

IOGP Europe position statement on the EU ETS revision

1. Executive summary

The [European Commission's proposal to revise the EU Emissions Trading System](#) (ETS) seeks to align the framework with the EU's 2040 climate target while strengthening industrial competitiveness, investment, and decarbonization. The more gradual emissions trajectory and additional flexibility are important steps towards maintaining a functioning carbon market as the cap tightens.

The revised framework should nevertheless provide greater investment certainty, flexibility, and regulatory clarity, while preserving effective carbon-leakage protection and enabling the scale-up of industrial decarbonization technologies.

The following issues should be addressed during the legislative negotiations:

- **Free allocation conditionality:** Free allocation is a carbon-leakage protection instrument, not an investment subsidy. It should not depend on prescribed investments or emissions outcomes that may be affected by factors outside an operator's control. The proposed new conditionality regime should therefore be deleted, with decarbonization supported by dedicated investment instruments instead.
- **Integration of permanent carbon removals:** Enable direct trading and use of eligible Carbon Removals and Carbon Farming (CRCF)-certified permanent removals for ETS compliance, alongside the Commission purchasing programme, with appropriate safeguards and a clear 1:1 compliance value. The 250 Mt should define the scale of the Biomass Carbon Capture and Storage (BioCCS)/Direct Air Carbon Capture and Storage (DACCS) purchasing programme, rather than cap the wider integration of removals into the EU ETS, and sufficient financing should be available to deliver this volume.
- **International carbon credits:** Ensure a predictable Linear Reduction Factor (LRF) trajectory that does not depend on future credit availability, and allow ETS operators to acquire and use eligible international credits directly alongside any EU-level purchasing facility.
- **Maritime and offshore activities:** Provide legal certainty from 2027 through clear transition arrangements, workable scope and emissions-attribution rules, proportionate Monitoring, Reporting and Verification (MRV) requirements, and coordination with other relevant carbon-pricing regimes and the International Maritime Organization (IMO) Net-Zero Framework (NZF).
- **CO₂ transport and storage risk:** Reduce investment and regulatory risks across cross-border Carbon Capture and Storage (CCS) value chains through a targeted EU-level guarantee mechanism and a competent-authority framework ensuring that each infrastructure component is subject to one authority.

In addition, the revision should provide a coherent and predictable framework across a number of horizontal issues. Eligibility for the use of ETS revenues should remain technology-neutral and based on demonstrable decarbonization outcomes. Countries participating fully in the EU ETS should be treated on equivalent terms, while regulatory coherence with the UK ETS should facilitate cross-border investment and CCS value chains. Application of the Do No Significant Harm principle should build on existing regulatory requirements and avoid duplicative assessments. ETS accounting rules for e-fuels should be aligned with Renewable Energy Directive (RED) III and the Renewable Fuels of Non-Biological Origin (RFNBO) framework to avoid unintended consequences for eligibility and Greenhouse gas (GHG) performance.

2. Key concerns and policy appeals

2.1. Free allocation conditionality

We welcome the fact that under the current proposal, the Commission foresees the extension of free allowances beyond 2030. However, the introduction of a conditionality regime from 2031-2035, subject to the preparation and approval of an “Invest in EU decarbonization plan,” with 80% of the allocation linked to submission and approval of that plan, and the remaining 20% linked to the verified implementation of the investments and achievement of significant emissions reductions, risks losing sight of the original purpose of free allocation.

Free allocation addresses the competitive disadvantage faced by EU producers that bear carbon costs while many international competitors do not. It is not a subsidy for emissions, nor is it intended to finance specific investments. Allocation is already determined by carbon-leakage exposure, benchmark performance, verified activity levels, and full ETS compliance, while operators remain fully exposed to the carbon-price signal. Existing conditionality requirements have already added significant compliance and administrative obligations without demonstrating clear additional decarbonization benefits.

The proposed “Invest in EU decarbonization plan,” including the requirement to invest 100% of the economic value of free allocation and to demonstrate significant emissions reductions within a five-year period, would fundamentally change the purpose of free allocation. The value of free allocation does not necessarily correspond to the cost, timing, or technical needs of an installation’s decarbonization pathway. For trade-exposed sectors, particularly those outside the Carbon Border Adjustment Mechanism (CBAM), requiring investments that do not have a viable business case risks further hindering EU competitiveness.

