

EUROPEAN PARLIAMENT POSITION FALLS SHORT OF CORRECTING UNREALISTIC CUTS TO ETS FALLBACK BENCHMARKS

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Statement

European Aluminium regrets that the European Parliament's [position](#) on revising the heat and fuel fallback benchmarks for 2026–2030 does not fully correct the disproportionate benchmark reductions faced by European industry. These benchmarks determine free allocation under the EU Emissions Trading System (ETS) for several key parts of the aluminium value chain, including alumina refining, aluminium recycling, casthouses and semi-fabrication. Unrealistic reductions increase carbon costs for European producers, further weakening their competitiveness and their capacity to invest in decarbonisation.

European Aluminium supports the [Council's approach](#) of using the full additional pool of approximately 33 million allowances to strengthen the correction of the fallback benchmarks. Together with the approximately 88 million allowances already available, this would provide a meaningful response to the risk of carbon leakage and result in an indicative reduction of 9% compared with the 2021–2025 benchmark values. This reduction still goes beyond the technically achievable decarbonisation potential of many sectors covered by the fallback benchmarks, including aluminium. Nevertheless, it would help limit the damage to European aluminium production and recycling, which is essential to the digital, clean and defence transitions.

By contrast, the European Parliament proposal would use only one-third of these 33 million allowances for the benchmark correction. Another third would be auctioned for the Modernisation Fund, while the final third would be transferred to the Innovation Fund. The Innovation and Modernisation Funds are important instruments for supporting Europe's industrial and energy transition. However, they cannot replace predictable carbon-leakage protection for the installations directly affected by the fallback benchmarks. Nor does imposing costs beyond sectors' technical capacity to decarbonise create additional emission reductions. Instead, it reduces companies' capacity to invest and further weakens their competitiveness against producers operating under less stringent carbon constraints.

The treatment of the Innovation and Modernisation Funds should be addressed as part of the broader ongoing EU ETS review. This targeted proposal should remain focused on its original purpose: correcting the problems caused by the excessively steep reduction of the fallback benchmarks for 2026–2030.

European Aluminium supports the development of dedicated benchmarks that better reflect the technological realities of sectors currently covered by generic heat and fuel benchmarks, including alumina refining, aluminium recycling, casthouses, and semi-fabrication. However, the proposed prioritisation of individual sectors raises concerns about unequal treatment. Decisions on sector-specific benchmarks should be based on robust data, objective technical criteria

and a consistent methodology, with all affected sectors assessed on equal terms. Politically prioritising selected industries risks undermining the harmonised approach to benchmarking under the EU ETS.

The safeguard intended to prevent this revision from delaying free allocation for sectors covered by other benchmarks should, however, be retained in the final agreement. Predictable, timely allocation is essential for industries that must simultaneously invest in decarbonisation, reduce emissions, and cover hard-to-abate and unavoidable residual emissions.

The 2026–2030 free allocation period is already under way. There will be no realistic opportunity to correct an inadequate solution later.

European Aluminium therefore calls on the co-legislators to dedicate the full additional 33 million allowances to correcting the fallback benchmarks, avoid political prioritisation between industrial sectors, and ensure that free allocation for other ETS installations is not delayed.

In view of trilogue negotiations, the final agreement must provide a balanced and effective correction that reflects technological realities, protects European industry against carbon leakage and improves its capacity to invest in decarbonisation.