Guide to National Implementation of EU Emissions Trading System 2

10 April 2025 | Sustainability & Tax Hub

wts global

The **EU Emissions Trading System 2 (EU ETS 2)** is part of the EU's **"Fit for 55"** climate package, designed to help achieve the EU's goal of **reducing emissions by 55% by 2030** and achieving climate neutrality by 2050. EU ETS 2 is a separate system from the existing EU ETS, targeting sectors that were not previously covered, such as buildings, road transport, energy generation for heating, and certain small industries. This expansion marks a major milestone in EU climate policy and will affect businesses involved in the production, distribution, and sale of fuels for these sectors.

1. Key Features of EU ETS 2

1.1 Scope of Application

EU ETS 2 applies to the **release for consumption of fuels** in the following sectors:

- **Buildings** (both residential and commercial/institutional).
- **Road transport** (cars, trucks/lorries, etc.).
- **Energy generation** for heating (district heating, residential heating).
- **Certain small industrial sectors** not covered by the EU ETS.

The system targets fuel suppliers rather than end-users, meaning compliance obligations fall on **regulated entities** (fuel suppliers) who will need to monitor and report their emissions. The goal is to reduce emissions from these sectors, which have historically been more challenging to decarbonise and are responsible for a significant share of EU emissions.

1.2 Auctioning of Allowances

Like the existing EU ETS, EU ETS 2 operates through an **auctioning system** for emissions allowances. All allowances in ETS 2 will be auctioned, with no **free allocation** of allowances, meaning that regulated entities will need to buy their allowances to cover their emissions.

This auctioning system will be open to all entities that need to comply with ETS 2 obligations, with the auction proceeds contributing to the Social Climate Fund (SCF), which will be used to support vulnerable households and micro-enterprises affected by rising energy prices due to the new carbon price.

1.3 Price Stability and Market Mechanism

A **Market Stability Reserve (MSR)** will be implemented to address any price fluctuations that might occur. The MSR helps manage the balance between the supply and demand for allowances to prevent market volatility.

During the first three years (2027–2029), if the price of allowances exceeds **€45 per tonne** (in 2020 prices, adjusted for inflation), additional allowances will be released from the MSR to stabilise prices. If the price increase is sharp or persistent, further measures may be implemented to prevent excessive carbon price spikes.

1.4 Social Climate Fund

A **Social Climate Fund (SCF)** will be established to support vulnerable households and micro-enterprises most affected by rising energy and transport fuel costs under ETS 2. The fund aims to mitigate the social impact of carbon pricing by financing energy efficiency improvements, heating subsidies, and other measures to ease the financial burden on these groups. It will be funded through the auctioning of 50 million allowances from ETS 1 and at least 150 million allowances from ETS 2, with an estimated total funding of **€86.7 billion**, including mandatory **25% co-financing** from the Member States.

1.5 Reporting and Compliance

Regulated entities must begin **monitoring and reporting emissions** from **1 January 2025**. These reports will cover the emissions from fuel suppliers to the covered sectors and must be submitted annually. From 2026, these reports must be verified by an accredited third party, ensuring transparency and accuracy.

Once EU ETS 2 becomes fully operational in 2027, regulated entities will be required to surrender the equivalent number of allowances to match their verified emissions. The annual surrender deadline will be 31 May of the following year.

Table of Contents

1 National Implementation of EU ETS 2

The implementation of ETS 2 across EU Member States is influenced by existing national carbon pricing mechanisms, leading to both alignment and discrepancies in how the system is introduced. Here are the key points:

Integration with Excise Duty Frameworks:

Many countries are integrating ETS 2 with excise duty frameworks to identify regulated entities and calculate emissions. In France, suppliers will have to pay both excise duties and ETS2 charges on the same products. Excise duty payments help authorities identify regulated entities more easily. Deliveries of fuels to industries already subject to EU ETS1 will not be subject to ETS2 quotas, preventing double taxation for these industries.

Interaction with National Carbon Taxes:

The interaction with national carbon taxes varies across Member States. Some plan to phase out overlapping national pricing schemes, while others risk double taxation on fuels, increasing compliance costs for companies.

Delays and Uncertainty:

Delays in national implementation create uncertainty. While the EU directive sets clear deadlines, some countries, like Bulgaria, have not yet finalised their regulatory frameworks, making it difficult for businesses to prepare. Bulgaria's transposition of Directive 2023/959 into national law is still in its early stages, with significant delays expected due to ongoing political instability.

Reporting Processes:

Differences in reporting processes add complexity. Most Member States adhere to the 30 April deadline for emissions reports, but some, like France, require reports by **31 March**, while Germany expects them by **30 June** 2025.

Impact on Energy Prices:

ETS 2 will significantly impact energy prices by introducing a uniform carbon cost on fuels. This will increase costs for businesses relying on fossil fuels, with variations depending on national tax structures and how quickly allowances are introduced to the market.

