New EU ETS proposal needs stronger conditions for competitive industrial decarbonization

Brussels, 17 July 2026 – In response to the European Commission's proposal on revision of ETS-Directive, IFIEC Europe – the European federation of industrial energy consumers – expresses serious concern about the impact of this proposal on both climate and the competitiveness of European industry.

"A successful climate policy towards climate neutrality requires enabling conditions for transformation, including CCUS- and electricity infrastructure development, hydrogen market uptake and carbon leakage protection", says Hans Grünfeld, President of IFIEC. "Making free allocation conditional is also a serious concern. It would increasingly give free allocation the character of an investment subsidy, even though its primary purpose is to protect European industry against carbon leakage. This protection should not depend on factors that companies cannot fully control, such as grid congestion, permitting delays and missing infrastructure. The proposed conditionality therefore risks weakening carbon leakage protection and accelerating the loss of industrial production in Europe", adds Hans Grünfeld.

The revised ETS Directive should therefore include an automatic review clause linked to the availability of these enabling conditions. If sufficient infrastructure, affordable low-carbon energy and effective carbon leakage protection are not available, the relevant ETS parameters should be reviewed before further tightening takes effect.

The first moderate steps toward recognizing international CO_2 credits and CO_2 removals within the ETS framework are to be welcomed, as well as new financing opportunities, such as the EU Bank for Industrial Decarbonisation. However, urgent action is needed to strengthen effective carbon leakage protection, enhance liquidity in the EU ETS market, and ensure sufficient funding for industrial transformation programmes. This is particularly relevant in view of the proposed changes to the emissions cap, linear reduction factor, the Market Stability Reserve Reform as well as green conditionalities for free allocation. Additionally, the proposed methodology for calculating sector-specific ETS-fallback-benchmarks must be revised and aligned with the actual emissions reduction potential of the respective sectors, which will result only in a moderate praxis-related change of the current ETS-fallback-benchmarks.

The EU climate policy must, in the future, take competitiveness into account much more strongly than it has so far. Additionally, the EU should continue to advocate ambitious global climate action and a global level playing field through internationally coordinated measures.

IFIEC Europe
International Federation of Industrial Energy Consumers
Silver Building, Boulevard Reyers, 70 – 1030 Brussels
www.ifieceurope.org | chaput@ifieceurope.org | Mobile: +32 496 59 36 07
a.i.s.b.l. NI 436 343 513 | VAT: BE 0436.343.513 | EU Transparency Register: 1978775156-31