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## EDA position on the upcoming revision of the EU Emissions Trading System (EU ETS)

The EU dairy sector is an active contributor to the decarbonisation of the wider food industry and remains committed to supporting the achievement of the EU's climate and environmental objectives, provided that key enabling conditions are ensured in the forthcoming policy framework:

- Carbon leakage safeguards should remain in place beyond 2030**  
Free allocation remains essential for sectors like dairy exposed to global competition and with limited ability to pass on costs. Its continuation beyond 2030 is therefore a necessary element of an effective carbon leakage framework.
- Predictable carbon pricing and supportive framework conditions are essential**  
Predictable ETS price signals, along with access to affordable electricity and adequate grid infrastructure, are key to enabling investment and advancing electrification. More broadly, industry operators require a stable and coherent regulatory framework across existing and forthcoming legislation in order to plan long-term investments with confidence and minimise regulatory uncertainty.
- ETS revenues should be effectively channelled towards decarbonisation efforts**  
Recycling ETS revenues into industrial investments, infrastructure, and a well-designed and accessible Industrial Decarbonisation Bank is essential to achieve tangible emissions reductions. Revenues generated from the industry should be earmarked to support decarbonisation efforts within the sector.
- The ETS revision should avoid adding unnecessary administrative complexity**  
Any revision of the ETS should avoid adding further administrative complexity for industry. Extending CBAM to the food and drink sector or introducing additional obligations risks increasing costs with uncertain benefits in terms of global emissions reductions. In addition, maintaining the current thermal input threshold is important to preserve regulatory stability. Lowering the threshold by extending ETS scope to smaller installations would be counterproductive, creating disproportionate compliance burdens and unnecessary challenges for companies while delivering limited additional emissions coverage. Efforts should instead focus on reducing existing burdens and promoting simplification.



- **Only permanent carbon removals should be considered for inclusion in the ETS**

While recognising the need to accelerate the deployment of carbon removal and carbon capture technologies, the primary focus of the ETS must remain on reducing fossil emissions at source. Permanent industrial removals may have a role within the ETS framework; however, temporary removals generated through carbon farming should not be included. Their inclusion could create price competition between temporary and permanent removals, potentially increasing the cost of temporary removals and thereby reducing their accessibility and affordability.
- **ETS benchmark methodology must support industrial decarbonisation**

The ETS benchmark methodology should provide a stable and realistic framework for determining free allocation and enabling continued investment in decarbonisation. Current benchmark calculations rely on outdated reference data and overly ambitious reduction assumptions, resulting in benchmarks that do not reflect operational realities for many installations. Planned reductions to benchmark values, including for heat and fuel, risk undermining investment certainty and creating additional pressure on industrial operators. It is therefore important that the benchmark methodology be revised to ensure benchmarks remain realistic, representative, and aligned with technological and economic conditions across industry.