Until full implementation, uncertainty remains over how energy prices will adjust and how businesses will adapt to the evolving regulatory landscape.

1.1 Austria

1. National Legislation and Overlap with Existing Mechanisms

Austria implemented the obligations in accordance with the ETS 2 reporting system planned for 2023 (OJ I 196/2023). The law came into effect in 2024. Business operators subject to the National Carbon Pricing System (NCPS), including fuel and energy suppliers for heating, are automatically integrated into the system.

NCPS and the ETS 2 preparatory obligations exist in parallel but are linked regarding registration requirements. A key aspect of Austrian legislation is that business operators who are not established in Austria and conduct cross border supplies of coal are held liable for the excise taxes and not the customers (see the different rules in other jurisdictions like Germany (Article 32 (2)(1) German Energy Tax Code)). Consequently, such operators must comply with the rules like any domestic supplier.

2. Registration Obligation

Registration Process:

- Business operators registered in the digital NEIS system (National Emission Information System) for NCPS purposes by 1 May 2024 benefit from automatic data transfer into the electronic application format.

- The authority in charge had to provide the data by 1 June 2024 at the latest. Then business operators had to check the data and submit electronically an application for an emission licence by 30 August 2024.

- Business operators not registered within the deadline must apply for registration and obtain an emission licence at least four months before starting their business.

The customs authority is in charge for the entire registration and surveillance process.

3. Reporting Obligations and National Adaptation

Business operators must provide the monitoring plan annually by 30 April, starting in 2025. However, the digital format requires self-referencing information in accordance with the MRR, which is overly complex for mere suppliers of energy products. Additionally, the requirement for verification opinions from independent auditors is seen as unnecessary for these suppliers.

4. Key Takeaways for Austria

- The dual obligations for NCPS purposes and ETS II disappear at the start of 2027.

Author: Gottfried Schellmann

1.2 Belgium

1. National Legislation and Overlap with Existing Mechanisms

Directive 2023/959's transposition into Belgian law is being carried out at the regional level, as the regions have been designated as the competent authorities for ETS 2:

- ETS2 entities headquartered in the **Flemish Region** are subject to the monitoring and registration obligations outlined in the Flemish Government's legal framework, dated 20 December 2024.

- In the **Walloon Region**, the legal framework is established in the decree of 25 April 2024.

- In the **Brussels Region**, the ETS 2 Directive's provisions are included in the ordinance of 13 February 2025, which modifies Book 3 of the Brussels Code on Air, Climate, and Energy Management (CoBrACE).

2. Registration Obligation

Since 1 January 2025, ETS 2-regulated entities — typically excise duty payers responsible for the release of energy products for consumption — must monitor and report their emissions. These entities must obtain a greenhouse gas permit and have an approved monitoring plan in place. In Flanders, the greenhouse gas permit is integrated into the environmental permit.

The first surrender of allowances must occur by 31 May 2028, covering emissions from 2027. To facilitate this, ETS 2 registration accounts will be opened by the end of 2026.

The Federal Public Service for Public Health, Food Chain Safety, and the Environment will act as the registry administrator (Department of Climate).

3. Reporting Obligations and National Adaptation

In Belgium, the regional authorities oversee the monitoring of the ETS 2 system. The competent authority for each ETS 2 entity is determined by the region where its headquarters are registered, rather than the location of its final consumers or warehouses. The competent authorities for each region are:

- **Flemish Region:** Vlaams Energie- en Klimaatagentschap (VEKA), with technical support from Verificatiebureau Benchmarking Vlaanderen (VBBV).

- **Brussels Region:** Leefmilieu Brussel/Bruxelles Environnement.

- **Walloon Region:** Agence wallonne de l'Air et du Climat (AwAC).

The procedures for reporting obligations, such as submitting a monitoring plan, have yet to be fully determined by the Flemish and Brussels authorities. In the Walloon Region, the monitoring plan must be submitted via the ETS Reporting Tool. Entities supplying only pure biofuels must additionally notify AwAC via email at ets2.awac@spw.wallonie.be.

ETS 2 Implementation Timeline:

- **31 August 2024:** Deadline for the submission of monitoring plans.
- **31 December 2024:** Approval of monitoring plans and the allocation of permits.
- **1 January 2025:** Start of emissions monitoring under an approved plan. Any plan modifications due to operational changes must be updated accordingly.
- **30 April 2025:** Reporting of historical 2024 emissions (without external auditor verification).
- **30 April 2026:** Reporting of the 2025 emissions, verified by an accredited auditor.
- **1 January 2027:** Start of allowance auctioning and continued emissions monitoring.
- **31 May 2028:** First allowance surrender for 2027 emissions.

Member States have the option to provide financial support to mitigate the impact of rising electricity prices and maintain industrial competitiveness.

