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Cc:

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Subject: ETS Benchmarking review proposal (2026-30) – NACE 23.99 situation

The European Expanded Clay Association (EXCA) and the European Advanced Carbon and Graphite Materials Association (ECGA) are concerned that the current methodology for updating the fuel fallback benchmark does not adequately reflect the specific circumstances of all sectors covered by the benchmark.

Expanded clay and artificial graphite production are both classified under NACE 23.99 (Manufacture of other non-metallic mineral products n.e.c.), a highly heterogeneous category that encompasses a wide range of industrial activities with fundamentally different production processes, energy requirements and decarbonization pathways.

Against this background, it is difficult to justify that such a heterogeneous NACE category should lead to the most stringent fuel fallback benchmark update, resulting in a benchmark value of 28.1 tCO₂/TJ for the period 2026-2030. Performance achieved in one part of NACE 23.99 cannot be assumed to be representative of all sectors covered by the category. Moreover, based on the data at our disposal, it is not possible to verify which installations have improved the most, except by taking a possible average of the best 10% of installations.

Both expanded clay and artificial graphite production rely on high-temperature (up to 1200°C for expanded clay and up to 3000°C for artificial graphite) thermal processes with limited short- and medium-term options for fuel substitution. While the sectors are committed to decarbonization and continue to invest in energy efficiency and lower-carbon technologies, commercially viable alternatives such as large-scale electrification or hydrogen are not yet available for many installations. Moreover, carbon capture, utilization and storage (CCUS) cannot currently be regarded as a commercially viable decarbonization option for our sectors. Recent assessments estimate the full cost of CO₂ capture, transport and permanent storage in Europe at approximately **€105–280/tCO₂**, significantly above prevailing EU ETS carbon prices. In addition, deployment depends on access to CO₂ transport networks and permanent storage infrastructure, which remain unavailable across many industrial regions. As a result, CCUS cannot reasonably be expected to contribute to significant emissions reductions across the sector within the 2026–2030 benchmark period.

It is also important to note that European expanded clay and artificial graphite production play a significant role in supporting the competitiveness and resilience of European industry. Their importance extends beyond the sectors themselves, as they provide essential products and inputs for downstream industries and value chains that are critical to Europe's industrial, circular economy and decarbonization objectives.

Expanded clay is an important construction material that contributes to resource efficiency, lightweight building solutions and improved energy performance in buildings, supporting the objectives towards a more sustainable built environment.

Similarly, graphite electrodes (made from artificial graphite) and covered under NACE 23.99 are an indispensable input for electric arc furnace (EAF) steelmaking, the leading low-carbon steel production route and a cornerstone of Europe's steel decarbonisation strategy. EAF steelmaking enables the recycling of steel scrap and is therefore central to the transition towards a more circular economy. The availability of a competitive European graphite electrode industry is essential to maintaining secure and resilient supply chains for clean steel production in Europe.

Graphite electrode manufacturing relies on highly energy-intensive thermal processes requiring temperatures of up to 3,000°C, for which commercially viable alternatives to conventional fuels remain limited. While the sector continues to invest in energy efficiency improvements and lower-carbon technologies, large-scale electrification, renewable fuels and hydrogen-based solutions are not yet technically or economically deployable across many installations.

The continued competitiveness of these sectors is therefore not only important for the industries themselves, but also for the downstream value chains and strategic sectors that depend on their products. The significant reduction of the fuel fallback benchmark, therefore, risks overstating the technically achievable emission reductions for these sectors and may lead to a substantial decrease in free allocation that is not supported by realistic decarbonization opportunities.

EXCA and ECGA therefore call on the European Commission to:

- Recognize the heterogeneous nature of NACE 23.99;
- Avoid applying a uniform approach to sectors with fundamentally different production characteristics and decarbonization potential;
- Assess expanded clay and graphite separately from other activities within the NACE 23.99 covered by the fuel fallback benchmark;
- Ensure that future benchmark updates are based on realistic, technically achievable and economically viable decarbonization pathways;
- Consider applying a lower benchmark update for expanded clay and graphite, rather than the most stringent update leading to 28.1 tCO₂/TJ, where the evidence does not demonstrate that such a reduction is technically achievable across these sectors.

A more differentiated approach would better reflect industrial realities while maintaining the EU ETS objective of incentivising cost-effective emission reductions and preventing carbon leakage.