

ETS Benchmarks Regulation 2026–2030

Climate Change Expert Group

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DG CLIMA



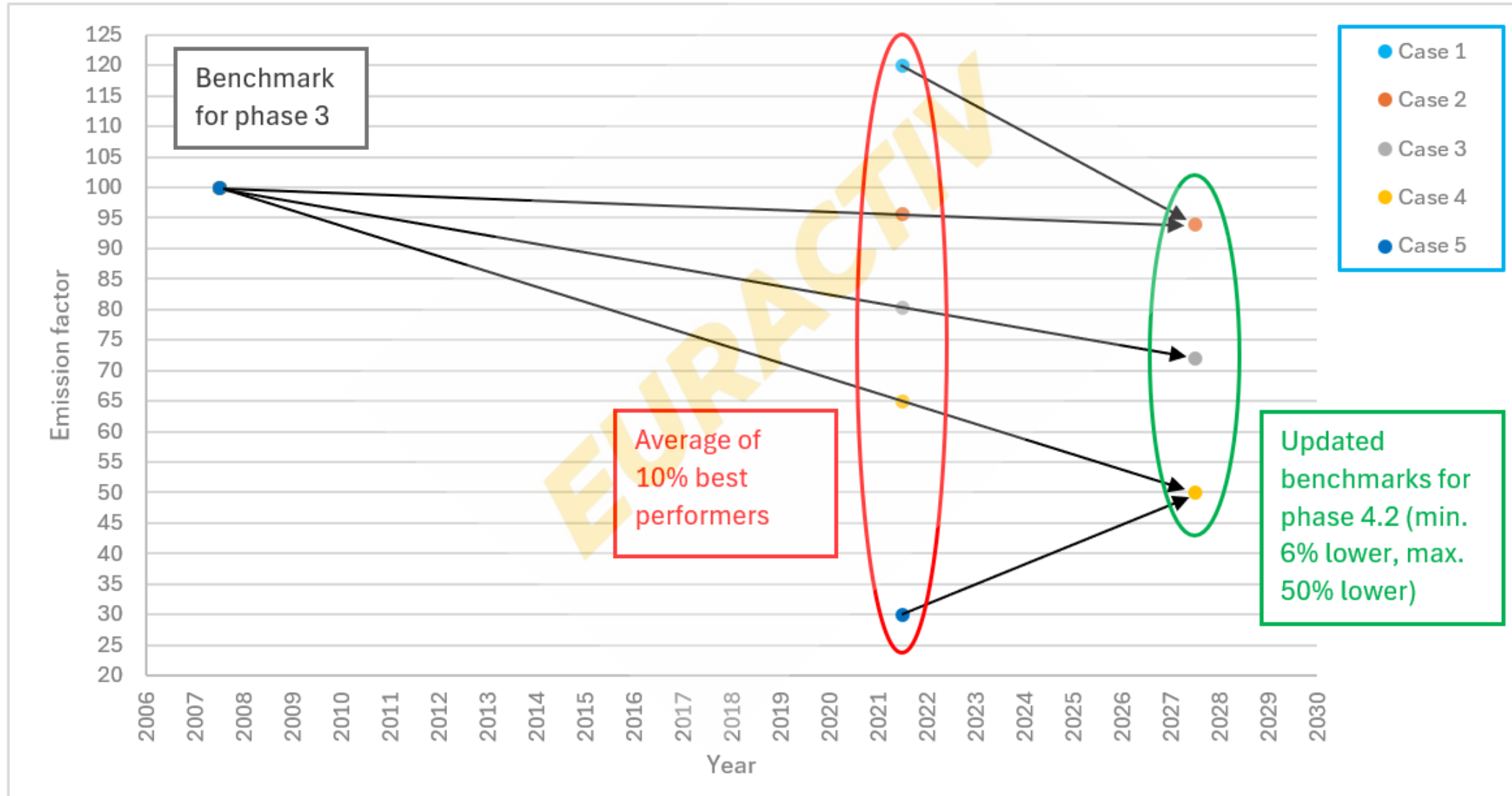
Overview

- 1) Benchmark values update methodology
- 2) Dataset used
- 3) New benchmark values 2026–2030
- 4) Addressing industry concerns: exchangeability
- 5) ‘Freezing’ the 2020–2025 benchmark values
- 6) ETS review – sector-specific fall-back benchmarks
- 7) Next steps