In **Flanders**, this mechanism has been implemented. The Flemish Agency for Innovation and Entrepreneurship (VLAIO) offers a subsidy covering 75% of indirect emission costs for electricity-intensive industries. This subsidy is available exclusively to ETS 2 entities headquartered in the Flemish Region.

ETS 2 entities headquartered in the **Brussels Region** must submit annual reports to Leefmilieu Brussel/Bruxelles Environnement by 30 April each year from 2018 to 2030, detailing ETS 2-related costs passed on to end consumers.

4. Key Takeaways for Belgium

- Competent Authorities: The regions are responsible for EU ETS 2 implementation. The competent authority for an ETS 2 entity is determined by the region where the entity is headquartered.
- Implementation Timeline: From 2025, regulated entities must monitor and report their emissions. By the end of 2024, they have had to obtain a greenhouse gas permit and an approved monitoring plan. Full implementation of ETS 2 will begin in 2027.
- ETS2 Account Registration: The Registry Administrator will contact regulated entities in the first half of 2026 to outline the detailed procedure for opening ETS 2 accounts.

Author: Sylvia Martos Marquez and Loulou Geboers

1.3 Bulgaria

1. National Legislation and Overlap with Existing Mechanisms

Bulgaria has not yet implemented any domestic carbon pricing mechanisms.

Directive 2023/959's transposition into national law is still in its early stages. In 2024, a draft Act amending the Climate Change Limitation Act was prepared to incorporate the requirements of the amended European Emissions Trading Directive (2003/87/EC).

- The draft law was published for public consultation on 26 March 2024, which initiated discussions with stakeholders.

- The public consultation process concluded on 25 April 2024, but the draft law has not yet been submitted to the Bulgarian Parliament for adoption.

- Due to the ongoing political instability and the absence of an effective government until early 2025, significant delays in the legislative process are expected.

- On 24 July 2024, the European Commission initiated infringement proceedings against Bulgaria for failing to transpose Directive (EU) 2023/959 into national law.

2. Registration Obligation

<u>Registration Process</u>: According to the draft law, companies distributing fuels — including mineral oils, natural gas, and coal — will be required to obtain a greenhouse gas emissions permit. This will introduce a new registration obligation under ETS 2.

The Bulgarian Executive Environment Agency (ExEA) will be responsible for administering the registration process.

<u>Registration Deadline</u>: The draft law originally set **1 January 2025**, as the registration deadline. However, since the draft has not yet been submitted to Parliament, a new deadline will need to be determined once the legislation is adopted.

3. Reporting Obligations and National Adaptation

<u>New Reporting Requirements</u>:

- From 2025, entities holding a greenhouse gas emissions permit must conduct annual emissions monitoring based on the quantities of fuels released for consumption.
- From 2026, these entities must submit an annual emissions report for the previous year.
- By 30 April 2025, entities holding a permit since 1 January 2025 must prepare an annual report on historical emissions for 2024.
- Between 2028 and 2030, by 30 April each year, the permit holders must report the average share of ETS 2-related costs transferred to consumers in the previous year.

4. Key Takeaways for Bulgaria

- Delayed introduction of EU ETS 2: The status of the domestic implementation of ETS 2 in Bulgaria is currently uncertain, as the adoption of the domestic legislation has been significantly delayed.

- Obligation to register: Once the domestic legislation implementing ETS 2 is adopted, the distributors of fuel liable will need to apply for a greenhouse gas emissions permit.

- New challenges: Due to the lack of any similar previous national carbon pricing mechanism and given the significant delays in the ETS 2 legislation's transposition into domestic legislation, the ETS 2 system would likely pose significant challenges for those liable to swiftly adapt their activities and comply with the new regulation with a short notice.

Author: Veselina Petkova

1.4 France

1. National Legislation and Overlap with Existing Mechanisms

In France, the regulated entities impacted by the ETS 2 regulation are the suppliers who pay energy excise duties on products subject to ETS 2, namely:

- **Release-for-consumption entities** (licensed warehouse keepers) for petroleum products, liable for the Excise Duty on Energy Products (TICPE).
- **Gas suppliers**, liable for the Excise Duty on Natural Gas.
- **Coal, coke, and lignite suppliers**, liable for the Excise Duty on Coal & Coke.

This regulation on excise duties is based on the EU Directives for energy products. Excise duty payments help authorities identify regulated entities more easily and allow those entities to structure their fuel streams accordingly.

Interaction with EU ETS 1
Deliveries of fuels to industries already subject to EU ETS 1 will not be subject to ETS 2 quotas. This ensures that the carbon price for ETS 2 is incorporated into the price of the delivered products, preventing double-taxation for industries already regulated under ETS 1.

2. Registration Obligation

Registration Process: In France, the registration and monitoring of emissions are managed by the **General Directorate of Energy and Climate (DGEC)**, part of the Ministry of Ecological Transition, Energy, Climate, and Risk Prevention.

