

# Cefic's response to the benchmark update 2026-2030

Cefic reaffirms its support for the 2050 climate neutrality objective and notes the central role of the EU Emissions Trading System for delivering the EU's climate ambition. Achieving this objective, however, requires that the carbon price signal is matched by enabling conditions for industry, including lead markets for low-carbon products, access to competitive low-carbon energy and feedstock, the deployment of energy and carbon infrastructure, and strong carbon leakage protection. In the absence of these conditions, preserving effective free allocation and indirect cost compensation is essential to limit carbon cost exposure for sectors under severe pressure. Striking the right balance between climate ambition and industry's capacity to deliver remain critical for the European economy.

The revision of the ETS benchmarks is set in law. While understanding that clearly, reducing further the benchmark values comes at a particularly challenging moment for industry and causes a steep cost increase exactly when the chemical industry is struggling for survival and in many cases where the persistent infrastructure, investment conditions, and technology readiness, do not allow chemical plants and sites to move forward in the transition.

What seems to be a limited reduction of free allowances, still translates into a cost increase that is not matched around the world, making an already uncompetitive situation worse. These additional carbon costs would become an unsustainable burden for many installations and exceed companies' capacity to absorb them under current economic conditions and prevent further CAPEX and OPEX investments towards the low-carbon transition.

It is crucial that **ETS benchmarks are realistic** and reflect on the EU-wide availability of energy, feedstock, process technologies and infrastructure. The technology available and deployable at scale across installations should set benchmarks, rather than these being based on solutions that are not broadly replicable. The process must also avoid **unrealistic extrapolations**, assumed future performance or unsuitable mathematical baselines.

Ahead of the adoption of the implementing regulation, Cefic considers the points below to be critical and calls for them to be taken into account.

- **The proposed 50% reduction in fallback benchmarks is a key concern, given the limited methodological basis underpinning this approach.** This leaves a steep reduction in free allocation the coming years. If the calculation methodology is not changed, the best option would be to suspend the update.
- **In some cases draft values for product benchmarks are in line with expectations,** but steep reductions in carbon black, ethylene oxide and styrene, and nitric acid remain problematic.

## 1. The highest reduction of the fallback benchmarks is disproportionate

The proposed –50% reduction (maximum allowed) for heat and fuel benchmarks is far beyond the actual industry's transition potential. These generic benchmarks cover hugely diverse processes, yet are being set by a few best-case exceptions (using biomass, electrification of heat generation, measurable heat importers from exothermal processes). Additionally, some of these resources (such as biomass) are not equally available across regions due to scalability and fragmented certification schemes in Member States and limited in use across installations. As a consequence, this **non-representative approach** makes the 50% cut unrealistic and not justifiable. However, the principle of technological neutrality underpinning the EU ETS and the benchmark-setting exercise should be consistently upheld.

In particular, the **heat benchmark** reduction is particularly critical for the chemical sector because a significant share of installations rely on heat benchmark, while production processes are highly heat-intensive and it is difficult to switch towards alternatives. That leads to the fact that even state-of-the-art heat generating installations are way above the heat benchmark, making such a reduction unfeasible. In addition, it is important to remind that the reference point of the heat benchmark was based on natural gas in previous phases, then a purely literature-based value and not on actual benchmarking of sub-installations.

A drastic fallback benchmark cut, combined with persistent constraints on energy and CO<sub>2</sub> infrastructure, will contribute to increasing the operating costs for the chemical sector, actually raising the risk of companies relocating outside Europe, and leaving even less room for investments in climate transition.

Regulatory ambition cannot outpace technology and infrastructure. Defining the improvement rate by using a similar approach to that of the product benchmarks so mainly on the best performers, without correcting for outliers, would fail to capture the reality of the industrial processes covered by the fallback benchmarks, and it would lead to artificially low values. Considering that the ETS directive does not mandate a strict and detailed methodology to define the fallback benchmarks, alternative approaches could also be considered.

**Cefic therefore, requests a more realistic calibration of fallback benchmarks, reflecting actual technological availability, infrastructure constraints, and the current investment environment. The update of these benchmarks should then be suspended, unless a more appropriate methodology, potentially reconsidering literature-based values, is developed.**

## 2. Product benchmarks

The draft values of the product-specific benchmarks are, in some cases, **consistent with the expectations** of the chemical sector and its different subsectors. However, this is not the case for all products because significant reductions remain for carbon black, ethylene oxide, styrene, and nitric acid. Such a sharp reduction would risks accelerating carbon leakage and plant closures, negatively impacting the chemicals ecosystem and the wider European economy, without necessarily delivering additional global emissions reductions.

**Cefic acknowledges that the draft benchmark values proposed by the Commission align, in some cases, with the expectations of the chemical sector. Nevertheless, it is essential to recall that preserving a sufficient level of free allocation and maintaining compensation for indirect carbon costs remain fundamental cornerstones for ensuring strong protection against carbon leakage.**

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**About Cefic**

Cefic, the European Chemical Industry Council, is the forum of large, medium and small chemical companies across Europe, accounting for 1.2 million jobs and 13% of world chemicals production.

On behalf of its members, Cefic's experts share industry insights and trends, and offer views and input to the EU agenda. Cefic also provides members with services, like guidance and trainings on regulatory and technical matters, while also contributing to the advancement of scientific knowledge.