Industrial decarbonization depends on factors that are often outside an operator’s control, including access to infrastructure, affordable low-carbon energy, permitting, technology availability, and demand for low-carbon products. Measured emissions performance may also be affected by operational factors such as changes in production mix, feedstock quality, utilization rates, maintenance cycles, outages, and market-driven fluctuations in output. Carbon-leakage protection should not be reduced because an operator is unable to deliver a prescribed investment or emissions outcome within a fixed timeframe for reasons beyond its control.

This is particularly relevant for large-scale investments, such as CCS, where project development and infrastructure development may extend beyond five years. The proposed framework would therefore distort investment decisions towards shorter-term measures rather than the most cost-effective long-term decarbonization pathway.

The repayment obligation linked to relocation raises similar concerns. Free allocation compensates installations for carbon costs associated with actual production in Europe. Previously allocated allowances should therefore not be retrospectively withdrawn on the basis of subsequent investment or relocation decisions.

For these reasons, the new free-allocation conditionality provisions should be deleted. Free allocation should continue to fulfil its core purpose of mitigating carbon-leakage risk, while industrial decarbonization should be supported through dedicated investment instruments.

2.2. Permanent carbon removals

We welcome the inclusion of permanent carbon removals in the EU ETS. They will be essential to address residual emissions, preserve flexibility as the cap declines, and help sustain market liquidity.

The Commission purchasing programme is a useful starting point to support the early deployment of BioCCS and DACCS. The 250 million allowances under Article 9c should define the scale of this purchasing programme, not serve as an overall cap on the integration of eligible carbon removals into the EU ETS, including BioCCS, DACCS, and other removal types. The financing framework should be robust enough to deliver this volume. Given uncertainty over removal costs and European Union Emission Allowances (EUA) prices, sufficient additional allowances should be made available where needed, without a fixed 10 million allowance limit.



A broader range of CRCF-certified removals, including biochar and, where sufficiently robust methodologies exist, nature-based removals and carbon farming, should also have a pathway into the ETS. Appropriate safeguards should reflect differences in storage duration and reversal risk. These removals should primarily enter through direct integration rather than compete for the 250 Mt BioCCS/DACCS purchasing envelope.

The Commission purchasing programme should not be the only route into the EU ETS. Eligible CRCF-certified permanent removal units should be directly tradable and usable for ETS compliance from the outset, subject to robust MRV, permanence, liability, and cap-accounting safeguards. This should include third-party removals, including those generated through joint venture and shared CO₂ infrastructure.

Importantly, removals generated and used directly by ETS operators should not reduce either the 250 Mt purchasing or the allowances available to finance it. The corresponding constraint in Article 9c (5) should, therefore, be removed.

Direct integration would support liquidity, long-term contracting, price discovery, and private investment. The 2034 review should focus on the functioning and further development of this market, rather than on whether direct integration should be allowed.

Finally, eligible permanent removal units should have a clear 1:1 compliance value with EUAs, and liability for reversals should rest with the entity best placed to manage that risk. A buyer surrendering a valid unit shouldn't remain perpetually liable for risks outside its control. Appropriate safeguards, such as replacement obligations, insurance, or registry-based mechanisms, can preserve environmental integrity while providing certainty for market participants.

2.3. International carbon credits

We welcome the inclusion of high-quality and high-integrity international carbon credits as a flexibility within the EU ETS. They can complement domestic decarbonization efforts, provide additional flexibility for hard-to-abate sectors, and improve the cost-effectiveness of achieving the EU's climate objectives.

The LRF should, however, be set on a predictable trajectory aligned with the EU's 2050 climate-neutrality objective and should not depend on the future availability of international credits. Linking the cap trajectory to a later assessment of credit availability risks creating needless uncertainty for market participants. The proposed possibility of reverting the LRF from 1.7% to 2.7% from 2036 adds a further layer of unpredictability that should be avoided.

