ENOUGH IS ENOUGH

EUROPE'S INDUSTRY
EUROPE'S JOBS
OUR FUTURE

Enough is Enough: Why Europe Needs Binding Conditionalities in the ETS To Ensure a Just Transition

Key Points

- Between 2021 and 2025, industry received 2.5 billion free allowances under the ETS, worth €176.8 billion when calculated at each year's average auction price.
- Free allowances and other public support to energy-intensive industries come without binding social conditionalities, so nothing stops companies from rewarding shareholders while simultaneously delaying investment or cutting production.
- Between 2021 and 2025, just 20 publicly listed European companies received 40% of all the free allowances handed to industry, worth €70.7 billion total. Over the same period, these 20 firms earned €417 billion in net profit and rewarded their shareholders with €327.3 billion in dividends and share buybacks.
- On top of their free allowances, these same companies were granted at least €11.4 billion in state aid and up to €2.4 billion in EU Innovation Fund grants between 2021 and 2025.
- At the same time, industrial emissions have fallen by only 15% since 2005, versus 53% for power plants (which largely pay for their allocations). There is a large risk that reported drops in emissions are the result of lower production rather than genuine decarbonisation.

Since September, industriAll Europe's Enough is Enough campaign has shown how workers are paying for short-sighted corporate choices that have left European industry in a perilous state. Companies have paid billions to their shareholders, cut jobs and moved core development work abroad, while opposing new EU legislation like the Industrial Accelerator Act (IAA) – which could help guarantee local production and good jobs in the industries of the future – and asking for more public support.

One of the largest and least visible forms of that support is the emission allowances that Europe's energy-intensive industries receive under the EU Emissions Trading System (ETS), which is currently under review. industriAll Europe supports a reformed ETS with a predictable carbon price and accepts that energy-intensive industries need support and flexibility during the transition.[1] But that support must get something in return. As our Executive Committee agreed in May 2026, any kind of support provided to companies under the EU ETS should come with strong social and investment conditionalities, and companies receiving support must commit to climate-neutral plans, negotiated with trade unions, that safeguard jobs and secure investments in European sites.

Our analysis of the EU's own registry data shows that between 2021 and 2025, industrial installations received 2.5 billion free allowances worth €176.8 billion. A small number of large multinational corporations receive the bulk of this public support. Many received free allowances covering most, if not all, of their own emissions. Over the same period, these same companies paid out billions to shareholders, cut production and jobs, and shelved key decarbonisation projects.

This evidence is crucial to the debate, as the Commission's July 2026 proposal for the ETS review would extend free allocation to 2038 or 2040, depending on the sector, with estimates that over 3 billion free allowances could flow between 2026 and 2040. The current proposal ties free allowances to

[1] industriAll Europe, "Decarbonising Europe's industry without deindustrialising requires a policy update", Position Paper 2026/176

investment plans from 2031 onwards, and with no conditions on jobs, reskilling, or site commitments. The only proposed clawback would apply to companies that relocate outside the EU – so a company could still cut European jobs, close European sites or pay out billions to shareholders while keeping its free allowances. Meanwhile, some of the largest recipients are calling on the European Council to remove the proposed conditionalities on free allowances.[2]

Weakening the ETS now would reward the companies that doubled down on outdated technology instead of investing in greener production practices and penalise competitors that are pushing ahead with clean steel, CCUS, and other low-carbon technologies, all while leaving workers to pay the price when the transition can no longer be put off. Our message to decisionmakers is simple: enough is enough. No more blank cheques. Every euro of support under the ETS must come with binding investment and social conditionalities. Taking this step would strengthen the overall effectiveness of related measures so that EU industrial policy pulls in one direction: public support for companies that invest in European production and good jobs, not for those that cut them.

Free allowances: the exception has become the rule

Under the ETS, every installation must hand back one allowance for every tonne of CO2 it emits. Since 2013, most power plants have had to buy all their allowances at auction, but industry still receives most of its allowances for free. This is justified as protection against *carbon leakage*, the risk that production moves to countries without an added carbon price. Each plant's allocation is based on a benchmark set by the cleanest 10% of plants making the same product, multiplied by its past production, which is meant to create an incentive for companies to green their production.

