

Securing competitive energy  
for industry

## Europe Must ACT NOW on Energy AND Carbon Costs

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### Europe's Energy-Intensive Industries Are at Risk

Energy-intensive industries (EIIs) are the backbone of Europe's critical and strategic value chains. They underpin transport, construction, power generation, batteries, semiconductors, food security and defence. EIIs are indispensable to the energy and digital transitions, the industrial decarbonisation, the resolution of the housing crisis, and the preservation of the European Union's strategic autonomy.

In the European Union, EIIs account for more than **€1.5 trillion in turnover** and **6.6 million direct jobs**. Their viability is therefore not a sectoral concern, but a core economic and geopolitical imperative for Europe.

### Immediate Political Action Is Required

IFIEC Europe — the International Federation of Europe's Industrial Energy Consumers — **formally calls on the European Council to act without delay**. Following the Draghi report publication in September 2024, the European Commission unveiled its roadmap to provide industry with affordable energy. It is now time to act to tackle this international competitiveness gap and **immediately take action to reduce the total energy system and carbon costs**, with a clear prioritization of:

- Electricity commodity costs
- Infrastructure network charges and EU and national taxes and levies,
- Carbon costs via urgent changes in the Emission Trading System (ETS).

Competitive electricity and gas prices are crucial for electro-intensive companies, both for their current activities and their decarbonation projects. However, industry still pays higher electricity prices compared to international competitors. Mechanism ensuring access to competitively priced electricity should be set up as long as this gap is not filled. Long-term visibility on electricity prices should be given also through the post 2030 indirect CO2 compensation scheme.

Network tariffs and system costs are increasing year on year. With the TSO/DSO investments foreseen, this increase is expected to accelerate. It is thus of utmost importance to protect energy-intensive industrials through dedicated rebates.

These short-term emergency measures must be taken as soon as possible to stop the ongoing deindustrialization in Europe. They should be applied as long as the competitiveness gap with extra-EU competitors is not closed.

They should be accompanied by a **clear, binding and credible roadmap for a sustained long-term reduction in energy and carbon costs**. It must also be recognized that **natural gas** will remain essential for many hard-to-abate industries for years to come, and that **hydrogen** costs must fall significantly to enable viable business cases and scaling of industrial uptake. Without this, the global competitiveness of EU manufacturing cannot be restored.

### Commodity and Infrastructure Costs Are Undermining Competitiveness and Decarbonisation

IFIEC Europe draws urgent attention to the **rapidly escalating infrastructure costs** that are directly eroding industrial competitiveness and **severely constraining the capacity of companies to invest in decarbonisation**. Reducing energy system costs is not optional, it is a **precondition** for a successful energy transition and effective industrial policy.

We therefore call for **immediate policy and legislative action** to:

- Accelerate grid expansion and address limited interconnection capacity while ensuring strict cost discipline, efficiency incentives for TSOs/DSOs, maximising utilisation of existing assets, and providing full transparency on the long-term tariff impact of grid investments for industrial consumers,
- Establish a clear, legally binding and enforceable basis for the active involvement of industrial energy consumers in grid planning and tariff-setting processes, including early consultation on investment plans,

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conditions for grid access and use, prioritizing connecting of projects that supply industrial consumers, and ten-year tariff trajectories, both at European and national levels,

- Lower the cost of financing energy infrastructure investments and maximize the utilization of European funds to (co-) finance the costs of modernizing and expanding the EU electricity grids,
- Require regulators to **actively implement differentiated network tariff regimes** or equivalent compensation mechanisms for industrial consumers exposed to carbon leakage, in line with EU State Aid rules.
- Ensure **effective cost allocation mechanisms**, allowing, for instance, the application of “G charges” for energy producers without negative impact on industry
- Ensure that **demand-side flexibility** from industrial consumers is incentivized, though remains **voluntary**, economically rational, and based on **full cost recovery and fair remuneration**, without undermining security of supply or industrial process integrity.

Other measures also need to be taken urgently concerning **offshore** wind investments, allowing appropriate development without jeopardizing the competitiveness of European industry.

Last but not least, **taxes and levies** on fossil fuels used by industry should not be increased in the absence of technically and economically viable low-carbon alternatives, in particular where electrification is not yet technologically available or economically competitive, notably where fossil fuels are used as feedstock rather than an energy source. Fiscal neutrality between energy carriers should be maintained to avoid distortionary cross-subsidization between electricity and gas, that penalizes consumers with limited near-term alternatives.

### Carbon Leakage Is Accelerating — Current Protections Are Inadequate

The current economic situation, marked by an **accelerating pace of plant closures, production curtailments and investment leakage outside EU**, shows unequivocally that **existing carbon leakage protection is insufficient**.

**IFIEC Europe** calls upon the European Council, to urgently ensure implementation of **watertight CBAM and export solution** and agree on **three immediate interventions into the EU-ETS** to be implemented **before 2030** as they do not require change of the current ETS Directive, and do not compromise climate ambitions whilst significantly improving carbon leakage protection:

1. Stop invalidating allowances from the market stability reserve (MSR) and use these allowances to strengthen carbon leakage protection,
2. Suspend benchmark reductions until flaws in the applied benchmark methodology have been corrected,
3. Ensure sufficient free allowances by relaxing the existing restriction on the amount of free allocations.

This approach does not require a change of the ETS Directive and provides two critical benefits:

- **Security:** It provides enough free allowances to effectively safeguard against carbon leakage and contributing to the avoidance of plant closures.
- **Climate Integrity:** the overall EU ETS cap and climate ambition remain exactly the same.

It's a win-win: the climate ambitions are maintained while giving our industry the breathing space to survive and actually invest in the Clean Industrial Deal.

### A Final Call to Act

Europe will not achieve its climate objectives or its strategic autonomy by deindustrialising.

Without immediate corrections to energy system costs, network tariffs, and carbon leakage protection, industrial decarbonization investments will not materialize in Europe. The measures outlined above are not a retreat from climate ambition, but a precondition for its delivery.

**The time for analysis has passed. Immediate decisions are required.**

We remain available to pursue constructive dialogue to find urgent effective solutions.

*IFIEC Europe represents the interests of industrial energy users in Europe for whom energy and climate policies are significant components of production costs and a key factor of competitiveness in their activities in both Europe and throughout the world.*