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Benchmark values update methodology



Dataset used

- Use of verified NIMs data submitted by industry when applying for free allocation
- In-depth quality checks by Competent Authorities in MS and by COM
- There are **three reasons** why installations and sub-installations are **excluded** from the NIMs lists sent by the MS:
 - The Commission identifies irregularity with the rules in the ETS Directive and Free Allocation Rules Regulation (e.g. installations should not be covered by the ETS) and requests a correction of the NIMs list
 - The operator of an installation withdrew the application for free allocation or the competent authority rejected the application
 - The installation or sub-installation ceased operating

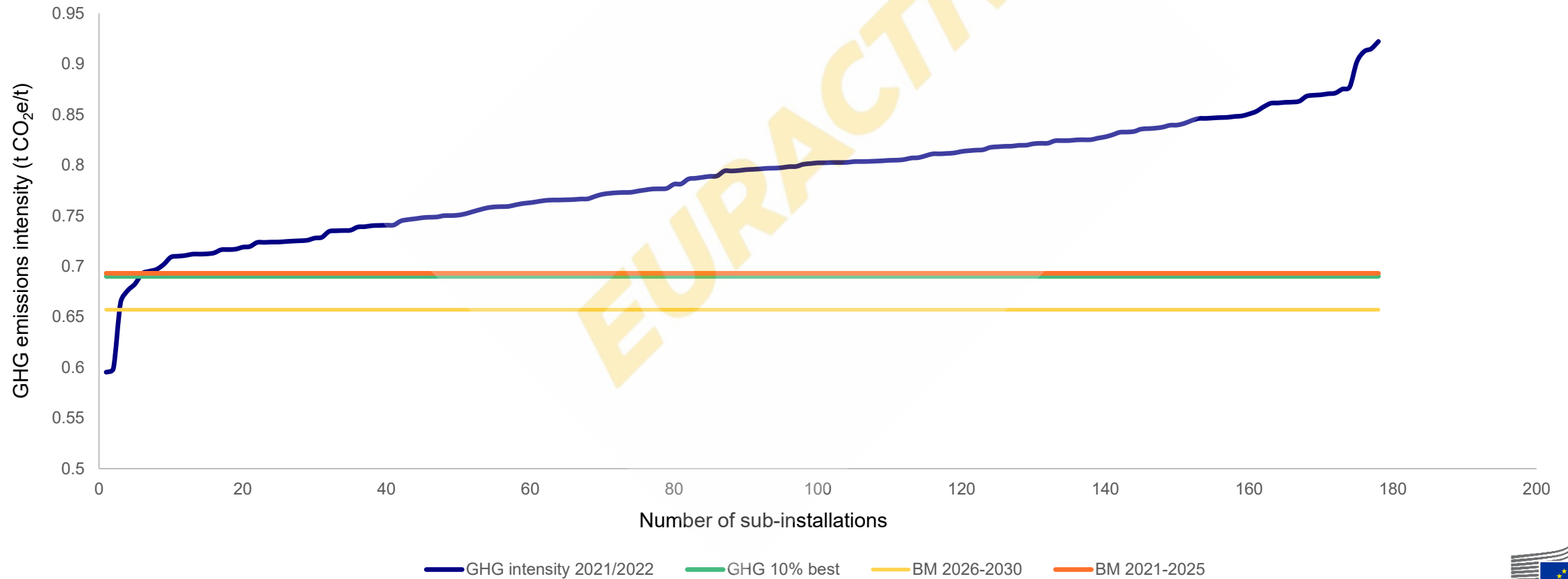
The mere intention of / communication about a future closure of an installation or production line cannot be considered as a cessation of operation within the legal framework.

