17 November 2026

Chemical businesses call on EU leaders to uphold an ambitious EU ETS

Dear Members of the European Parliament,
Dear Presidency of the Council and Member State representatives,
Dear European Commission representatives,
Dear Heads of State and Government,

As businesses and industry representatives investing in and supporting the sustainable transition of Europe's chemical industry, we urge you to preserve an ambitious, predictable EU Emissions Trading System. This call is also supported by the undersigned civil society organisations.

Calls to weaken the ETS do not speak for the whole chemical industry. Our businesses are developing cleaner chemical production routes, scaling new technologies and advancing emissions reductions across the chemicals value chain. These efforts and investments depend on the predictable framework and credible carbon price signal provided by the ETS, which strengthens the competitive position of lower-emission chemical production.

High electricity prices, infrastructure gaps and weak demand require urgent action. Reducing the incentive to cut emissions will not solve these problems. Nor will it protect Europe from the heatwaves, droughts, floods and wildfires threatening communities and the water, energy and transport systems our operations rely on.

We ask you to secure three outcomes:

1. **Maintain an ambitious rate of ETS cap reduction and reward cleaner chemical production**

   Preserve a credible, decreasing ETS cap consistent with the EU's climate objectives. Changes to the linear reduction factor, Market Stability Reserve and other flexibilities must be assessed together and must not increase cumulative emissions permitted under the existing ETS cap trajectory or weaken incentives for timely emissions reductions in European production.

   Benchmark and allocation rules must reward verified emissions reductions at existing plants and through innovative production routes, including lower-emission alternatives to fossil-fuel-fired steam cracking and steam methane reforming. Cleaner chemical production pathways should not be disadvantaged relative to conventional fossil-based alternatives.

2. **Maintain the CBAM-linked phase-out of free allocation under the ETS and strengthen investment conditionality**

   Carbon leakage protection must preserve incentives to decarbonise. Maintain the agreed phase-out timetable of free allocation for CBAM-covered products, with consistent carbon cost treatment between EU production and imports, alongside safeguards against double compensation. The ETS revision should strengthen investment conditionality, not expand free allocation without corresponding decarbonisation commitments. The share of allowances available for free allocation should not be increased at the expense of auction revenues needed to finance industrial decarbonisation.

We support linking free allocation to credible decarbonisation investment commitments, with clear implementation milestones, verification of progress towards emissions reductions and proportionate consequences for non-delivery. Protecting companies' financial capacity through free allocation does not, by itself, guarantee investment in cleaner European production. Investment conditions should recognise early action and chemical investment cycles, alongside measures that improve project viability.

Carbon leakage protection must also be transparent, accountable and fair. EU and Member State authorities should ensure public access to comparable allocation, emissions and investment progress data, while protecting commercially sensitive information and avoiding an overly complicated reporting burden for business. Decisions on free allocation should rest on transparent methodologies and clearly defined sector boundaries, enabling independent scrutiny.

3. Earmark ETS revenues for decarbonisation and create demand for cleaner chemicals

Bringing cleaner chemical production to commercial scale requires investment support, infrastructure and reliable demand. Policymakers must retain and strengthen the proposed earmarking of national ETS auction revenues for decarbonising ETS-covered sectors, adding to – rather than replacing – existing national climate expenditure. Member State and EU funding should provide accessible investment and operating support for cleaner chemical production, electrification technologies and enabling infrastructure, linked to measurable emissions benefits and a just transition for workers and communities.

Alongside the ETS revision, EU procurement requirements and product standards should create demand for chemicals with verified lower emissions. Incentives for long-term purchasing agreements and commitments from customer sectors, including packaging, automotive and construction, should help finance deployment.

Europe needs both a strong carbon price and the conditions to respond to it.
Preserving the ETS's long-term policy certainty is essential to providing the confidence needed for long-term investment in Europe. We urge you to reach a timely agreement that maintains an ambitious, predictable emissions trajectory, makes transitional protection accountable and accelerates investment in cleaner chemical production.

Yours sincerely,

Chemical businesses

Algenesis Labs
BioBTX
C1 Green Chemicals AG
Carbon Recycling International
D-CRBN
Dioxycle
FertigHy

traceless materials

Industry association

CO_2 Value Europe

Supporting civil society organisations

Bellona Europa
Bond Beter Leefmilieu (BBL)
Citizens' Climate Europe
Clean Air Task Force (CATF)
Climate Action Network Europe (CAN Europe)
Climate Catalyst
ECOS
European Environmental Bureau (EEB)
Natuur & Milieu
ShareAction