148(COD) - 06/02/2018 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 535 votes 104 with 39 abstentions, a legislative resolution on the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments.

Parliament’s position adopted in first reading following the ordinary legislative procedure amended the Commission proposal as follows:

Reductions of emission allowances: the amended text provides for an increase in the annual reduction of emission allowances to be placed on the market ("linear reduction factor") by **2.2% from 2021**, as opposed to the current 1.74 %.

In a statement, the Commission acknowledges that further efforts are needed to achieve the EU's 2050 GHG objective to reduce GHG emissions in line with reaching the long-term targets of the Paris Agreement. As part of any future review of the Directive, it undertakes to consider **an increase of the linear reduction factor in the light of international developments.**

Auctioning of quotas: the auctioning of quotas will remain the general rule and the allocation of allowances free of charge, the exception.

From 2019 onwards, Member States shall auction all allowances that are not allocated free of charge and that are not placed in the market stability reserve or are cancelled.

From 2021 onwards, the share of allowances to be auctioned shall be 57 %. In the event that demand for free allowances triggers the need to apply a uniform cross-sectoral correction factor before 2030, the share of allowances to be auctioned over the ten year period beginning on 1 January 2021 should be reduced by up to **3 %** of the total quantity of allowances.

For the purposes of solidarity, 10 % of the allowances to be auctioned by the Member States should be distributed among those Member States whose gross domestic product (GDP) per capita at market prices did not exceed 90 % of the Union average in 2013, and the rest of the allowances should be distributed among all Member States on the basis of verified emissions.

Modernisation Fund: this fund established for the period 2021-2030 will be financed by the auction of **2 %** of the total quantity of allowances.

At least 70 % of the financial resources from the Modernisation Fund shall be used to support investments in the generation and use of electricity from renewable sources, and the improvement of energy efficiency, as well as to support a just transition in carbon-dependent regions in the beneficiary Member States, so as to support the redeployment, re-skilling and up-skilling of workers, education, job-seeking initiatives and start-ups.

The fund **may not be used for projects requiring the use of coal,** with the exception of district heating in the poorest Member States.

Innovation: an innovation fund will would support renewable energies, carbon capture and storage, and low-carbon innovation projects. In addition to **400 million allowances** initially made available for the period from 2021 onwards, revenues from the 300 million allowances available for the period from 2013 to 2020 not yet committed to innovation activities should be supplemented with 50 million unallocated allowances from the market stability reserve, and be used in a timely manner to support innovation.

Carbon leakage: the directive provides for the **continued temporary allocation of allowances** to facilities in sectors that are exposed to a genuine risk of carbon leakage, to prevent real risks of increased greenhouse gas emissions in third countries where companies are not subject to comparable carbon emission constraints. The least exposed sectors would receive 30% for free.

Optional exclusion of installations with emissions of less than 2,500 tonnes: the amended text provides that Member States may, under certain conditions, exclude from the EU ETS those installations which have declared to the competent authority of the Member State concerned emissions below 2,500 tonnes of carbon dioxide equivalent, excluding emissions from biomass.

Review: the directive will be reviewed in the light of developments at the international level and efforts to achieve the long-term objectives of the **Paris Agreement**. Measures to support certain energy-intensive industries that are likely to be exposed to carbon leakage will also be reviewed.

Furthermore, before 1 January 2020, the Commission will present an **updated analysis of the non-CO 2 effects of aviation,** accompanied, where appropriate, by a proposal on how best to address those effects. The Commission also undertook to examine the next appropriate measures to ensure a fair contribution from the **maritime sector**, including the strategy proposed by Parliament. It reaffirmed its commitment to developing an initiative to provide tailor-made support to ensure a **just transition in the coal and carbon-intensive regions** of the Member States concerned.

Enhancing cost-effective emission reductions and low carbon investments; Modernisation Fund

2015/0148(COD) - 15/02/2017 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament adopted by 379 votes to 263, with 57 abstentions, amendments to the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments.

The issues was referred back to the committee responsible, **for interinstitutional negotiations**.

The main amendments made in plenary concern the following issues:

Emission reduction: Members called for a well-functioning, reformed Union emission trading system (EU ETS) with an enhanced instrument to stabilise the market. They approved the Commission proposal to increase the so-called “**linear reduction factor**” - the yearly reduction of credits, in order to deliver on the carbon curbs – to 2.2 % from 2021 and shall be kept under review with a view to increasing it to **2.4 % by 2024 at the earliest**.

