Summary of the Reform Institute meeting:
"Towards a fair reform of the EU ETS. What is Poland's interest in the European negotiations?"

Introduction:

On 3 September 2026, the Reform Institute organised another meeting on the EU ETS. The online event brought together several dozen representatives from public administration, public institutions, think tanks, business, academia and non-governmental organisations.

The discussion began with a presentation of the key findings from the Reform Institute's latest publication, which included estimates of the potential financial consequences of the Commission's ETS proposals and realistic recommendations to maximise the benefits of the changes for Poland.

The discussion during the event focused on the proposed changes to the EU ETS, which were presented by the European Commission in July this year, as well as on the recommendations for the Polish government regarding further adjustments within the ongoing EU-level negotiations, which are of key importance to Poland.

Summary of the discussion and recommendations:

Strengthening Poland's funding streams

The recommendations from the Reform Institute's latest publication were well-received. Participants unanimously agreed that it is in Poland's interest to strengthen those sources of revenue that flow to Poland and Polish entities. The European Commission's proposed extension of the Modernisation Fund until 2040 – of which Poland is the largest beneficiary and whose procedures are already well known to Member States – was viewed positively.

Scepticism was voiced regarding the proliferation of various funds at EU level. It was argued that the proposed '*first come, first* served' formula favours more developed economies with ready-made innovative investment projects. This puts countries that are only just building their decarbonisation potential at a disadvantage. Considering this, it should be a priority for Poland to strengthen the Modernisation Fund, or alternatively to establish national envelopes within the Industrial Decarbonisation Bank, rather than promoting a mechanism whereby it must compete with other countries for these funds.

However, the discussants highlighted scepticism regarding the European Commission's approach, as it seeks to promote a competitive format for securing EU funds. Stricter restrictions on the spending of EU ETS revenues were assessed as a key negotiating point for the European Commission, and a significant shift away from the approach set out in its proposals will be difficult to push through.

At the same time, other participants emphasised that the EU ETS should not be treated solely as a tool for reducing emissions, but also as an instrument for industrial transformation. In this context, all funds – modernisation, competitive and innovation funds – play a complementary role.

The proposal to mandatorily allocate the solidarity pool to the Modernisation Fund from 2031 onwards was met with a mixed reception. Some participants highlighted the structural asymmetry of the proposal: countries benefiting from the Modernisation Fund (including Poland) lose control over the solidarity pool, whilst countries such as Spain retain full control over the use of these funds. Other participants supported the proposal, arguing that these funds should in any case support the transition, and that this proposal would further operationalise this obligation.

The need to support Polish companies in EU tenders

Although Poland makes extensive use of the Modernisation Fund, it does not make sufficient use of other funds at European level. According to some participants, the readiness of Polish industry and specific projects to compete for funding for innovative activities at EU level is limited. Entrepreneurs should be actively supported in accessing these funds. Attention was drawn to the support for large companies with budgets running into billions – why do major companies, which have genuine decarbonisation needs, not actively seek out the available EU funding? The need for a better assessment of the barriers preventing industry from utilising these funds and for measures to overcome them was highlighted. The possible need to improve the functioning of the Innovation Fund was also mentioned.

Experts also recognised the need for greater transparency, visibility and strategic spending of EU ETS revenues in line with the European Commission's proposals. Participants agreed that more ETS funds should be channelled back to Polish industry, which is in line with the European Commission's proposal to allocate at least 50% of auction revenues to industry and the energy sector.

Conditional free allocation – one of the most contested proposals

Some participants argued that making allocations conditional could have negative effects - particularly given the uncertainty surrounding the effectiveness of the CBAM system in preventing the relocation of carbon-intensive production outside the European Union. It was argued that free allowances should continue to be treated as a mechanism to safeguard competitiveness, rather than as a tool for conditional support, particularly in the context of sectors that do not have suitable technology available.

On the other hand, some participants argued for the need for a certain degree of conditionality, depending on the technological readiness of individual sectors. The requirement for decarbonisation plans from installations eligible for free allowances was also considered valuable in the context of the administration's collection and analysis of information on these sectors – even if the conditionality mechanism itself were to be more lenient.

Implementation of the WAM scenario is key to improving the balance

Participants pointed out that the implementation of the national accelerated transition scenario (WAM) within Poland's National Energy and Climate Plan (NECP) requires adequate financial resources, which are also dependent on the outcome of EU negotiations. At the same time, it was noted that the WAM scenario would significantly reduce the costs of Poland's participation in the system. It was pointed out that the concept of a national Energy Transition Fund or another similar mechanism providing predictable and transparent support for industry and the energy sector, financed from

the EU ETS, is an interesting one, but decisions on its launch require coordination across the whole of government. It was emphasised that business needs a stable national development strategy that would enable the private sector to plan capital-intensive investments more effectively.

30% of ETS revenues as the EU's own resources – unequivocal opposition

During the meeting, participants raised objections to redirect 30% of ETS auction proceeds to the EU's own resources. Participants emphasised that this is a separate negotiating issue within the 2028+ Multiannual Financial Framework, requiring unanimity in the Council and ratification by national parliaments, which is hardly realistic. Implementing this proposal in its current form would mean that the funds would not constitute an 'additional pot' for climate objectives. It would simply be a 'transfer from one envelope to another' – whilst at the same time resulting in a loss of national spending autonomy.

Issues too rarely addressed in the Polish public debate

During the discussion, a proposal was put forward to merge the ETS and CBAM into a single regulation, which was argued to offer the possibility of slowing down the introduction of conditionality for free allocations should the CBAM prove ineffective. It was pointed out that the CBAM itself, in its current form, may not provide sufficient protection for Poland's energy-intensive sectors.

Beyond the main topics of the Modernisation Fund and the Industrial Decarbonisation Bank (including the ETS Investment Booster), participants also raised issues rarely discussed in the Polish public debate. To maximize benefits for Poland and its industry, participants stressed the need for rigorous technical analysis and active engagement in the negotiations. The following points were highlighted during the discussion:

- **Unchanged price control mechanism (Article 29a)** – the proposed directive fails to reform the mechanism for responding to high allowance prices. Participants stressed the need to lower its excessively high activation threshold to transform it into a functional safety net, as the current tool has never been triggered in practice.
- **Integrating new market instruments into the system** – the inclusion of carbon dioxide removal (CDR) and international *carbon credits* requires a debate on how Poland can benefit from these markets and how the EU should govern them. The proposal by the National Centre for Emissions Balancing and Management (KOBiZE) to establish a European Central Carbon Bank at EU level was reiterated.
- **Compensation for indirect emission costs (Article 10a(6) as amended)** – participants emphasized the need to carefully design the criteria for geographical balance. These calculations should properly reflect the national energy mix and account for qualitative differentiation of projects.