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1.1 The European Council called for a periodic revision of benchmarks in line with technological progress. How could this be best achieved in your view and, in particular, which data could be used to this end? How frequently should benchmarks be updated, keeping in mind administrative feasibility?	Given the administrative burden associated with updating sector benchmarks, as well as the lack of material benefit to increasing the frequency, Shell recommends that benchmarks be updated on a reasonable timeframe prior to each ETS phase and on the basis of recent historical data. The set benchmarks for each phase should remain for the duration of each phase. Current benchmarks are set on the basis of a two-year average operating duration. This is not representative of typical industry activities, and Shell believes that it would be preferable to base the benchmark value on a multi-year emissions average that captures the impacts of maintenance and turnaround shut downs. Turnarounds are extended maintenance periods that typically occur every 4 to 7 years. This suggests that the current Phase III, 2-year benchmarking data set is not representative of normal operations, and we suggest this is revised to 6 years. Over the past number of years the EU refining, petrochemical and oil and gas industry has made substantial strides in energy improvements in line with technological progress. As EU energy costs are much higher than in competing regions (e.g., US, Russia and the Middle East), there is a clear economic incentive, even beyond the ETS, to improve efficiency. Today the EU has some of the most efficient assets in the world. At the current top performer benchmark level of the average of the top 10%, which is equivalent to the top 5th percentile, there is little room for improvement in the refining, petrochemical and oil and gas extraction and processing sectors. In the case of the upstream sector, as production declines, there is an increase in emissions as more compression is required to extract hydrocarbons making additional gains in efficiency more challenging. The application of the current benchmark of 10% risks undermining the competitiveness of EU upstream production at a time when security of supply concerns highlight the need for continued domestic indigenous production.. Shell believes that the benchmark should be set at the top quartile level rather than the top 5th percentile and allocation of allowances needs to be adjusted annually on the basis of recent activity levels. The benchmark methodology for refining and chemical sectors is adequate. The use of the product, heat and fuel mix benchmarks is also appropriate for the oil and gas industry. However, benchmark levels used by the oil and gas extraction industries deserve a review as upstream assets are expected to exhibit higher CO2 emissions as reservoirs are depleted. In

	particular, the issues that need consideration are: • The fuel benchmark for associated gas and whether that should be revisited to better reflect the gas composition of offshore oil and gas; • The increased volume of diesel consumed in compressors and generators for offshore oil and gas extraction.

1.2 The European Council has defined guiding principles for the development of post-2020 free allocation rules which provide inter alia that "both direct and indirect costs will be taken into account, in line with the EU state aid rules" and that "the most efficient installations in these sectors should not face undue carbon costs leading to carbon leakage" while "incentives for industry to innovate will be fully preserved and administrative complexity will not be increased" and while "ensuring affordable energy prices". Do you have views how these principles should be reflected in the future free allocation rules?	Rules for calculating free allowances should apply to sectors at risk of carbon leakage using realistic, achievable benchmarks applied against the actual activity levels. Free allowances need to cover direct and indirect emissions. Emissions not covered by free allowances CO2 costs for indirect emissions, such as imported electricity, should be offset with free allowances to trade exposed sectors. Free allowances for imported heat should be allocated in accordance with the current rules and not as reflected in the calculation of the cross sectoral correction factor. Such free allowances should be estimated akin to how verified emissions are estimated: the average EU CO2 intensity for electricity from gas should be applied. The costs for indirect emissions are passed on to trade exposed installations by the power sector which passes them on at a rate of 100% of its CO2 costs. CO2 costs for electricity produced and used on site should also be fully offset with free allocations. This is particularly important for offshore oil and gas platforms where such costs are especially high. Shell believes that such an adjustment would support the integrity of the internal energy market and level the playing field disturbed by unbalanced MS state-aid. Undue costs for most efficient installations Shell supports the Council conclusion that the most efficient installations should not face undue carbon costs leading to carbon leakage nor should installations benefit from windfall profits resulting from the over-allocation of allowances. Undue costs could stem from over ambitious benchmarks. As outlined in Q1.1, the refining, petrochemical and oil and gas industries have significantly improved the energy efficiency of their installations and should be afforded realistic benchmarks to avoid carbon leakage risks and to support competitiveness. In general, the oil and gas sector has been under-allocated emission allowances during Phase III. In these industries, the top quartile performers are those which are able to operate at close to the maximum design activity level. Reducing activity levels to balance emission with allocations for these industries without markedly decreasing efficiency and competitiveness is not possible. However, the ability to reduce activity levels with limited impact on efficiency and competitiveness, leads to (windfall) profits in other sectors. Hence, Shell supports an amendment to the allowance distribution mechanism so that EITE sectors are given emission allowances using more accurate benchmarks and more appropriate activity levels, based on prior year results (i.e. ex-post). This approach removes

	the need for the cross-sectoral correction factor and contributes to reducing energy prices. Incentives for industrial innovation As outlined in Section 2, Shell supports an expanded system for the time-limited funding of innovative low carbon demonstration projects.

