

EUKI Academy Web Seminar Report: Carbon Pricing for Buildings and Transport: Perspectives on the ETS II within CEE 26th April 2022

In the summer of 2021, the European Commission proposed a set of regulations to help achieve the goals established in the Green Deal: the “Fit for 55” package. Within this package is the proposal of extending the emissions trading system (ETS) to the buildings and transport sectors, also known as ETS II, seeing as that they account for almost 60% of the EU’s emissions. However, some European countries, especially in CEE, are reluctant towards the proposed mechanism. Therefore, the [EUKI Academy](#) invited Aleksander Śniegocki from Poland ([Polish Reform Institute](#)), Kateřina Davidová from the Czech Republic ([Center for Transport and Energy](#)), Andreea Vornicu-Chira from Romania ([Center for the Study of Democracy](#)) and Michael Themann from Germany ([Federal Ministry for Economic Affairs and Climate Action](#)) to converse about the perspectives, concerns and ideas surrounding the implementation of the ETS II within their country.

National Perspectives

- The Polish government opposes the implementation of the ETS II in the near future. It is concerned about the burden on poorer households, due to the dominant role that coal still plays in Polish single-family houses when it comes to heating. There is already a policy target to phase out coal in households, driven by air quality considerations.
- Seeing as that over 30% of Romanian households experience energy poverty and considering the surge in energy prices, the country’s government is quite skeptical of the ETS II. Especially regarding the transport sector, since 30% of Romanian cars are older than 15 years and most are bought second hand from Western Europe.
- Although the Czech government doesn’t seem to be as weary towards the ETS II as other CEE countries, it is still a bit skeptical about it. Kateřina Davidová fears that the skepticism will increase in the backdrop of rising energy prices. The Czech government underlines the importance of the alleviation of the burden on poorer households and the stabilization of the prices of the allowances. If the design of the ETS II takes these two requirements seriously and solves them, the support of the Czech Republic towards the ETS II is likely to grow.

European Perspective and Solution Approaches

Despite the above-mentioned skepticism towards the proposed mechanisms, a consensus among the speakers is that the ETS II is indeed useful and needed if the EU wants to fulfil the goals set in the Green Deal.

- Michael Themann underlines that unlike other green policies, an emissions trading system generates revenues - which can then be used to lessen the negative social impacts of the mechanism on poorer households and make it socially fairer.
- One of the lessons learnt after the implementation of a national carbon pricing mechanism in Germany, is the importance of programs which show the success of the instrument and a clear communication of who’s affected by it and the usage of the gathered revenues.
- To further grow approval within CEE society, Kateřina Davidová highlights the importance of redirecting the framing of the ETS II as a security measure instead of as a climate measure, especially against the backdrop of the war in Ukraine.

- With means of growing support within the population towards the ETS II it must be properly communicated that the instrument is based on the 'polluter pays principle' and therefore not only affects households but industries as well.
- Moreover, the design of the Social Climate Fund and the compensation of households will be decisive for the acceptance of the ETS II as a whole.
- However, Andreea Vornicu-Chira highlights that the goal of the Social Climate Fund should not be direct payments with means of increasing support for the ETS II short-term, but rather focus on solving the root of the problems in the long run and decrease energy consumption while lessening energy poverty.
- To ensure broader acceptance of the new system, Aleksander Śniegocki suggests launching the Social Climate Fund earlier than ETS II, while also adding flexibilities which will allow Member States to choose their own pathways to gradually introduce the carbon pricing mechanism by 2030.