**On 21 April 2021, representatives of Polish public administration, business sector and NGOs have discussed the future of the EU ETS during the webinar organised by WiseEuropa, Bruegel and PIK.**

The event started with the high-level address from Adam Guibourgé-Czetwertyński, Undersecretary of State at the Ministry of Climate and Environment of Poland. Mr Guibourgé-Czetwertyński highlighted the role of the EU ETS as one of the pillars of the European climate policy and the need to adjust the policy framework given new targets for 2030. At the same time, he stressed that the reforms should not be limited to minor adjustments, given growing imbalances in the system which affect countries with major transition challenges. These changes are necessary to minimize the risks of deepening economic differences between the Member States. The solution may include the increase of the Modernisation Fund with a complementary reform of the Market Stability Reserve which would result in a higher allocation of allowances to those Member States which currently have to buy additional allowances abroad to cover their national emissions (for more details on the solution proposed by the Ministry, see [here](https://www.euractiv.com/section/electricity/opinion/is-the-eu-ets-getting-it-right/)).

The next part of the webinar focused on the policy proposal presented in the recent policy brief prepared by Bruegel and PIK: “[A whole-economy carbon price for Europe and how to get there](https://www.bruegel.org/2021/03/a-whole-economy-carbon-price-for-europe-and-how-to-get-there/)”. Georg Zachmann (Bruegel) and Michael Pahle (PIK) presented the main elements of the proposal, arguing that complex climate policy challenges require a smart shift towards broader carbon pricing. The reform should establish a separate ETS for European transport and buildings, which would gradually converge with the existing EU ETS. Given the complexity of the process, further instruments would be needed: carbon price stabilizer and balancer to manage price volatility and ensure gradual convergence of two systems, as well as carbon price amplifier to provide additional incentives to deploy and develop new decarbonization options.

The presentation was followed by input from Maciej Bukowski (WiseEuropa) on the Polish context. He discussed emission levels and dynamics in Polish transport and buildings sectors compared to the EU average, resulting in a higher burden on the households, mostly due to high reliance on coal boilers for heating. At the same time, an extension of ETS will generate significant additional revenues which can be used to support transition and address distributive concerns. Maciej Bukowski also noted that the example of the Polish energy policy shows that the pressure from ETS may actually increase the ambition of policymakers on the national level.

The rest of the event was focused on stakeholder discussions, which highlighted concerns related to the fairness of burden-sharing both within and across the Member States.

Paweł Różycki, Deputy Director of the Department of Strategies and Climate Transformation Planning at the Ministry of Climate and Environment has stated that the Polish government remains rather skeptical regarding the building and transport extension, preferring to focus on strengthening the EU-wide standards (e.g. for cars). He also reiterated the importance of EU ETS price stabilization and avoiding the risk of speculation, which may be achieved for example via the MSR reform.

Wanda Buk, Vice-President for Regulatory Affairs at PGE Group, pointed out that to achieve the EU 2030 climate target, all sectors will have to contribute to reduction. However, just putting the price on carbon will not be enough to deliver changes in hard-to-abate sectors. At the same time, high carbon prices may actually limit the capacity of emitters to invest in low-carbon solutions. Thus, complementary policies and more EU ETS-based funding mechanisms are needed, and to ensure that the Member States have appropriate resources to implement them. The imbalances in the EU ETS also need to be addressed, to avoid the situation where funds are channeled away from high-emitting countries to those Member States that do not need their auctioning pool to cover actual emissions covered by the EU ETS. Regarding the design of a potential ETS extension, launching a separate system for transport and building sectors is preferred to their inclusion in the existing EU ETS.

Urszula Stefanowicz from Climate Coalition stressed the need to increase the policy ambition in the 2020s, while also voicing the concern that shifting transport and buildings to the ETS may decrease the pressure on countries to deliver national-level policies, as well as result in an increased burden on households. She highlighted the role of national regulations to deliver systemic changes which are required to achieve deep emissions reductions in housing and mobility in a socially just manner.

**Summarising the discussion, Georg Zachmann, Michael Pahle and Maciej Bukowski have noted that the emission reductions will need to be achieved one way or another. Every type of policy will have its own redistributive impacts, and carbon pricing only makes them more transparent. The key question is thus not whether, but rather how to design the instruments which can deliver the emission cuts in a socially acceptable way. In face of a uniform EU-wide carbon price, new compensation schemes between and in particular within member states will be a key enabler for ambitious price levels.**