- In instances where the emissions cannot accurately be attributed to a product benchmark (e.g. sub-installations importing or exporting intermediate products covered by system boundaries of another product benchmark, these sub-installations are **removed from the benchmark curve.**



Benchmark values 2026-2030 (1/8)

Benchmark curve example – Grey cement



Benchmark values 2026–2030 (2/8)

Benchmarks update, Refineries

Benchmark	BM value 2021-2025	BM value 2026-2030	Difference
1. Refinery products	0,0228	0,0232	+1,8%

Benchmarks update, Iron & Steel

Benchmark	BM value 2021-2025	BM value 2026-2030	Difference
2. Coke	0,217	0,143	-34,1%
3. Agglomerated iron ore	0,157	0,086	-45,2%
4. Hot metal	1,288	1,248	-3,1%
5. EAF carbon steel	0,215	0,142	-34,0%
6. EAF high allow steel	0,268	0,176	-34,3%
7. Iron casting	0,282	0,164 0,163	-42,2%



Benchmark values 2026–2030 (3/8)

Benchmarks update, Non-ferrous metals

Benchmark	BM value 2021-2025	BM value 2026-2030	Difference
8. Pre-bake anode	0,312	0,290	-7,1%
9. [Primary] aluminium	1,464	1,423	-2,8%



Benchmark values 2026–2030 (4/8)

Benchmarks update, Cement

Benchmark	BM value 2021-2025	BM value 2026-2030	Difference
10. Grey cement clinker	0,693	0,657 0,656	-5,3%
11. White cement clinker	0,957	0,890	-7,0%
12. Lime	0,725	0,693	-4,4%
13. Dolime	0,815	0,792	-2,8%
14. Sintered dolime	1,406	1,162	-17,4%

Benchmarks update, Glass sector

Benchmark	BM value 2021-2025	BM value 2026-2030	Difference
15. Float glass	0,399	0,394	-1,3%
16. Bottles and jars (colourless)	0,290	0,242	-16,6%
17. Bottles and jars (coloured)	0,237	0,233	-1,7%
18. Continuous filament glass	0,309	0,232	-24,9%



Benchmark values 2026–2030 (5/8)

Benchmarks update, Ceramics

Benchmark	BM value 2021-2025	BM value 2026-2030	Difference
19. Facing bricks	0,106	0,085 0,083	-21,7%
20. Pavers	0,146	0,108	-26,0%
21. Roof tiles	0,120	0,121	+0,8%
22. Spray dried powder	0,058	0,046	-20,7%

Benchmarks update, Other construction products

Benchmark	BM value 2021-2025	BM value 2026-2030	Difference
23. Mineral wool	0,536	0,341	-36,4%
24. Plaster	0,047	0,045	-4,3%
25. Dried secondary gypsum	0,013	0,009	-30,8%
26. Plasterboard	0,110	0,122	+10,9%



Benchmark values 2026–2030 (6/8)

Benchmarks update, Pulp & Paper

Benchmark	BM value 2021-2025	BM value 2026-2030	Difference
27. Short kraft fibre pulp	0,091	0,060	-34,1%
28. Long kraft fibre pulp	0,046	0,040	-13,0%
29. Sulphite, thermo-mech, and mech, pulp	0,015	0,010	-33,3%
30. Recovered paper pulp	0,030	0,020	-33,3%
31. Newsprint	0,226	0,149	-34,1%
32. Uncoated fine paper	0,242	0,159	-34,3%
33. Coated fine paper	0,242	0,159	-34,3%
34. Tissue	0,254	0,167	-34,3%
35. Testliner and fluting	0,188	0,124	-34,0%
36. Uncoated carton board	0,180	0,119	-33,9%
37. Coated carton board	0,207	0,137	-33,8%



