

EN

E-000947/2025

Answer given by Mr Hoekstra
on behalf of the European Commission
(24.4.2025)

1. The existence of free allocation exceeding emissions in the first phases of the EU Emissions Trading System (ETS) is well known, especially between the years 2008 and 2012, but to a lesser extent also in later years. This situation was addressed already with measures taken following the revision of the ETS Directive¹ in 2018, strengthening the system, and a shortage of free allocation compared to verified emissions can clearly be seen from the start of the fourth trading period in 2021.

It should also be highlighted that the majority of excess allowances are assumed to have been sold, and to a fraction of the value quoted, since the current value of an EU Allowance is more than 10 times higher than 10 years ago.

Hence, the Commission does not see a major risk of distortion of competition.

2. The Carbon Border Adjustment Mechanism (CBAM)² obligation to be paid by importers will be reduced by the corresponding free allocation that an EU producer would receive for the production of the same goods. This will ensure that products produced in the EU and in third countries are treated equally.

This adjustment for free allocation will include a definition of CBAM benchmarks, which in turn will be based on a combination of the EU ETS benchmarks. The gradual phase-out of ETS free allowances in CBAM sectors from 2026 to 2034 will be mirrored by a corresponding increase in the CBAM obligation. This is because the CBAM adjustment for free allocation will gradually decrease and thereby the CBAM obligation will increase.

¹ 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 (OJ L 76, 19.3.2018, p. 3, ELI: <http://data.europa.eu/eli/dir/2018/410/oj>)

² Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism (OJ L 130, 16.5.2023, p. 52, ELI: <http://data.europa.eu/eli/reg/2023/956/oj>)