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PRESS RELEASE

EU ETS Review: A step forward, but not yet fit for Europe's industrial transformation

Brussels, 22 July 2026: FuelsEurope calls on the co-legislators to further improve the EU Emissions Trading System (EU ETS) such that the revised framework preserves the competitiveness of European industry while contributing to the achievement of the EU climate objectives. The review is a critical opportunity to ensure that the EU ETS remains an effective climate tool that supports investment in Europe's industrial transformation.

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

We welcome elements of the Commission's proposal, such as the proposal to adapt the cap trajectory and the principle of including international credits and domestic carbon removals. However, other elements should be rejected, improved or added to safeguard investment, competitiveness and industrial decarbonisation.

Carbon Leakage Protection Must Remain Predictable and Investment-Friendly. Free allocation is already conditional, as benchmarks constitute a strong, performance-based conditionality. Imposing further conditionality would not improve the benchmark signal, merely add administrative costs and run against the principle of carbon leakage protection, creating uncertainty and weakening business case at a time when industry must make substantial investments. Hence, any conditionality shall be removed from the revised directive. Indirect cost compensation should also be harmonised across the EU. An effective and permanent mechanism must address the carbon leakage risks faced by exported CBAM goods and preserve the international competitiveness of European industry. This is crucially missing in the EC proposal.

High integrity international credits should be directly integrated from the start of the post-2030 period. This would enhance market liquidity, improve cost efficiency and provide flexibility for hard-to-abate emissions facing increasing compliance costs.

CCU fuels need a viable business case. Carbon Capture and Utilisation (CCU) fuels are an important part of the transition to climate neutrality. The EU ETS review should ensure coherence across EU legislation, strengthen their business case and incentivise investment in innovative low-carbon solutions.

Reinvest ETS revenues in industrial decarbonisation. ETS revenues should massively be channelled back to industry to accelerate decarbonisation investments and support Europe's industrial transformation.

Liana Gouta, FuelsEurope Director General, states "*If the EU wants to achieve its climate ambitions while maintaining industrial resilience, the ETS must evolve into a system that supports competitiveness and investment. Without indispensable adjustments, the system as amended by the*

Commission in its proposal, risks driving carbon and investment leakage rather than enabling decarbonisation within Europe."

Europe's climate ambitions and industrial competitiveness must go hand in hand. The EU ETS review should create the conditions for industries to invest, innovate and decarbonise within Europe.

Liana Gouta concluded: "*We call for a pragmatic approach centred on effective carbon leakage protection, flexibility and investments incentivisation."*

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FuelsEurope, the voice of the European fuel manufacturing industry. FuelsEurope represents, within the EU institutions, the interest of 40 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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