Benchmark values 2026–2030 (7/8)

Benchmarks update, Chemicals

Benchmark	BM value 2021-2025	BM value 2026-2030	Difference
38. Carbon black	1,485	1,048	-29,4%
39. Nitric acid	0,23	0,151	-34,3%
40. Adipic acid	2,12	1,4	-34,0%
41. Ammonia	1,57	1,522	-3,1%
42. Steam cracking	0,681	0,638	-6,3%
43. Aromatics	0,0228	0,0232	+1,8%
44. Styrene	0,401	0,264	-34,2%
45. Phenol / acetone	0,230	0,219	-4,8%
46. Ethylene oxide / Ethylene glycols	0,389	0,321	-17,5%
47. Vinyl chloride monomer (VCM)	0,155	0,191	+23,2%
48. S-PVC	0,066	0,08	+21,2%
49. E-PVC	0,187	0,161	-13,9%
50. Hydrogen	6,84	7,98	+16,7%
51. Synthesis gas	0,187	0,190	+1,6%
52. Soda ash	0,753 (+0,415)	1,122	-3,9%



Benchmark values 2026–2030 (8/8)

Benchmarks update, Fall-backs

Benchmark	BM value 2021-2025	BM value 2026-2030	Difference
Heat	47,3	31,2	-34,0%
Fuel	42,6	28,1	-34,0%



Addressing industry concerns: exchangeability of fuel and electricity (1/3)

- The Commission addresses industry's concerns within the legislative framework that exists.
- With the removal of the exchangeability of fuel and electricity, the affected sectors no longer have a reduction of free allocation based on the share of direct emissions in their total emissions. For the calculation of the updated benchmark values, the Directive does not indicate whether indirect emissions should be considered or not. The initial approach was to consider direct emissions only.
- To address industry's concerns, indirect emissions are being considered in the calculation of the average GHG emissions of the 10% most efficient installations for the affected benchmarks. **Higher GHG of 10% best -> higher benchmark**



