BBVA Research

Unlocking Spain's Green Potential: Leveraging EU ETS Revenues for "Cleantech Manufacturing"

The revenues from EU ETS emission allowances are a growing fiscal resource that should be devoted to climate action and the energy transition, with room to strengthen support for the development of industrial capacities in the manufacturing of clean technologies. In Spain, allocating 25% of the expected revenues for 2030 to clean tech manufacturing would amount to between 1.1 and 2.4 billion euros to foster private investment and Spanish economic competitiveness.

Since 2013, the EU Emissions Trading System (EU ETS) has mainly used auctions to allocate greenhouse gas (GHG) emission allowances, following the "polluter pays" principle. Auctions are governed by common EU rules[1] to ensure transparency and fairness, applying also to Iceland, Liechtenstein, Norway, and Northern Ireland's electricity sector. The EU is currently in the **Phase IV of the EU ETS**, which covers the period 2021–2030. Each year, the EU determines the total volume of emission allowances (EUAs) that may be auctioned (around 60%), and before placing them on the market, this volume is divided into several allocation blocks that combine national responsibility with mechanisms designed to correct economic disparities and support common priorities.

Of the auctioned volume, around 90% is shared among Member States according to national quota, under which each country is allocated a share of non-free allowances to be auctioned. The quota reflects the country's relative weight in emissions covered by the EU ETS in 2005 or in the 2005–2007 average, whichever is higher[2], amounting to about **8% for Spain.** Auctions are conducted via the common ICE EUA Auction platform, and the resulting revenues are incorporated into the national budget. **The remaining 10% of the auctioned volume is redistributed through the Solidarity Mechanism,** under which higher-income countries transfer part of their allowances to the countries with a GDP per capita below the EU average. This increases the auction volume of beneficiary countries such as Poland and Romania, helping finance their energy transition.

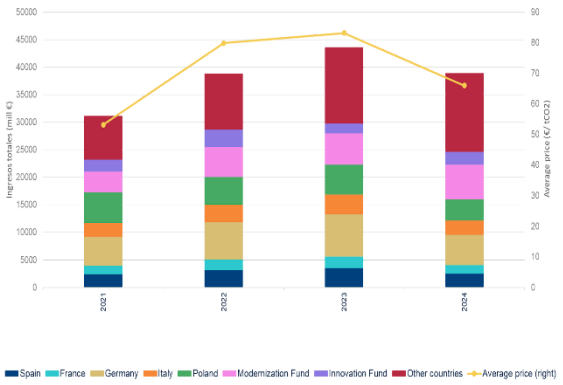
Auctioning has become a relevant fiscal resource for European countries. Between 2013 and late 2025, auctions under the EU ETS have generated more than €245 billion in revenue.

[1]: EU ETS Directive and Auctioning Regulation.
[2]: The Commission Decision of 17 December 2020 defines Member States' auction shares for 2021–2030.

In 2024, ETS auctions yielded approximately €39 billion, of which around €25 billion accrued directly to Member States. The remaining proceeds were allocated to the **Innovation Fund**, the **Modernisation Fund**, and the **Resilience and Recovery Facility**—supporting investments in clean-technology innovation, energy transition, and energy security. In 2025, EU ETS allowances have also been auctioned to finance the **Social Climate Fund** (**Figure 1** and **Figure 2**).

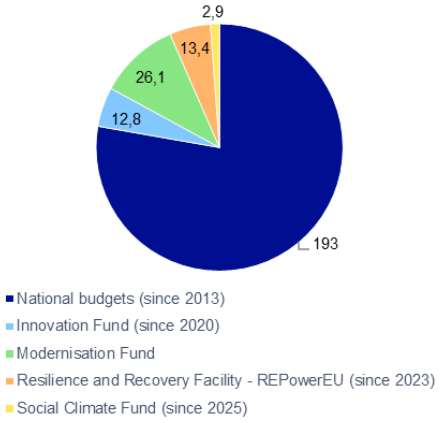
Of the EU Member States, **Germany** has generated the largest revenue from EU ETS auctions in the last years (€7.6 billion in 2023 and €5.5 billion in 2024), followed by **Poland** (€5.4 and €3.8 billion), **Spain** (€3.6 and €2.6 billion) and **Italy** (€3.5 and €2.6 billion). These four countries account for about 50%-60% of the auction revenue allocated directly to EU countries (**Figure 1**).

