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From:	General Secretariat of the Council
To:	Delegations
Subject:	Proposal for a Decision of the European Parliament and of the Council amending Decision (EU) 2015/1814 as regards ceasing the invalidation of allowances in the market stability reserve - Letter to the Chair of the European Parliament Committee for Environment, Public Health and Food Safety (ENVI)

Following the Permanent Representatives Committee meeting of 28 October 2026 which endorsed the final compromise text with a view to agreement, delegations are informed that the Presidency sent the attached letter, together with its Annex, to the Chair of the European Parliament Committee for Environment, Public Health and Food Safety (ENVI).

Council of
the European Union

SGS 26/ 3574

Brussels, 28 October 2026

Mr Pierfrancesco MARAN
Chair, European Parliament Committee for Environment, Public Health and Food Safety

European Parliament
60, rue Wiertz / Wiertzstraat 60
B-1047 Bruxelles/Brussel

Subject: ***Proposal for a Decision of the European Parliament and of the Council amending Decision (EU) 2015/1814 as regards ceasing the invalidation of allowances in the market stability reserve (2026/0085 (COD))***

Dear Mr MARAN,

Following the informal meeting between the representatives of the three institutions on 20 October 2026, the provisional compromise text for a Proposal for a Decision of the European Parliament and of the Council amending Decision (EU) 2015/1814 as regards ceasing the invalidation of allowances in the market stability reserve was agreed today by the Permanent Representatives' Committee.

I am therefore now in a position to confirm that, should the European Parliament adopt its position at first reading, in accordance with Article 294 paragraph 3 of the Treaty, in the form set out in the compromise text contained in the Annex to this letter (subject to revision by the legal linguists of both institutions), the Council would, in accordance with Article 294, paragraph 4 of the Treaty, approve the European Parliament's position and the act shall be adopted in the wording which corresponds to the European Parliament's position.

On behalf of the Council, I also wish to thank you for your close cooperation which should enable us to reach agreement on this dossier at first reading.

Yours sincerely,

Cáit MORAN

Chair of the Permanent Representatives Committee (Part 1)

copy to: Wopke HOEKSTRA, Commissioner

2026/0085 (COD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Decision (EU) 2015/1814 as regards ▌ the invalidation of allowances in the market stability reserve

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 192(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[1],

After consulting the Committee of the Regions ▌ ,

Acting in accordance with the ordinary legislative procedure,

Whereas:

[1] OJ C , , p. .

(1) The Paris Agreement adopted under the United Nations Framework Convention on Climate Change ***(UNFCCC)***, approved on behalf of the European Union by Council Decision (EU) 2016/1841[3], (the 'Paris Agreement') entered into force in November 2016. The Parties to the Paris Agreement have agreed to hold the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels. ***That commitment has been reinforced with the adoption under the UNFCCC of the outcome of the first global stocktake on 13 December 2023 in Dubai, in which the Conference of the Parties to the UNFCCC, serving as the meeting of the Parties to the Paris Agreement, resolved to accelerate efforts to limit the temperature increase to 1,5 °C and adopted the United Arab Emirates Consensus.***

(2) Decision (EU) 2015/1814 of the European Parliament and of the Council[4] established a market stability reserve in order to address the ***historical surplus that had accumulated in the system for greenhouse gas emission allowance trading within the Union (EU ETS), established by Directive 2003/87/EC of the European Parliament and of the Council[5], and to address the*** risk of supply and demand imbalances in the European carbon market and to improve its resilience to shocks.

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[3] Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 1, ELI: http://data.europa.eu/eli/dec/2016/1841/oj).

[4] Decision (EU) 2015/1814 of the European Parliament and of the Council of 6 October 2015 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC (OJ L 264, 9.10.2015, p. 1, ELI: http://data.europa.eu/eli/dec/2015/1814/oj).

[5] ***Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32, ELI: http://data.europa.eu/eli/dir/2003/87/oj).***

(3) ***The*** analysis of the orderly functioning of the European carbon market and the market stability reserve carried out ***by the Commission*** in accordance with Article 3 of Decision (EU) 2015/1814 ***and published on 17 July 2026 as part of the impact assessment on the proposal to revise Directive 2003/87/EC*** indicates that ***maintaining a greater number of allowances as a strategic reserve could allow the market stability reserve to serve as a stabilising force during potential supply shortages in the late 2030s and early 2040s and to ensure that the allowances contribute to***, ***and align with, the Union's 2040 and 2050 climate targets.*** In order to increase long-term market predictability, allowances held in the reserve above ***700*** million allowances should no longer be ***valid as from the date of entry into force of this decision***.

(3a) The July 2026 proposal for a Directive of the European Parliament and of the Council for amending Directive 2003/87/EC and Decision (EU) 2015/1814 as regards driving competitiveness and cost-effective decarbonisation includes dynamic parameters for the upper threshold, lower threshold and corresponding buffers and the release quantity for the Market Stability Reserve. That amendment should also include an annual decrease of the threshold for the invalidation of excess ETS allowances in the Market Stability Reserve to ensure a consistent overall approach.

(3b) This Decision is part of the wider ETS review to reduce the volatility of the carbon price and mitigate its impact on electricity prices, including related supply chain costs, and on diversion of activities, while preserving the essential role of the ETS in the climate and energy transition through a market-based price signal for carbon emissions that drives investment and innovation;

(4) Decision (EU) 2015/1814 should therefore be amended accordingly,

HAVE ADOPTED THIS DECISION:

Article 1

"In Article 1 of Decision (EU) 2015/1814, paragraph 5a is replaced by the following:

'5a. Until [... OJ the day before the date of entry into force of this amending decision] allowances held in the reserve above 400 million allowances shall no longer be valid.

From [... OJ the date of entry into force of this amending decision], allowances held in the reserve above 700 million allowances shall no longer be valid.'"

Article 2

This Decision shall enter into force on the third day following that of its publication in the Official Journal of the European Union.

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*