

(English version)

**Question for written answer E-002301/26
to the Commission**

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(4 June 2026)

Subject: Accumulation of free carbon allowances and risks of competition being distorted under the Carbon Border Adjustment Mechanism

The Carbon Border Adjustment Mechanism (CBAM) and the EU Emissions Trading System (EU ETS) are designed to work together to ensure that EU and imported products are subject to comparable carbon constraints. However, while the CBAM is being revised and a further reform of the EU ETS is expected, concerns remain about the interaction between the two mechanisms.

Some EU companies still have significant stocks of free carbon allowances that they have accumulated over the years. Those reserves can make absorbing carbon costs easier for them than it is for those who have not received such allowances, including importers subject to the CBAM. This could distort competition in the sectors concerned.

In addition, free allowances were initially intended to support the decarbonisation of the most heavily affected industries. The fact that there are a large number of unused allowances therefore raises questions as to their effective use and their impact on the market.

In view of the above:

1. What is the Commission's assessment of the impact of the accumulated free allowances on competition in CBAM sectors?
2. Does it intend to introduce measures in future revisions to address any imbalances resulting from such situations?
3. Does it ensure that free allowances granted under the EU ETS contribute effectively to the decarbonisation objectives of the sectors concerned?

Submitted: 4.6.2026

Answer given by Mr Hoekstra on behalf of the European Commission
(1 September 2026)

The Emissions Trading System (ETS) Directive⁽¹⁾ includes the provision of free allowances to certain installations as a measure to prevent carbon leakage in those sectors.

As free allocation is determined based on benchmarks and the activity level of the respective installations, it is possible that certain installations have received more free allowances than they have reported emissions.

Successive reforms of the EU ETS have introduced measures to ensure that free allocation is better targeted and that the overallocation of allowances is avoided.

These include making sure that benchmark levels better reflect the performance of the top 10% installations, that free allocation is adjusted to account for changes in activity levels of installations, or the exclusion of installations that use over 95% biomass as their fuel.

Free allocation in excess of the emissions reported by an installation can also be an indicator of operators of installations having successfully invested in reducing emissions. The resulting surplus of free allocation can cover part of the cost of such decarbonisation investments.

The Commission proposal for the revision of the ETS Directive, adopted on 17 July 2026⁽²⁾, includes further reforms to the free allocation regime designed to provide a balance between carbon leakage protection and ensuring that installations invest in reducing their emissions.

⁽¹⁾ <https://eur-lex.europa.eu/eli/dir/2003/87/oj/eng>.

⁽²⁾ https://ec.europa.eu/commission/presscorner/detail/en/ip_26_1596.