

Brussels, 22 July 2026

Primary Food Processors on the ETS proposals

A constructive framework for climate ambition and industrial competitiveness

EU Primary Food Processors (PFP) welcome the European Commission's published ETS proposals as a constructive step for Europe's energy-intensive food and bioeconomy industries. PFP members, which transform around 220 million tonnes of agricultural raw materials a year and employ over 120,000 people across the EU, depend on an ETS framework that pairs climate ambition with the conditions for industrial transformation.

On carbon leakage protection, PFP welcomes the extension of free allocation and the carbon-leakage list to 2040, without reopening the list for revision. Maintaining robust protection for internationally exposed sectors – which compete globally and face imports from countries without equivalent carbon constraints – is essential to keep production, and its emissions, within Europe. Sugar, starch, and (vegetable) oils and fats are all carbon leakage sectors and will continue to benefit from free allocation to support our competitiveness against foreign competitors that are not subject to equivalent carbon costs.

On benchmarks, additional free allocation for 2026-30 for sectors covered by the fallback benchmarks is a logical step and comes at a critical time given the upward pressure on energy costs from the intensification of the U.S.-Iran conflict. We also welcome that the ETS revision proposal cuts the maximum benchmark update rate from 2.5% to 2% per annum. However, we regret that this proposal does not introduce a new methodology for the calculation of the product and fallback benchmarks, which would continue to be based on the 10% best-performing installations, apparently regardless of the technological feasibility of meeting such levels.

On the emissions trajectory and carbon market, the "flattening of the curve", via reduced Linear Reduction Factors, and the possibility to deploy international carbon credits and bioenergy + carbon capture & storage (BECCS) are pragmatic steps. In addition, the changes to the Market Stability Reserve should contribute to a more stable carbon market and thereby improve investment predictability, which is after all essential to plan the long-lead decarbonisation projects the transition requires.

On funding, PFP welcomes the recognition that for too long, too little revenue from the ETS has been channeled back to industry. The €100 bn Industrial Decarbonisation Bank could be a useful instrument in this regard, but its operation must align with the principle of technology neutrality, recognising that full electrification is not always technically or economically feasible for certain production sites, including many primary food processing facilities. PFP also

welcomes the push for Member States to channel a higher share of auction revenues towards industrial decarbonisation.

Two additional points warrant further work: the proposal for free allocation to become fully conditional on decarbonisation investments from 2031, and the absence of an export carbon leakage mechanism. PFP looks forward to working with the co-legislators to ensure conditionality is workable for industrial operators and that the competitiveness of European exporters is safeguarded as the files advance.

“Today's proposals show that climate ambition and industrial competitiveness can move forward together. Europe's primary food processors are committed to the transition, and a framework grounded in industrial reality is what will make it deliver. We look forward to working with the institutions through the phase ahead.”

Christophe Lescroart, PFP President, on behalf of the Primary Food Processors of the EU

The Primary Food Processors of the EU (PFP) is composed of:

European Association of Sugar Manufacturers ([CEFS](#))
European Cocoa Association ([ECA](#))
European Flour Milling Association ([European Flour Millers](#))
European Starch Industry Association ([Starch Europe](#))
European Vegetable Protein Association ([EUVEPRO](#))
European Vegetable Oil and Proteinmeal Industry ([FEDIOL](#))

PFP members process approximately **220 million tons of raw materials** (cereals, sugar beet, rapeseeds, soybeans, sunflower seeds, crude vegetable oil, cocoa beans, starch potatoes...) **employing over 120 000 people** in the European Union.