1.3 Should free allocation be given from 2021 to 2030 to compensate those carbon costs which sectors pass through to customers? How could free allocation be best determined in order to avoid windfall profits?	Cost pass-through Given that the EU oil and gas extraction industry is the marginal producer exposed to CO2 costs in a market with eroding demand, where 85 per cent of oil is sourced from regions not exposed to CO2 costs, it appears that, in aggregate, the EU upstream oil and gas industry, is not likely to pass through CO2 costs to customers. For the refining and petrochemical industries, CO2 cost pass-through varies and is complex as import/export balances shift due to temporal fluctuations in feedstock and other energy prices, imported fuel quality and production capacity changes. Ex-ante variations in sector-wide cost pass-through will not be easy to predict or reflect in legislation far enough in advance to give the industry the regulatory certainty needed to prioritize investments in efficiency upgrades. Hence, Shell urges caution with respect to assumptions on market pricing used for allocating free allowances for the oil and gas sector as these are very market specific. Windfall profits To limit windfall profits, free allowances should be provided to sectors using realistic, achievable benchmarks applied against prior year activity levels. In some cases, such as oil and gas extraction and processing, this may include activity based upon compositional changes of the activity. If free allowances are based upon actual activity levels, the potential for windfall profits should substantially reduce.

1.4 Are there any complementary aspects you would like to add to the replies given to the previous written consultation in the light of the European Council conclusions?	The EU Institutions are considering the transfer of 900 million back loaded allowances to the Market Stability Reserve. Shell supports the early placement of back loaded allowances in the reserve in order to remove the existing surplus and stimulate a carbon price that incentivises low carbon investment. Consideration could be given to the partial use of this reserve to support industrial innovation in sectors exposed to carbon leakage.

2.1 Do you see reasons to modify the existing modalities applied in the first two calls of the NER300? Are there any modalities governing the NER 300 programme which could be simplified in the design of the innovation fund? If you see the need for changes, please be specific what aspects you would like to see changed and why.	Shell supports the NER300 programme, and believes it, and any successor, has an important role to play in the demonstration of pre-commercial low carbon technologies in Europe. Shell believes the current legal basis underpinning the NER300 should be amended such that the new fund becomes a long-term feature that matches the EU's decarbonisation goals, which requires a range of innovative, low carbon technologies to be deployed across Europe. This could work by drawing from an "allowance pool" (which could be created from within the Market Stability Reserve (MSR), the remaining allowances at the end of each ETS phase, or another source) in tranches properly sized to maintain the necessary supply of allowances in the market. It is important that any new fund continues to adequately protect projects against ETS price risk. To do this, projects should continue to be ranked and funded by the strength of their submission. This means that if the fund is larger than expected, more projects should be funded (and vice versa). Furthermore, rating of projects based on cost-per-unit performance within technology subgroups should demonstrate the real performance of generating a given product at the lowest cost and to be as fair (or unbiased) as possible. Therefore, for CCS projects in power generation, Shell supports the cost-per-unit performance measure of € per MWh of clean electricity, rather than € per tonne of CO2 stored. In line with the current legal basis set out in Article 10a(8), 1st subparagraph of the EU-ETS Directive, both capital and operating costs should be eligible for funding. Article 3 of the Commission Decision 2010/670/EU should be amended to align the implementing measure with the intent of the parent Directive. Operating expenses (OPEX) can be a significant share of the total cost for some projects. Shell believes it is more important to ensure selected projects get built and run, rather than risk important EU projects falling through due to a lack of funding support. Funds allocated to OPEX should only be paid against actual costs of operation. The new fund should ensure a balance of funding across different groups of technologies (e.g. CCS, renewables). If there are many more projects in one group, then proportionally more projects from this group should be removed in order to ensure that a balance is maintained. Secondly, if a removal of projects leads to excess funds which are too small to fund a single project, the excess funds should act as a contingency for the selected "favourite" projects and if unused by the time the next tranche is auctioned, they should be combined

	with the funds of the next tranche to fund subsequent projects. Lastly, the new fund should be more flexible and less restrictive than the NER300, especially where certain project profiles or circumstances may merit more funding to make a project viable. The requirement for installation operators to match any funding award should be made more flexible so as not to penalise more expensive projects or more cash-constrained MS and/or operators.

