EU Consultation:
Emissions trading system (ETS2) - Financial compensation

European Association of Chemical Distributors (Fecc)
August 2026
www.fecc.org | info@fecc.org

Contact:
Diana Khrystych, Trade and Sustainability Manager (dkh@fecc.org)

Brussels, 14 August 2026

The European Association of Chemical Distributors (Fecc) welcomes the opportunity to provide feedback on the Commission's initiative on financial compensation under the EU Emissions Trading System for buildings and road transport (ETS2). Fecc remains a steadfast supporter of the EU's climate ambitions and recognises the importance of extending carbon pricing to additional sectors as a tool to drive emissions reductions and support the green transition. At the same time, the practical implementation of ETS2 must take into account the operational realities of companies involved in complex supply chains, including chemical distributors.

Chemical distributors play a critical role in EU supply chains as intermediaries, logistics operators, and service providers. While not directly regulated under ETS2, distributors will be significantly affected by increased costs related to fuel, transport, and heating, which are passed through the value chain. These indirect cost impacts are particularly challenging in a highly competitive market with limited margins and constrained ability to pass on additional costs. It is therefore essential that the design of financial compensation mechanisms reflects the specific challenges faced by downstream actors and avoids disproportionate administrative and financial burdens. This consideration is particularly important given the broad scope of ETS2 and its potential cumulative impact alongside other EU climate instruments.

Fecc therefore highlights the following considerations to support the development of a practical and proportionate financial compensation framework:

Recognition of Indirect Cost Impacts

Financial compensation mechanisms should adequately capture the indirect exposure of downstream sectors such as chemical distribution. Unlike directly regulated entities, distributors face cost increases through higher prices for transport, warehousing, and energy services.

- Ensuring eligibility for companies demonstrably affected by cost pass-through,
- Developing simplified methodologies to assess indirect cost exposure,
- Recognising sector-specific cost structures and contractual arrangements.

Administrative Simplicity

Access to financial compensation should not create additional administrative barriers, particularly for SMEs with limited internal resources.

- Establishing streamlined application procedures and clear eligibility criteria,
- Using standardised calculation methods and, where appropriate, proxies,
- Avoiding duplication with existing reporting obligations under other EU frameworks.

Targeting and Proportionality

Compensation mechanisms should strike a balance between preventing undue financial burden and avoiding overcompensation.

- Basing compensation on transparent and realistic benchmarks,
- Reflecting actual cost pass-through levels across the value chain,
- Ensuring consistency in the application of compensation rules across Member States.

Predictability and Planning Certainty

Companies require sufficient visibility on cost impacts and compensation mechanisms to plan investments and adjust business operations.

- Providing early guidance on eligibility, calculation methodologies, and timelines,
- Ensuring stability in the design of compensation mechanisms over time,
- Aligning implementation timelines with ETS2 rollout to avoid regulatory gaps.

Consistency with Other EU Instruments

ETS2 will interact with existing climate and regulatory frameworks, creating potential overlaps and cumulative impacts.

- Ensuring coherence with the EU ETS, CBAM, and other climate-related instruments,
- Avoiding double compensation or unintended gaps in coverage,
- Considering cumulative regulatory and financial impacts on downstream sectors.

SME Considerations

Given the significant number of SMEs in chemical distribution, specific measures should ensure accessibility and fairness.

- Introducing simplified access mechanisms for SMEs,
- Providing targeted guidance and support tools,
- Avoiding complex verification requirements that may disproportionately burden smaller companies.

Member State Implementation

While an EU-level framework is essential, national implementation will play a key role in the effectiveness of compensation schemes.

- Ensuring a harmonised approach to avoid distortions within the internal market,
- Allowing limited flexibility to reflect national specificities where justified,
- Promoting transparency and exchange of best practices among Member States.

Fecc appreciates the Commission's efforts to design a financial compensation framework that supports the fair implementation of ETS2. As the system is introduced, it is essential that compensation mechanisms remain accessible, proportionate, and aligned with the realities of downstream sectors such as chemical distribution. Ensuring administrative simplicity, predictability, and coherence with existing EU instruments will be key to maintaining competitiveness while achieving climate objectives. Fecc remains committed to constructive dialogue with the European Commission to support the development of an ETS2 framework that is both environmentally effective and practically workable.

To access the Fecc's response on EU Commission's website, please click here.

Contact
Fecc, European Association of Chemical Distributors
EU Transparency Register with ID no. 0346440357-87
Rue du Luxembourg 16b, 1000 Brussels, Belgium
T: +32 2 679 02 60