



Commission boosts Europe's competitiveness, decarbonisation and independence with Electrification Action Plan and ETS review

Brussels, 17 July 2026

The Commission today presents an **Electrification Action Plan** to make Europe the first electro-powered continent, and a **stronger carbon market** to support EU's industry in the **clean transition** and **electrification**.

Europe's reliance on imported fossil fuels has repeatedly exposed it to geopolitical shocks. These have driven up energy prices for both households and companies, and dragged down our competitiveness. While 70% of EU electricity is now generated from homegrown clean energy sources, the electrification rate of energy demand has stalled at 23% over the past decade. We therefore need to accelerate the electrification of energy-using sectors, notably industry, transport and buildings.

To support this ambition, an indicative electrification target of 46% by 2040 will be assessed by the Commission as part of the post-2030 Energy Union package. Reaching this goal could **cut the EU's fossil fuel import bill by €260 billion per year by 2040**. Electrification comes with substantial benefits for the EU economy, businesses and citizens in terms of lower energy prices and competitiveness, stronger energy security and resilience.

To help European manufacturers benefit and lead industrial decarbonisation and electrification efforts - to make the switch - we need investment at scale.

Since its launch in 2005, the [EU Emissions Trading System \(ETS\)](#) has delivered. It has generated more than €270 billion in revenues that were reinvested in innovation, industrial decarbonisation and the modernisation of Europe's energy system. All the while helping Europe cut emissions by 50% in the sectors it covers. This market-based system ensures predictability across all EU countries.

However, the geopolitical and economic context has changed, and EU industry is under increased pressure. While we continue our work on climate action, we have to modernise our main decarbonisation policy - the EU ETS - to be our innovation and investment engine for our competitiveness and independence - in line with the [European Council June 2026 conclusions](#) and the [Clean Industrial Deal](#).

Ursula **von der Leyen**, President of the European Commission said: „*The best way to reduce Europe's fossil energy dependency is to power our economy with electricity from clean, homegrown sources. Today we are proposing to make Europe the world's first electro-powered continent. From lowering electricity prices to adapting our carbon market to the changing global realities, this is also an investment and independence plan. To keep the clean transition on track, bring relief to our industry, and support decarbonisation. Let's switch it on.*”

The ETS Review: an investment engine fit for 2040 goals

The review will bring **relief to industry**, while preserving the essential role of the ETS in the climate and energy transition, in line with the EU Climate Law. It updates the **Linear Reduction Factor (LRF) of 3.7% for 2031-2035 and 1.7% for 2036-2040**, making the trajectory more gradual and aligned with domestic climate ambition level. Up to 2% high-quality international credits will allow to finance decarbonisation projects abroad and provide breathing space in 2036-2040 when the emission reduction in Europe will become more challenging.

The revised ETS will have a strong focus on **investments**. The **Industrial Decarbonisation Bank** will have €100bn funding going towards industrial decarbonisation across Europe at scale. The **ETS Investment Booster** will be available before 2030 as the first phase of the Bank. The [EU ETS Innovation Fund](#) will continue to support first commercial applications of innovative clean technologies in a wide range of sectors. And Member States will be required to spend 50% of their

national ETS revenues on investments to decarbonise ETS sectors. This adds up to **more than €100bn in investments before 2030**.

Solidarity remains at the core of the ETS. The [Modernisation Fund](#) will continue to support lower-income Member States to upgrade energy systems and industrial transformation.

Free allocation for companies will continue **beyond 2030**, and will be more closely linked to investments in decarbonisation in Europe. National ETS revenues should be reinvested in ETS sectors. The principle is clear: contributions by industry should flow back to industry. This approach encourages and rewards those that invest in the clean transition - and incentivises those who struggle to catch up.

The proposal also **integrates permanent carbon removals** into the EU ETS. This will give additional flexibility for the hardest-to-abate sectors and will at the same time support the scale-up of these technologies.

A separate proposal on benchmarks aims to increase free allocation to industry worth **€6 billion for the period 2026-2030**. For sectors that are covered by the [Carbon Border Adjustment Mechanism \(CBAM\)](#), the reduction of free allocation will be **slowed and the phase-out extended until 2038**.

The Commission also proposes a **reform of the Market Stability Reserve (MSR)** to further **strengthen market stability and predictability** for investments, maintain liquidity and reduce excessive price volatility. This complements the Commission's proposal of April to stop the automatic invalidation of allowances held in the Reserve.

The proposal strengthens EU ETS **for aviation and maritime** sectors and extends it to **waste incineration**. **Across these sectors**, the review is creating new business opportunities, addresses risks of circumvention and levels the playing field. It also provides coherence with international developments.

The Electrification Action Plan

The benefits of electrification for European consumers are clear: driving a battery-electric vehicle can save up to 78% compared to an equivalent fossil-fuelled car. Switching from gas boilers to heat pumps cuts the average EU household's heating bill by up to 60%, while providing important co-benefits for climate adaptation. However, barriers to widespread adoption remain.