FIGURE 1. EU ETS EMISSION ALLOWANCE AUCTIONS 2021-2024. MILLION EUROS (LEFT) AND €/TCO2 (RIGHT)



Source: BBVA Research from European Energy Exchange (EEX)

FIGURE 2. EU. REVENUES RAISED BY EU ETS AUCTIONS
FROM 2013 TO LATE 2025. EURO BILLION



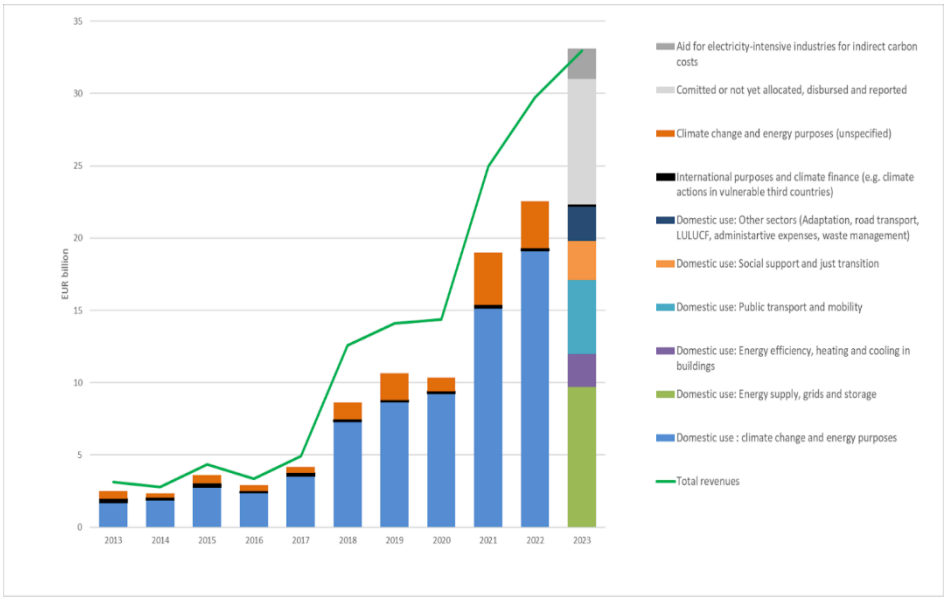
Source: BBVA Research with European Commission data. How do Member States use ETS revenues?

The use of revenues from the auctioning of emission allowances is defined in the Directive 2003/87/EC. Several amendments have been adopted to align this Directive with the objectives of the European Climate Law (Regulation (EU) 2021/1119). From June 2023, EU Member States are required to **allocate 100% of the revenues obtained—or an equivalent financial amount—to climate action and energy transition** purposes, except for funds used to compensate electricity-intensive industries for indirect carbon costs. Previously, Member States were only encouraged to devote at least 50% of such revenues to these purposes. These revenues must now be used to support specific goals contributing to the EU's decarbonisation pathway, such as **industrial decarbonisation, energy system transformation, clean technology deployment, adaptation to climate change, transport sector decarbonisation, and measures ensuring a just transition** (see **Box 1**).

Over the last decade, most European countries have directed their auction revenues toward domestic initiatives. In 2023, 67% of these funds were allocated to energy supply, grid and storage systems (such as renewables and self-consumption) and to public transport

and active mobility. By contrast, spending on international projects—mainly supporting developing countries through multilateral funds— remained modest and stable since 2018, averaging €100–200 million annually (**Figure 3**). **From 2013 to 2022, approximately 75% of the EU auction revenues were dedicated to climate and energy purposes, exceeding the 50% benchmark**.

