BELLONA EUROPA

Bellona Consultation response on the revision of the EU ETS benchmark values (2026-2030)

CONSULTATION RESPONSE

June, 2026

Bellona welcomes the opportunity provided by the European Commission to give feedback on the public consultation on the Revision of the benchmark values for free allocation of emission allowances (2026-2030).

General approach

Bellona Europa has long **called** for an update of ETS benchmarks that could reward genuinely low-carbon production pathways by referring to actual carbon performance across equivalent production routes. In particular:

- **For steel**, Bellona recommends moving to a single benchmark based on final steel output, independent of the production process and differentiated only by product family (e.g. flat versus long products). This would ensure that all production routes are assessed against the same carbon-intensity standard. The benchmark would apply to mature production routes, while a temporary transitional mechanism would allow green hydrogen DRI facilities to receive surplus free allocation.
- **For cement**, benchmarks should be set at the cement level rather than the clinker level. This ensures a level playing field between the different decarbonisation options available, avoids incentivising clinker use, and includes cement producers who do not rely on clinker production.

Revision of the benchmark values for free allocation of emission allowances (2026-2030)

- Bellona Europa welcomes the update of the EU ETS benchmarks, as it is crucial that technological developments leading to decarbonisation and lower process emissions are reflected in benchmark values. This is one of the core principles of the EU ETS, and its upholding is essential to maintaining incentives for industrial decarbonisation.
- While **overall we view positively the updated data**, we would recommend a slightly different value for some product benchmarks. In particular:
    - Cement: while the ambition for reducing the emissions from the sector is already present in the proposed text, Bellona considers it possible to further reduce emissions without increasing the burden for clinker producers. For this reason, we propose a benchmark of 0.621 allowances/t of clinker that can be reached without structural changes to the production process and leveraging existing cost-effective solutions.

Treatment of indirect emissions

Bellona Europa sees potential incompatibilities between the inclusion of indirect electricity emissions in the calculation of certain benchmark values for the 2026-2030 free allocation period and the continued distribution of Indirect Cost Compensation (ICC).

In particular, the interaction between the proposed methodology and the existing ICC scheme deserves further consideration.

State of the play: how it currently works

ICC is designed as a measure to address the risk of carbon leakage by protecting industries from the carbon cost embedded in electricity prices.

In practice, the EU ETS covers the power sector, with power generators required to surrender allowances based on their emissions. This results in a carbon cost that is passed through to electricity prices and ultimately paid by consumers. ICC is currently intended to partially compensate industry for this spillover carbon cost. However, as currently designed, ICC compensates industrial consumers both for the carbon costs embedded in fossil-based electricity generation, but also for the share of electricity supplied from non-emitting sources that nevertheless reflects the carbon price in wholesale electricity markets.

Bellona's overall position on ICC

Bellona Europa has advocated for a reform of ICC distribution, as the current formula (in particular the CO_2 emission factor) assumes that all electricity prices are set by fossil generation and therefore fully reflect a spillover carbon cost, which does not correspond to market reality. This results in compensation that exceeds actual exposure to carbon costs and may function as a de facto subsidy to fossil electricity consumption.

Against this background, the proposed reform to the calculation of certain benchmarks, raises questions as to whether installations impacted by this reform and receiving ICC would be protected twice. Recital 13 of the EU ETS State Aid Guidelines, which governs ICC distribution, states that "the Guidelines should be adjusted for the products concerned to ensure that producers do not receive double compensation for the same emissions through both free allocation and indirect emission cost compensation". It is therefore crucial for the Commission to clarify how the risk of double compensation would be avoided if free allocation were to also account for indirect emissions in the relevant sectors.

Indirect emissions in the benchmarks: ensure compatibility with ICC and hypothetical CBAM inclusion of indirect emissions

This becomes even more complex for sectors affected by this reform that are both eligible for ICC and covered by the CBAM, such as electric arc furnace (EAF)-based steel production, ammonia and hydrogen. While CBAM does not currently include indirect emissions for hydrogen and steel, ammonia is included in its scope.

Bellona has long advocated for the inclusion of indirect emissions in the CBAM. In this context, it considers that, in order to include indirect emissions for sectors receiving ICC, a more coherent approach would be to reform ICC while ensuring continued exposure to the carbon price on fossil electricity. ICC should only compensate for the carbon cost passed through from non-emitting electricity generation, while installations should remain exposed to the carbon costs associated with fossil-based electricity consumption. To address carbon leakage concerns arising from such exposure, CBAM should progressively account for indirect emissions. Such an approach would preserve incentives for electrification and power-sector decarbonisation while maintaining an effective carbon leakage framework.

Bellona recommends exercising caution when considering the inclusion of indirect emissions in benchmark calculations. While such an approach may improve the accounting of emissions associated with electricity

consumption, it could have significant repercussions for the interaction between free allocation, ICC and the future evolution of the CBAM. In particular, the Commission should carefully assess the risk of double protection where installations could benefit both from benchmark values that account for indirect emissions and from ICC for the same carbon costs. Any reform should also be designed with a view to the potential future expansion of CBAM to indirect emissions, ensuring consistency across instruments and preserving effective carbon leakage protection. Bellona therefore considers that any inclusion of indirect emissions in benchmarks should only proceed as part of a coherent visoion of the broader policy framework governing free allocation, ICC and CBAM.

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