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PRESS RELEASE

Keeping industry in Europe: Need for a structural redesign of the EU ETS to be fit for 2030 and beyond

Brussels, 08 July 2025: We welcome the European Commission's consultation on the evaluation of the EU Emissions Trading System (EU ETS) and the Market Stability Reserve (MSR) ahead of their future reviews planned for 2026. As the EU intensifies efforts to reach climate neutrality by 2050, the revised framework must address carbon leakage, enable breakthrough investments, and strengthen Europe's competitiveness.

We support the EU's goal of climate neutrality by 2050 and the 2030 target of 55% emissions reductions, recognising this will require breakthrough technologies, significant investments and an enabling policy framework.

Under the current EU ETS design, there will be virtually no new allowances entering the market after 2039, apart from a negligeable amount from the aviation cap. This trajectory is not sustainable for European industry.

The EU ETS has been effective in delivering early emissions reductions, but **it no longer provides a viable business case for the decarbonisation of trade exposed and hard to abate sectors in the EU**. The current requirements to meet the EU's ambitious targets are often not investable due to high regulatory costs, uncertain or unlikely returns, regulatory uncertainty and lack of supporting mechanisms. As a result, rather than incentivising clean investment in Europe, the current framework risks incentivising carbon and investment leakage, leading to deindustrialisation, energy security and increase in global emissions related concerns.

Without a structural redesign of the EU policy framework that strengthens industrial competitiveness, creates clear market demand, and supports innovation, the system will keep driving carbon and investment out of Europe. Instead of enabling decarbonisation, it will undermine it.

Liana Gouta, Director General of FuelsEurope, states "*If the EU wants to achieve its climate ambitions while maintaining industrial resilience and delivering on the Clean Industrial Deal and the Draghi Report recommendations, the ETS must evolve to support competitiveness, safeguard jobs, and incentivise decarbonisation within the EU*".

We stress the urgent need for the following key actions:

- **Strong, consistent, and long-term carbon leakage protection** for trade exposed industrial sectors should be ensured. **Allocation** must reflect what is technologically achievable and avoid punitive cross-sectoral correction factors that distort fairness and undermine investment.
- **Carbon removals and international credits** can play a critical role in achieving net zero and contributing to market functioning. Both domestic permanent carbon removals and high-integrity international credits should be part of the EU carbon market in the post-2030 framework. If the EU aims for competitive decarbonisation, the tools must match the challenge.

- **Carbon capture and usage (CCU) should also be incentivised for the production of CCU fuels**: these play a critical role in the energy transition, as they offer a viable decarbonisation pathway for hard-to-abate sectors, foster a circular carbon economy by promoting the reuse of captured carbon, and accelerate the transition towards climate neutrality. Hence, CCU fuels are not only a technological solution: they are a strategic necessity to help achieve our transport decarbonisation goals.
- **Allowance invalidation** must stop, and previously invalidated allowances should be reinstated. **Thresholds** must be redefined to ensure market liquidity and price stability. While the Market Stability Reserve has served to address past surpluses, it is not designed for the emerging reality of allowance scarcity. The MSR must adapt to support investment certainty, prevent volatility, and ensure a stable path to decarbonisation.
- **Robust demand-side policies** that create markets for renewable and low-carbon products must be coupled with a successful EU ETS framework. Current efforts have focused heavily on supply-side mechanisms; yet, without clear signals that consumers and industries will choose low-carbon options, investment risks remain too high. A dynamic demand-side framework would unlock the business case needed for these investments, de-risking innovation and effectively enabling the deployment of cleaner technologies across sectors.

Liana Gouta concluded: ''*To deliver on Europe's climate ambition while safeguarding industrial competitiveness we need an enabling policy framework, protecting industry from carbon leakage, enabling carbon removals and international credits, incentivising CCU fuels, and driving demand for renewable and low-carbon products''.*

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FuelsEurope, the voice of the European fuel manufacturing industry. FuelsEurope represents, within the EU institutions, the interest of 41 companies manufacturing and distributing conventional and renewable fuels and products for mobility, energy & feedstocks for industrial value chains in the EU.

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