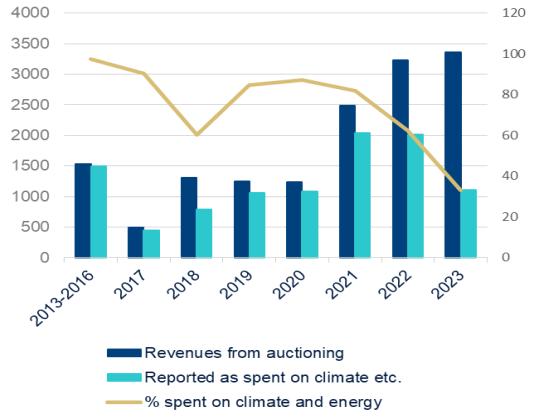
FIGURE 3. EU-27. AUCTIONING REVENUES AND REPORTED USAGE. 2013-2023. BILLION EUROS



Source: BBVA Research with EEA data.

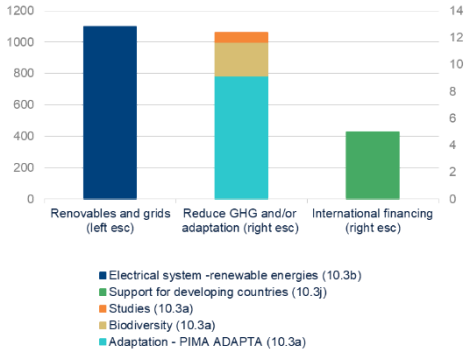
Spain ranks among the EU's top earners from emissions auctions but has room to improve the allocation of these funds toward the climate act. In 2023, Spain generated **€3.3 billion** in revenues from EU ETS emission allowance auctions (**Figure 4**). However, only **€1.117 billion (33%) was allocated to climate and energy actions** — almost entirely (€1.1 billion) to support renewable energy within the electricity system, while only €12 million went to greenhouse gas reduction and adaptation measures and €5 million to international climate finance in developing countries (see **Figure 5**; different scales are used in the chart to reflect this contrast). The remaining €2.2 billion was set aside for future expenditure and reporting purposes. So, **only one third of Spain's revenues was directed towards climate action** — far below the levels required by the European Commission and those achieved by countries such as Germany (100%) and Poland (92%).

FIGURE 4. SPAIN. REVENUES FROM EU ETS AUCTIONS AND SHARE ALLOCATED TO CLIMATE ACTION
MILLION EUROS (LEFT) AND % (RIGHT)



Source: BBVA Research from EU Climate Action Progress Reports *Estimated revenues are earmarked for energy and climate purposes ahead of each year, so actual revenues may differ from the allocated estimate

