



# EU Emissions Trading Towards 2040 – Reducing Emissions While Safeguarding Competitiveness

The Commission will propose a review of the EU Emissions Trading System (ETS1) covering large-scale industry, energy production, as well as maritime transport and aviation in the Q3/2026. The objectives and rules of the system will be agreed for the period 2031–2040 to support the achievement of the EU's 2040 climate target.

## FINNISH INDUSTRIES EK'S MESSAGES TO DECISION-MAKERS

Finnish Industries EK emphasizes the importance of the EU emissions trading as a primary tool for climate policy and a catalyst for clean investments. EU Emissions Trading System (ETS1) must be reformed for the period 2031-2040, as under current regulations the emissions cap will drop to zero at the end of the period. EK considers it essential that ETS1 continues to deliver emission reductions in a market-based manner while preserving competitiveness.

- **The target for ETS1** must take into account the agreed 90% net emission reduction target for 2040 and the estimated amount of hard-to-abate emissions:
  - First, **the cap** on emissions trading **must match the agreed target**.
  - Second, allowances are **created by utilizing carbon removals** (so-called technical sinks). New innovations and technologies, such as Carbon Capture, Use and Storage (CCUS), are essential to meet increasingly stringent climate targets. New incentives are needed for ETS1 to promote carbon removals and so-called negative emissions.
  - A limited number of **reliable international carbon credits** in accordance with the Paris Agreement will be included in emissions trading, if justified by a reasoned assessment.
- Including **small installations** to ETS1 would only increase the reporting burden, because they will be covered by ETS2. The inclusion of **municipal waste incineration plants** should be done simultaneously across the EU, based on an impact assessment. Installations using **more than 95% biofuels or biomass** must be returned to ETS1 to prevent the limit from becoming a threshold for phasing out fossil fuels. **Sustainable biofuels and biomass** must be kept in emissions trading as emission-free.
- **The Market Stability Reserve (MSR)** should be adjusted to better reflect the reduction in the number of allowances, as it was originally designed to manage the surplus. The MSR should continue to smooth out exceptional market situations based on the number of allowances, not the price.

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- **Minimizing the Risk of Carbon Leakage:** The sufficiency of free allocation should be ensured until the Carbon Border Adjustment Mechanism (CBAM) is functioning reliably, or equitable climate obligations are implemented outside Europe. Targeted measures to ensure industrial competitiveness (including compensation for indirect costs) should be continued, and the Commission should monitor their impact on the functioning of the EU internal market.
- **Auction revenues** received by Member States from the auctioning of allowances must be used nationally for emission reduction measures in the sectors from which they are collected. Revenues should not be transferred to the EU budget as new own resources.
- **In maritime transport**, exemptions for ice-strengthened vessels should be continued after 2030. The introduction of a support mechanism for sustainable fuels (as in aviation) should be explored. The most sustainable solution for maritime transport emission reduction measures would be an agreement at the level of the International Maritime Organization (IMO).
- **In aviation**, the emissions trading should be maintained within the EU/EEA. In addition, the support mechanism for sustainable fuels (SAF) should be continued and strengthened. The book-and-claim mechanism facilitating the procurement and sale of SAF should be carefully assessed from different perspectives, and a decision on its possible introduction should be made on the basis of an impact assessment (the book-and-claim mechanism separates the environmental benefit of a product from the physical product into a separate certificate). Non-CO2 emissions should be kept outside of carbon pricing. It is important that the EU promotes a fair solution for international aviation at the global level through International Civil Aviation Organization (ICAO).

***The Confederation of Finnish Industries supports the EU's ambitious climate policy, with the 2030 and 2040 targets as essential milestones towards a climate-neutral Europe in 2050. These goals can only be achieved through thriving companies that use and deliver clean products, solutions and innovations.***

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