

UPEI Position Paper on the implementation of the Emissions Trading System 2 (ETS2)

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Executive Summary

With this position paper, UPEI, the voice of Europe's independent energy and mobility suppliers, wishes to express its concerns about the implementation of the ETS2 Regulation. In this position paper, UPEI recommends:

- To review necessity and appropriateness of ETS2 for transport industry.
- To reduce disproportionate administrative burden on small companies.
- To apply flexibility in the definition of responsible parties.
- To address the issues of price volatility and market speculation.
- To overcome market distortion from uncoordinated national opt-ins.
- Ensuring Robust Market Stability and Effective Commission Intervention

UPEI fully embraces the EU's carbon neutral objectives but calls on policymakers to ensure that the ETS2 framework remains practical, harmonised, and proportionate.

Introduction

UPEI, the voice of Europe's independent energy and mobility suppliers, has read with interest the concerns raised by an increasing number of Member States about the implementation of the ETS2. We would like to use the opportunity of this momentum to express our views on this file.

1. Necessity and appropriateness of ETS2 for transport industry

Applying ETS2 to the transport industry raises significant concerns, as fuels used for transport are already subject to excise taxation, which serves both fiscal and regulatory purposes. Overlaying ETS2 obligations onto these existing frameworks risks duplicative regulation and additional administrative burdens for fuel suppliers. Furthermore, the Energy Taxation Directive (ETD) provides a more direct and potentially efficient avenue for taxing carbon emissions at the point of fuel consumption, aligning taxation with environmental objectives. Utilising the ETD to address carbon pricing in transport would avoid unnecessary complexity and ensure that carbon costs are transparently and fairly integrated. Therefore, reconsidering ETS2's applicability in favour of strengthening ETD mechanisms could deliver the intended climate benefits in a more coherent and manageable manner.

2. Disproportionate administrative burden on small companies.

Many UPEI members are micro, family-based enterprises or SMEs - especially in sectors such as road transport and inland navigation - operating with limited staff and administrative capacity. The ETS2 compliance requirements, as currently designed, are disproportionate and impractical for small fuel suppliers.

In particular, the obligation for a monitoring report should be deleted at the first ET2 revision opportunity: it has been copy-pasted from ETS1 while applying to hugely different sectors. In the UPEI sector, we are not talking about emissions coming from the production process but about volumes, which are already monitored and checked in excise warehouses or customs warehouses. While very complex to set up and requiring amendment at each business activities change, the monitoring report is simply redundant.

3. Definition of responsible parties.

UPEI acknowledges the definition of the responsible parties but underlines that it does not always have to be the excise warehouse, and that, therefore, the existing commercial and legislative pathways of each Member State must be taken into account. We need more flexibility than the exemptions given in Article 3 of the Directive.

4. Addressing ETS2 Price Volatility and Market Speculation

In terms of market volatility, UPEI recognises that while there is a single EU market for ETS2 allowances, the situation in each Member State regarding the opening to market players is very different.

The existing ETS2 framework permits speculative acquisitions, as unrestricted trading of unlimited-lifespan allowances is currently allowed. The primary objective was to facilitate a transition from fossil fuel dependency, rather than to establish a platform for financial gain. It is therefore recommended that the trading system be restructured to eliminate all opportunities for price speculation.

5. Market Distortion from Uncoordinated National Opt-Ins.

The ETS2 allow Member States to opt in additional sectors, but this is causing immediate competition distortions.

For example, the Netherlands have opted to include the inland navigation sector, which will raise fuel prices, while neighbouring countries Belgium and Germany have not, encouraging ships to refuel fossil fuels in those countries while passing during their voyages.

UPEI recommends:

- Requiring a mandatory regional consultation and impact assessments before formal approving a request by the Member State on sectoral opt-ins.
- Establishing EU-level guidelines for harmonised sector inclusion under ETS2.

6. Ensuring Robust Market Stability and Effective Commission Intervention

UPEI respectfully calls upon the European Commission to adopt a binding obligation—rather than a discretionary option—to intervene in the event of significant price volatility within the ETS2 market. The current provision, which restricts such intervention to a single occurrence per year, is inadequate for safeguarding market stability and should be amended to permit prompt and repeated responses as market conditions demand. Furthermore, UPEI urges that the Commission address deficiencies in the market stability mechanism by introducing a suite of targeted reforms: the exclusion of speculative actors, the imposition of limits on the lifespan of allowances, and the curtailment of speculative practices by economically dominant obligated entities. Crucially, the Commission should be mandated to respond decisively should allowance prices deviate substantially from underlying market fundamentals. Collectively, these enhancements would serve to reinforce the integrity of the ETS2, mitigate market distortions, and ensure the system operates in an equitable and effective manner for all stakeholders.

Conclusion

UPEI calls upon the Member States and the European Commission to ensure that the ETS2 is implemented in a way that is proportionate, consistent, and fair. UPEI stands ready to engage constructively in this implementation process and to support the successful and equitable delivery of Europe's climate and energy transition.

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UPEI, the voice of Europe's independent energy and mobility suppliers, represents nearly 2,000 European importers and wholesale/retail distributors of energy for the transport and heating sectors, supplying Europe's customers independently of the major energy producers. They are the interface between producers and consumers, using their own infrastructure and flexibility to supply existing demand for conventional and renewable liquid fuels, as well as non-liquid alternatives as part of the energy transition. They cover more than a third of Europe's current demand. The organisation brings together national associations and suppliers across Europe. Independent fuel suppliers bring competition to Europe's energy market and are able to respond rapidly to changes affecting supply, contributing to security on a local, national, and regional level. They have developed and maintain a comprehensive infrastructure for the sourcing, storage and distribution of transport and heating fuels, with a commitment to delivering a high-quality service to all consumers, including those in remote areas.