Small emitter: the existing provisions which are in place for small installations to be excluded from the EU ETS should be extended to cover installations operated by small to medium enterprises **(SMEs) emitting less than 50 000 tonnes of CO2** equivalent in each of the three years preceding the year of the application for exclusion.

Allocation and issuing of quotas: unused free allowances should be made available to help address the risk of carbon leakage in industries with high carbon and trade intensity. Members stated that from 1 January 2021, **50 %** of allowances shall be auctioned.

From 2019 onwards, Member States shall either **auction or cancel allowances** that are not allocated free of charge and are not placed in the market stability reserve.

From 2021 onwards, the share of allowances to be auctioned or cancelled shall be **57 %**, and that share shall **decrease by no more than five percentage points** over the entire ten year period beginning on 1 January 2021.

In addition, **3 %** of the total quantity of allowances to be issued between 2021 and 2030 shall be auctioned in order to compensate sectors or sub-sectors which are exposed to a genuine risk of carbon leakage due to significant indirect costs actually incurred as a result of greenhouse gas emission costs being passed on in electricity prices.

Parliament also agreed that **800 million allowances** should be removed from the Market Stability Reserve as of 1 January 2021.

Just Transition Fund: this Fund shall be created as of **1 January 2021** as a complement to the European Regional Development Fund and the European Social Fund and shall be funded through the pooling of 2% of the auctioning revenues.

The revenues of those auctions would remain at Union level, with the goal of using them to cushion the social impact of climate policies in regions which combine a high share of workers in carbon-dependent sectors and a GDP per capita well below the Union average.

Those auctioning revenues aimed at just transition can be put to use in different ways, such as: (i) creating redeployments and/or mobility cells, (ii) education/training initiatives to re-skill or upskill workers, (iii) support in job search, (iv) business creation.

Aviation: an amendment stipulated that the total quantity of allowances to be allocated to aircraft operators in 2021 shall be **10% lower than the average allocation for the period from 1 January 2014 to 31 December 2016**, and then decrease annually at the same rate as that of the total cap for the EU ETS so as to bring the cap for the aviation sector more in line with the other EU ETS sectors by 2030.

From 2021 onwards, no free allocation of allowancesunder this Directive shall be granted to the aviation sector unless it is confirmed by a subsequent decision adopted by the European Parliament and the Council.

Auction revenues should also be used for climate financing actions in vulnerable third countries, including adaptation to the impacts of climate change.

Maritime transport: as from 2021, **in the absence of a comparable system operating** under the International Maritime Organisation (IMO), CO2 emissions emitted in Union ports and during voyages to and from Union ports of call, shall be accounted for through a system set which shall be operational from 2023.

In the event that an international agreement on global measures to reduce greenhouse gas emissions from maritime transport is reached, the Commission shall **review this Directive** and shall, if appropriate, propose amendments in order to ensure alignment with that international agreement.

Parliament proposed setting up a **Maritime Climate Fund** to compensate for maritime emissions, improve energy efficiency, facilitate investments in innovative technologies and reduce CO2 emissions from the sector.

Innovation: the amended text provides that **600 million allowances** shall be available to leverage investments in innovation in low-carbon technologies and processes in industrial sectors listed in Annex I of the Directive, including bio-based materials and products substituting carbon intensive materials and to help stimulate the construction and operation of commercial demonstration projects that aim at the environmentally safe capture and storage (CCS) and carbon capture and use (CCU).

In order to promote innovative projects, up to 75% of the relevant costs of projects may be supported.

Collection of information and non-compliance: in case of a reasonable suspicion of irregularities or a failure by a Member State to provide the list and the information set out in the Directive, the Commission may start an **independent investigation** and investigate other possible infringements, such as failure to implement the Third Energy Package.

Enhancing cost-effective emission reductions and low carbon investments; Modernisation Fund

2015/0148(COD) - 13/01/2017 - Committee report tabled for plenary, 1st reading/single reading

The Committee on the Environment, Public Health and Food Safety adopted the report by Ian DUNCAN (ECR, UK) on the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments.