To comply with ETS 2 requirements, entities must register as regulated entities in France before submitting their emission monitoring plans and subsequent emission reports using the European Commission's **Emissions Reporting Tool (ERT)**.

3. Reporting Obligations and National Adaptation

Emissions Monitoring Plan Submission

- Deadline: By **15 November 2024**, regulated entities had to submit their emissions monitoring plan to the DGEC for validation.
- Content: This plan precisely described the entity's activities, relevant product flows, and methods for determining emissions.
- Methodology: In France, regulated entities rely on **measurements under the Energy Tax Directive**, meaning they only need to declare these quantities.

For cases where direct measurement is not possible, two additional methods exist (though they are not applied in France):

- **Uncertainty Assessment** – Evaluating the reliability of measuring instruments, calibration, and inventory methods to determine real quantities.
- **Simplification Method** – Using the maximum permissible error in service to estimate uncertainties.

Emissions Report Submission

- First reporting deadline: By **31 March 2025**, regulated entities must submit their emissions report for 2024 to the DGEC. This differs from most other EU countries and the EU directive, which require submission by 30 April 2025.
- Verification: The 2024 emissions report does not require independent verification. However, from 2026 onwards, emissions reports (starting with the 2025 reporting year) must be verified by an independent auditor.

<u>ETS 2 Trading Phase</u>

- Starting 1 January 2027, regulated entities will need to purchase allowances through auctions or exchanges. First quota surrender deadline is **31 May 2028**.

4. Key Takeaways for France

- <u>Excise and ETS 2 charges</u>: Suppliers will need to pay both excise duties and ETS 2 charges on the same products. Excise duty declarations serve as a key data source for ETS 2 compliance.

- <u>No ETS 2 for ETS 1-covered industries</u>: Deliveries of fuels to industries covered by EU ETS 1 are not subject to ETS 2 quotas to prevent double-taxation.

- <u>Reporting deadline difference</u>: Unlike most EU countries, France's emissions report deadline is 31 March 2025, not 30 April 2025.

- <u>ETS 2 trading starts in 2027</u>: France has not opted to expand ETS 2 coverage beyond the required sectors ("opt-in" option not applied).

Author: Laurence Jardin

1.5 Germany

1. National Legislation and Overlap with Existing Mechanisms

Existing Carbon Pricing Mechanism: Germany has been operating the Fuel Emissions Trading Act (BEHG) since 2021, which applies a national carbon price to the buildings and transport sectors. The EU ETS 2 will replace BEHG starting in 2027.

Interaction with BEHG:

- Companies currently subject to BEHG must prepare for the transition to EU ETS 2.
- Until 2027, BEHG and EU ETS 2 will operate in parallel.
- BEHG reporting obligations remain in effect until EU ETS 2 is fully operational.

Exemptions:

- Fuels used in installations already covered by EU ETS 1 are exempt from both BEHG and EU ETS 2.
- Companies benefitting from this exemption must submit an updated declaration of intended use.

Implementation Status of ETS 2 Legislation: The revised Greenhouse Gas Emissions Trading Act (TEHG) entered into force on 6 March 2025 (Federal Law Gazette 2025 I No. 70), providing the national legal basis for EU ETS 2 implementation in Germany.

- The TEHG-European Law Adaptation Act 2024 transposes the revised EU Emissions Trading Directive (2003/87/EC) into national law and introduces specific rules for EU ETS 2 obligations, reporting duties, and the definition of liable parties.
- With the legal framework now in place, the German Emissions Trading Authority (Deutsche Emissionshandelsstelle DEHSt) and other responsible bodies can proceed with reviewing monitoring plans and issuing emissions permits.
- Previous infringement proceedings by the European Commission related to delays in transposition are expected to be resolved following this legislative progress.

2. Registration Obligation

Registration Process: From 2025, companies distributing fuels — including mineral oils, natural gas, and coal — must register for an emissions permit under EU ETS 2. The German Emissions Trading Authority (DEHSt) will oversee the registration process.

Registration Deadline: The deadline for submitting the emissions permit application and monitoring plan for the first reporting period (2024–2026) is **30 June 2025**. This deadline was published in the Federal Gazette (BAnz AT 24.03.2025 B8).

FMS Platform: Submissions must be made via the new digital **Form Management System (FMS)** using the "3-in-1 monitoring plan" tool. This tool integrates requirements from EU ETS 2, EU ETS 1 (waste sector), and BEHG.

- Companies can **import their approved BEHG monitoring plans for 2024** into the FMS tool to streamline data entry.
- DEHSt provides video tutorials and technical guidance to support companies during the registration process.

Special Case for New Entrants: Companies not previously registered with DEHSt (e.g. those not subject to BEHG) must first obtain access to the platform. DEHSt provides dedicated forms and registration links for this purpose.

