

UPEI Position Paper on the revision of the Emissions Trading System 2 (ETS2)

29 June 2026.

Executive Summary

UPEI, the Voice of Europe's independent energy and mobility suppliers, wishes to express its concerns about the implementation of the ETS2 Directive and calls for its revision alongside the revision of the "ETS1", in line with the energy aspects of the "One Market, One Europe" roadmap. In this position paper, UPEI recommends:

- Reviewing the necessity, proportionality, and appropriateness of ETS2 for the transport sector.
- Reducing disproportionate administrative burden on companies.
- Applying greater flexibility in the definition of responsible entities.
- Addressing the issues of price volatility and market speculation.
- Overcoming market distortion and risks of fraud from uncoordinated national opt-ins.
- Ensuring robust market stability and an effective European Commission intervention.
- Boldly reflecting upon a holistic approach that would establish a single EU carbon system pricing approach, abolishing overlapping areas between ETS, ETS2, RED III and the ETD, which revision should be discussed in interaction with the ETS2 revision.

UPEI fully embraces the EU's carbon neutral objectives and will always privilege market-based instruments to reach these objectives but calls on EU policymakers to ensure that the legislative framework remains practical, harmonised, and proportionate to avoid adverse macroeconomic and social implications for the public and industry.

Introduction

The amendment to the Climate Law has considered the difficulties concerning the implementation of ETS2, leading to a postponement of its entry into force from 2027 to 2028, giving our sector more time to prepare to its roll out. Also, on 29 April 2026, the European Parliament voted in plenary on the amendments proposed by the European Commission to Decision (EU) 2015/1814 on the market stability reserve (MSR) for the buildings, road transport and additional sectors, aiming to improve market liquidity and strengthen market predictability, reduce volatility and further address excessive cost increases in the ETS2.

- 1 -



While welcoming these slight improvements, UPEI, the voice of Europe's independent energy and mobility suppliers, continues to believe that the ETS2 is not adapted to the specificities of energy means used for transport, and calls for its more fundamental revision. We propose that such a revision should be examined at the same time as the planned ETS1 revision proposal in July 2026, thus providing a clear distinction between both systems.

This position paper builds on and updates our previous [position paper](#) of 14 October 2025 on the same subject, and on our "[feedback to the European Commission DG CLIMA on reporting requirements for ETS2 costs pass-through](#)" of February 2026.

1. Necessity and appropriateness of ETS2 for the transport sector.

The most fundamental issue with the ETS2 is that it has been based on a methodology used for a completely different sector. **First**, fuels used for energy-intensive sectors covered by ETS2 can benefit from various reduced excise tax rates or even exemptions: overlaying ETS2 obligations onto frameworks applicable to transport risks duplicate regulation and create additional administrative burdens for fuel supplies. **Second**, unlike ETS1, ETS2 does not provide for any free allowances, which would allow investments in emission-reduction technologies. Companies covered by the ETS2 are essentially traders that have a limited influence on emissions. **Third**, ETS2 will apply to an extremely volatile market where, given the logistical characteristics of fuel distribution, where supply is predominantly organised via road transport, a difference of a few cents can lead to supplier change.

UPEI recommends:

- The specificities of the fuel transport market should be fully assessed to bring the necessary corrections to the ETS2 before its entry into force in 2028.

Another issue is the redundancy of requirements and of expected outcome between the ETS2, the Renewable Energy Directive, the ReFuelEU aviation Regulation and the FuelEU maritime Regulation. From a structural perspective, ETS2 does not directly drive emission reductions in the transport sector, as decarbonisation is primarily ensured through existing instruments (such as the Renewable Energy Directive).

UPEI recommends:

- Greater clarity and delineation should be provided between the various pieces of EU energy and climate legislation, ensuring better alignment of obligations and timelines and leading to simplification.

2. Disproportionate administrative burden,

The ETS2 compliance requirements, as currently designed, are disproportionate and impractical for independent fuel suppliers. Many UPEI members operate with limited staff and administrative capacity.

UPEI recommends (reporting):

- A monitoring reporting should only be required in case an obligated entity does not use default values for the emission calculation and/or the excise duty regulation are not applied. This entity then should have to declare their methods to determine quantities and calculate emissions.
- Article 30f3 on the reporting of the cost-pass-through should be deleted from the ETS Directive.

3. Definition of responsible parties.

UPEI acknowledges the definition of the responsible entities but underlines that the existing Directive allows that the obligated entity does not have to be an excise warehouse. However, it seems that the wording of the definition is not clear enough related to other options than excise warehouse owner.

UPEI recommends:

- A clarification is required as regards non-warehouse obligated entities.
- More flexibility should be granted than the exemptions given in Article 3 of the Directive.

4. Addressing ETS2 Price Volatility and Market Speculation

In terms of market volatility, UPEI recognises that while there will be a single EU market for ETS2 allowances, the situation in each Member State regarding the opening to market players is very different.

The currently planned ETS2 framework allows for speculative acquisitions, as unrestricted trading of unlimited-lifespan allowances is currently permitted. This somehow contradicts the primary objective that was to facilitate a transition from fossil fuel dependency, rather than to establish a platform for financial gain. Beyond market functioning, price volatility under ETS2 would have direct and social implications, including inflationary effects and increased costs for public transport and essential services.

