STARCHEUROPE
PLANT-BASED SOLUTIONS

12 February 2026

Ensuring fair and achievable ETS fallback benchmarks (2026–2030): avoid automatic tightening and preserve technology neutrality

The European starch industry supports the EU ETS as a cornerstone of Europe's climate policy and recognise the need for robust carbon pricing to drive decarbonisation. We also acknowledge the ETS as a transition tool towards climate neutrality, in which the gradual phase-out of free allocation is ultimately unavoidable.

We are concerned that the current approach — including a proposed 50% reduction of the heat and fuel fallback benchmarks — risks creating unintended and disproportionate impacts for bio-industrial sectors such as ours. The EU ETS is becoming a decisive competitiveness factor for Europe's starch biorefineries: large-scale, energy-intensive facilities that underpin key value chains from food and feed to pharmaceuticals and bio-based materials. Starch is the leading feedstock of the European bioeconomy (36.2%), making the sector a strategic industrial platform for Europe's net-zero transition. The EU starch industry maintains a strong positive trade balance, exporting €3.3 billion in products outside the EU compared with imports of around €1 billion, which means ETS cost increases directly undermine export competitiveness.

The proposed fallback benchmark levels risk anchoring the benchmark to biomass-based configurations and therefore creating a distorted picture of current decarbonisation and investment realities across Member States. A benchmark must remain a realistic efficiency reference — not an implicit decarbonisation mandate. EU economy-wide climate targets are expressed relative to 1990, whereas the starch sector's decarbonisation pathway is tracked against a consistent industrial baseline (2009), reflecting real installation-level investment cycles and technology deployment constraints. The starch sector targets a 25% GHG reduction by 2030, building on the 25% already achieved since 2009 [1]. Delivering the next phase will require, even under conservative assumptions, at least €2 billion in CAPEX and OPEX by 2030 — representing more than 20% of current sector revenue. At the same time, if free allocation under the ETS were to be fully phased out, this would add an estimated €706 million in cumulative compliance costs (2026-2034).

Simultaneously, deployment is constrained by grid readiness, permitting timelines and access to affordable low-carbon electricity. Decarbonisation pathways also differ significantly across Member States, resulting in uneven access to feasible solutions and undermining equal treatment. In this context, the benchmark methodology risks undermining fuel and technology neutrality by implicitly treating biomass and combined heat and power (CHP) as the baseline. This creates a risk of inconsistent policy signals: on the one hand, benchmark tightening would de facto incentivise greater reliance on biomass combustion as the default compliance pathway; on the other hand, the EU Bioeconomy Strategy underlines the need for an efficient and cautious use of biomass, prioritising higher-value uses and avoiding unnecessary pressure on biomass resources. Zero-rating of biomass emissions in ETS accounting should therefore not automatically translate into a benchmark baseline for free allocation.

For bio-based sectors such as ours, an abrupt loss of free allocation would reduce investment capacity for decarbonisation, increase ETS compliance costs, and further weaken competitiveness in globally traded markets with limited cost pass-through.

Despite its systemic value, the EU starch sector faces structural competitiveness pressures beyond cyclical downturns. With the Clean Industrial Deal guiding this policy period, now is the time to set the framework conditions that enable decarbonisation while safeguarding industrial competitiveness in strategic bioeconomy sectors. This also requires revisiting regulatory assumptions developed under economic conditions that no longer reflect today's reality, in particular in a context of high energy prices, carbon cost exposure, trade distortions and persistent investment gaps.

We are not asking to weaken ETS ambition, but to ensure benchmarks remain achievable and technology-neutral during the transition. Hence, we encourage the European Commission and Member States, to:

1. EU economy-wide climate targets are expressed relative to 1990, whereas the starch sector's decarbonisation pathway is tracked against a consistent industrial baseline (2009), reflecting real installation-level investment cycles and technology deployment constraints.

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- **Avoid automatic tightening as of 2026 and phase in only workable changes:** Do not apply the proposed tightening as of 2026. Any adjustment should be introduced gradually from 2027 onwards to avoid an abrupt loss of free allocation.
- **Align benchmarks with Member State realities:** Adjust the 2026–2030 heat and fuel benchmarks to ensure fuel and technology neutrality in practice, reflecting uneven access to scalable decarbonised heat options across the EU.

We remain available to engage constructively in the development of carbon pricing policies that support both short- and long-term decarbonisation objectives.

The following member CEOs have personally endorsed this statement on behalf of their organisations:

Ardie Van Lankveld
GM EMEA, Carbohydrate Solutions
ADM

Horst Hartl
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