



## Protect Critical and Strategic Raw Materials and support recycling and circularity: Suspend the fall-back benchmark reduction

On behalf of Europe's non-ferrous metals sector, we call on the European Commission and Member States to urgently act to prevent an immediate loss of competitiveness caused by a weakening of carbon leakage protection through the reduction of free allocation under the EU ETS.

The non-ferrous metals industry in Europe has followed a continuous downward trajectory in emissions<sup>1</sup>. For our sector to remain a frontrunner in the transition, we need an adequate regulatory framework that provides targeted, realistic incentives rather than punitive measures that do not reflect technological developments.

After persistently high energy prices, carbon costs are one of the largest cost burdens for European producers. To mitigate the carbon leakage risk and alleviate the unilateral pressure of high carbon costs under the EU ETS, certain trade-exposed sectors receive assistance in the form of free allocation. Free allocation is based on a benchmark system aimed at incentivising decarbonisation: benchmarks are derived from the 10% best performing installations and reviewed every 5 years to reflect technological progress, with the EU ETS Directive setting a minimum and maximum benchmark reduction rates<sup>2</sup>.

**With the upcoming revision of benchmark values for 2026-2030<sup>3</sup>, benchmarks will be tightened, with reduction rates ranging from 6% up to 50%<sup>4</sup>. This adjustment is intended to reflect technological progress; however, for certain benchmarks, this is far from the case.**

Most benchmarks are product-specific. This means that sub-installations under a given benchmark all manufacture approximately the same product. The total number of installations covered by individual product benchmarks ranges from ~4 to 239.

Where sub-installations produce products that do not fit any product benchmark, they are assigned to the fall-back benchmarks, namely heat and fuel. **The fall-back benchmarks cover ~9000 installations in the EU ETS<sup>5</sup>** - which represents around **three quarters of all stationary installations<sup>6</sup>**. This diverse pool of installations, producing very heterogeneous outputs across a wide range of processes but

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<sup>1</sup> -61% greenhouse gas emissions in comparison to 1990 levels, see [Metals for a Climate Neutral Europe – a 2050 Blueprint](#), 2019.

<sup>2</sup> ETS Directive 2003/81/EC, Article 10a(2), point (d).

<sup>3</sup> Via a new standalone Implementing Regulation determining revised benchmark values for free allocation of emission allowances for the period from 2026 to 2030 pursuant to Article 10a(2) of Directive 2003/81/EC.

<sup>4</sup> Figure calculated extrapolating the minimum and maximum reduction rates and applying it to each year between 2008 and 2028.

<sup>5</sup> Approximately 6.097 under the heat benchmark and 2.636 under the fuel benchmark.

<sup>6</sup> As of 2024, the sectoral scope of the EU ETS covers GHG emissions from ~12.000 installations, see Report from the Commission to the EP and the Council on the functioning of the European carbon market in 2024 ([here](#)).



operating under the same fall-back benchmark, means that the installations setting the benchmark (the 10% best performers) often have significantly different characteristics compared to the rest.

In this case, installations using biomass tend to set the fall-back benchmark, resulting in a 50% reduction in free allocation for all installations assigned to these benchmarks. These smaller, lower-temperature installations record much lower emissions levels that are unattainable by non-ferrous metals processes, forcing steep cuts in free allocation, increasing costs, and risking plant closures amid already high energy and emissions costs. Moreover, biomass availability is constrained by national and regional factors (population densities and the relative sizes of agriculture, forestry, marine, and waste-based sectors). These external constraints conflict with the EU ETS mandate to support circularity and the objectives of the Critical Raw Materials Act.

The guiding principle of the EU ETS should be to incentivise participating installations to improve their CO<sub>2</sub> performance to a level reflecting the best-in-class performance within their sector, based on the best available technologies. Comparing non-ferrous metals producers to installations in other sectors with fundamentally different production processes leads to undue carbon costs and cannot realistically incentivise further emission reductions.

**Unrealistic benchmark reduction rates that weaken carbon leakage protection will compound industrial competitiveness problems and risk further deindustrialisation in Europe. A drastic reduction of the heat and fuel benchmarks would also contradict the goals of the Critical Raw Materials Act and the ReSourceEU action plan** which confirms the Commission's political commitment to accelerating the achievement of the objectives of the CRMA and to preserving and expanding EU production of critical raw materials. **With this in mind, we urge the European Commission to immediately tackle these shortcomings.**

**To prevent this scenario, we call for a suspension of the update of fall-back benchmarks until the current approach is replaced by a new methodology that is more reflective of the industry's reality.**

**Alternatively, a reduction of the heat and fuel benchmarks limited to the legal minimum adjustment of 0.3% for the last five years for the production of Critical Raw Materials<sup>7</sup> would be a viable fall-back solution.** This would amount to a reduction of 1,5% for 2023-2028 which would be on top of the (already high) 24% reduction of the benchmark values for 2021-2025, and it should occur while a more in-depth review of the benchmark calculation methodology is underway, to establish a post-2030 framework that is more representative of the technological reality in each sector.

Urgent and decisive measures are needed now to safeguard Europe's industrial competitiveness. The reduction of the fall-back benchmarks must be recalibrated before enacting much-needed

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<sup>7</sup> It should be highlighted that this reduction is fully within the legal limitations of the ETS Directive and the associated implementing legislation, considering that such adjustment already represents a significant reduction of 25.5% reduction from the 2013-2020 benchmark values, which is equivalent to a yearly reduction of 1.28% for the 2008-2028 reference period.

Indeed, in the ETS Directive 2008/87/EC, Article 10a(2), point (c), explicitly states that the benchmark values shall be determined "on the basis of applying a reduction rate in respect of **each year** between 2008 and 2028," thereby clearly allowing the application of different reduction rates for each year within the reference period.



methodological changes that reflect technological realities. **This transitional arrangement is urgent so that free allocation continues to protect against carbon leakage rather than exacerbate it, with failure to act resulting in additional losses in industrial capacity and jobs in the non-ferrous metals sector.**

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