2.2 Do you consider that for the extended scope of supporting low-carbon innovation in industrial sectors the modalities should be the same as for CCS and innovative renewable energy technologies or is certain tailoring needed, e.g. pre-defined amounts, specific selection criteria? If possible, please provide specific examples of tailored modalities.	Shell believes the new innovation fund should be set up as a long term mechanism that complements the EU's decarbonisation goals and which is intrinsically linked to the ETS and MSR. As such, Shell believes there should be a clear definition of the term "innovative" and that any new innovation fund does not unnecessarily rule out important technologies that could significantly contribute to EU decarbonisation efforts. The fund should be designed to support the pre-commercialisation of innovative, low carbon technologies that are capable of making a substantial, additional contribution towards the EU's decarbonisation goals and have yet to be widely demonstrated in Europe due to a lack of funding or price support. As such, the fund should retain minimum capacity/scale requirements, but these should be appropriately increased for technologies that have had several pre-commercialisation projects operating over the past five years.

2.3 Are there any complementary aspects regarding innovation funding you would like to add to the replies given to the previous written consultation in the light of the European Council conclusions?	The fund should continue to complement the EU ETS and not replace other existing or future support mechanisms at EU or MS level. The fund should continue to use allowances under the existing cap. The fund should also avoid any impact to the level of free allocation for those on the current carbon leakage list. The application and selection process should be made more transparent. Projects should be required to provide evidence of the potential contribution the technology can make towards meeting EU decarbonisation goals as well as identify the position of the technology on the learning curve together with an estimation of when the commercial deployment phase is expected. This could facilitate the comparison of technologies and the best utilisation of EU resources. It would be beneficial if the EU Commission clearly defined foreground and background knowledge, with clear protection provided for knowledge developed by a company prior to it submitting an application. The efficient disbursement of the fund requires improved coordination between the Commission and MS. For example, ensuring the timetables of the fund are shared with MS as early as possible (so these can be accounted for in MS support schemes) and allowing flexibility in terms of how these are applied could help the process of aligning EU level and MS level funding for projects.

3.1 Implementation of the modernization fund requires a governance structure: What is the right balance between the responsibilities of eligible Member States, the EIB and other institutions to ensure an effective and transparent management?	The modernisation fund is intended to support projects employing technologies that exhibit commercial viability. Therefore, it is important that such projects are in line with State Aid rules. As is done currently, responsibility for demonstrating compliance with State Aid rules should remain with the MS and final approval should be conducted by the European Commission. Projects should be required to provide evidence of the potential contribution the employed technology can make towards meeting EU decarbonisation goals so that they can be prioritized accordingly. As these projects should exhibit net positive economic, environmental and financial benefits, the EIB, under the regulatory auspices of the European Commission, should be empowered to evaluate and select projects and facilitate the auctioning of allowances needed to generate the adequate funding. The EIB's remit should be spelled out in implementing measure(s) proposed by the European Commission and agreed by the MS.
3.2 Regarding the investments, what types of projects should be financed by the modernisation fund to ensure the attainment of its goals? Should certain types of projects be ineligible for support?	
3.3 Should there be concrete criteria [e.g. cost-per-unit performance, clean energy produced, energy saved, etc.] guiding the selection of projects?	
3.4 How do you see the interaction of the modernisation fund with other sources of funding available for the same type of projects, in particular under the optional free allocation for modernisation of electricity generation (see section 4 below)? Would accumulation rules be appropriate?	