Exemptions:

- Companies already registered under EU ETS 1 do not need to register again.
- Companies that only place specific fuels on the market — such as § 23 EnergieStG fuels (e.g. substitute fuels, waste) or tax-exempt coal under § 37 EnergieStG — are required to submit only an emissions permit application, not a full monitoring plan.

3. Reporting Obligations and National Adaptation

Monitoring and Reporting:

- Companies must submit separate monitoring plans and emissions reports for both BEHG and EU ETS 2.
- For EU ETS 2, emissions reports must be submitted **annually by 30 April**, except for the **first report (for 2024),** which is due by **30 June 2025**.
- BEHG reporting continues as usual, with reports due annually by **31 July.**

Verification Requirements:

- No external verification is required for the 2024 emissions report.
- From the reporting year **2025 onwards**, emissions reports under EU ETS 2 must be verified by an **accredited third-party auditor**.

FMS Application:

- The **"3-in-1 monitoring plan"** must be used for all submissions.
- Data entry is facilitated by importing approved BEHG monitoring data.
- The previous BEHG-specific FMS tool will be decommissioned after the current reporting period.

Exceptions for Substitute Fuels:

- For fuels under § 23 EnergieStG or § 37 Abs. 2 Nr. 3 und 4 EnergieStG, **no monitoring plan is required.**

- These companies submit only an emissions permit application using dedicated templates provided by DEHSt.
- Companies not previously registered must contact DEHSt for access to the platform.

Transition Phase (2024–2026):

Companies are required to report their emissions during this period. However, they will not need to purchase emission allowances until 2027. The trading phase begins in 2027, when businesses must start purchasing and surrendering emissions allowances annually.

4. Key Takeaways for Germany

- EU ETS 2 implementation is now legally secured with the revised TEHG in force since 6 March 2025.
- By 30 June 2025, companies must submit their emissions permit applications and monitoring plans via the FMS system.
- Parallel reporting under BEHG and EU ETS 2 remains required until 2027.
- Special rules apply for certain fuels: for some energy products (substitute fuels) and tax-exempt coal, only an emissions permit (no monitoring plan) is required.
- Comprehensive guidance and support tools are available from DEHSt, including a newly published monitoring and reporting guide, the FMS platform, and tutorials.

Author: Bertil Kapff

1.6 Hungary

1. National Legislation and Overlap with Existing Mechanisms

Existing Carbon Pricing Mechanism: Hungary has been part of the EU Emissions Trading System (EU ETS 1) since 2013, under Act CCXVII of 2012, with continuous amendments and additions. The authorisation and monitoring of emissions are regulated by Government Decree No. 410/2012 (XII.28.), which outlines the authorisation and monitoring procedures.

- Since 1 January 2021, the National Climate Protection Authority has overseen the determination of free allocation eligibility for facilities.
- Remaining emission allowances are sold by the state through auctions.
- A transaction log system facilitates trading emission allowances.

Operators of facilities with a GHG (Greenhouse Gas) permit must submit annual emissions reports to the National Climate Protection Authority by 31 March of the following year. These reports must be verified by an independent accredited verifier.

Implementation Status of ETS 2 Legislation: Hungary is still in the early stages of implementing ETS 2. The 2024 amendment (Act LXXXVII of 2024) to Act CCXVII of 2012 is intended to transpose the EU Emissions Trading Directive (2003/87/EC) into national law.

- ETS 2 is being gradually introduced by modifying existing laws to reflect new data registration requirements and organisational structures in line with EU directives.
- Further legislative modifications are expected between 2026 and 2028 to align fully with ETS 2.

2. Registration Obligation

Registration Process: Companies distributing fossil fuels (such as mineral oils, natural gas, and coal) must register for an emissions permit with the National Climate Protection Authority.

- ETS 2 will gradually extend to cover carbon dioxide emissions from buildings, road transport, and smaller industries not currently covered by EU ETS 1.
- Aircraft operators must monitor and report GHG emissions from flight operations in line with their approved monitoring plans. They must submit verified annual emissions reports to the National Climate Protection Authority by **31 March of the following year**.

3. Reporting Obligations and National Adaptation

New Reporting Requirements: Since 2024, the scope of companies covered by EU ETS 1 has expanded to include additional entities. By 2030, the total quota available in the system and the free allocation will gradually decrease.

Transition from National to EU Reporting: Currently, there are no indications that Hungary's national reporting system will be replaced by the EU-wide system.

Based on existing legislation, the national reporting mechanisms are expected to remain in place even after ETS 2 is fully operational.

4. Key Takeaways for Hungary

- Impact of CBAM and ETS 2: The final details of the Carbon Border Adjustment Mechanism (CBAM), introduced in October 2023, and ETS 2, which targets the road transport and building energy sectors, could bring new dynamics to the carbon market. While the direct impact of ETS 2 on the EU ETS remains limited, in the long term, the interconnection of these systems could drive increased demand for allowances.

