

## **Subject: Early review of the ETS Market Stability Reserve**

25 March 2026

Dear President von der Leyen,  
Dear College of Commissioners,

We, the undersigned civil society organisations, wish to express our concern about your announcement on 19 March 2026 that the European Commission would unveil far-reaching changes to the EU Emissions Trading System's (ETS) Market Stability Reserve (MSR).

Your goal to "increase the firepower of the MSR" preempts and undermines the upcoming reviews of the EU ETS and the MSR this summer, and there has been no impact assessment to determine whether such measures are needed in the first place.

The European Council stressed the need to preserve the essential role of the ETS in the climate and energy transition. The Council conclusions did not necessitate preempting the planned EU ETS and MSR reviews with a partial, ad hoc reform. The Commission's response to the political guidance must take into account that the EU ETS carbon price has minimal influence on electricity prices. The only durable and sustainable way to tackle high electricity prices is to wean the EU off its dependence on fossil fuels.

The impulsive deployment of the MSR to lower the carbon price decreases the "firepower of the ETS". The Market Stability Reserve is one of the ETS' most powerful mechanisms. In its current set-up, it has not only resulted in measurable climate benefits but has also averted a carbon price collapse. Since its establishment, the Market Stability Reserve has successfully invalidated 3.4 billion ETS allowances, preventing the equivalent number of tonnes of CO<sub>2</sub> from entering the atmosphere. This has also helped overcome the weak EU ETS price signal since 2020. The stability of and predictability of the ETS is part of the solution, not the problem. The MSR mechanism ensures that auction revenue is reliably distributed to member states to support climate innovation and clean production today.

The ETS is still plagued with structural oversupply because the availability of allowances continues to outstrip demand, a problem that will persist [at least until 2031](#). The MSR is necessary and effective for addressing persistent oversupply, upholding the carbon price signal, and delivering long-lasting climate benefits. Over the past three years, about 300 million allowances have been invalidated annually from the MSR, and left to its own devices, it will continue to remove excess allowances from the market for years to come. Diluting the MSR now risks fundamentally upsetting the market's supply-and-demand balance. This will unduly inflate greenhouse gas emissions after 2030, hindering the achievement of the EU's 2040 climate target. Moreover, it risks diluting the long-term

carbon price signal, undermining the business case for the deep decarbonisation investments that must be undertaken already today.

**We call on the College of Commissioners to preserve the invalidation clause of the ETS Market Stability Reserve and uphold a market-based price signal for carbon emissions that drives investment and innovation, while maintaining environmental integrity.**

Yours sincerely,

On behalf of the signing organisations



Sabine Frank, Executive Director, Carbon Market Watch