International credits should be used as an additional flexibility within that trajectory. A limited pilot phase should start from 2031 to test their integration into the EU ETS and support market development ahead of broader use from 2036. While the EU-level purchasing facility can help develop the market, it should not be the only route. ETS operators should also be able to acquire eligible credits directly and use them for compliance, helping mobilize private capital, support long-term contracting, and strengthen market liquidity.

Eligibility should be built on the applicable rules and safeguards under Article 6 of the Paris Agreement, including corresponding adjustments where required, while avoiding unnecessary or duplicative EU-specific requirements that could constrain the supply of eligible credits. The framework should preserve an appropriate role for mitigation outcomes transferred through Article 6.2 cooperative approaches, alongside units generated under the Article 6.4 Paris Agreement Crediting Mechanism.

2.4. Maritime and offshore activities

The proposal takes a useful step towards clarifying the treatment of vessels performing or supporting offshore operations under the EU ETS. However, further clarification is needed to ensure that the revised rules can be applied consistently in practice and do not create uncertainty and extra costs for vessels operating across multiple projects and jurisdictions.

A key concern is legal certainty during this transition. Offshore vessels of 5,000 GT and above enter the EU ETS from 1 January 2027 under the existing framework, while the revised MRV framework is expected to apply from 2029 and the new offshore-specific surrender rules from 2031. The proposal itself notes that these dates may need to be aligned. This means that the same offshore activity could be treated under different definitions and scope rules in 2027–2028, from 2029, and again from 2031. Operators nevertheless need to collect data and reflect ETS exposure in tenders, contracts, and project planning from 1 January 2027.



The Commission should therefore provide clear guidance on the rules applicable from 2027 and establish a stable transition to the revised framework. Where the necessary clarification is not available in time, a targeted transitional solution should be implemented, including, where appropriate, a deferral of surrender obligations for affected activities until a clear and workable framework is in place. Any transition should avoid retroactively changing liabilities for emissions already reported under the applicable rules.

Further clarification is also needed on the revised definition of “port of call.” The proposal distinguishes offshore operations from conventional maritime transport and recognizes an offshore worksite as a possible port of call, but still relies on the loading or unloading of “cargo” and the embarkation or disembarkation of “passengers.” Offshore vessels routinely carry project equipment and specialist personnel as part of performing offshore works. Mobilization and demobilization of equipment or project personnel, including offshore transfers or helicopter movements, should not unintentionally change the ETS treatment of a voyage. Clear guidance is also needed to distinguish project personnel from passengers and normal crew changes.

The boundary between offshore operations and conventional maritime transport also needs to be workable in practice. Offshore contractors may mobilize equipment, reposition vessels, combine different activities, or service several worksites during one voyage. A harmonized methodology should therefore clarify how emissions are attributed where voyages combine offshore operations with other activities or involve multiple worksites.

Similarly, the definition of an “offshore worksite” as the geographical area covered by an authorization is a useful starting point but may be difficult to apply where projects involve several licences, authorizations, or jurisdictions. Operators need clear geographical coordinates and a harmonized approach to identifying and geofencing worksites so that vessels, verifiers, and competent authorities apply the same boundaries.

The parallel revision of the MRV framework should also avoid creating unnecessary reporting requirements for offshore vessels. The proposal expands MRV reporting to include energy use and other data used under FuelEU Maritime, with the objective of creating a single reporting workflow. For offshore vessels that are not currently subject to FuelEU Maritime, this could result in additional data requirements without a corresponding FuelEU Maritime compliance obligation. Reporting requirements for these vessels should therefore remain proportionate and limited to the information necessary for their applicable MRV and ETS obligations.

Finally, offshore activities are inherently international. Vessels routinely move between EU, UK, Norway, and other non-EU projects. The revised framework should therefore be coordinated, as far as possible, with the UK ETS, the implementation of the EU ETS in Norway, other carbon pricing regimes, and the IMO NZF, to minimize inconsistent scope definitions, duplicated reporting, and overlapping carbon costs. As a globally coordinated maritime carbon pricing mechanism is developed through the IMO, the EU ETS should include appropriate transitional mechanisms to avoid double carbon pricing and ensure a level playing field once the IMO NZF becomes applicable. This would prevent carbon leakage and avoid placing European operators at a competitive disadvantage during the transition to a global system.

