→ Position

UITP Position Paper on the ETS Review and the ETS2

Powering the green transition: public transport's stake in the EU Emissions Trading Systems

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Executive summary

UITP welcomes the European Commission's proposal to revise the EU Emissions Trading System (ETS) and calls for a more strategic and predictable allocation of its revenues to support investment in public transport, alongside greater recognition of the sector's already substantial role in decarbonisation.

At the same time, while ETS2 does not form part of the proposed revision, UITP supports safeguarding it to encourage modal shift and calls for its pragmatic and just implementation, with significant part of the revenues it generates earmarked to support climate-friendly public transport, notably through the Social Climate Fund.

Review of the Emissions Trading System: a call to support green investments and modal shift

UITP welcomes the European Commission's proposal to revise the EU Emissions Trading System (ETS), in particular its stronger focus on directing ETS revenues towards the clean transition. As negotiations progress, UITP calls for a more strategic and predictable allocation of these revenues to support investment in public transport, while ensuring that carbon avoidance through modal shift is fully recognised as a key pillar of the EU's climate policy framework.

A necessary better allocation of revenues to finance decarbonisation

UITP welcomes the proposal of the European Commission to make more effective use of the revenues generated from the auctioning of allowances.

The Commission's proposal to require Member States to allocate 50% of national ETS revenues to investments decarbonising ETS sectors marks a positive step forward. By tying carbon pricing more directly to decarbonisation funding, this measure should help channel resources towards solutions with the potential to deliver rapid and lasting emissions reductions.

Current spending patterns reveal critical shortcomings in how ETS revenues are being used. On average, Member States allocate only 5% of the ETS revenue due to them towards the decarbonisation of industry[1]. Compounding this issue, some investments risk undermining climate neutrality altogether.

UITP agrees with the Commission that ETS revenues should be reinvested in innovation, clean tech and industrial decarbonisation at a much larger scale, at both EU and national level. Such investment is essential to reward frontrunners in the transition and to incentivise Europe's industrial backbone. However, a focus limited to ETS-covered sectors risks overlooking other segments, such as rail and public transport,

[1] Report from the Commission to the European Parliament and the Council on the functioning of the European carbon in 2024, COM(2025) 735 final, 03/12/2025

despite the fact that they bear indirect ETS costs and enable emissions reductions across the wider transport system.

In this regard, **UITP welcomes the Commission's identification of "*measures to support modal shift towards decarbonised forms of transport*" as one of the priorities for investment of ETS revenues**. Building on this, the revised ETS should encourage a more consistent allocation of these resources to the public transport sector. As already the best decarbonisation tool available in transport, public transport stands to accelerate modal shift while simultaneously strengthening energy security and competitiveness.

Finally, UITP welcomes the proposal to allow Member States to use ETS revenues to finance climate change adaptation measures. This is particularly important for the public transport sector, which is increasingly exposed to the impacts of extreme weather events, notably the now recurrent heatwaves during summertime, as well as heavy rains and storms, which highly disturb transport flows, . Strengthening the resilience of transport networks requires significant investment to ensure service continuity, adapt rolling stock and infrastructure to changing climate conditions, and enhance the overall robustness of public transport systems. ETS revenues should therefore play a key role in supporting these adaptation efforts.

Encourage modal shift to public transport

In line with the precedent point, **UITP calls on policymakers to ensure that that proven decarbonisation pathways like rail and public transport receive a more consistent share of ETS funding**.

UITP acknowledges the need to decarbonise energy-intensive industries and some parts of the transport sector being energy intensive and still heavily relying on fossil fuels, such as air and maritime transport. Meanwhile, public transport already makes a significant contribution to Europe's decarbonisation efforts, by shifting millions of people away from private cars and by therefore allowing to drastically cut CO2 emissions while reducing reliance on imported fossil fuels.

While UITP acknowledges the proposed integration of permanent carbon removals into the revised ETS framework, it calls for this discussion to extend further. A key distinction must be drawn between the two concepts:

- Carbon removals address carbon already present in the atmosphere. *This support is conditional: the use of removals must be subject to strict safeguards and must not come at the expense of, or delay, direct emissions reductions.*
- Carbon avoidance prevents emissions from being generated in the first place — for instance, when public transport shifts millions of users away from more carbon-intensive transport modes.

