Bratislava, 23rd November 2026

Subject: Impact assessment of ETS2 pursuant to point 8 of the European Council conclusions of October 16, 2026

Dear Ursula

Madam President,

At the European Council meeting on October 15 and 16, 2026, EU leaders agreed that addressing high energy prices was essential. In this context, we discussed the Emissions Trading System for Buildings and Road Transport (ETS2), particularly its potential impact on inflation, on our citizens' cost of living and on small and medium-sized enterprises. This letter follows up on those discussions.

The situation has changed significantly since the Commission's last comprehensive assessment in 2021. Inflation in the eurozone reached 3.8% in September, with energy prices up 18.9% year-on-year and the average price of diesel in the EU hitting €2.24 per litre by the end of the month. Households and businesses are bearing these rising costs, which are eroding purchasing power and public confidence in the ability to manage the transition economically and socially. Unfortunately, social tensions linked to the high cost of living are now also manifesting as public protests in a number of Member States. According to verifiable calculations, the ETS2 is set to impose an additional gross burden of tens of billions of euros from 2028 onwards. If we do not address this issue in a timely and effective manner, there is a risk of a decline in household consumption—on which our economies depend to a large extent—and a subsequent spillover effect on corporate revenues, employment, and investment. The services sector, which accounts for approximately three-quarters of the EU economy's gross value added, is particularly vulnerable. There is also a risk that ETS2 will be branded as a new European climate tax, undermining not only support for climate action but also the European project as a whole.

Considering the above, we request that the launch of the ETS2 system be postponed until 2030, followed by an in-depth impact assessment of its future beyond 2030. In this context, we call on you to delay the first ETS2 allowance auction in January 2027 until the future of the system is clarified. This first auction should be postponed in a way that ensures legal certainty.

As the revision of the EU ETS is ongoing, we ask the Commission to work constructively with the Council to include in the revision a postponement of the launch of the ETS2 system, naturally only for those Member States that wish to do so.

While we support the goal of reducing greenhouse gas emissions, this must be achieved in a way that is economically and socially viable, and that maintains public support. We are prepared to cooperate constructively with the Commission and other Member States on this matter.

Sincerely,

Donald Tusk
Prime Minister of the Republic of Poland

Péter Magyar
Prime Minister of Hungary

Robert Fico
Prime Minister of the Slovak Republic

Andrej Babiš
Prime Minister of the Czech Republic

Ms. Ursula von der Leyen

President of the European Commission

Annex: ETS2 – Eight Areas the Commission Should Not Overlook

ETS2: Eight Areas the Commission's New Assessment Should Not Overlook

Annex to the letter to the President of the European Commission and the President of the European Council • follows up on point 8 of the EUCO 14/26 conclusions •

On October 16, 2026, the European Council asked the Commission to update its assessment of all the impacts of ETS2, particularly its parameters and safeguards. The most recent ETS2 impact assessment (SWD(2021) 601) was prepared in 2021, prior to the energy crisis, and was based on the system's launch in 2027. The new assessment must take into account the changed economic conditions and the current ETS2 parameters, which are not included in the July 2026 impact assessment for the EU ETS revision (SWD(2026) 616).

Below, we list eight areas that the updated assessment should cover, along with their rationale and required outputs. We draw on publicly available official and expert sources. The Commission should present methodologically comparable results for all Member States and publish the assumptions used.

Inflation in the eurozone: 3.8% | Energy prices: +18.9% year-over-year | Diesel in the EU: 2.24 €/l

AREA 1

A Realistic Price for an Emission Allowance

Analyses to date have used different price assumptions. The ECB's baseline scenario from September 2026 assumes a price of 46 €/t, while the Commission's 2025 guidelines on social climate plans assume a price of 30–60 €/t in 2023 prices. A price threshold of 45 €/t in 2020 prices triggers the release of allowances from the market stability reserve, but it is not a cap on the market price. The model assumption therefore cannot be considered a guarantee of the actual price.

What we are asking of the Commission: to assess and quantify the impacts under a realistic price path as well as under significantly higher prices, always with a clearly stated price baseline. To include the scenario of high fossil fuel and allowance prices occurring simultaneously and to verify the speed and adequacy of the price safety net's response.

AREA 2

Impacts on Individual States and Household Groups

The 2021 assessment presents results only for the EU and for groups of countries, while the ECB provides data only for the eurozone. However, the average impact for the EU or the eurozone cannot capture the differences among member states, disadvantaged regions, and groups. The burden depends on income, heating methods, dependence on transportation, place of residence, economic activity, and social status. National analyses show that the impact is regressive: according to a PAQ Research microsimulation for the Czech Republic, the poorest 10% of households will pay 1.58% of their income, while the wealthiest 10% will pay 0.50%. The price of an allowance can thus represent a significantly different burden.