UPEI recommends:

- The trading system should be restructured to eliminate all opportunities for price speculation.
- The risks for market volatility due to lack of clarity in ETS2 pricing should be addressed.

UPEI also highlights the risks associated with the premature start of ETS2 allowance trading, as early market opening may significantly limit the possibility of subsequent structural adjustments and undermine efforts to design a practical and proportionate framework.

5. Market distortion from uncoordinated national opt-ins and removal of the scope factor

The ETS2 allows Member States to opt in additional sectors, but this is causing immediate competition distortions within the EU and could lead to fraud. For example, the Netherlands have opted to include the inland navigation sector, which will raise fuel prices, while neighbouring countries Belgium and Germany have not, encouraging ships to refuel fossil fuels in those countries while passing during their voyages.

In this context, the application of a scope factor for each fuel stream to determine the share of a fuel stream that is used for combustion in ETS 2 sectors leads to significant practical challenges and additional administrative burden. The identified end users under non-ETS 2 sectors (Opt-in sectors) are e.g. farmers and armed forces. They are often customers of public filling stations. Consequently, their share of a fuel stream is unknown.

The end use of the fuels is mostly not available at the excise duty collection point. The business activities in the downstream sector are characterised by long trading chains, which generally result in a high number of intermediary distributors along the supply chain.

UPEI recommends:

- Requiring a mandatory regional consultation and impact assessments should be required before formal approving a request by the Member State on sectoral opt-ins.
- Given that the volumes attributable to non-ETS II sectors are comparatively small, the scope factor should be removed to minimize administrative burden, eliminate practical obstacles, and enable the effective implementation of ETS 2.

6. Ensuring Robust Market Stability and Effective Commission Intervention

The current Regulation restricts a public intervention in the event of significant price volatility within the ETS2 market to a single occurrence per year. It is inadequate for safeguarding market stability.

UPEI recommends:

- The Regulation should be amended to permit prompt and repeated responses as market conditions demand.
- A suite of targeted reforms should be introduced: the exclusion of speculative actors, the imposition of limits in the lifespan of allowances, and the curtailment of speculative practices by economically dominant obligated entities.
- The Commission should be mandated to respond decisively in case allowance prices deviate substantially from underlying market fundamentals.

These amendments would serve to reinforce the integrity of the ETS2, mitigate market distortions, and ensure that the system operates in an equitable and effective manner for all stakeholders.

7. Towards a more holistic approach

UPEI considers that greater policy coherence between carbon pricing and energy taxation is essential to ensure both effectiveness and fairness across the EU.

As players in of the transport sector, UPEI members suffer from overlapping regulatory instruments addressing the same objectives: ETS2, as currently designed, does not effectively drive emissions reduction in transport. Instead, it primarily results in price increases for fuels, while the actual decarbonisation is already being delivered through other instruments such as RED III. In this context, adding ETS2 on top of existing frameworks creates overlap without clear added value.

For transport fuels, a taxation-based approach (i.e. the ETD) would be structurally more suitable than a cap-and-trade system like the ETS2, for the following reasons:

- ETD is already an established and functioning system for fuel taxation, meaning implementation is significantly simpler and less administratively burdensome.
- It allows direct political control over price levels, which is critical given the strong social and inflationary impact that fuel price increases will have under the ETS2.
- It avoids risks linked to market volatility and speculation, which are inherent to ETS2 and can undermine both price stability and public acceptance.

UPEI recommends:

- A holistic approach should be considered, that would replace the various existing carbon pricing systems stemming from ETS 1, ETS 2, RED III and ETD by a single EU carbon-pricing scheme.
- In this context, a stronger role for the ETD - or at least a clearer delineation between instruments – should be brought into the ETS2 revision debate, to make it a key element to ensure the coherence of the overall framework.

Conclusion

UPEI calls upon the European Commission to examine the revision of the ETS2 at the same time as the proposal for a revision of the ETS1 to ensure that it is implemented in a way that is proportionate, consistent, and fair, and to reflect upon a bold and holistic approach that would establish a single carbon pricing system.

UPEI stands ready to engage constructively in this revision process and to support the successful and equitable delivery of Europe's climate and energy transition.

Contact: Pierre Lucas, Secretary General | +32 2 7402020 | info@upei.org

UPEI, the voice of Europe's independent energy and mobility suppliers, represents nearly 2,000 European importers and wholesale/retail distributors of energy for the transport and heating sectors, supplying Europe's customers independently of the major energy producers. They are the interface between producers and consumers, using their own infrastructure and flexibility to supply existing demand for conventional and renewable liquid fuels, as well as non-liquid alternatives as part of the energy transition. They cover more than a third of Europe's current demand. The organisation brings together national associations and suppliers across Europe. Independent fuel suppliers bring competition to Europe's energy market and are able to respond rapidly to changes affecting supply, contributing to security on a local, national, and regional level. They have developed and maintain a comprehensive infrastructure for the sourcing, storage and distribution of transport and heating fuels, with a commitment to delivering a high-quality service to all consumers, including those in remote areas.