European Aluminium
ANYTHING BUT BASIC

ETS BENCHMARKS UPDATE RISKS UNDERMINING RECYCLING AND CRITICAL RAW MATERIALS SUPPLY

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Press Release

Today, the European Commission presented its updated EU Emissions Trading System benchmarks for 2026–2030. European Aluminium warns that this update risks undermining aluminium recycling and critical raw materials supply in Europe, at a time when the EU is seeking to strengthen its circular economy, secure critical raw materials and scale up clean industrial capacity. The association calls on the Commission and Member States not to apply the planned reduction of the heat and fuel fall-back benchmarks to aluminium recycling and alumina refining installations, and instead to maintain the 2021–2025 benchmark levels until dedicated benchmarks for these processes are developed for the post-2030 period.

ETS benchmarks determine how many free allowances industrial installations receive while they decarbonise. For aluminium recycling and alumina refining, free allocation is not based on dedicated product benchmarks but on generic heat and fuel fall-back benchmarks applied across many different industrial sectors — an approach that does not reflect the reality of these processes.

Unlike other sectors under the fall-back approach, aluminium recycling and alumina refining require high and constant temperatures. The use of alternative fuels such as biomass is not technically feasible at scale, while electrification options or other technologies remain limited in the near term. Most efficiency gains have already been captured, and further decarbonisation will require major investment in technologies not yet commercially available at scale.

"ETS benchmarks are meant to reward efficiency and drive decarbonisation, but when they are not aligned with industrial reality, they start being all stick and no carrot," says Paul Voss, Director General of European Aluminium.

In practice, the updated benchmarks amount to a 50% cut compared with original Phase 3 levels — translating directly into higher production costs for recyclers and refiners whose technical decarbonisation options remain limited. This is particularly difficult to justify from an environmental perspective, given that aluminium recycling uses around 95% less energy than producing primary aluminium, making it one of the most effective decarbonisation routes available in European industry today.

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In a global market, this increased cost exposure directly becomes a competitiveness issue. Aluminium and alumina prices are set internationally, meaning producers cannot simply pass these costs on to customers[1]. When ETS benchmarks significantly increase the cost gap with competitors outside Europe, the result is not lower global emissions, but more imported aluminium, lost investment and weaker European industrial capacity.

The stakes extend beyond aluminium. Alumina[2] refining also enables the recovery of gallium — a critical mineral essential for semiconductors, defence systems and advanced clean technologies — whose supply the EU has identified as strategically vulnerable. Weakening the economics of European alumina refining also puts that supply chain at risk.

"Aluminium and alumina are recognised as critical and strategic raw materials, and Europe's industrial resilience depends on making these value chains competitive again," concludes Voss. *"Applying benchmarks based on heat and fuel options that are not available to aluminium recycling and alumina refining creates an uneven and unjustified cost burden, worsening the EU's dependence at a time when strategic autonomy in critical raw materials is a key objective, while doing literally nothing to actually reduce emissions. This is a clear and correctable issue, and a targeted freeze limited to these installations would be a proportionate measure that is both legally and technically justified, without affecting the wider ETS system or triggering the cross-sectoral correction factor."*

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[1] The 50% reduction of the fallback benchmarks would bring up carbon costs for aluminium recyclers to an unaffordable 10% of the EBITDA, which international competitors are not expected to pay.

[2] The 50% reduction of the fallback benchmarks would bring the carbon costs to an unsustainable level of ~ 11% of the global alumina price, from the current ~ 6%. This would inevitably push the European plants over the edge and out of the market.