Electricity often costs three times more than gas. Grid connections can take years. Too many innovative technologies never reach commercial scale. Companies have too little incentive to make the switch from fossil fuels to electricity. The Electrification Action Plan addresses all these barriers.

The Plan focuses on **reducing the price gap between electricity and fossil energy costs** and on incentivising the uptake of cleaner, electricity-based technologies such as heat pumps, electric vehicles and batteries, among others, across Europe. The Action Plan seeks to level the playing field between electricity and gas. Their price differential often discourages the shift to cleaner options such as heat pumps, electric vehicles and electric industrial processes.

To tackle this, **the proposal to future-proof electricity bills in the EU** will empower Member States to reduce network charges for certain consumer groups and taxes for energy-intensive businesses. It also spurs **faster deployment of smart meters**, which will make it easier for consumers to save on their energy bills. The proposal also seeks to make sure that electricity is not taxed more heavily than gas.

The Action Plan also proposes solutions to **lowering the upfront costs** of electrification technologies across key demand sectors, such as buildings, transport and industry. It sets out a wide variety of tools that can be mobilised, such as the use of **social leasing schemes**, ETS financial instruments, including the Social Climate Fund and the Industrial Decarbonisation Bank, and a Clean Heat Market mechanism.

To enable electrification, we need to **speed up our grid deployment**. European electricity grids are among the largest and most reliable in the world. However, long waiting lists for new connections and the existing grid is not being used as efficiently as it could be. The **Grids Package** proposed last year addresses these challenges, and its swift adoption by the co-legislators by the end of the year will be key for Europe to speed up electrification.

The Plan addresses other barriers, including the slow **uptake of innovative electrification solutions**, by promoting the development of viable investment project and manufacturing capacity in clean energy technologies. It adopts a whole-value chain approach to bring the business case of electrification, starting with investing in skills and the **job creation potential**. Electrification has the potential to create hundreds of thousands of quality jobs. And we have to make sure our workforce is ready.

For more information

[ETS Directive proposal](#)

[Proposal on monitoring, reporting and verification \(MRV\)](#)

[Proposal on the revised values for the ETS heat and fuel benchmarks](#)

[Impact assessment on the ETS Directive \(including ETS aviation and maritime\)](#)

[Questions and answers on Emission Trading Scheme](#)

[Factsheet on Emission Trading Scheme](#)

[EU Emissions Trading System](#)

[Clean Industrial Deal](#)

[Questions and answers on EU Electrification Action Plan and Network charges](#)

[Factsheet on EU Electrification Action Plan and Network charges](#)

[Communication - Electrification Action Plan \(COM/2026/595\)](#)

[Staff working document - synopsis report - electrification action plan \(SWD/2026/596\)](#)

[Staff working document - Guidance on regulatory sandboxes and living labs in the EU for vehicle-to-grid pilots \(SWD/2026/595\)](#)

[Proposal for a Regulation amending Regulation \(EU/2019/943\) -fostering electrification and digitalisation \(COM/2026/600\)](#)

[Staff working document accompanying the proposal for a Regulation fostering electrification and digitalisation \(SWD/2026/600\)](#)

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Quote(s):

"The best way to reduce Europe's fossil energy dependency is to power our economy with electricity from clean, homegrown sources. Today we are proposing to make Europe the world's first electro-powered continent. From lowering electricity prices to adapting our carbon market to the changing global realities, this is also an investment and independence plan. To keep the clean transition on track, bring relief to our industry, and support decarbonisation. Let's switch it on."
Ursula von der Leyen, President of the European Commission - 17/07/2026

"Europe's competitiveness will be built on clean energy, not on imported fossil fuels. By strengthening the carbon market and accelerating electrification, we are giving businesses the confidence to invest, innovate and lead next generation technologies. We are building the foundation for the EU's future economy while ensuring that we remain fair to people and businesses."
Teresa Ribera, Executive Vice-President for Clean, Just and Competitive Transition - 17/07/2026

"The EU ETS has proven that carbon pricing works. It has cut emissions, strengthened Europe's energy security and mobilised investment across our economy. Today's proposal on the ETS review brings together three key goals: climate action, competitiveness, and independence. It advances climate action, by also transforming the ETS into a genuine engine for innovation and investment."
Wopke Hoekstra, Commissioner for Climate, Net Zero and Clean Growth - 17/07/2026

"With this plan, we are putting Europe on a course to become the world's first electro-continent. The message we are sending today is very clear: choose electricity over fossil fuels. Choose green, home-grown, cheaper electrons over black, imported, expensive molecules. Choose independence over vulnerability. An accelerated clean energy transition coupled with electrification is the answer to Europe's challenges in terms of security, competitiveness and decarbonisation. "
Dan Jørgensen, Commissioner for Energy and Housing - 17/07/2026

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[Read-out of the weekly meeting of the von der Leyen Commission by Teresa Ribera, Executive Vice-President of the European Commission, and Wopke Hoekstra, Dan Jørgensen, European Commissioners, on the ETS review and the Energy package](#)