



Position paper on the EU ETS update

Two concrete proposals to make European Emission Trading work for cement

Current problems

In line with the findings of the recent Bruegel report¹, we strongly believe that a **well-designed and effective carbon pricing and trading system is the cornerstone of a clean and competitive European industry**. Therefore, we are firm believers of a strong European Union's (EU) Emission Trading System (ETS).

Unfortunately, **the EU ETS track-record on cement to date is poor**. Traditional clinker production is responsible for around 90% of cement's emissions, hence it would be most logical to have legislation promoting the reduction of clinker. However, this is not the case for the EU ETS as the main benchmarks for grey and white cement are expressed in free allowances per ton of produced clinker. Consequently, if cement majors reduce their clinker production in favour of cementitious materials, they would get fewer allowances. This creates one of the worst perverse incentives in the EU's climate policy framework, jeopardising the decarbonisation and future competitiveness of the most consumed material on the EU's single market.

Zooming in on the specificities of the EU ETS, **three interlinked problems** need addressing for the EU ETS to work for cement and concrete decarbonisation:

- 1) **Overalllocation:** up until today, most emissions from clinker production (the main source of emissions of traditional cements) are not exposed to carbon pricing due to the generous supply of free allowances². This creates market distortions, especially towards low-carbon technologies which reduce the need for traditional Portland clinker.
- 2) **Violation of the "one product = one benchmark" principle:** the EU ETS claims to set benchmarks at the (final) product level, as such creating a level-playing field towards the market as to how to get there. However, the opposite is true for cement as the benchmark is set at the level of (Portland) clinker production, as such locking in the traditional way of cement production. This is also the case for Annex I of the EU ETS which is extremely prescriptive for this activity. Both, however, stand in sharp contrast to the wide range of mature and scalable clinker substitution technologies. These can be broken down into:
 - **Supplementary Cementitious Materials (SCMs)** – a wide range of cementitious materials which can be blended with traditional Portland cements to drastically reduce the share of clinker in cement mixes.
 - **Alkali-activated cements** – a set of non-Portland cements with a long and proven track-record in (and beyond) Europe. Instead of relying on clinker, these use activators (produced at ambient temperature) to act as binder.

¹ [Bruegel \(2025\) EU ETS ally not enemy for industrial competitiveness](#)

² See e.g. [CMW and WWF \(2025\)](#) and [Bruegel \(2025\)](#)



- **Recycling of clinker** – instead of producing new (Portland) clinker, the recycling of (Portland) cement in electric arc furnaces reduces the need for virgin clinker production (and CCS) altogether. It does so by dehydrating and reactivating cement paste at high temperatures.
- **Novel cement types and production methods** – a set of cements which rely on different feedstocks, typically allowing for alternative and non-fossil production processes (e.g. electrochemical production).

Importantly, each of the above technologies have in common that they drastically reduce the need to produce new (Portland) clinker. Nonetheless, the EU ETS – and the FAR³ – fall short in acknowledging them, as such undermining innovation and decarbonisation of the European cement and concrete industry.

Case study: activated pozzolans and the EU ETS benchmarks absurdities

One promising way to reduce the carbon footprint of cement is the use of activated pozzolans (including calcined clays). These so-called SCMs can directly substitute a significant portion of clinker in Portland cements. There are different ways to produce activated pozzolans. While the material can be made reactive through thermal treatment, this can also be achieved through mechanical activation (e.g. adding energy via grinding). Furthermore, different routes exist to thermally activated pozzolans such as clay. While some producers opt for traditional (clinker) rotary kilns and the corresponding combustion processes, others opt for so-called flash calcination. From an ETS point of view, however, this is causing significant confusion and potentially even different application at Member States level across Europe. While (some) activated pozzolans do fall under the new clinker benchmark definition, several production processes do not comply with the annex I of the EU ETS. As such, the production of activated pozzolans in incumbent ETS installations – more precisely in rotary clinker kilns – places the installation under the clinker benchmark, whereas those opting for a – typically more energy effective – flash calciner do not comply with Annex I according to some interpretations. Hence, they are resorting under the EU ETS fall back benchmarks which are much more stringent and less generous in terms of free allocation. Consequently, this is creating significant market distortions in favour of incumbent production installations.

Importantly, similar issues are (increasingly) arising for other types of clinker substitution technologies which do not fit in the traditional box of “fossil-based production in rotary kilns”.

- 3) **Counterproductive activity level regulation (ALR):** free allocation under the EU ETS is granted based on historical activity levels (i.e. production volumes). While this might be logic for most industrial sectors, it is counterproductive for cement decarbonisation given that it installs and economic disincentive to explore the most (cost) effective lever for decarbonisation, being clinker substitution.

³ It should be highlighted, though, that the most recent FAR benchmark revision made some very minor openings towards some types of SCMs (e.g. calcined clays). The actual impact, however, is modest at best as different interpretations exist across EU Member States as to how to interpret these in conjunction with Annex I of the EU ETS.



CONCLUSION: The combination of the above factors creates a situation whereby **the EU ETS structurally fails to create the right incentives for the cement industry to decarbonise**. While the framework does push incumbent clinker installations to explore efficiency gains in their production processes (e.g. fuel switching), it falls short in steering them towards implementing and scaling the more structural and cost-effective and effective solutions on the market.

Two concrete proposals to fix the EU ETS for cement

To make the EU ETS a driver of decarbonisation and competitiveness in the cement and concrete sector, we propose to remedy the above structural shortcomings in two ways:

1) Maintain the phase out of free allocation

To fix problem 1: the most logic and straightforward solution is to stay the course on the phase out of free allocation. **Under no circumstances, this trajectory should be altered or halted.** First and foremost, this jeopardises the business case for low-carbon investments in cement and concrete decarbonisation in Europe. Furthermore, in contrast to most other ETS and CBAM sectors, cement (and clinker) is hardly – if at all – exposed to carbon leakage risks due to the specificities of the sector (i.e. production of cheap bulk goods which are economically hard to transport long-distance). While some argue differently, pointing at the recent spike in imports of cement and clinker in Europe, the reality is much more nuanced. Not only is the share of import – at best – small in comparison to total production volumes, the current “spike” can also be attributed primarily to the ongoing war in Ukraine. A cease fire and rebuilding of Ukraine – hopefully soon – will fundamentally alter this situation, potentially even creating a trade surplus from neighbouring EU countries. Finally, with the CBAM fully operational, the risk of carbon leakage is reduced to an absolute minimum.

2) Shift from a clinker to a cement benchmark

To fix problems 2 and 3: the easiest and most straightforward solution is to shift from a clinker to a cement benchmark. This kills two birds with one stone. Not only will a cement benchmark finally create a level playing field for all decarbonisation technologies – including but not limited to clinker substitution technologies; it will also fix the problem with the Activity Level Regulation (ALR) as reducing the clinker content of cement would no longer be disincentivised. Furthermore, it is important to flag that a shift to a cement benchmark is also needed to ensure alignment between the EU ETS and the EU Construction Products Regulation (CPR), with the latter actively developing a number of standards and EADs to facilitate and promote the CE marking of a much wider range of cement types, moving beyond today’s exclusive focus on Portland clinker based cements. Obviously, a shift from a clinker to a cement benchmark will also imply an updating of Annex I of the EU ETS, finally turning it into a process-neutral and independent provision

The [Alliance for Low-Carbon Cement and Concrete \(ALCCC\)](#) represents leading innovative business and stakeholders across the cement and concrete value chain throughout Europe (and beyond). Proven, scalable and cost-effective solutions exist today, which fundamentally alter the way in which make cement and concrete in Europe.