Business for CBAM Coalition

Position on anti-circumvention measures to strengthen CBAM

In the Steel and Metals Action Plan, the Commission announced it will present an anti-circumvention strategy to strengthen the Carbon Border Adjustment Mechanism (CBAM) in Q4 2025. This strategy will assess the potential risks of circumvention, though it must be noted that many assumptions about possible risks are made that the Commission has so far not yet quantified. In case the risks are considered significant, the Commission will propose legislative amendments to the CBAM.

In the CBAM consultation questionnaire, the Commission lists two potential circumvention scenarios:

1. Minor modifications that are made to CBAM basic goods outside of the EU.
2. Resource shuffling, where low-carbon goods produced by companies in third countries are redirected to Europe while carbon-intensive production continues for other markets. This could occur as CBAM applies to the products exported to the EU, not to the full carbon footprint of a company or country.

The Business for CBAM Coalition has the following opinion:

- If **undue modifications to basic goods** are considered a serious threat, we agree with the Commission that additionzal reporting requirements on both the production technology and composition of the goods might be needed. At the same time, reporting requirements for importers are already heavy, so the Commission should be strategic with putting additional reporting requirements. This to find a balance between countering circumvention and having a simplified CBAM.

- On the **risk of resource shuffling**, we believe that a solid assessment of the gravity of actual circumvention is crucial before taking concrete action, as no such assessment has been conducted so far. This assessment should evaluate the artificiality of resource shuffling, meaning the redirection of export flows from a specific country as a result of the introduction of CBAM's financial obligations. Genuine decarbonisation efforts of non-EU producers should be incentivised, in line with the original objective of CBAM. A possible way to assess this could be to compare pre-CBAM and post-CBAM export flows from countries, tracking whether there are significant shifts in their geographic origin post-CBAM. If, for example, CBAM data for 2026 (year t) shows that exports of a certain CBAM product to the EU are coming from a different region or company within a country with lower emissions compared to 2025 (year t–1), this could signal resource shuffling rather than genuine decarbonisation. In case artificial resource shuffling is identified, it should trigger reactive measures from the EU.

As possible reactive measure, some voices advocate for a horizontal flat punitive default value based on the most carbon intensive routes. The Business for CBAM Coalition believes this is dangerous, as it would take away a main incentive for non-EU companies and countries to decarbonise and converge their climate ambitions with those of the EU. Using horizontal flat punitive default values "by default" would turn CBAM into a trade instrument rather than an environmental one, and should therefore not be favoured over real values whenever risks are not quantified. Even if only applied temporarily, it would take away the competitive advantage of low-carbon producers, a principle that is at the basis of CBAM.

Instead, we see a mandatory default value for imports coming from a country engaging in resource shuffling as a better compromise. This default value should be based on the country average emissions intensity of that product. It would reduce the threat of resource shuffling whilst also not undermining the business case for low-carbon production outside of the EU. Such default values should be assessed on an annual basis, ensuring that companies or countries that cease resource shuffling are not penalised longer than necessary.

To prevent resource shuffling between countries once the country average default values are used, the European Commission could adopt the Melted & Poured rule to prevent products from high-emission countries being re-rolled and benefitting from lower default values elsewhere.

Beyond the country-specific values, the Commission could consider punitive markups for specific products. With aluminium for example, there is no difference in the physical properties of primary and recycled aluminium, making it close to impossible for customs to determine the carbon-intensity of the product. This is especially relevant as direct emissions for aluminium are roughly the same throughout the world: The big difference lies in the indirect emissions. Therefore, a country-specific default value would be insufficient to make the required distinction between high- and low-carbon production (when indirect emissions are included, country-specific default values would be more accurate). Therefore, the Commission could introduce a punitive markup for aluminium, taking primary aluminium as a baseline.

The Business for CBAM Coalition believes that while it is important to address possible risks of circumvention and other outstanding CBAM issues, these discussions must not delay the implementation of CBAM's financial obligations starting in 2026. A timely entry into force of the financial phase is essential to ensure predictability for industry and maintain credibility in the EU's carbon market.

We continue to develop our thinking on significant CBAM issues, and stand ready to continue the discussion with the European Commission – including via the announced high-level dialogue.

About the Business for CBAM Coalition

The Business for CBAM Coalition brings together businesses and business associations committed to upholding the ambitions of the Carbon Border Adjustment Mechanism (CBAM) and consequently of the EU Emissions Trading System (ETS). These policies are essential – not only for the EU's path to cost-effective decarbonisation, but also for securing the long-term competitiveness of European industry in a rapidly evolving global economy.

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