Press Release

Getting ETS reform right is key to Europe's industrial competitiveness

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Today's proposal to revise the EU Emissions Trading System (ETS) sets the foundation for the functioning of the next trading period, and the parameters whether the EU can demonstrate that industrial competitiveness and climate neutrality can go hand in hand in fierce global competition.

ETS must evolve into an investment roadmap that supports industrial decarbonisation while preserving the competitiveness of European industries and strengthening production and investment in Europe, particularly in this challenging geopolitical environment.

In this regard, Euromines sees important elements in the Commission's proposal that can help achieve these objectives:

- **The possibility for companies to continue receiving free allowances into the 2040s**, recognising their role not only as a carbon leakage protection measure against increasing carbon costs, but also as an economic resource needed to finance investments in decarbonised production processes and supporting industrial investment in Europe.
- **The adaptation of the pace of the Linear Reduction Factor (LRF)**, helping to make industrial decarbonisation more achievable and better aligned with available technologies, associated costs, and economic viability.
- **A more strategic use of ETS revenues**, ensuring they are reinvested in measures that support the decarbonisation and competitiveness of European industry.
- **The introduction of a separate proposal for determining fallback benchmarks for heat and fuel for 2026-2030,** including an adjustment to the maximum update rate for fallback benchmark, ensuring the highest possible increase in free allocation based on those benchmarks until 2030 without triggering the cross-sectoral correction factor (CSCF).

At the same time, **several additional issues remain important for ensuring the effectiveness of ETS.** Euromines continues to support the integration of high-

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quality international carbon credits, recognising that Article 6 of the Paris Agreement already provides safeguards for credible international cooperation.

Furthermore, as free allowances are inherently linked to investments in decarbonisation technologies, conditionalities should remain balanced, ensuring effective carbon leakage protection while enabling companies to continue investing in clean technologies and industrial transformation.

"We are encouraged to see elements in today's proposal that reflect the direction industry has been advocating for. The real test will be in the details with the fallback benchmark procedure and the conditionalities attached to free allowances must be designed in a way that supports, not undermines, Europe's industrial competitiveness." - Rolf Kuby, Director General, Euromines.

Euromines will continue to engage constructively with policymakers to ensure these positive elements are preserved in the final legislation and that the ETS provides a predictable framework that drives decarbonisation through investment, strengthens Europe's industrial base, and safeguards the international competitiveness of sectors exposed to global competition and carbon leakage.

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