- Expansion of EU ETS Scope: In 2024, the scope of companies covered by the EU ETS was expanded. Further amendments to specific paragraphs of Act CCXVII of 2012 took effect in 2025, aligning national legislation with evolving EU regulations.

- Continued Reporting Obligations: Companies already complying with EU ETS 1 must continue submitting their annual emission reports as usual to the National Climate Protection Authority by 31 March of the following year.

Author: Zoltán Cseri

1.7 Luxembourg

1. National Legislation and Overlap with Existing Mechanisms

Existing Carbon Pricing Mechanism: Luxembourg has been operating the ETS 1 since 2020, which introduced a national carbon price for the buildings and aviation sectors. The new EU ETS 2 will complement and enhance this system in 2027.

Interaction with ETS 1: Businesses in Luxembourg currently subject to ETS 1 must prepare for the transition to EU ETS 2. Companies will have to operate both systems in parallel (ETS 1 and EU ETS 2) from now until 2027. This means companies will continue to report under ETS 1 until the EU ETS 2 becomes operational and then switch to the new system.

Exemptions: The main exceptions are agriculture and forestry, aviation, shipping, railways and military operations and installations already covered by EU ETS 1.

Implementation Status of ETS 2 legislation: Luxembourg is currently in the early stages of legislative adaptation. **Bill n°8365** aims to implement the requirements of the amended European Emissions Trading Directive (2003/87/EC) into national law.

The draft law was presented on **26 March 2024** by the Minister for the Environment, Climate and Biodiversity, initiating a consultation process with the Luxembourg Chamber of Deputies. While this draft law marks progress, it has not yet been voted on.

2. Registration Obligation

Registration Process: From 2025, companies that emit greenhouse gases (such as mineral oils, natural gas, and coal) are required to register for an emissions permit with the Environmental administration - ETS Group. This is the new registration obligation under EU ETS 2.

Registration Deadline: The exact registration deadline will be announced by the Commission and published by the Minister for the Environment.

3. Reporting Obligations and National Adaptation

New Reporting Requirements: Companies will be required to prepare and submit separate monitoring plans and emissions reports for both ETS 1 and EU ETS 2.

ETS 1 Reporting: The ETS 1 emissions report remains due by 7 March each year.

EU ETS 2 Reporting: The first EU ETS 2 emissions report will be due by **30 April 2025** for the 2024 reporting year.

Reporting Phase (2024–2026): During the reporting phase (2024–2026), companies will not be required to purchase emission allowances but will need to submit reports documenting their emissions. The trading phase begins in 2027, when companies must buy allowances on the open market.

4. Key Takeaways for Luxembourg

- Introduction of EU ETS 2: Replacement of the Greenhouse Gas Emissions Trading Act ETS 1 by the ETS 2 from 2027.

- Obligation to register: From 2025, distributors will require an emissions licence (with the deadline to be announced by the Commission).

- Parallel operation: Companies must operate ETS 1 and EU ETS 2 in parallel until 2027.

Author: Ngoc-My Nguyen

1.8 The Netherlands

1. National Legislation and Overlap with Existing Mechanisms

Existing Carbon Pricing Mechanisms: The Netherlands currently operates multiple carbon pricing mechanisms, including the Dutch Carbon Tax for Industry, the Energy Tax, and a National CO_2 Pricing system for transport.

The Dutch Carbon Tax for Industry: This national carbon tax applies to large industrial emitters and functions separately from the EU ETS. It ensures that companies pay a minimum price for their carbon emissions, complementing the EU ETS system.

Energy Tax and Surcharge for Sustainable Energy (ODE): The energy tax applies to natural gas, electricity, and heating fuels, while the ODE surcharge is specifically designed to finance renewable energy and climate policies.

National CO_2 Pricing in the Transport Sector: The Netherlands applies excise duties on fuels, which indirectly act as a carbon pricing mechanism.

Implementation Status of ETS 2 Legislation: The Dutch Emissions Authority (Nederlandse Emissieautoriteit – NEa) is responsible for monitoring and enforcing compliance with ETS 2. The Dutch government is currently making legislative adjustments to ensure the smooth integration of ETS 2 into national law, with amendments to the Environmental Management Act expected. Companies and fuel suppliers must register with the NEa and prepare for compliance by 2026, ahead of ETS 2's launch in 2027.

2. Registration Obligation

Registration Process: The NEa is responsible for managing the registration, monitoring, and enforcement of ETS 2 obligations in the Netherlands. Fuel suppliers and other regulated entities must comply with the registration requirements to participate in the EU-wide emissions trading system from 2027.

Registration Deadline: The official start date for ETS 2 is 1 January 2027, but obligated companies must register in advance. The EU set a registration deadline of 1 January 2025 to allow companies to participate in test phases and compliance preparations.

Key Deadlines:

- 1 November 2024: The submission deadline for the permit application and monitoring plan.
- 1 January 2025: While a permit was required, the NEa stated that it would not enforce penalties for missing this requirement if the application had been submitted before 1 November 2024.
- 30 April 2025: The submission deadline for the historical emissions report covering 2024.

