

Stimulate investment in homegrown clean energy by maintaining an ambitious EU ETS

Clean energy investors need predictability and a long-term framework to deliver on investments - without such investments, European industries cannot be competitive. The EU Emissions Trading System (ETS) is a vital tool in this respect. In nucleareurope's opinion the EU ETS functions well and therefore discussions should centre around building on this key block in a way that does not undermine its ambitions.

The EU ETS helps stimulate investments in both the decarbonisation of industry and, ultimately, clean energy assets, such as nuclear. Watering down its ambitions or implementing ad hoc measures will create uncertainty, potentially putting investments in nuclear capacity at risk.

As highlighted by the European Commission under AccelerateEU, in order to tackle high energy costs, the EU must rapidly invest in homegrown clean energy sources & the electrification of industrial processes. The EU ETS can play a role in encouraging such investments.

An efficient use of ETS revenues by Member States is paramount for the transition of the EU economy and targeted support of industry sectors engaging in decarbonisation investments. Revenues raised through the sale of allowances should be used for climate action, such as investments in the decarbonisation of industrial processes (e.g. electrification). At the same time, it is important that industry is given the freedom to choose whichever clean energy source best meets their needs, and to avoid imposing restrictions (such as an *in situ* requirement for the generation of that energy source).

Energy-intensive sectors are fundamental to the European economy and play a critical role in supporting net zero value chains throughout the EU. nucleareurope acknowledges the concerns of energy-intensive industries on carbon leakage, and short-term protection measures could be considered until Carbon Border Adjustment Mechanism (CBAM) is fully operational (for those sectors which fall under its scope), including continuation of free allocation in a transitional form, as well as indirect cost compensation. Such measures find their purpose when tied to credible decarbonisation plans and investment commitments, turning a policy requirement into a pathway to a cleaner industrial base. As mentioned above, re-directing ETS revenues towards decarbonisation investments can also support their competitiveness.

We also recognise that the EU ETS affects individual countries and regions in different ways. The revision should take this into account in order to ensure a socially just transition, and the revised directive should include appropriate solidarity mechanisms, such as the continuation of the Modernisation Fund.

Furthermore, attention should be paid to the use of international carbon credits to ensure that such measures do not trigger an investment leakage.