Subject: Volatility of EU ETS prices – access to EU ETS market by entities not obliged to participate in the system

Allowances under the EU emissions trading system (ETS) are treated as securities in accordance with the Markets in Financial Instruments Directive (MIFID II), and as such they can be purchased not only by CO₂ emitters, but also by financial institutions, both short-term and long-term, including foreign investors. The participation of such institutions in the EU ETS market leads to significant volatility in the price of allowances, which makes it difficult for companies obliged to purchase allowances by the EU ETS Directive to do so while pursuing a predictable investment policy. Allowing purely financial operations to affect the price of ETS allowances also weakens the supply/demand balance and has the effect of diminishing public trust in the ETS market.

Therefore, in the light of the expected EU ETS market reform, does the Commission intend to limit participation in the EU ETS market to EU-based CO₂ emitting entities only, or limit the validity of allowances so that they have to be used within a predictable time period and do not become an element of financial speculation?