Market stability reserve for the buildings, road transport and additional sectors

2025/0380(COD) - 27/11/2025 - Legislative proposal

PURPOSE: to enhance the effectiveness of the market stability reserve for the buildings, road transport and additional sectors in relation to the balance of supply and demand.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: Decision (EU) 2015/1814 of the European Parliament and of the Council established a market stability reserve in order to mitigate the risk of supply and demand imbalances associated with the start of emissions trading for the buildings, road transport and additional sectors, as well as to make it more resistant to market shocks.

The analysis carried out of the expected functioning of the reserve, taking into account recent information, indicates that targeted amendments to some parameters would contribute to improving market predictability and to the stability of price movements in the early years of the new system.

CONTENT: the proposal provides for **targeted modifications to the parameters of the market stability reserve** for the building, road transport and other sectors, while respecting the overall design of the reserve, in order to improve its functioning until ETS 2 is fully operational.

The proposal contains three measures to **improve market liquidity** in order to strengthen market predictability, reduce volatility and further address excessive price increases:

1) **Removal of the invalidity of allowances in reserve after 2030** : the 600 million allowances held in the market stability reserve will remain valid beyond 2030, which will improve the liquidity and long-term predictability of the market.

2) **Modification of the injection rate mechanism** to provide a more gradual and responsive release of allowances from the reserve into the market. The proposal provides for a market stability reserve injection when the total number of allowances in circulation (TNAC) is between 210 million and 260 million. In such a case, the injection will be 100 million allowances minus twice the difference between the TNAC and the 210 million threshold.

3) **A supplementary mechanism** that adds a top-up mechanism of 20 million allowances to the number of allowances to be injected under the excessive price control mechanism provided for in Directive 2003/87/EC. The objective is to further improve the reactivity of this mechanism to unwarranted price fluctuations and enhance market predictability. This amendment carefully strengthens this mechanism by making it possible to release a higher number of allowances in the market to further improve market confidence, which is important for planning decarbonisation investments.