FIGURE 5. SPAIN. REVENUES FROM EU ETS AUCTION ALLOCATED TO CLIMATE ACTION BY USE
MILLION EUROS

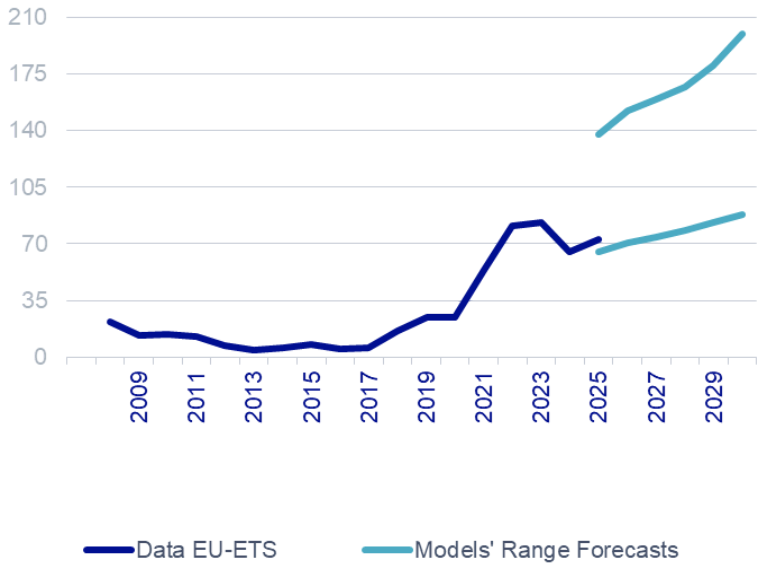


Source: BBVA Research from Spain Report 2024

Spain is not yet leveraging the potential of EU ETS revenues to catalyze private investment in "cleantech manufacturing". Spanish regulation does not currently provide for the use of part of the revenues obtained from EU ETS auctions to finance cleantech manufacturing projects, even though the European Net-Zero Industry Act (NZIA) explicitly recommends doing so. According to the available information, **of the €9 billion raised through auctions between 2021 and 2023, €5.1 billion were allocated to climate-related measures** — particularly to renewables within the electricity system — while €3.9 billion (43% of the total) remained unallocated. There was therefore fiscal room to dedicate a portion of these funds to investments in cleantech manufacturing.

By 2030, the rise in EU ETS prices could multiply Spain's auction revenues by 1.5 to 3.2 times. There is broad consensus on the expected rise in EU ETS prices, with 2030 estimates ranging from €90/tCO2 in the most conservative scenario to €200/tCO2 in the highest (**Figure 6**). The upcoming regulatory changes, including the gradual phase-out of free allowances with the introduction of the Carbon Border Adjustment Mechanism (CBAM), justify this price increase.

FIGURE 6. EU-ETS PRICE AND FORECASTS. 2009-2025* €/TCO2



Source: BBVA Research and EEX. *Average 2025 (up to November 19).

Assuming Spain auctions the same number of emission allowances in 2030 as in 2023 (8% of the EU total), the projected increase in EU ETS prices could yield **annual revenues of €4.3 -- 9.6 billion — 1.5 to 3.2 times the 2021–2023 average.** In this context, **allocating at least 25% of these funds (€1.1–2.4 billion) to cleantech manufacturing, as recommended by Cleantech for Europe and Cleantech for Iberia, would be a fiscally sound strategy with strong potential to boost Spain's industrial competitiveness and economic growth.**

In conclusion, Spain's EU ETS revenues constitute a growing fiscal resource with significant potential to support the green transition. Enhancing the strategic allocation of these funds—particularly toward clean technology manufacturing—would strengthen industrial capabilities, mobilize private investment, and reinforce Spain's competitiveness in a decarbonizing European economy.

Box 1. Use of EU ETS auction revenues. Regulation

European Regulation

- **At the European level, the use of revenues obtained from the auctioning of emission allowances under the EU ETS is regulated by Article 10(3) of** Directive 2003/87/EC.

  Since the 2023–2024 reform, **revenues generated from the auctioning of emission allowances — except those used to compensate for indirect carbon costs — must be allocated to one or more of the following climate-related actions**, although it is not required that the funds be spent entirely in the year they are generated:

  - **Reducing greenhouse gas emissions**, contributing to the Global Fund for Energy Efficiency and Renewable Energy and to the Adaptation Fund.
  - Implementing **climate change adaptation measures**, and financing research, development, and demonstration projects aimed at reducing emissions and enhancing climate resilience.
  - Developing **renewable energy sources and electricity transmission networks** to meet the EU's commitments.
  - Taking measures to **prevent deforestation.**
  - **Capturing carbon through forestry** within EU territory.
  - Safe geological CO2 storage and development of innovative **carbon capture technologies** (including direct air capture).
  - Investing in **low-carbon transport** and accelerating its transition.
  - Financing **R&D in clean and efficient technologies.**
  - Improving **energy efficiency and housing**, with support for vulnerable households.
  - Covering administrative expenses related to the **EU ETS management.**
  - Financing **climate action and adaptation in vulnerable countries.**

Spanish Regulation

- **In Spain, the use of revenues from the auctioning of GHG emission allowances is regulated by** Law 7/2021 of 20 May on Climate Change and Energy Transition, specifically in **Article 30.4**. The National Integrated Energy and Climate Plan (PNIEC) 2023–2030 refers to this law (pages 213–214).