In law, free allocation is designed as a derogation from the standard auctioning process but in practice it has become the norm. In 2020, the European Court of Auditors found that the sectors classed as at risk of carbon leakage produce 94% of industrial emissions and all receive the same full protection, whether their real risk is high or low.[3] Free allowances are a form of public support, even if they never appear in a budget. Every allowance given away is foregone auction revenue that Member States could have spent on industrial decarbonisation, skills and a just transition. Public support does not stop there either. Member States have consistently paid industry to compensate for the carbon cost in electricity prices, around €5.52 billion in 2024 alone.[4] And finally, there is a large amount of state aid given to these energy-intensive companies for various energy production and decarbonisation projects.

Looking at the EU's official Union Registry database, between 2021 and 2025, industrial installations received 2,496 million free allowances. Valued at each year's average auction price (€52.92–83.25 per allowance, depending on the year), they were worth €176.8 billion, or about €35 billion a year.[5] By sector, steel received the most in allowances with €50.2 billion, followed by cement and lime at €40.1 billion, chemicals and fertilisers at €30.5 billion and refining at €27.3 billion. The support is highly concentrated at the biggest firms. The 100 largest companies accounted for 70% of all free allowances.[6] For example, the four largest recipients were ArcelorMittal (€14.9 billion), Heidelberg Materials (€7.0 billion), Holcim (€5.9 billion) and thyssenkrupp (€5.5 billion).

Payouts first, investment later

[2] June 2026. Letter to the President of the European Council. Stop ETS Cost Escalation to Maintain the EU's Competitiveness
[3] European Court of Auditors, "The EU's Emissions Trading System: free allocation of allowances needed better targeting", 2020
[4] European Commission, "Report on the functioning of the European carbon market in 2024", COM(2025) 735, 2025.
[5] industriAll Europe calculation based on the European Commission's Union Registry Data
[6] industriAll Europe calculation based on European Commission's Union Registry Data. Includes listed and non-listed companies.

If free allowances were helping companies invest in their future, it would show in their accounts. Instead, many of the companies we examined kept rewarding shareholders instead of committing to long-term investment plans that would lower their emissions intensity in line with the EU's climate targets. Between 2021 and 2025, just 20 listed companies headquartered in Europe (out of over 2,000 registered companies in the EU ETS) received 40% of all the free allowances handed to industry, worth €70.7 billion. Over the same period, these 20 firms earned €417 billion in net profit and rewarded their shareholders with €327.3 billion in dividends and share buybacks, more than four and a half times the value of the free allowances they received. These companies remained highly profitable throughout this period, with firms posting annual profit over 90% of the time.[7] On top of their free allowances, these same companies were granted **at least €11.4 billion in state aid**[8] – aid which often lacked strong or binding social conditionalities – and up to **€2.4 billion in EU Innovation Fund grants** between 2021 and 2025.

Between 2021 and 2025[9]:

- ArcelorMittal received free allowances worth €14.9 billion and paid €11.4 billion to its shareholders.
- Yara paid €3.8 billion to shareholders, around 1.5x the value of its free allowances.
- Heidelberg Materials paid €3.3 billion to shareholders between 2021 and 2024, while receiving €7.0 billion in free allowances over 2021–2025.
- BASF paid €16.4 billion in dividends and share buybacks, more than twice its net income (€8.0 billion) and more than five times the value of its free allowances (€3.0 billion). In every year from 2022 to 2025 it paid out more than it earned.
- Cement and building materials manufacturer Holcim received free allowances worth €5.9 billion, at least €121 million in state aid, and up to €935 million in EU Innovation Fund grants between 2021 and 2025. Over the same period, it paid its shareholders €11.1 billion in dividends and share buybacks.
- From 2021–2025, TotalEnergies, Shell, ExxonMobil and BP received €8.3 billion in free allowances for their EU installations. These same companies, plus Chevron, made $75 billion in adjusted profits in the first half of 2026 alone, up 75% from a year earlier, as the US war with Iran drove up energy prices.[10] Unlike in 2022, these companies have also so far escaped windfall taxes on these profits.