Expansion of ETS 2 Scope in the Netherlands: The Dutch government has chosen to extend the scope of ETS 2 to additional sectors, including:

- Rail transport

- Inland and recreational shipping
- Certain agricultural sectors

3. Reporting Obligations and National Adaptation

New Reporting Requirements:

Under ETS 2, regulated entities — primarily fuel suppliers — will be required to meet new monitoring, reporting, and verification (MRV) obligations. These obligations ensure compliance and transparency in emissions trading. Entities must report CO_2 emissions generated from fuels supplied to buildings, road transport, and other included sectors.

Compliance Timeline:

- The first compliance period starts in 2027, meaning the first verified emissions report will be due in 2028.
- Reports must be verified by an accredited third-party auditor before submission to the NEa and the EU ETS Registry.

Transition from National to EU Reporting: The Dutch government is still assessing whether national reporting systems will remain or be phased out. While the NEa will integrate its monitoring framework with EU ETS 2, the following national mechanisms will continue for now:

- The CO_2 tax for industry, as it applies to direct emissions, whereas ETS 2 targets fuel suppliers.
- The Energy Tax and ODE surcharge, though potential adjustments may be made to prevent overlapping financial burdens.

Regulatory Guidance: The NEa will provide further instructions on how the national and EU reporting frameworks will interact.

4. Key Takeaways for the Netherlands

- Mandatory Registration and Compliance from 2025: Fuel suppliers and other obligated entities had to register with the NEa by 1 January 2025 to ensure compliance with ETS 2, which will take effect in 2027. Businesses should start preparing for monitoring, reporting, and verification (MRV) requirements as early as possible.

- New Reporting Obligations: Regulated entities must report verified CO_2 emissions annually, with the first submission due in 2028. Companies will need to purchase ETS 2 allowances for emissions from fuels supplied to buildings, road transport, and other included sectors.

- Interaction with National Policies & Potential Adjustments: ETS 2 will operate alongside existing Dutch carbon pricing mechanisms such as the CO_2 tax for industry and energy taxation. The Dutch government is evaluating how national and EU-wide reporting obligations will interact, with possible adjustments to prevent overlapping costs for businesses.

Author: Roelof van Luit

1.9 Spain

1. National Legislation and Overlap with Existing Mechanisms

Existing Carbon Pricing Mechanisms: Spain has several carbon pricing mechanisms in place, including carbon taxes and emissions trading systems. The carbon tax primarily targets fossil fuels used in various economic sectors (stationary installations, aviation, and maritime transport). These mechanisms will interact with ETS 2 by complementing efforts to reduce CO_2 emissions in sectors such as road transport and buildings.

Currently, the regulations that transpose the ETS and rules for the allocation of emission allowances for 2021-2025 have been developed in the Royal Decree 18/2019, of 25 January, and the aspects relating to the free allocation of allowances for the years 2026-2030 are developed in the Royal Decree 203/2024, of 27 February.

As a curious fact, it is worth noting that on 15 September 2021 a new tax on carbon dioxide (CO_2) emissions for motor vehicles came into effect in **Catalonia** (one of the Spanish autonomous regions) and applies only to vehicles registered in this autonomous region of Spain.

Implementation Status of ETS 2 legislation: Spain is in the process of adapting its legislative framework to comply with the EU ETS 2 guidelines. The Ministry for the Ecological Transition and the Demographic Challenge (MITERD) is leading these efforts, working on Directive 2023/959's transposition into national law. With the arrival of ETS 2 in 2027, a progressive transition is expected to align national legislation with the new European regulations.

2. Registration Obligation

Registration Process: Entities subject to ETS 2 in Spain that were already operational were required to submit their application for authorisation no later than 31 August 2024. Those that began operating on or after 1 January 2025 had to submit their application at least four months before starting operations. The administration that grants the authorisation is the Ministry for the Ecological Transition and the Demographic Challenge.

Obliged entities: These are suppliers of fuels used in the building, road transport and the other sectors included in the EU ETS 2. It is an "upstream" system, where the regulated subject is not the one who directly emits the GHGs, but the one who distributes or markets the fuels for consumption by third parties.

Exceptions: Exemptions from consumption of fuels used in activities already covered by the original EU ETS, zero-emission factor fuels and certain waste used as fuel are not included in the scope.

3. Reporting Obligations and National Adaptation

Since 1 January 2025, the obligated entities must begin to monitor and report their emissions.

First emissions report:

- Prior to **30 April 2025**, regulated entities must submit a report of historical emissions for 2024. The report does not need to be verified; however, it must collect the data as accurately as possible. Failure to comply with this obligation could result in significant financial penalties.

Verification of reports:

- From 2026, reports that will be submitted by 30 April must be audited by an accredited third party. This process will ensure the transparency and reliability of the data reported.