3.5 Do you have views how the assessment of the projects should be reflected in the forthcoming 2030 governance process (e.g. national climate programmes, and plans for renewable energy and energy efficiency)?	
3.6 Should the level of funding be contingent on concrete performance criteria?	
4.1 How can it be ensured that investments have an added value in terms of modernising the energy sector? Should there be common criteria for the selection of projects?	As for the modernization fund (section 3), this fund also supports projects employing technologies that exhibit commercial viability. Therefore, it is important that such projects are in line with current State Aid rules and procedures. Projects should provide evidence of the potential contribution the employed technology can make towards meeting EU decarbonisation goals so that they can be prioritized accordingly. As these projects should exhibit net positive economic, environmental and financial benefits, the EIB on behalf of the MS and under the regulatory auspices of the European Commission, should be empowered to evaluate and select projects and facilitate the auctioning of allowances needed to generate the adequate funding. In particular, free allowances to the power sector should be only used to support replacement of high CO2 intensity power generation with power capacity more likely to facilitate the EU's long term decarbonisation goals. The EIB's remit should be spelled out in implementing measure(s) proposed by the European Commission and agreed by the MS.
4.2 How do you see the interaction of the free allocation to energy sector with other sources of funding available for the same type of projects, e.g. EU co-financing that should be made available for the projects of common interest under the 2030 climate and energy framework? Would accumulation rules be appropriate?	

4.3 Do you have any views how the assessment of the projects should be reflected in the forthcoming 2030 governance process (e.g. as regards improving transparency)?	
4.4 The maximum amount of allowances handed out for free under this option is limited. Do you think eligible Member States should use the allowances for a period of time specified in advance (e.g. per year), or freely distribute them over the 2021-2030 period? (Please explain your motivation.)	
4.5 Should there be priorities guiding the Member States in the selection of areas to be supported?	
If so, which of the following areas, if any, currently supported through investments for modernisation of electricity generation up to 2020 should be prioritised for support up to 2030 and why?	
Please explain in detail:	
4.6 How can improved transparency be ensured with regard to the selection and implementation of investments related to free allocation for modernisation of energy? In particular regarding the implementation of investments, should allowances be added to auctioning volumes after a certain time period has lapsed in case the investment is not carried out within the agreed timeframe?	
5.1 Are there any EU ETS administrative requirements which you consider can be simplified? Do you see scope to reduce transaction costs, in particular for SMEs? If yes, please explain in detail.	

5.2 Member States had the possibility to exclude small emitting installations from the EU ETS until 2020. Should this possibility be continued? If so, what should be the modalities for opt-out installations to contribute to emission reductions in a cost-effective and economically efficient manner? Should these be harmonised at EU level?	
5.3 How do you rate the importance of a high level of security and user-friendliness of the Union Registry? Do you think the costs for providing these services should be covered via Registry fees?	
5.4 Do you consider discrepancies in Registry fees in different Member States justified? Should Registry fees be aligned at EU level?	
5.5 Under the current EU ETS Directive, at least 50% of the revenues generated from the auctioning of allowances should be used by Member States for climate-related purposes. For the calendar year 2013 Member States have reported to have used or to plan to use 87 % on average to support domestic investments in climate and energy. Do you consider the current provisions regarding the use of the revenues adequate for financing climate action? If not, please explain why?	

6.1 How well do the objectives of the EU ETS Directive correspond to the EU climate policy objectives? How well is the EU ETS Directive adapted to subsequent technological or scientific changes?	Alignment of EU-ETS with EU Policy objectives Shell believes that the EU-ETS is a policy tool intended to deliver an environmental outcome in the most cost effective manner, while at the same time, incentivising investment in low carbon technologies. The EU-ETS is the flagship of climate policy in the EU. A reformed and functioning EU-ETS has the potential to meet the 2030 target for power and industry sectors in a cost effective way, as well as support the competitiveness of energy intensive, trade exposed, industry. The main challenge to fully achieving the objectives of the ETS is that abatement opportunities and exposure to carbon leakage are not the same for each sector covered by the EU-ETS. Hence balancing the intent of the EU-ETS with realities of how ambitiously each sector is able to reduce emissions has been difficult to resolve. In the broader context of EU climate policy, the EU-ETS has failed to deliver incentives for investments in low carbon technologies in recent years. This is largely due to the inadequacy of the system to adjust to unforeseen economic shocks, but has been further exacerbated by overlapping policies enacted at the EU as well as at MS level. The EU-ETS therefore requires significant reform if it is to remain the flagship policy and give assurance to those MS that wish to pursue ambitious climate policies. If these reforms are not pursued, there is a risk that the EU ETS will not be able to deliver EU climate ambitions in a cost effective way and MS may accelerate their efforts to take individual and possibly less cost effective actions. Furthermore, to ensure EU has the capacity to sustain economic growth and remain a competitive region, it is essential that the EU ETS Directive continues to protect the energy intensive and trade exposed industries from CO2 cost-related competitive pressures from outside of the EU. Such support should continue beyond 2027. Finally, EU climate policy should allow for synergy with climate policies outside of the region. Hence any ETS reforms, including MSR, should permit the EU to join efforts with other jurisdictions to achieve credible, measurable and verifiable GHG reductions through the use of a reformed system of offsets and other such credits that might be available to meet compliance. Is the ETS adapted to technological/scientific changes? Shell supports well designed ETSs that are constructed on a technology neutral basis and which allow decarbonisation to progress along the cost abatement curve. In the early phases of such a system, the “low-hanging” fruit, such as energy efficiency measures, should be

