Brussels, 26 October 2026

On behalf of the undersigned associations, **we urgently call on policymakers to ensure that the final agreement on heat and fuel fallback benchmarks for 2026–2030 makes full use of the available flexibility to mitigate reductions in free allocation for all affected sectors, in line with the Commission's proposal original objective.**

A disproportionate reduction in free allocation for a wide range of industries covered by the fallback benchmarks, at a time when high energy and carbon prices are already placing significant pressure on energy-intensive sectors, **was acknowledged at the highest political level by the European Commission President ahead of the March European Council.** This led to a separate, dedicated proposal to review the ETS Directive**.**

The Council's General Approach rightly recognised the urgency of the situation and proposed to complement the Commission's 88 million additional allowances with approximately 33 million allowances resulting from not meeting the free allocation conditionality **to mitigate reductions across both heat and fuel fallback benchmarks**.

We therefore call on the co-legislators to follow this approach and reiterate that:

1. **The 33 million unallocated allowances should be used in their entirety to mitigate the reduction of fallback benchmarks.** Splitting these allowances across different objectives, as proposed by the European Parliament, will fail to provide meaningful and urgent relief to affected installations.
2. **Equal treatment between sectors facing the same problem must be ensured.** The shortcomings of the design and methodology of fallback benchmarks affect most of the sectors covered by fallback benchmarks. While sector-specific benchmarks may be an appropriate solution for certain processes, they are not a viable solution for all sectors, particularly those with too few installations or highly heterogeneous production processes.
3. **Industry needs predictability.** Introducing new benchmarks through a delegated act after three months, with unclear criteria and limited consultation period, would create additional uncertainty for investment and production decisions, leaving installations unable to anticipate their future free allocation levels.

With European industry already facing severe competitiveness pressures, the final agreement must deliver the immediate relief it was designed to provide, without further delays or dilution.