



Climate Action Network (CAN) Europe is Europe's leading NGO coalition fighting dangerous climate change. With 200 member organisations active in 40 European countries, representing over 1,700 NGOs and more than 40 million citizens, CAN Europe promotes sustainable climate, energy and development policies throughout Europe.

2 July 2026

CAN Europe Letter to Heads of Cabinets of the European Commission on the revision of the Emissions Trading System (ETS) Directive

Dear Head of Cabinet of the European Commission,

This summer, Europe has already faced a heatwave proven to be the most severe and widespread to ever affect Western Europe. According to the World Health Organisation, more than [1300 excess deaths have been recorded](#) since 21 June, linked to high temperatures in Europe, a number unfortunately only to be provisional. Latest findings from [attribution science](#) also clearly found that the burning of fossil fuels made such heat waves more likely. In the meantime, the US-Israel-led war in Iran and the wider regional conflict have already driven up the EU's [energy bill by an estimated €62 billion](#), exposing persistent vulnerabilities in Europe's energy system.

A credible carbon pricing mechanism is therefore not only a climate tool; it is an industrial, economic and security strategy. Yet uncertainty around the policy framework is already contributing to delayed and stalled industrial decarbonisation investments, weakening the pace of Europe's transition at a critical moment.

As the European Commission enters the final stages of preparing a revision of the ETS Directive, Climate Action Network (CAN) Europe - representing over 200 organisations and more than 40 million citizens - urges you to consider the following:

1. Maintain the Linear Reduction Factor (LRF) at 4.4% minimally until 2036

Some industry voices have pushed for lowering the LRF. This would not only be a strategic mistake, but it would also directly increase the efforts required from non-ETS sectors. Any lowering of the LRF would significantly increase the overall emissions, requiring deeper cuts in other sectors outside of the ETS to ensure that the 2040 and 2050 climate objectives enshrined in the European Climate Law can be achieved. These are sectors where steeper reduction efforts - while necessary - remain politically challenging, such as buildings, agriculture and mobility.

Cutting the LRF after 2031 would come with a significant emissions cost. Reducing it from 4.4% to 3.4% or 2.4% would [increase the ETS 1 cap](#) in 2040 by around 130 MtCO₂ and 335 MtCO₂, respectively, resulting in 29% and 83% higher cumulative ETS 1 emissions over 2031–2050. Every additional tonne of carbon comes with significant social costs, which are estimated to be in the order of EUR 345 per tonne, according to, for example, the [German Federal Environment Agency](#).

Against an EU 2040 carbon budget of 991 MtCO₂, the 2.4% LRF scenario **would allow ETS 1 emissions to take up around one third of the emissions space otherwise available to non-ETS 1 sectors** to meet the EU 2040 climate target. By contrast, delaying the LRF

reduction until 2036 and limiting it to 3.4% substantially limits this crowding-out effect: the carbon budget available to non-ETS 1 sectors is reduced by only 3%.

Given these numbers, the LRF should not be changed in the coming decade. An LRF that remains at 4.4% until 2036 and is only lowered thereafter would [keep the emission reduction targets within reach](#). It could be adjusted from 2036 onwards to allow for a limited, steadily declining level of residual emissions. The call to maintain the LRF at 4.4% until at least 2035 has also been defended by [industrial actors](#).

2. Public and industry support for carbon pricing

Opposition from fossil incumbents - lukewarm to invest in the transition - to a strong ETS does not represent the views of all industries. A recent [InfluenceMap factsheet](#) shows that 45% of companies engaging with policymakers on the EU ETS in 2025–2026 supported strengthening the system, compared with 44% calling for it to be weakened. [Supportive companies](#) highlight that the ETS “has driven billions of euros of investments by early movers, provided a market signal for innovation and created demand for European cleantech solutions to scale”. This was echoed by leading [European steel companies](#), which warned that weakening the ETS would “erode investment certainty, penalise early movers and delay the industrial transformation Europe needs”.

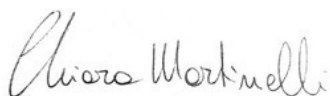
The credibility of companies calling for a weaker ETS should also be questioned where some have failed to invest in transforming their production while benefiting from substantial free allocations. Arcelor Mittal, a frontrunner when it comes to attacking ETS, [has merely invested 0.66 billion in decarbonisation](#), while receiving over 15 billion EUR in free allocation over the same 2021-2025 period.

Citizens also support the principles behind the ETS. A recent [YouGov poll](#) shows broad public backing across France, Germany, Italy, the Netherlands, Spain and Poland: 59% want big polluters to pay for their CO₂ emissions, and 72% believe the biggest polluters and climate laggards should pay more. Europeans expect a carbon market that preserves incentives to decarbonise, channels carbon revenues into climate action, and ensures that any continued free allocations come with clear conditions

At a time of intensifying global competition for the clean industry, weakening the ETS would undermine investment certainty and push clean industrial projects outside the EU. The upcoming ETS review is therefore a critical moment to strengthen and not dilute the system, ensuring it delivers rapid decarbonisation while supporting prosperity and resilience.

You may find more information in our [CAN Europe position paper on the EU ETS](#) and our recent [letter to Environment Ministers](#) to preserve a robust ETS within a strong post-2030 framework.

Yours sincerely,



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