

Brussels, June 16, 2026

H.E. António Costa
President of the European Council

H.E. Nikos Christodoulides
President of the Republic of Cyprus
Holder of the Presidency of the Council of the European Union

CC: H.E. Ursula von der Leyen, President of the European Commission; Members of the College of Commissioners

Subject: Stop ETS Cost Escalation to Maintain the EU's Competitiveness

Dear President Costa,
Dear President Christodoulides,

Europe's industrial base is under acute pressure. In view of the upcoming reform of the EU Emission Trading System (ETS), we call on you to take immediate action to halt the escalation of ETS-related costs and avoid further damage to Europe's manufacturing base.

The ETS no longer reflects current global realities. Europe is effectively acting alone in imposing rapidly rising carbon costs on its industry already facing structural cost disadvantages like higher energy prices and regulatory costs. This combination is eroding competitiveness at an accelerating pace.

At the same time, the conditions required for industrial transformation are not in place. Critical infrastructure for energy, CO₂, hydrogen and CCS is missing or insufficient. Access to competitive low-carbon inputs remains limited, investment frameworks are not reliable, and customer demand and willingness to pay for low-carbon products are low. Under these conditions, large-scale transformation is not economically viable without massive public support.

CBAM, in its current form, does not provide a sound solution. It remains untested and leaves significant exposure, including the absence of downstream protection, spillback effects, resource shuffling and unresolved export competitiveness risks. Relying on CBAM under these circumstances is premature and risky.

If current policies continue, rising carbon costs will be passed on value chains, triggering downstream carbon leakage, compressing margins, scaling back production and accelerating plant closures. The consequences—job losses, reduced investment, and weakening economic growth—are foreseeable.

We call for a decisive intervention to stop the ETS cost escalation. This must include a recalibration of free allocation, benchmark methodologies and values, CBAM factor and the Cross-Sectoral Correction Factor (CSCF), all being essential for a workable and investment-driven framework.

Further conditionalities to free allocation as currently discussed must be avoided as this would weaken the intended carbon-leakage prevention.

Such cost stop must remain in place until companies can build solid business cases for transformation investments, supported by comprehensive and reliable policies to incentive the uptake of low-carbon and circular products.

Finally, ETS revenues must be fully and effectively channelled into accessible, technology-neutral industrial transformation support linked to verified emissions reductions.

Time is running out. Decisive and immediate policy correction is required to preserve Europe's industrial foundation and enable a credible path to transformation.

We stand ready to engage constructively and support the development of a balanced, effective and investment-oriented solution.

Yours sincerely,