Transition of national systems to EU ETS 2:

- An assessment is underway as to whether existing national emissions reporting systems will be absorbed by ETS 2 or whether they will operate in parallel.

- Certain specific national regulations may remain in force in sectors not covered by ETS 2.

ETS 2's introduction will have effects on both the business sector and the domestic economy.

For companies:

- An increase in operating costs for regulated sectors.

- The need for mitigation strategies, such as investments in energy efficiency or the transition to cleaner fuels.

- The possibility of tax incentives or aid for adaptation.

For consumers:

- An impact on fuel and energy prices.

- Compensatory measures through the Social Climate Fund, which will allocate part of the ETS 2 proceeds to supporting the most vulnerable households.

4. Key Takeaways for Spain

- Legislative adaptation underway: Spain is actively working on transposing Directive 2023/959 into the national legal framework to implement the EU ETS 2.

- Registration obligation from 2024: Affected entities must prepare to comply with the deadlines established for the application for emission authorisations.

- Mandatory monitoring and reporting: The accuracy and verification of reporting will be crucial for complying with EU ETS 2's obligations.

Author: Paulina Wróbel

1.10 Sweden

1. National Legislation and Overlap with Existing Mechanisms

In Sweden, EU ETS 2 is estimated to be fully implemented by 2028. Trading with emission allowances will begin in 2027, and since 1 January 2025, permits have been required for carbon dioxide emissions from fuels covered by EU ETS 2, and the emissions from operators will need to be monitored and reported.

Existing Carbon Pricing Mechanisms and Implementation Status of ETS 2 legislation: Sweden has historically operated various laws concerning emissions trading, which are now expanded with the EU ETS 2 system. EU ETS 1 regulated the trading of carbon allowances for CO_2 emissions from manufacturing industries, power and heat production, as well as air operators and shipping companies.

Implementation of EU ETS 2: EU ETS 2 expands the scope to include CO_2 emissions from fuel combustion in road transport, residential, and commercial buildings, covering parts of the energy, construction and manufacturing sectors not already addressed by EU ETS 1. Companies regulated under EU ETS 2 are now subject to national regulations governing greenhouse gas emissions, energy taxes, and the new EU emissions trading system for fossil fuels.

2. Registration Obligation

Registration Process: From 2025, companies that distribute fuels will be required to register for an emissions permit with the Swedish Environmental Protection Agency. In Sweden, this is a new requirement under EU ETS 2. In the EU legislation, the requirement was that operators must have obtained the permit by 1 January 2025. However, in Sweden, it was sufficient to submit the application by 31 December 2024.

3. Reporting Obligations and National Adaptation

Reporting Requirements: Regulated entities engaged in permit-required activities under EU ETS 2, such as those involved in sectors like road transport or the construction industry, must secure the necessary permissions to continue their operations.

The first EU ETS 2 emissions report will be due by 30 April 2025 for the 2024 reporting year. From reporting year 2025 onwards, all reports must be verified by an external auditor.

4. Key Takeaways for Sweden

- **Permit requirement:** Companies subject to EU ETS 2 must have applied for a permit by 31 December 2024.

- **Reporting deadline:** Emissions report for 2024 is due by 30 April 2025, via the European Reporting Tool (ERT).

- **Full implementation:** EU ETS 2 is expected to be fully implemented by 2028, with trading starting in 2027.

Author: Martina Turujlija

wts global

EDITORIAL TEAM AND CONTACTS

WTS Global
www.wts.com

Editors
Weronika Zurawska, WTS Global

Contact Details

WTS Tax Service, Austria
Gottfried Schellmann
gottfried.schellmann@wts.at
+43 (0) 1 24 266 – 74

Tiberghien, Belgium
Sylvia Martos Marquez
sylvia.martosmarquez@tiberghien.com

Tiberghien, Belgium
Loulou Geboers
Loulou.geboers@tiberghien.com
+32 2 773 4000

Delchev & Partners, Bulgaria
Veselina Petkova
veselina.petkova@delchev-lawfirm.com
+359 2 9330981

Fidal, France
Laurence Jardin
laurence.jardin@fidal.com
+33 1 46 24 30 30

WTS, Germany
Bertil Kapff
Bertil.kapff@wts.de
+49 211 20050-669

WTS Klient, Hungary
Zoltán Cseri
zoltan.cseri@wtsklient.hu
+36 1 887-3747

Tiberghien, Luxembourg
Ngoc-My Nguyen
ngoc-my.nguyen@tiberghien.com
+352 27 47 51 24

Atlas, Netherlands
Roelof Gerritsen
rg@atlas.tax
+31 612 541 987

NH Asesores, Spain
Paulina Wróbel
paulina@nh-asesores.com
+34 934 574 308

Svalner, Sweden
Martina Turujlija
martina.turujlija@svalner.se
+46 70 837 02 41

wts.com