2.5. CO₂ transport and storage: investment risks and regulatory clarity

CCS deployment requires capture, transport, and storage investments to develop in parallel, supported by clear and predictable regulation. The revised EU ETS should address both the risks associated with the availability of CO₂ transport and storage infrastructure and the administrative complexity arising from fragmented oversight of cross-border CCS value chains.

In the early stages of market development, however, transport and storage infrastructure may face significant volume and market risk where sufficient CO₂ demand has not yet materialized, while emitters may be reluctant to invest in capture without confidence that transport and storage capacity will be available. This interdependency can delay investment decisions across the CCS value chain.

The revised EU ETS framework should explicitly provide for the development of a targeted and temporary EU-level CCS guarantee mechanism. The mechanism should act as a last-resort backstop in rare and verified cases where captured CO₂ cannot be transported or stored due to system-level unavailability outside the emitter’s control.

Addressing this residual risk would improve the bankability of capture investments and encourage earlier and firmer long-term commitments for CO₂ transport and storage, provide greater demand certainty across the CCS value chain, and help



unlock investment in transport and storage capacity, including storage capacity developed under the Net-Zero Industry Act (NZIA), particularly while the European CCS market remains characterized by limited infrastructure redundancy and significant first-mover risks.

Alongside investment confidence, cross-border CCS value chains require clear and workable rules on regulatory responsibility. Harmonized EU ETS reporting requirements for CO₂ transport across Member States would improve legal certitude and support cross-border CCS deployment.

However, proposed Article 6a assigns responsibility for the associated CO₂ transport infrastructure¹ to the Member State where the CO₂ is captured or, for CO₂ captured outside the European Economic Area (EEA), to the importing Member State. This does not reflect the interconnected nature of CO₂ transport networks, where pipelines, ships, intermediate storage, and liquefaction facilities may serve multiple capture sites across several countries.

This approach risks subjecting the same infrastructure component to multiple competent authorities, creating complex emissions-allocation, permitting, and administrative requirements and potentially acting as a barrier to cross-border CCS.

The framework should ensure that each infrastructure component is subject to one competent authority:

- For fixed infrastructure, the competent authority should be the Member State where the installation is located.
- For movable infrastructure, the competent authority should be the Member State of registration.

Such an approach would reduce administrative complexity and better reflect the emerging transport and storage service models.

3. Cross-cutting implementation issues

3.1. Use of ETS revenues

ETS revenues should support the decarbonization sectors covered by the EU ETS. While safeguards against investments that genuinely create or prolong carbon-intensive lock-in are justified, they should not result in blanket exclusions of investments involving oil and gas based on the sector or technology concerned, especially in relation to energy infrastructure. Eligibility for ETS revenue support should remain technology-neutral and be assessed based on the investment's actual decarbonization impact, its role within a credible and time-bound transition pathway, and the future use of the asset, rather than on the sector or energy carrier concerned. This is particularly important for energy-intensive and hard-to-abate sectors, where decarbonization will often require phased investments and intermediate steps rather than a single technological leap. This should also apply to investments in the energy sector where they support the transition and are consistent with the EU's climate objectives.

Several investments involving oil and gas can therefore remain fully consistent with long-term decarbonization objectives. These may include, for example:

- coal-to-gas switching where it delivers substantial near-term emission reductions
- retrofits of existing installations improving efficiency and reducing emissions
- infrastructure initially carrying natural gas but designed to be progressively repurposed for hydrogen, CO₂, renewable, or other low-carbon gases when considerable volumes will enter in the market
- transitional investments required before sufficient hydrogen, CO₂ transport and storage, or competitive electricity infrastructure becomes available

Moreover, upgrading and repurposing existing oil and gas infrastructure may be the more environmentally efficient option, reducing material use, land take, and other impacts compared with building entirely new infrastructure, while accelerating the deployment of hydrogen, CO₂, and low-carbon value chains.