New approach results in ~ EUR 4 billion more in free allocation



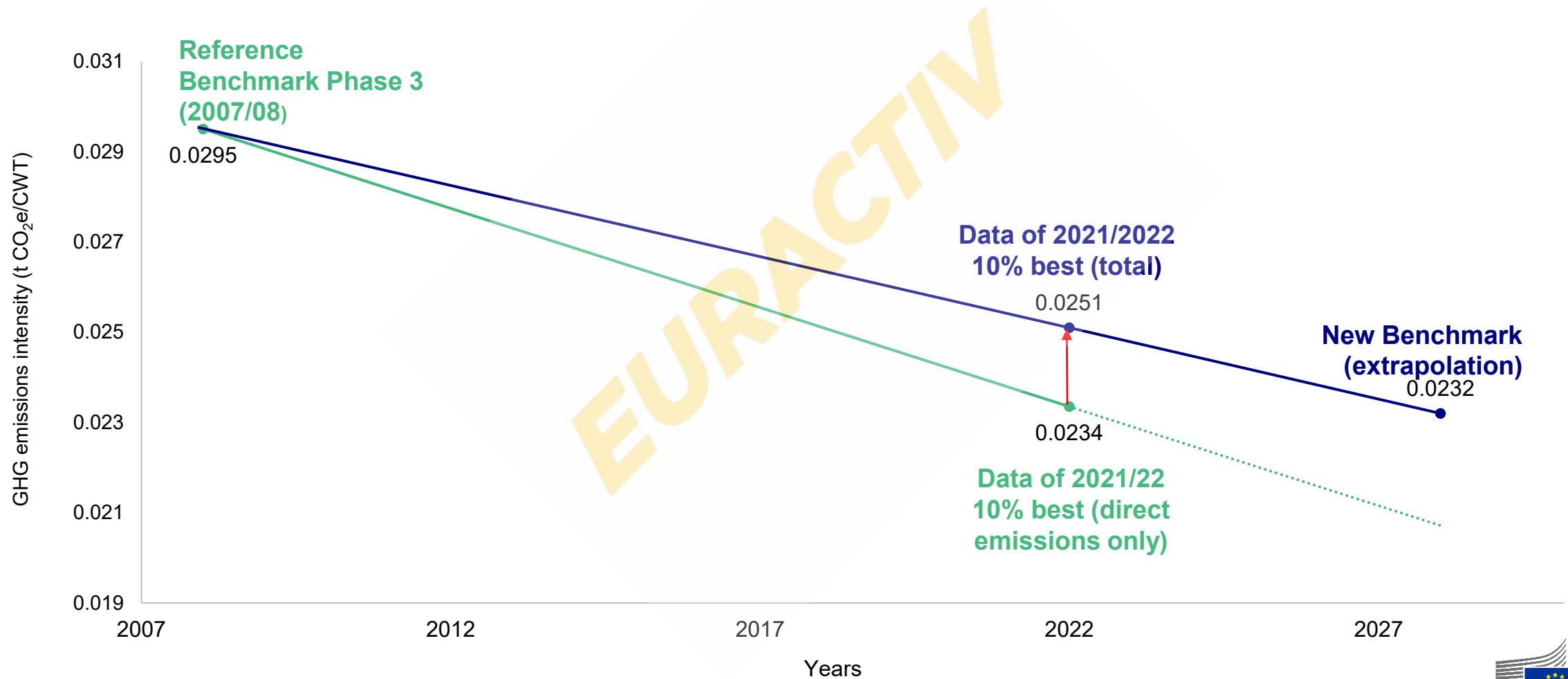
Addressing industry concerns: exchangeability of fuel and electricity (2/3)

Methodology:

- Calculation of the emission intensity of the 10% most efficient installations in 2021/2022, using direct emissions only;
- Correction adding the average indirect emissions of the 10% most efficient installations, using an emission factor of 0,300 tCO₂/MWh, multiplying by 14 years and dividing by 20 years (0,7);
- Calculation of the annual update rate using the reference value of Phase 3;
- Calculation of the 2026–2030 benchmark.



Addressing industry concerns: exchangeability of fuel and electricity (3/3)



Analysis of 'Freezing' the 2020–2025 benchmark values as proposed by some MS(1/2)

The 2020–2025 benchmarks have expired and cannot be used for 2026 free allocation.

Clear binding framework in EU ETS Directive (confirmed by COM Legal Service), Article 10a(2) sets:

- An obligation to adopt updated EU ETS benchmark values for 2026–2030
- Clear framing of the methodology and dataset to be considered for the update of the benchmark values for the period 2026–2030:
 - **Reference period: 2021–2022**, data submitted by Member States through the **NIMs** exercise (Art. 11 ETS Directive)
 - **Compared with ex-ante benchmarks** (Annex I to Free Allocation Rules Regulation)
 - Maximum and minimum **annual reduction rates** determined by co-legislators (**Article 10a(2), third subparagraph, points (c) and (d)** ETS Directive)

Freezing the benchmarks at 2020–2025 values would most likely **trigger a CSCF** of around **0,87** for the 2026–2030 period, resulting in losses for most of the product benchmark sectors



Analysis of 'Freezing' the 2020–2025 benchmark values as proposed by some MS(2/2): Impacts on unchanged benchmarks and CSCF of 0,87

Sector	Impact of freezing (bn EUR)	% difference vs current appr.
Refineries	-3,9	-13%
Primary Steel	-0,9	-2%
Secondary Steel	+1,3	+35%
Aluminium	-0,2	-9%
Cement	-2,2	-6%
Lime	-0,4	-7%
Glass	-0,2	-6%
Ceramics	-0,003	-0,4%
Pulp&Paper	+1,4	+34%
Chemicals	-0,6	-4%
Fertilisers	-0,3	-3%
Hydrogen	-0,6	-24%
Heat	+10,4	+34%
Fuel	+3,7	+34%

