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Reviewing the EU ETS Directive: Progress has been made, but more is needed to secure Europe's industrial future

Brussels, 17 July 2026. The European Commission has today unveiled its long-awaited proposal to revise the EU Emissions Trading System (ETS) Directive, together with the proposal on the ETS fallback benchmark values for the 2026–2030 trading period. The choices made in this revision will shape not only the future of Europe's carbon market, but also the future competitiveness of European industry.

The European Commission has shown openness to adapting some aspects of the ETS governance to reflect today's challenging industrial realities. This includes maintaining a key carbon leakage protection mechanism, namely the compensation for indirect carbon costs beyond 2030, which remains essential in a global context where comparable regulatory frameworks and climate ambitions are still largely absent outside the European Union.

However, Europe's industrial future cannot be forged on partial solutions alone. Several key elements of the framework remain only partially addressed or move in the wrong direction. In particular, the proposed additional conditionalities linked to decarbonisation investments could create excessive complexity and burdens for companies, weakening the primary role of free allocation as a tool to prevent carbon leakage. Furthermore, the proposed solution for fallback benchmarks, both for the period up to 2030 and beyond, leaves room for improvement to bring it in line with the necessary certainties explicitly committed to by the European Commission.

Dr. James Watson, Director General of European Metals, commented:

'*Metals are at the foundation of Europe's future – from the green and digital transitions to defence and space applications. At the same time, our sector is investing heavily and taking significant steps to decarbonise, despite increasingly challenging domestic and global circumstances. We need policies that provide a realistic pathway towards this transformation, while ensuring that European industry remains strong and resilient. Among the policies that can help achieve this, the ETS is one of the most crucial.*'

He added: '*This revision of the EU ETS is a make-or-break moment. There is no alternative to getting it right if we want to continue decarbonising over the next crucial decade while keeping industry in Europe. The ETS debate has too often been framed around polarised positions that appear difficult to reconcile. Now we need constructive dialogue to build a framework that enables European industry to remain globally competitive while delivering for the climate.*'

Reconciling competitiveness and decarbonisation is not straightforward. As negotiations continue, one aspect must remain at the heart of the public debate: the success of the ETS and European climate policy must be measured not only by their ability to deliver emissions reductions, but more importantly by their capacity to preserve and strengthen Europe's industrial base in the decade ahead. Europe cannot achieve climate leadership without a strong industrial foundation.

European Metals – Non-Ferrous Metals Association is the industry association representing non-ferrous metals producers, transformers and recyclers in Europe, bringing together the full value chain under one umbrella. We work to advance a secure, sustainable and competitive European metals ecosystem that supports Europe's green and digital transformations.

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