What we demand from the Commission: to quantify the direct and indirect impacts for each Member State and for groups of households based on income, place of residence, heating method, and transportation needs as well as cumulative impact of the ETS2 and high electricity prices. Take into account households without an available alternative.

AREA 3

Inflation in Each Member State

In its September 2026 baseline scenario, the ECB projects eurozone inflation for 2028 at 2.1%, compared with 1.9% without ETS2. This projection is based on a price of 46 €/t and applies only to the eurozone. National central banks outside the eurozone estimate much higher impacts, on the order of about 1 percentage point. Meanwhile, ETS2 is being introduced into an environment where inflation in the eurozone reached 3.8% in September 2026.

What we are asking of the Commission: to assess the impact on inflation in each Member State, including those outside the eurozone. To distinguish between direct increases in energy prices, pass-through to the prices of goods and services, and subsequent wage and other price effects under identical pricing scenarios.

AREA 4

Purchasing Power and Macroeconomics in 2026

Private consumption accounts for 52.7% of the EU's GDP (Eurostat, 2025) and is a major source of economic growth. Higher spending on fuel and heating may reduce households' disposable income for other consumption and, consequently, business revenue, employment, and investment, particularly in the services sector. However, gross spending on allowances is not equivalent to a net loss to the economy: the outcome is influenced by the use of revenues, subsidies, and savings from investments. The ECB's broader scenarios highlight the economy's high sensitivity to energy prices and the importance of the chosen combination of climate measures.

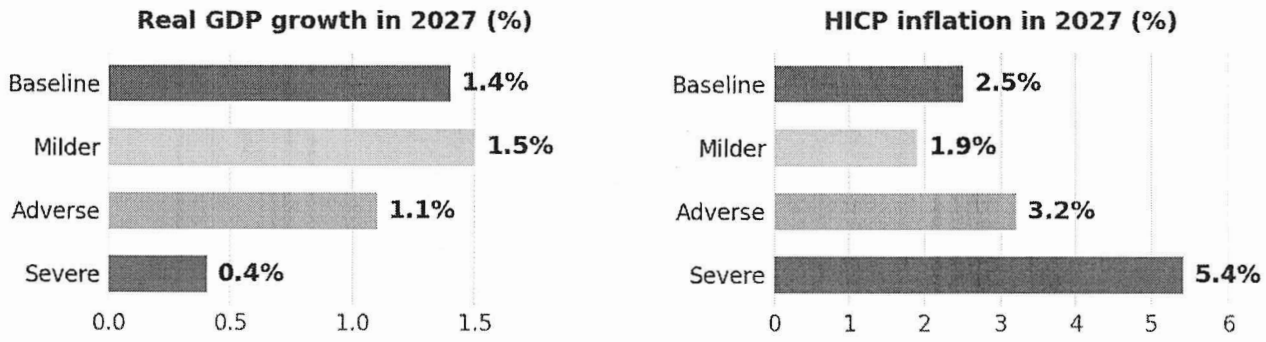


Figure 1. Eurozone real GDP growth and inflation in 2027 under the ECB's September 2026 energy scenarios (Table C), annual rates in percent. These figures reflect the risk of energy price pass-through, not the isolated impact of ETS2. Source: ECB, September 2026 Macroeconomic Projections.

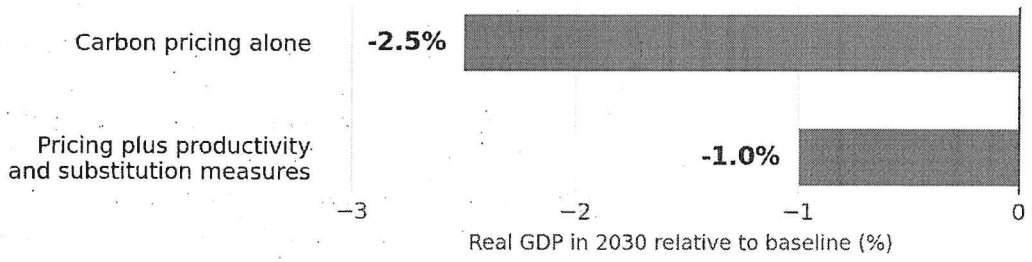


Figure 2. Real GDP in the euro area in 2030 compared with the baseline scenario, %; both scenarios achieve the same additional reduction in emissions. Source: ECB, Economic Bulletin, December 2025, Box 2.