Monetary impact
over 2026-2030
@80 €/ t



ETS review: sector-specific fall-back benchmarks

Recital (16) of draft Benchmark Regulation:

To address concerns expressed by some industrial sectors, the Commission will propose in the upcoming ETS revision the introduction of sector-specific fallback benchmarks. This should be implemented by means of a specific empowerment for the Commission to define such sector-specific fallback benchmarks and a calculation method for the determination of the respective benchmark values. In order to ensure timely and effective support to the sectors concerned, this revised methodology should become applicable as early as possible.



ETS review: Possible approach for sector-specific fall-back benchmarks

Possible scope and technical approach:

- Level of granularity: NACE-4
- Scope: heat and fuel benchmarks in sectors with at least [30] sub-installations
- Maintain generic fall-back benchmarks for other sectors
- Possible application with effect for 2026–2030 period
- Benchmark calculation: 10% best of specific emissions 2021/22 for sector-specific benchmark – extrapolation from phase fall-back benchmark to 2028 (within minimum/ maximum update rates)
- Likely no need for application of cross-sector correction factor (need for additional 20 – 25 million allowances)



ETS review: Possible approach for sector-specific fall-back benchmarks

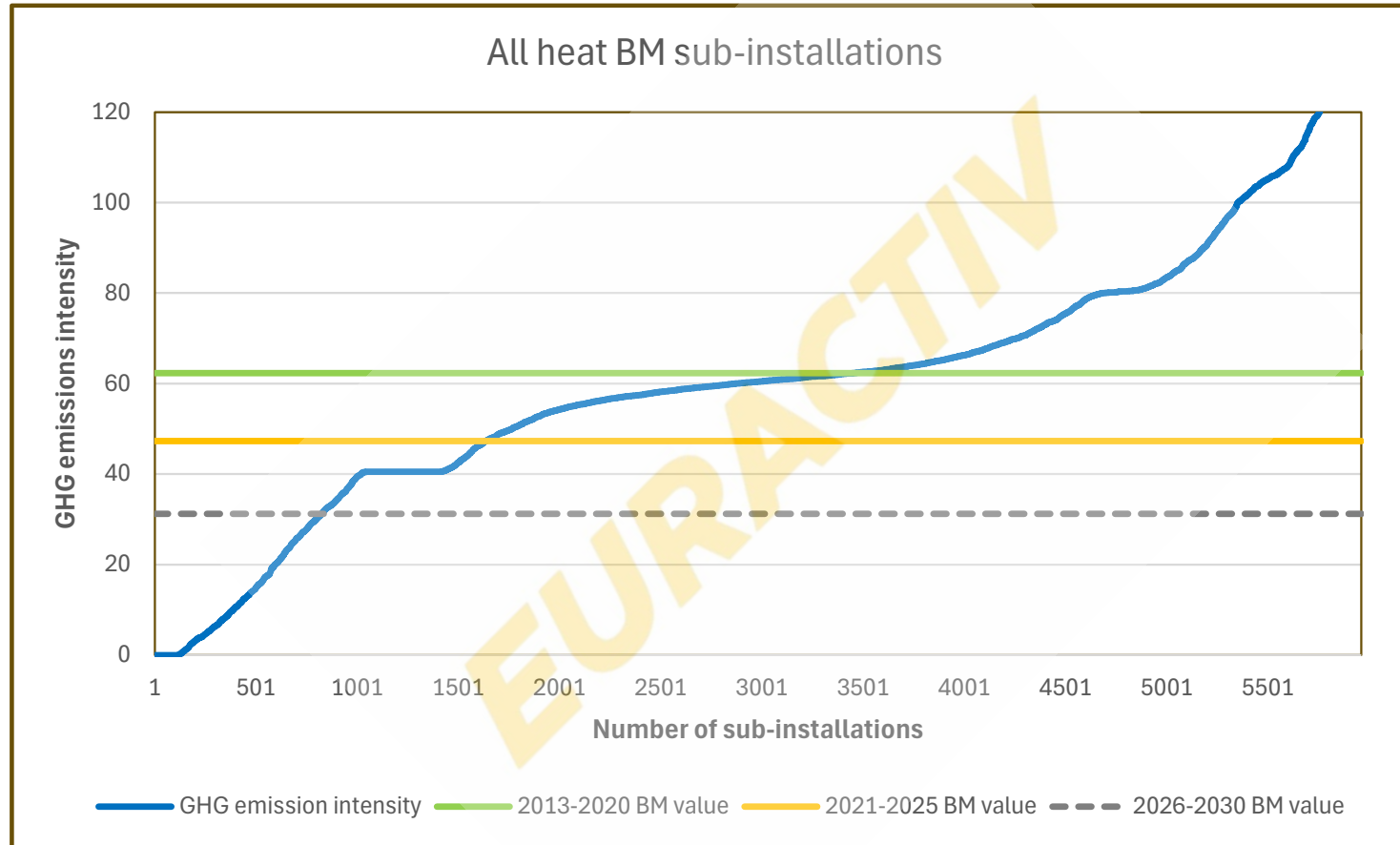
Process:

