

Brussels 8 June 2026

EBF public statement on the EU Emissions Trading System (ETS)

The ETS as the cornerstone of the EU's energy independence and resilience

The European Banking Federation (EBF) reiterates its **strong support for the EU Emissions Trading System (ETS) as the cornerstone of the EU's push for energy independence and increased resilience.**

While we are acknowledging varying asymmetrical impact in Members States depending on the economy structure, the ETS, as the EU's primary market-based instrument delivers cost-effective emissions reductions while providing a transparent and technology-neutral incentive for innovation, investment and industrial transformation. The revenues stemming from the ETS are also an important source of financing sustainability innovation, the loss of which will need to be supplemented by other public sources. Preserving the integrity of the ETS should remain a central priority in EU policymaking.

In the current geopolitical context, Europe's economic security and resilience increasingly depend on strengthening competitiveness and reducing exposure to fossil fuel imports. Accelerating decarbonisation is therefore a strategic economic priority. This requires both the transformation of energy-intensive industries such as steel, cement, chemicals, glass and aluminium, and the scaling-up of clean technologies, including renewables, electrification, grids, storage and hydrogen solutions.

A predictable carbon price as a driver of investment

The ETS is essential to support this transition at the required speed and scale. By delivering a predictable, credible and EU-wide carbon price signal, the ETS underpins long-term investment decisions and creates sustained demand for low-carbon industrial and energy solutions. It is therefore a key instrument for strengthening Europe's industrial competitiveness. **Any interventions that risk weakening the price signal should be avoided.**

Beyond its pricing function, the ETS is also a **critical source of funding** for Europe's transition, including through the ETS-linked support mechanism. Any weakening of the system would therefore not only undermine the investment signal but also **constrain the financial resources available** for

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EU Transparency Register / ID number: 4722660838-23

transition investments. This would slow industrial transformation, delay the deployment of clean technologies and infrastructure, and risk prolonging Europe's dependence on other countries.

Financial institutions play a critical role in this context, channelling capital towards climate-aligned investments and supporting the real economy's transformation. In addition, **banks support the effective functioning of the ETS** as market makers and client facilitators, supporting liquidity, price discovery and risk management. A well-functioning carbon market is therefore essential for efficient capital allocation.

Policy coherence and preserving a well-functioning ETS beyond 2030

Coherence between the ETS and related policy instruments, such as the Carbon Border Adjustment Mechanism (CBAM), is essential. Misalignment risks creating **regulatory uncertainty and weakening investment signals**. A consistent policy framework, without unnecessary complexity, is critical to **safeguard environmental integrity and support European industry** in a globally competitive environment.

In this context, it is also important to consider market dynamics. Alongside carbon-intensive imports, low-carbon products entering the EU market may benefit from substantial state support outside the EU. While contributing to decarbonisation, such **price distortions can undermine the business case for European producers**, as required project returns may not be achieved. This risk delays the development of a competitive European market for sustainable products and shifts Europe's dependency from natural resources to imported clean products and technologies. Ensuring a genuine level playing field is therefore essential to safeguard domestic investment incentives.

The effectiveness of the ETS ultimately depends on the integrity and efficient functioning of its market framework. **Measures that undermine predictability and consistency risk weakening the price signal, increasing the cost of capital for transition-related investments and delaying the deployment of clean technologies**. Maintaining confidence in the ETS should therefore be a guiding principle, particularly as market participants form expectations about its long-term policy trajectory beyond 2030.

Looking ahead to discussions on the post-2030 ETS, it is **crucial to preserve a robust carbon market**. Achieving a European economy ready for the future will require structural change across the European economy, alongside substantial investment in new technologies, infrastructure and business models. This, in turn, depends on a clear long-term policy framework, as **mobilisation of private capital at scale is correlated with regulatory certainty**. **The uncertainty regarding policies leads to a dual transition risk**: transition risk stemming from policies to enforce the transition, but also possibly risk for investments in anticipation of measures which are subsequently reversed, putting early adopters at risk. **Stable policies are essential to mitigate risk, avoid speculation, and improve risk profiles, thus improving projects' bankability**.

Conclusion: a strong ETS is the cornerstone for energy independence and resilience

A strong ETS is indispensable for achieving Europe's climate objectives and energy independence while supporting investment, innovation and long-term economic resilience. The EBF stands ready to further engage with EU institutions and stakeholders to ensure that the ETS continues to be a stable, predictable and effective framework for the transition towards a sustainable future.