Carbon removals cannot be considered a primary option replacing decarbonization efforts, but only as a second-best measure for limited specific cases where carbon avoidance is impossible. On the other hand, despite its significance, carbon avoidance remains insufficiently recognised within the current climate policy architecture. **UITP calls on policymakers to address this gap by ensuring that carbon avoidance is better acknowledged within the EU climate framework.**

In line with the Avoid-Shift-Improve principle[2], directing more ETS revenues towards public transport investment and modal shift will maximise the climate impact of these resources, while accelerating the transition to a cleaner, more resilient European transport system.

[2] *The Avoid–Shift–Improve (ASI) framework is a sustainable transport strategy developed in the early 1990s in Germany and first officially mentioned 1994 in the report of the German parliament´s Enquete Commission. It prioritizes reducing travel demand through transport-oriented and compact development of cities (Avoid), moving to green travel modes such as active mobility and public transport (Shift), and upgrading vehicle efficiency and optimising operational efficiency of public transport (Improve) to cut carbon emissions and build better cities.*

ETS2: Safeguarding a system intended for a modal shift away from fossil fuels towards sustainable mobility

The extension of the carbon market to road transport and buildings has already been postponed by one year, now entering into force in 2028, while co-legislators have recently agreed on a modification of the Market Stability Reserve. Although ETS2 does not form part of the proposed revision**, safeguarding this mechanism and ensuring its stability is essential**. It complements other European Green Deal policies within the sectors concerned, helping Member States meet their emission reduction targets under the Effort Sharing Regulation (Regulation (EU) 2018/842). Prolonging the period before its implementation, or weakening its provisions to address the social and economic impacts on vulnerable groups, carries the risk of compromising the achievement of the climate objective and could potentially engender planning uncertainty and hazardous incentives.

A necessary modal shift away from fossil fuels and individual motorised polluting vehicles to public transport solutions

Personal motorised vehicles have long congested and environmentally harmed European cities, causing air and noise pollution, road deaths, rising energy and infrastructure costs, greater isolation for non-motorised populations, and greenhouse gas emissions that deepen the climate crisis. Car-oriented land use reinforces dependencies and creates a vicious cycle that closely links urban cores with peri-urban areas, particularly in low-density areas, whether on combustion-engine or electric vehicles. If the latter can help tackle certain issues such as GHG emissions or fine particulate matter in city centres, they remain individual solutions which are not efficient when it comes to energy efficiency or land use for example.

On the contrary, **local passenger transport is the most societal-friendly, environmentally mindful and energy- and space-efficient mean of sustainable and smart urban, local, regional and rural mobility across Europe**. Its passenger capacity, together with affordability, accessibility and cost-effectiveness, has made public transport one of the modes of choice for the most vulnerable mobility users.

Large parts of ETS2 revenues should be allocated to public transport solutions

UITP calls for a substantial share of ETS2-related revenues, including through the Social Climate Fund and national ETS2 revenues, to be directed towards affordable, accessible and zero-emission public transport solutions that enable vulnerable users to reduce their dependence on fossil-fuelled mobility. A fair and successful transition will only materialise if fare affordability is preserved and services remain adequately funded. Without meeting the preconditions needed to expand service levels or switch to low- and zero-emission vehicles, ETS2 will amount to little more than an additional charge, failing to reduce CO_2 emissions or deliver affordable, low-carbon mobility, particularly for vulnerable users.

The Social Climate Fund was established alongside ETS2 specifically to address its expected social and distributional impacts, using revenues linked to emissions trading to support vulnerable households, micro-enterprises and transport users. In line with the SCF Regulation itself, but also based on multiple Commission's communications and guidance, UITP call on Member States, when implementing their Social Climate Plans, to prioritise funding for:

- expanding service frequency and coverage in areas affected by transport poverty
- maintaining or improving fare affordability for vulnerable users
- improving connections between peri-urban/rural areas and
- employment and essential services
- deploying clean public transport fleets where this directly benefits vulnerable transport users
- improving accessibility and infrastructure necessary to provide those services

Investing in public transport services, greening fleets and resilient infrastructure is the most powerful way for the Fund to deliver on its transport objectives. Affordable, accessible and abundant local passenger transport is the most impactful and energy-efficient intervention available, ensuring no vulnerable group is left behind in the green transition. Transport poverty is not solved merely by helping vulnerable households absorb a carbon-price increase: it is structurally reduced by giving them affordable, frequent and accessible alternatives to car dependency.

Public transport is also critical to the success of ETS: Supporting modal shift through ETS revenues ensures that additional costs are reinvested in low-carbon solutions while reducing road transport emissions and lowering overall costs for vulnerable households and all users.

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This publication was prepared by the EU Committee.

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