The EU ETS framework should therefore preserve technology neutrality and avoid treating the mere presence of an oil and gas-related asset as evidence of lock-in. The relevant test should be whether the investment delivers measurable emissions reductions and is demonstrably compatible with the installation's pathway towards climate neutrality.

¹ 'CO₂ transport infrastructure' means the network of pipelines, including associated booster stations, for the transport of CO₂ to the storage site, as well as any ships, road, or rail transport modes, including liquefaction devices and temporary storage facilities if needed, for the transport of CO₂ to harbour facilities and storage sites.

3.2. Level playing field and cross-border ETS coherence

The proposal specifies that the Commission considers the Directive EEA relevant, and notes that adjustments to the cap should take into account the emissions of the EEA and EFTA countries. However, the proposal also frequently uses terms such as “within the Union,” “Invest in EU decarbonization plan,” “domestic permanent carbon removals,” and “EU-authorized financial institution,” which raises uncertainty regarding the extension of associated requirements to EEA countries. To achieve maximum effect of the proposed measures and ensure a level playing field across all countries in the EU and EEA, decarbonization efforts should be allowed to be implemented on equal terms within the EU and EEA. For clarity and investment predictability, this should be made explicit with appropriate language in the EU ETS Directive, rather than requiring EEA countries to seek adjustments when negotiating the incorporation into the EEA agreement. This applies, for instance, to the following items:

- The term “domestic permanent carbon removals” is not defined, but risks excluding carbon removals obtained when part of the CCS value chain is in EEA-European Free Trade Association (EFTA) countries. The measures introduced by the Commission aim to build a stronger market for carbon removals and should therefore avoid unnecessary limitations on the impact of the proposed integration of carbon removals in the EU ETS.
- If the requirement to a “Invest in EU decarbonization plan” for free allowances is maintained in the final revision, it should be made clear that investments in all countries that participate fully in the EU ETS are eligible. This will provide flexibility for operators of installations inside the EU to pool their investments with entities within EEA-EFTA countries, or to use investments on infrastructure linking EU-installations with relevant facilities in EEA-EFTA countries, such as CO₂-storage sites, offshore wind farms, or facilities for low-carbon hydrogen production.

A strong link between the EU ETS and UK ETS is important for maintaining a level playing field and providing investment certainty for companies operating across both jurisdictions. The linkage should support carbon-price convergence and maintain regulatory coherence between the two systems. Once a linking agreement enters into force, the Commission should adopt the required implementing decision promptly, with appropriate transitional arrangements, to avoid disadvantaging projects developed in the interim. This is particularly important for cross-border CCS value chains, given the UK’s significant North Sea CO₂ storage potential and the investment and contracting decisions already being taken.

3.3. Do No Significant Harm (DNSH) principle

For industry, where modernization, energy, and environmental projects are capital-intensive and multi-year, predictability of rules is a prerequisite for investing. Meeting the requirements of relevant existing regulations such as the EU Taxonomy, EU ETS, Industrial Emissions Directive (IED), Best Available Techniques (BAT), and environmental permits should create a presumption of compliance with the DNSH or at least a simplified assessment path to avoid duplication of documentation.

Industrial installations covered by, for example, the EU ETS, IED, BATs, EU REACH (Regulation EC No 1907/2006), environmental permits, and emissions monitoring are already subject to strict environmental and climate-related requirements. DNSH should consider compliance with existing frameworks when identifying the actual risk of significant harm, rather than creating a parallel regulatory or documentation system.

3.4. E-fuels accounting rules

The proposal introduces a specific point of accounting for captured carbon embedded in synthetic fuels under the EU ETS. This could create inconsistencies with the GHG accounting methodologies under RED III and the RFNBO framework, as well as related certification and fraud-preventing challenges.

It is important to ensure that the EU ETS, RED III, and the relevant RFNBO rules are fully aligned, so that changes to ETS accounting do not create unintended consequences for the eligibility or GHG performance of e-fuels and the functioning of the market.

Given that the RED III and RFNBO frameworks are also subject to further review, the priority at this stage should be to address any inconsistency and ensure a coherent approach across the different legislative frameworks, without taking a position at this stage on where the accounting point should ultimately be set.