	deployed first but as the system progressively decarbonises, more advanced (and generally more costly) technologies will be required. In a well-functioning market, the carbon price would adjust to accommodate those new technologies. Nevertheless, innovative low carbon technologies will need transitional financial support in the early pre-commercial phases to enable them to drive down costs and compete on the basis of an effective EU-ETS price without financial subsidies, once mature. Therefore, in principle, the EU ETS should “adapt” well to technological/scientific advancements as it should facilitate the timely uptake of least cost technologies as soon as they become available. However, the ability of the EU ETS to achieve this has been compromised by the current inability of the system to accommodate economic shocks, the oversupply of allowances on the market, and overlapping EU policies; renewable energy targets and subsidies which serve to undermine the effectiveness of the policy mechanism. The frontloading of subsidized, higher-cost projects before lower-cost technologies has not been reflected in the ETS CO2 price. All of these will need to be addressed and resolved for the EU ETS to function effectively. Lastly, as every installation differs to some extent, and the solutions available for reducing emissions varies considerably, Shell would encourage the Commission to apply a technology neutral approach to benchmarking allocation of allowances, rather than specifying particular technologies (e.g. BAT/BREF) as this would allow greater freedom and flexibility to business in the determination of meeting their compliance objectives.

6.2 What are the strengths and weaknesses of the EU ETS Directive? To what extent has the EU ETS Directive been successful in achieving its objectives to promote emission reductions in a cost-effective manner compared to alternatives, e.g. regulatory standards, taxation?	Strengths: The EU-ETS assures a quantifiable level of GHG reduction, and through the provision of an explicit CO2 price signal it offers a market based and flexible approach to decarbonisation. It reduces overall costs for society associated with meeting GHG targets, compared to alternative approaches such as technology mandates. It has the capacity to induce an economy-wide, transparent CO2 price which facilitates the application of cost-efficient, technology-neutral mitigation. Furthermore it allows for the support of energy intensive trade exposed industries and can provide funds to support investments in low carbon technology advancement. Weaknesses: The EU-ETS is failing to discourage investment in high CO2 emitting installations which could result in higher long-term costs to meet GHG reduction targets. Recognising the energy demands of the future, and that fossil fuels will be part of the energy mix for decades to come, a well-implemented carbon pricing system would help to promote a combination of low-carbon technologies including CCS, encourage greater energy efficiency, and accelerate the shift to mature renewable and cleaner fossil fuels like natural gas. However, the elements of the EU-ETS that cause the CO2 price to remain weak need to be addressed (see 6.1); Over/under-allocating free allowances (carbon leakage support) • The ETS as designed is inflexible to adapt to economic shocks. By allocating free allowances on basis of historical production levels, the ETS does not effectively account for the effects of deliberate or involuntary (e.g., slowing economic growth) downturns in industrial output. Such downturns result in reduced activity levels in comparison to historic levels used for allocating allowances. This increases the surplus of emission allowances on the market and leads to “windfall profits” for some sectors taking advantage of over-allocated allowances. Accounting inconsistencies • There is currently an inconsistency in the ETS with how GHG accounting of biomass is conducted in comparison with other EU CO2 policies such as transport. Furthermore, appropriate sustainability criteria for biomass in power should be taken up in the EU-ETS to avoid unintended negative environmental impacts and to avoid preferential treatment of biomass in power over other end uses. • ETS requires energy intensive trade exposed (EITE) sectors to absorb the full CO2 costs of indirect emissions such as electricity imported off-site. Cost associated with indirect emissions resulting from energy or heat imported off-site includes the full cost of CO2

	which should not be passed on to EITE industries. Likewise, emissions generated by EITE from production of power for own use should be free of CO2 costs. (more detailed explanation in Sect. 6.5) Alternatives: • Options which would unlock the current impasse between the power and industry sectors should be considered. This would allow for greater abatement potential in the power sector, and provide for separate paces of decarbonisation in each sector to be better aligned with their ability to deliver GHG reductions in the short to medium term. • Shell believes that the approach to technology options should be neutral. The cost of renewable energy subsidies in the power sector is likely to be disproportionately borne by lower income consumers who are already paying higher retail electricity costs when suppliers pass on costs to them for maintaining increasingly “idle” back-up power capacity precipitating from increasing shares of renewable electricity.