1. Introduction of specific empowerment in ETS Directive (as part COM proposal for ETS revision of 15 July)
2. Introduction of definitions and calculation method via amendment to Free Allocation Rules (FAR) Regulation
3. Adoption of implementing act with benchmark values for sector-specific fall-back benchmarks
4. Adoption of revised NIMs Decision & National Allocation Tables

Work on FAR amendment could start during co-decision on ETS revision (involvement of CCEG)



ETS review: Possible approach for sector-specific fall-back benchmarks



- Heat benchmark curve: more than 1500 sub-installations below 40,5 kg CO₂/MJ, the trigger point for the maximum update rate of 50%
- => Most sector-specific fall-backs would be updated at maximum rate of 50%



ETS review: sector-specific fall-back benchmarks – sectors with lower update rate for heat benchmark

Sector	NACE code	No. installations	Update rate (compared to 2013-2020)	Change compared to 2021-2025	Difference between fall-back BM and projected BM (M EUA)
Transport via pipeline	4950	82	-14%	+13%	0.1
Sugar	1081	70	-44%	-26%	0.8
Food	1031	39	-39%	-20%	0.5
Organic acids	2110	37	-36%	-16%	0.4

ETS review: sector-specific fall-back benchmarks – sectors with lower update rate for fuel benchmark

Sector	NACE code	No. installations	Update rate (compared to 2013-2020)	Change compared to 2021-2025	Difference between fall-back BM and projected BM (M EUA)
Ceramics - tiles and flags	2331	220	-15%	+12%	5.9
Transport via pipeline	4950	91	-9%	+20%	5.0
Pulp & Paper - paper and paperboard	1712	81	-37%	-17%	0.2
Extraction of natural gas	0620	80	-23%	+1%	6.7
Extraction of crude petroleum	0610	47	-26%	-3%	3.0
Sugar	1081	42	-40%	-21%	0.2
Ceramics – refractory products	2320	35	-34%	-13%	0.3
Cement	2351	33	-6%	+24%	0.1



Next steps

NIMs decision

- Adoption: early June

Benchmark regulation

- Publication for feedback: beginning of May until 8 June
- CCC meeting: 15 June
- Adoption date: end of June

CSCF decision

- MS to submit preliminary NIMs: deadline early July
- Adoption: mid-July

NAT Batch 0

- Notification from MS of final NIMs: deadline 2nd half of July
- Adoption: end of July – free allowances can be issued

Proposal for revision of ETS Directive

- Adoption: 15 July



Backup

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