Business for CBAM Coalition
Position on extending the CBAM to cover downstream goods

The European Commission identified in its Steel and Metal Action Plan the risk for carbon leakage in CBAM-covered goods shifting further downstream in the value chain. Now the Commission is collecting input to prepare the CBAM extension to downstream products, i.e. products made using the goods covered by CBAM ('basic goods').

In its call for evidence it defines the risk for downstream carbon leakage as twofold:

1. Downstream carbon leakage could occur if higher carbon costs for basic materials in the EU prompt manufacturers of downstream goods to move production abroad where carbon costs for those basic materials are lower.
2. Alternatively, imports of carbon-intensive downstream goods from countries with less stringent climate policies could replace equivalent domestic products with lower embedded emissions.

To minimise the risk of downstream carbon leakage we welcome the Commission's plan to extend the CBAM to cover certain downstream goods.

We anticipate the challenge will be to cover all relevant downstream products through a methodology that minimises administrative burden. The process must create clarity, predictability and certainty for producers and traders as soon as possible and avoid adding unnecessary complexity, uncertainty and time/cost investment.

This is why we support:

- Focusing the extension on strategic value chains, in other words on downstream products where the import pressure and risk of value loss for Europe are biggest.
- A simplified calculation method to estimate the approximate content of steel intensity and aluminium intensity in complex downstream products.

The Business for CBAM Coalition believes that while it is important to address possible risks of downstream carbon leakage 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.

Contact the secretariat: Mr Leon de Graaf – leon@sustainablepublicaffairs.com