6.3 To what extent are the costs resulting from the implementation of the EU ETS Directive proportionate to the results/benefits that have been achieved, including secondary impacts on financing/support mechanisms for low carbon technologies, administrative cost, employment impacts etc.? If there are significant differences in costs (or benefits) between Member States, what is causing them?	The EU-ETS is a market-based tool which facilitates compliance at least cost. However, overlapping targets have exerted substantial negative costs (such as the high costs of the RED) on society while reducing the CO2 price of the EU-ETS, thus limiting the effectiveness of the EU-ETS. Since the ambition of the RED target varies geographically, the resulting economic impact is also unequally distributed, adding to competitive distortions. Lastly, unequitable distribution of free allowances among sectors due to the use of historical activity levels for calculating allowances is further exacerbating competitive distortions. Funds spent on financing low carbon technologies from auctioning revenues is desirable but needs further refinement (see sections 2).

6.4 How well does the EU ETS Directive fit with other relevant EU legislation?	Shell supports the Council conclusion to move to a single binding post-2020 GHG target.As the flagship policy, it is important that renewables and energy efficiency ambitions in Europe and at MS level provide synergy and complementarity with the EU ETS rather than undermine it.

6.5 What is the EU value-added of the EU ETS Directive? To what extent could the changes brought by the EU ETS Directive have been achieved by national measures only?	The main benefit of a market-based, EU-wide policy for reducing CO2 emissions over national policies is that it creates a sizable market for abatement opportunities and allows installations to bring and take from the market CO2 reductions valued at a transparent, EU-wide price. This avoids any distortions to the internal market stemming from the potential for 28 individual approaches by MS and prioritizes the uptake of the lowest cost options across the EU. Arguably, this approach yields lower costs than ring-fencing abatement costs within each MS. Any complementary / national measures should be closely focused and time-limited for review of impact and effectiveness.The lack of investment signals from the EU-ETS, for reasons described elsewhere in our response, has probably been a reason why some Member States, have sought to establish supplementary climate policies such as the carbon price floor in the UK. Early EU-ETS reform and its assertion as an effective policy tool will reduce the likelihood of individual MS action. The EU ETS Directive has an important role to play in harmonising the EU approach to climate change, and without it we would probably enter a period of market distortion, competitive imbalance, and a weakened sense of societal responsibility for addressing climate change. Continued pan-European push for ambitious decarbonisation is important to ensure that the region does so in a stabilised and cost effective manner.

6.6 Do you have any other comment on the revision of the EU ETS Directive that you would like to share?	The proposed Market Stability Reserve should ensure that excess of allowances on the market is rapidly addressed so that the ETS can deliver on its objective to incentivise low carbon investment. At the same time, the Market Stability Reserve needs to be designed in coherence with carbon leakage provisions and should not interfere with efforts to mitigate carbon leakage risk. Any reform of the ETS should not preclude linking of the ETS with other ETS schemes elsewhere. Additionally, the EU should explore whether the EU-ETS could more explicitly differentiate power from EITE industry and offer more security and protection to the EITE industry against carbon leakage until such a time when other jurisdictions that are interlinked with EU by trade are at comparable levels of climate ambition. In particular, the EU should ensure that out to 2030 it continues to recognize the distinct challenges power and industry sectors face in reducing GHG emissions. For instance, carbon leakage support intends to address the difficulty the industry faces by decoupling the level of ambition for the two sectors. However, as the CO2 price rises and the target increases, the EU should address the diverging potential of the two sectors to reduce emissions in light of the more pronounced carbon leakage exposure and the diminishing cost effective abatement potentials. Certain technologies, including CCS, do not generate a revenue stream but have been identified as a critical part of ensuring the EU decarbonises in a cost effective way. Therefore consideration should be given to ensuring adequate incentives are in place via the EU ETS to deploy and operate such technologies. Ultimately all technologies should compete on the basis of a robust carbon price.