

GLASS ALLIANCE EUROPE Recommendations for ETS trilogues

Re: Making the Emission Trading Directive (ETS) and Carbon Border Adjustment Mechanism (CBAM) fit to achieve climate neutrality and keep the European glass industry globally competitive

Glass Alliance Europe is aligned with the EU objective to reach climate neutrality by 2050. We have already achieved a reduction of 69 % of CO₂ per tonne of melted glass in the last 50 years and are fully engaged on a decarbonisation path. **We need a corresponding supporting policy framework to accompany this change and keep the European glass industry competitive globally.** In the EU, our industry is facing high carbon and soaring energy costs, the latter not being supported by any EU measures so far, putting a big strain on our capability to invest in the transition. For instance, as part of our industry's exploration of decarbonisation through electrification, we have repeatedly called for the whole glass sector to be recognized as eligible for indirect cost compensation. To make investments possible, the Guidelines for indirect emissions under the EU ETS need to be reopened and our sector to be reassessed.

Ahead of trilogue meetings on EU Emissions Trading System (ETS) review on 16 December, Glass Alliance Europe calls on the European Council and Parliament negotiators to adopt a regulatory framework that is conducive to industry's transformation, while preserving its competitiveness and supporting its capacity to innovate and invest.

Preserving competitiveness under the ETS and Carbon Border Adjustment Mechanism (CBAM) is critical as final talks on both mechanisms take place against a turbulent geopolitical backdrop, with European companies facing sky-rocketing energy prices, uncertain energy supplies, high inflation, high direct and indirect carbon costs, and raw material shortages.

Specifically, we would like to raise the following key outstanding issues to your attention:

1. Recommendations on ETS

Ensure continuity with current rules on free allocation. Free allocation is already conditional upon certain strict criteria in terms of carbon intensity and trade intensity. Therefore, we believe that the final text should follow the Council's position, avoiding any additional conditionality regarding free allocation.

- **Avoid the application of the cross-sectoral correction factor (CSCF).** Trilogue negotiations should prioritise ways to avoid the CSCF, for instance by adjusting the buffer between the free allocation share and the auctioning share. The application of the CSCF should be avoided for all installations, and not just for some at the expense of others, based on benchmarks which do not necessarily capture the value added of the installations dedicated to specific product qualities.

- **Ensure realistic benchmarks, by avoiding abrupt changes to their update rates** not being supported by proven technology feasibility. We welcome the European Parliament's solution on the exclusion of some of the newest installations from driving down benchmarks.
- **Electrification is one of the important technologies available to decarbonise our industry.** So, even if this topic is not part of the trilogue discussion, it is important for decision-makers to know that we have repeatedly called for the whole glass sector to be recognized as eligible for indirect cost compensation. To make investments possible, the Guidelines for indirect emissions under the EU ETS need to be reopened and our sector to be reassessed.

2. Recommendations on the CBAM

- **The extension of the CBAM to a new sector should be subject to an in-depth assessment of the CBAM applicability to this sector and the impact of its inclusion.** The individual assessment should take into consideration the sectoral specificities, such as the value chain complexity, the production processes, the trade flows or circumvention risks and the downstream impacts. The individual sector should be consulted in the process and the final decision on the extension of the CBAM to a new sector go through an ordinary legislative procedure (co-decision).
- **The European Parliament's position to maintain free allocation can represent an effective solution along certain provisions.** Its application should:
 - not be limited to only a small portion of ETS installations
 - take into account the necessity to permanently ensure exports competitiveness to countries without equivalent carbon pricing measures
- **Establish a realistic timeline for the phase out of free allocation in sectors covered by the CBAM.** The effectiveness of the CBAM in terms of protecting companies from carbon leakage is still unknown. It is recommended – especially in the current context of instability - to phase out free allowances for production in the EU market once the effectiveness of the new mechanism has been proven. Alternatively, the final text should maintain the Council's timeline for phasing out free allowances over a sufficient period, between 2026 and 2035, avoiding abrupt changes, and with a slower pace of reduction at the beginning.
- **Provide a level-playing field between different 'waves' of CBAM sectors.** When it comes to free allocation, sectors added to the CBAM scope at a later stage should also benefit from the same transitional period ('reduction curve') as the first sectors, so as to avoid abrupt changes.

We call on the Council of the EU and the European Parliament to address these critical issues and remain at your disposal for further dialogue so that the proposed measures are future-proof and deliver a policy environment that supports the European industry in its efforts towards climate-neutrality.