What we are asking of the Commission: to assess all impacts of ETS2 on purchasing power, consumption, GDP, employment, and investment under current economic conditions. To distinguish between the gross burden and the net impact after accounting for revenues and support, and to take into account the time lag between the costs and benefits of investments.

AREA 5

Businesses, Transportation, and Supply Chains

The ETS2 will increase costs in road freight transport and for heating business premises. These costs will be passed on to the prices of goods and services throughout supply chains. Small and medium-sized enterprises, with their limited ability to pass on costs or finance savings, require special attention. At the same time, these enterprises are not covered by the EU ETS1 and have no compensation mechanisms available to them. For example, the Social Climate Fund is intended, among other things, solely for vulnerable micro-enterprises, not for all businesses across the board. The impacts on these firms have not yet been assessed separately. European climate policy should reduce global emissions, not merely relocate European production, investment and emissions to third countries. A system that makes European production more expensive while increasing reliance on imports produced under less stringent climate standards would undermine both European competitiveness and the environmental objective itself. What we are asking of the Commission: to provide a comparative assessment of the cumulative energy, transport and carbon-related costs faced by businesses in the EU and their principal competitors in major third-country markets, including the United States and China.

What we are asking of the Commission: to assess the impacts on businesses competitiveness by sector and by country, including, in particular, small and medium-sized enterprises, transportation, and services; to evaluate cost pass-through in supply chains, the impact on competitiveness, and the impact on groups of businesses without sufficient support.

AREA 6

The Different Starting Position of the Countries

The experiences of countries with their own carbon prices cannot be directly applied to ETS2. Germany started in 2021 with a fixed price of €25/t and set a range of €55–65/t for 2026; according to the Federal Environment Agency, emissions in 2024 remained virtually unchanged. Sweden introduced a carbon tax in 1991 and, according to the IEA, has gradually increased it while offering tax reliefs on other taxes. However, year-over-year changes in emissions do not in and of themselves prove the effectiveness of the carbon price. The ECB notes that the impact of ETS2 also depends on revenue levels, infrastructure, available alternatives, and whether it replaces or supplements existing national pricing mechanisms.

What we are asking of the Commission: to take into account differences in baseline taxation, income, and infrastructure, and to prevent double counting of the existing carbon price. We also ask that it compare alternative combinations of national measures that yield comparable emission outcomes.

AREA 7

Adequacy of the Social Climate Fund

The Social Climate Fund has a fixed budgetary framework for 2026–2032 and predetermined national contribution rates (Regulation 2023/955, Annex II), and requires at least 25% national co-financing. The fund targets vulnerable households, microenterprises, and transportation users; it is not a universal reimbursement for increased bills. Disbursements are tied to approved social climate plans and the achievement of milestones and targets. Meanwhile, additional costs for households may arise before support and investment savings reach the necessary scale.

What we are asking of the Commission: to assess what portion of the additional burden on individual groups of households and businesses can be covered by the fund, national auction revenues, and other available instruments; to determine which groups will remain without sufficient support; and to assess whether assistance will arrive in a timely manner. Use the current legally valid financial framework and various pricing scenarios.

AREA 8

Launch in 2028, system configuration, and the period after 2029

EU Regulation 2026/667 postponed the launch of ETS2 to 2028; however, according to Regulation 2026/787, auctions will begin as early as 2027, and the first-year volume will amount to 130% of the cap. On October 9, 2026, the Council adopted measures to strengthen the market stability reserve, including an increase in the relevant release volume from 20 to 40 million allowances and an extension of the reserve's lifespan. The adequacy of these adjustments must also be assessed in light of adverse price developments and the period after 2029. The system is intended to reduce emissions by 42% by 2030 compared to 2005. Available studies do not take these changes into account.

What we are asking of the Commission: to assess the impacts of the current settings for the start in 2028 as well as for the period after 2029. Verify whether the pace of reduction is in line with the financial and technical capabilities of households and businesses, including grid infrastructure, renovations, cleaner heating, and transportation. Take into account investment and implementation timelines and compare a scenario involving a postponement or alternative system configuration.

Conclusions:

The assessment should be submitted in a timely manner—preferably before the first ETS2 allowance auction in January 2027 and, in any case, well in advance of the adoption of any legislative changes prior to the start of emissions pricing in 2028. The inputs, methodology, and results should be made public.

The mandate should not take effect in 2028 unless the assessment demonstrates financially and technically feasible options for reducing emissions, effective protection against excessive prices, and an acceptable impact on households and businesses. It must also verify the system's resilience to future crises. If these conditions are not met, the introduction of the fee should be postponed and the ETS2 framework should be reopened for review.