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## New Study Provides a Toolbox for Early Decarbonisation in ETS2 Sectors

**Key policies:** *EU Emissions Trading System for Buildings, Road Transport and Small Industry (ETS2), EU Emissions Trading System Directive, Social Climate Fund (SCF), European Green Deal, Fit for 55 package, EU Climate Law, EU 2030 Climate and Energy Targets, Energy Performance of Buildings Directive (EPBD), Energy Efficiency Directive (EED)*

The **European Commission** has published a **new study** to support Member States in preparing for the launch of the **EU Emissions Trading System for buildings, road transport and small industry (ETS2)**, which will become fully operational in **2027**.

The study provides practical guidance on how to **accelerate decarbonisation in ETS2 sectors ahead of its entry into force**, helping ensure that the transition is both effective and socially fair.

### A practical toolbox for early action

At the core of the study are **21 real-world case studies** from across EU Member States, showcasing measures that have already delivered concrete emission reductions in the sectors covered by ETS2.

These measures were selected based on:

- **Cost-effectiveness**
- **Scalability and replicability**
- **Short-term impact**
- Clear benefits for **low- and middle-income households**

In addition, the study identifies **three further measures** with strong potential for future deployment.

### From policy design to real-world impact

By highlighting concrete examples — ranging from **energy-efficient building renovations** to **clean mobility solutions** — the study demonstrates how Member States can **use public resources strategically** and deliver targeted decarbonisation outcomes even before ETS2 becomes operational.

Among the recommended measures are:

- **Reduced VAT rates on electricity** used by heat pumps
- **Lower VAT or financial incentives** for the purchase and installation of heat pumps

Such measures can make clean heating solutions more affordable and attractive for households, while reducing emissions and energy costs.

### Supporting a socially fair transition

The study places particular emphasis on **social fairness**, recognising that early action can significantly reduce the cost burden of ETS2 for vulnerable groups.

It complements an earlier Commission study focusing specifically on **support measures for vulnerable households**, which will directly benefit from the forthcoming **Social Climate Fund (SCF)**.

### **ETS2: addressing hard-to-abate sectors**

ETS2 was established as part of the **2023 revision of the EU ETS Directive** to tackle emissions in sectors where reductions have historically been more challenging.

Key features of ETS2 include:

- Coverage of **CO<sub>2</sub> emissions from fossil fuel use** in buildings, road transport and small industry
- A **cap-and-trade system**, similar to the existing EU ETS
- A target to reduce emissions in covered sectors by **42% by 2030 compared to 2005 levels**

All ETS2 allowances will be auctioned. Revenues will be used to finance **climate and social measures**, with a dedicated **Social Climate Fund** expected to mobilise **over €87 billion** to support vulnerable households and micro-enterprises. Remaining revenues must be reinvested by Member States into climate action.

### **Preparing for 2027 and beyond**

With ETS2 scheduled to start in **2027**, the study offers **timely and actionable guidance** to help Member States design complementary policies that:

- Reduce emissions early
- Lower long-term compliance costs
- Enhance public acceptance of carbon pricing
- Ensure a **fair and inclusive transition**

By acting early, Member States can maximise the climate, economic and social benefits of ETS2 and lay the groundwork for a smoother transition in the years ahead.

Source: [https://climate.ec.europa.eu/news-other-reads/news/new-study-provides-toolbox-early-decarbonisation-ets2-sectors-2025-09-09\\_en](https://climate.ec.europa.eu/news-other-reads/news/new-study-provides-toolbox-early-decarbonisation-ets2-sectors-2025-09-09_en)