The Committee on Industry Research and Energy, exercising its prerogative as an associated committee in accordance with Article 54 of the Rules of Procedure, also gave its opinion on the report.

The committee responsible recommended that the European Parliament's position, adopted at first reading following the ordinary legislative procedure, should amend the Commission proposal as follows:

Purpose: it is stipulated that the objective of the Directive is to achieve a certain level of emissions reductions in a way that does not lead to carbon and investment leakage. Members stated that a well-functioning, reformed EU emission trading system (EU ETS) with an enhanced instrument to stabilise the market and the removal of a significant number of surplus allowances from the market will be the main European instruments to achieve this target.

Members advocated **increasing the so-called "linear reduction factor"** - the yearly reduction of credits, in order to deliver on the carbon curbs - by 2.4%, as against the 2.2% proposed by the European Commission.

Allocation and issuing of quotas: according to the report, unused free allowances should be made available to help address the risk of carbon leakage in industries with high carbon and trade intensity.

From 1 January 2021, **50 %** of allowances shall be auctioned

From 2019 onwards, Member States shall either **auction or cancel allowances** that are not allocated free of charge and are not placed in the market stability reserve.

From 2021 onwards, the share of allowances to be auctioned or cancelled shall be **57 %**, and that share shall **decrease by no more than five percentage points** over the entire ten year period beginning on 1 January 2021.

In addition, **3 %** of the total quantity of allowances to be issued between 2021 and 2030 shall be auctioned in order to compensate sectors or sub-sectors which are exposed to a genuine risk of carbon leakage due to significant indirect costs actually incurred as a result of greenhouse gas emission costs being passed on in electricity prices.

Members also agreed that 800 million allowances should be removed from the Market Stability Reserve as of 1 January 2021.

Just Transition Fund: this Fund shall be created **as of 1 January 2021** as a complement to the European Regional Development Fund and the European Social Fund and shall be funded through the pooling of 2% of the auctioning revenues.

The revenues of those auctions would remain at Union level, with the goal of using them to cushion the social impact of climate policies in regions which combine a high share of workers in carbon-dependent sectors and a GDP per capita well below the Union average.

Those auctioning revenues aimed at just transition can be put to use in different ways, such as: (i) creating redeployments and/or mobility cells, (ii) education/training initiatives to re-skill or upskill workers, (iii) support in job search, (iv) business creation.

Aviation: an amendment stipulated that the total quantity of allowances to be allocated to aircraft operators in 2021 shall be **10% lower than the average allocation for the period from 1 January 2014 to 31 December 2016**, and then decrease annually at the same rate as that of the total cap for the EU ETS so as to bring the cap for the aviation sector more in line with the other EU ETS sectors by 2030.

From 2021 onwards, no free allocation of allowances under this Directive shall be granted to the aviation sector unless it is confirmed by a subsequent decision adopted by the European Parliament and the Council.

Auction revenues should also be used for climate financing actions in vulnerable third countries, including adaptation to the impacts of climate change.

Maritime transport: as from 2021, **in the absence of a comparable system operating** under the International Maritime Organisation (IMO), CO_2 emissions emitted in Union ports and during voyages to and from Union ports of call, shall be accounted for.

In the event that an international agreement on global measures to reduce greenhouse gas emissions from maritime transport is reached, the Commission shall **review this Directive** and shall, if appropriate, propose amendments in order to ensure alignment with that international agreement.

Members proposed setting up a **fund to compensate for maritime emissions**, improve energy efficiency, facilitate investments in innovative technologies and reduce CO_2 emissions from the sector.

Innovation: **600 million allowances** shall be available to leverage investments in innovation in low-carbon technologies and processes in industrial sectors listed in Annex I of the Directive, including bio-based materials and products substituting carbon intensive materials.

Collection of information and non-compliance: under current provisions, the European Commission fully depends on the information provided by the Member State. However, in case reporting is incorrect or other irregularities occur, a violation of the provisions of the Directive may significantly distort level playing field for industries and energy producers in the Union. In this context it is justified to give the Commission the possibility to collect information independently.

In order to ensure an equal level of compliance across the Union, and to ensure a level playing field for industries participating in the EU ETS, the Commission should have the right to conduct an **independent investigation** where it is suspected that compliance is not ensured by national authorities.