FuelsEurope
FUELLING EUROPE'S FUTURE

CONSULTATION RESPONSE

Review of the EU Emissions Trading System
FuelsEurope's views

Brussels, 28/10/2026: *FuelsEurope supports the EU's goal of climate neutrality by 2050, recognising this will require breakthrough technologies, significant investments and an enabling policy framework. We call on the co-legislators to further improve the 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 while policy changes are introduced to support investment in Europe's industrial GHG emission reduction.*

Any conditionality to free allocation must be avoided. Conditionality on free allocation is unnecessary and counterproductive. Free allocation exists to prevent carbon leakage and preserve a level playing field for EU industry facing higher carbon costs than many international competitors. Decarbonisation incentives are already embedded in the benchmark-based allocation system, which rewards the most efficient installations. Imposing further conditionality would create investment uncertainty, increase administrative burden and weaken competitiveness without addressing the underlying drivers of industrial investment decisions or delivering additional emissions reductions. Instead, it risks accelerating carbon leakage and shifting production and emissions outside the EU, undermining Europe's industrial transition.

The cross-sectoral correction factor must not be triggered. Triggering the CSCF would undermine carbon leakage protection, penalise efficient installations and weaken the business case for industrial decarbonisation investments in Europe. Preserving full benchmark-based allocation is essential to ensure that climate ambition is delivered alongside industrial competitiveness and the retention of low-carbon investment in the EU.

Ensure a realistic trajectory. According to the EEA, European energy-intensive industries, including refineries, have already reduced their emissions by 42% between 2005 and 2023 (i.e. -2.7–3% per year)[1]. As the most mature decarbonization measures have already been implemented, any further acceleration entails increasingly high emission reduction costs.

International credits should be included earlier in the framework. We welcome the Commission's proposal to include high quality and high integrity international credits into the EU ETS, however, their use should not be postponed to 2036. High-quality international credits should be incorporated into the EU's climate framework from 2031: timely inclusion provides regulatory certainty, fosters international cooperation, and contributes to cost-effective decarbonisation globally. An accelerated and well-timed integration will create the conditions needed for a still-emerging market to grow at scale. At the same time, their availability should complement a predictable cap trajectory rather than determine it. The automatic increase of the LRF to 2.7% from 2036 in case of a shortage of international credits should be avoided.

ETS revenues must support industry decarbonisation and they should be spent with transparency. National revenues must be channeled back into ETS sectors to 100%. The introduction of an ETS Investment Booster (2028–2030) and the Industrial Decarbonization Bank phase 2 (2031-2040) is a welcome step as a means of supporting industry. Moreover, the Industrial Decarbonisation Bank phase 2 and the Investment Booster should support energy-intensive industries, facing significant carbon leakage risks such as refining, and adopt a technology-neutral approach focused on delivering verifiable GHG emissions reductions. Clear, practical, and accessible eligibility criteria are essential to enable energy-intensive industries, including refineries, to effectively access support. Finally, ETS revenues should be channeled back into ETS sectors and the specific shared infrastructure

[1] Zero-pollution, decarbonisation, and circular economy in energy-intensive industries | Publications | European Environment Agency (EEA)

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projects that directly enable their decarbonisation, to support competitiveness while accelerating decarbonisation. Reinvestment of revenues should remain technology neutral, supporting any solution that effectively reduces GHG emissions, including energy efficiency, CO_2 transport and storage infrastructure, hydrogen infrastructure and renewable and low-carbon fuels.

A structural and adequate export adjustment mechanism is needed for CBAM. An export adjustment is necessary to ensure that mitigation against the risk of carbon leakage (shifting to higher-intensity products and increasing global emissions) is effective both within the EU and in third country markets. Bearing in mind the EU's obligations under the WTO, a structural export adjustment should ensure that the adjustment amount does not exceed the costs of compliance with the EU ETS, that operators facing a comparable level of carbon leakage risks are treated equally, and that existing incentives to decarbonize established in the ETS are maintained.

The entire CCU value chain needs to be incentivised. The proposed midstream approach raises significant questions regarding its relationship with the rules and mechanisms already set out under the Renewable Energy Directive (RED). The EU ETS should retain upstream accounting for CO_2 captured and used in the production of synthetic fuels. The current approach ensures coherence with the RED, the Gas Directive, and the Commission's guidance on RFNBOs, while providing a robust business case for carbon capture and utilization.

ETS Maritime should be technology neutral and aligned with FuelEU Maritime. Fuels produced from Annex IX Part B feedstocks and biofuels that are not produced from food and feed crops or from Annex IX feedstocks should also be eligible under the SMAP, to maintain coherence with the FuelEU maritime Regulation, lower decarbonisation costs, reinforce security of supply and facilitate the timely scale-up of sustainable fuel production.

Flexibility and coherence with ReFuelEU Aviation should be maintained and physical delivery should be ensured under the SAF mechanism. As the dedicated allocation of 20 million allowances available until 2030 may prove insufficient, allowing part of the 110 million allowances foreseen for the period 2028-2040 to be used earlier would ensure continuity of support and prevent interruptions in the incentive scheme. Moreover, the reserve of allowances should be increased from 110 million to 200 million to help bridge the cost gap across the volume of fuels required under ReFuelEU Aviation, and eligibility for support should be extended to fuels produced from Annex IX Part B feedstocks and biofuels that are not produced from food and feed crops or from Annex IX feedstocks. Finally, delivery of eligible fuels according to the mass balance system referred to in Article 30 of the Renewable Energy Directive to claim non-fossil emission benefits should continue to support users to claim their benefits. This requirement should apply across all transport sectors and, for aviation, be consistent with the objective of ReFuelEU Aviation. Accordingly, ETS support should remain linked to the delivery and uplift of SAF as specified in Article 4 of RefuelEU aviation Regulation, avoiding weakening investment signals for SAF production, logistics and airport infrastructure.

Indirect cost compensation should be harmonised. It should be provided by all Member States to preserve the integrity of the internal market and ensure equal treatment of ETS-exposed industries across Member States. The current situation leads to uneven levels of support, distorts competition, and undermines investment decisions. An harmonised approach would provide regulatory certainty and reduce carbon-leakage risks in a uniform manner.

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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