Free allowances without conditions hurt workers and limit the EU's climate ambitions

Free allocation was supposed to reward the cleanest producers and drive efficiency but the evidence for this is very weak. The European Court of Auditors has already found that although benchmarks encouraged energy efficiency, free allocation to industry tended to slow decarbonisation, and that until the current period, the law did not even require the data needed to check whether it improved efficiency.[11] A 2023 study of the EU steel industry concluded that the ETS failed to create the necessary incentives for decarbonisation, and that the largest beneficiary, ArcelorMittal, was also the least CO2-efficient.[12] Since 2005, emissions from power plants and other combustion installations, which mostly pay for their

[7] Companies posted profit in 90 of 99 total company-years (20 firms across 5 years minus 1 missing year for Salzgitter).
[8] Calculated via the minimum reported state-aid amount, so €11.4 billion represents a floor. The upper figure is €13.8bn, or even higher, as some awards are open-ended and several relevant national registries are not reported in the TAM database.
[9] industriAll Europe calculation based on worldwide group figures, dividends paid plus share buybacks.
[10] FT, 14 Oct 2026, Oil majors face $32bn dilemma over Iran war windfall
[11] European Court of Auditors, "The EU's Emissions Trading System: free allocation of allowances needed better targeting", 2020
[12] Sanin, M.-E. and Sourisseau, S., "Over-allocation profits, inefficiencies and competition issues: a close-up into the interaction between the EU ETS and the steel industry", Revue économique 74(6), 2023.

allowances, have fallen by 53%; emissions from industrial installations, which receive most of theirs for free, have fallen by only 15%.[13] In addition, a company's total emissions may drop as the result of lower total production, even as their emissions intensity increases. **That is not decarbonisation: it is deindustrialisation, paid for in part with public support.**

Meanwhile, several decarbonisation projects announced by major recipients of free allowances have been delayed or abandoned. Decarbonisation plans may help companies secure public funding, but their free allowances keep flowing largely regardless of whether the investment ever actually happens. The industries that receive the most free allowances are also the places where workers are losing their jobs. BASF eliminated around 7,000 positions between January 2024 and mid-2026, two-thirds of them in Germany, while committing at least €12 billion to its shareholders for 2025–2028[14]. At ArcelorMittal, white-collar work is being transferred to service hubs abroad.[15] Free allowances have not stopped companies from cutting capacity, offshoring support functions or choosing payouts over investment. These are corporate decisions driven by the need to provide significant returns to shareholders, and nothing in the current rules makes a connection between free allowances and keeping jobs onsite and in Europe.

The ETS review: a step forward, but no social conditionalities

The Commission's proposal would extend free allocation for industry to 2040, and to 2038 for sectors covered by the carbon border adjustment mechanism (CBAM). From 2031, free allowances would depend on a verified plan to invest in decarbonisation in the EU: 80% would be released when the plan is approved, and the remaining 20% only once the investments have been carried out. The best-performing 10% of installations would be exempt, and companies that relocate outside the EU would have to return their allowances. This is a step in the right direction, as the 2023 reform made only 20% of free allocation conditional, and only for the least efficient installations or those ignoring energy audits.

Investment conditionalities in the ETS review are welcome, but they start only in 2031, and the proposal contains no rules to ensure and maintain quality jobs at the facilities. Meanwhile, some of the largest recipients are lobbying to weaken the system: in June 2026, four of them wrote to the European Council calling for action to "halt the escalation of ETS-related costs" and insisting that further conditions on free allocation "must be avoided".[16]

ETS support, worth tens of billions of euros a year, must be designed to maximise public value from the start. industriAll Europe calls on the European Parliament and Member States to deliver on their promises for a just transition. Free allowances have given Europe's largest polluters billions without real conditions. Workers have seen jobs cut, production reduced and investment postponed. The blank cheques must stop. Enough is enough.

[13] European Topic Centre on Climate Change Mitigation, "Trends and projections in the EU-ETS in 2025", ETC-CM Report 2025/06
[14] industriAll Europe, Silent Deindustrialisation: The White-Collar Jobs Crisis, Oct 2026.
[15] IndustriALL Global Union, "ArcelorMittal Investor Brief", April 2026.
[16] June 2026. Letter to the President of the European Council. Stop ETS Cost Escalation to Maintain the EU's Competitiveness