- Article 30.4 states that the **revenues obtained from the auctioning of GHG emission allowances shall be used to achieve the objectives related to climate change and energy transition**. Each year, the General State Budget Laws shall include the corresponding appropriations in the budget of the Ministry for Ecological Transition and the Demographic Challenge, allocating **at least €450 million to the electricity system** to finance the costs established in the Electricity Sector Law, particularly those related to the promotion of renewable energy sources. Furthermore, **up to 30% of total revenues may be allocated to social measures** aimed at alleviating situations caused by the transition towards a decarbonized economy or related to vulnerability to the impacts of climate change. Each year, following a report from the Ministry for Ecological Transition and the Demographic Challenge and in accordance with current EU regulations, up to 25% of the revenues from the auctioning of GHG emission allowances may be allocated to compensating the effects of indirect costs from CO2 emissions linked to electricity consumption for installations at risk of carbon leakage.

- **The National Climate Change Adaptation Plan (PNACC) 2021–2030 explicitly mentions PIMA Adapta,** a financial instrument that uses resources from the EU ETS auction revenues and channels them into projects aimed at climate change adaptation. PIMA Adapta benefits from European funds derived from emission allowance auctions, although it may also receive national funding.

Table B.1 summarizes the EU and Spanish requirements for the use of EU ETS auction revenues. Article 30.4 of Law 7/2021 establishes the allocation of revenues from the auctioning of emission allowances, directing them towards achieving climate change and energy transition objectives, promoting renewable energies, and supporting social measures linked to a just transition. Although its purposes largely align with those set out in Article 10.3 of Directive 2003/87/EC, the Spanish regulation defines these uses independently, reflecting national priorities while maintaining coherence with the overall objectives of the European framework.

TABLE B.1. NATIONAL VS. EUROPEAN REGULATION: USE OF EU ETS AUCTION REVENUES

Directive 2003/87/EC Category (Art. 10.3)	Does it appear explicitly in Article 30.4 of Law 7/2021?	Text of Article 30.4 (Law 7/2021)
(a) Reduce GHG emissions and climate adaptation	Yes	1) "The revenues from the auctions … shall be used to achieve the objectives in the areas of climate change and energy transition." 2) "…up to 25% may be allocated to compensating the effects of indirect costs from CO_2 emissions linked to electricity consumption for installations at risk of carbon leakage." **It is excluded from the amount that Spain must spend for the purposes of Article 10(3) of the Directive.**
(b) Renewables and power grids	Yes	"…with at least 450 million euros allocated to the electricity system to finance the system's costs … related to the promotion of renewable energies."
(ha) Social measures for low- and middle-income households	Yes	"…up to 30% of total revenues may be allocated to social measures to alleviate situations caused by the transition towards a decarbonized economy or related to vulnerability to the impacts of climate change."
Rest (c, d, e, f, g, h, hb, i, j, k, l)	No (no explicit mention)	

Source: BBVA Research from PNIEC and Directive 2003/87/EC

Highlights of the Week

Global	The Paris Agreement at Ten Years | OECD. Broad consensus that the Agreement raised ambition and action, while also pointing to transformative policy pathways needed for the future.
Global	Global Renewable Energy Investment Hit USD 807 Billion in 2024. Record investment in renewables, but growth pace slows to 7.3%.
Global	Global progress on energy efficiency picks up in 2025 - News - IEA. Faster rate of improvement than 2024 and more than 250 new policy actions signal renewed momentum as governments seek to enhance energy security and economic competitiveness.
Global	Turning the tide on drought: How COP30 can make the Global Goal on Adaptation deliver for water security. Besides saving lives, every dollar invested in drought resilience can yield up to ten dollars in economic returns.

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