

CAN Europe response to the call for evidence on downstream extension, anti-circumvention and rules on electricity emissions within the Carbon Border Adjustment Mechanism (CBAM)

The carbon border adjustment mechanism (CBAM) is one of the building blocks negotiated between 2021 and 2023 under the last EU cycle. Its implementation aims at staying the course with the broad policy toolbox and objectives put forward in the past mandate, as stated by the newly elected Commission, especially in combination with the revised European Emissions Trading System (EU ETS).

CAN Europe welcomes the opportunity to contribute to this public consultation regarding the merits of a CBAM scope extension to downstream products, a revision of the rules to account for electricity imports and the potential of additional measures to prevent circumvention. The consultation is mostly targeted to stakeholders manufacturing or importing CBAM goods. Yet, we believe the reiteration of a few principles from civil society's side is critical in the lead-up to the legislative proposal, to provide balanced views regarding the content of the latter and to ensure the initiative does not compromise the overall EU climate and just transition goals and is evidence-based.

Principles:

1/ The CBAM should maintain a multifaceted approach, blending several objectives in a single tool and not turn into a pure protectionist and trade defense measure. As part of the Fit for 55 package, the CBAM aimed at encouraging globally the adoption of national/regional carbon pricing systems, while offering a continued protection against carbon leakage for companies, thus aiming to support a global level playing field. Despite some flaws in the fairness of its design, especially without any provisions to exempt Least Developed Countries/Small Island Developing States and to ensure the use of revenues for climate finance to support decarbonisation efforts in those countries¹, the tool could be an instrument driving climate action globally. Key components, especially in order for the CBAM to not be incompatible with WTO principles, include considering the carbon price paid outside of the EU, if any, and accounting for the free allocations received in the EU, while replacing the latter as a means of protection against alleged carbon leakage².

While we recognise that trade defense and tariffs are increasingly pressing issues for some industries in a world with geopolitical tensions, each tool from the policy toolbox should keep its initial purpose, as part of the long negotiated and balanced Fit for 55 package. For some sectors such as steel, the trade protection instrument will be the updated steel safeguard that will be proposed in Q3 2025, as announced in the steel and metals action plan in March 2025, aiming to replace the current safeguard expiring in June 2026. CBAM is therefore not the tool to fill for the updated steel safeguard and should keep its initial climate objective.

2/ Any amendment to the current CBAM mechanism should be backed by evidence and transparent data showing the merits of an adjustment and an assessment reflecting its impacts on the

¹ [Joint NGO statement on the Carbon Border Adjustment Mechanism, 13/12/2021](#)

² A storm in a teacup: impacts and geopolitical risks of the European Carbon Border Adjustment Mechanism, Sandbag, E3G, Energy Foundation China, August 2021

Regulation's initial goals, including on climate protection. This means that any scope extension, additional measure added to this revision of the CBAM needs to be substantiated by independent figures especially relating to evidence of “carbon-leakage” for existing and proposed sectors, current trade flows, specific import levels for product types with trade partners, capacities of trade partners to comply with CBAM requirements and an impact assessment bringing actual elements that the system in its current form could have unexpected effects that need correcting in order to maintain the overall CBAM objectives. A large part of the arguments questioning the efficiency of the CBAM to date, have also not been accompanied by empirical and publicly accessible data and are constituting only a hypothetical discussion base in the absence of a CBAM's full implementation.

For example, in relation to industry claims to find a solution for EU exports (meaning rebates or continuous free allocations), looking at the export situation from CBAM sectors can give insightful elements. A recent policy brief points out that in 2023, exports of CBAM goods were representing only a minor fraction of the total EU production: “18% for iron and steel, 15% for fertilisers, 7% for cement, and only 3% for aluminium”³, and highlighting that a large share of those exports were going to countries/regions with an actual carbon price linked to the EU ETS (one third of aluminum export going to the UK and Switzerland, the latter being one of the top 3 export destination for EU steel products⁴). In its own inception impact assessment, the Commission found the CBAM to have a limited impact on exports⁵.

Moreover, the initial assessment made on the carbon leakage risk for CBAM sectors in the last carbon market functioning report⁶, found that no product is both emission-intensive and export-intensive. Very emission-intensive products are little traded while export-intensive products have a lower emission intensity, thus not bringing any substantial element supporting the carbon leakage risk to date.

Last, the text of the CBAM itself (article 30), foresees a possibility to table a legislative proposal **based on the conclusions of the different reports** (assessment report before the end of the transition period for example or report on the functioning of the CBAM before 2028) and accompanied by an impact assessment. CBAM already offers several openings for revision (without mentioning the ongoing simplification initiative under the omnibus text) to adjust the mechanism, if necessary and substantiated by reporting data.

3/ Amending the CBAM should not result in further phase-in delays of the mechanism. In case an impact assessment, backed by independent, transparent and tangible data shows the need to extend the CBAM scope to a wider list of products, CAN Europe could support an amendment to the CBAM regulation on the merits of the assessment, especially if this is necessary to stay the course on decarbonisation goals. Yet, any scope extension and subsequent amendment of the regulation should not amount to delaying in time the agreed implementation of the CBAM, which should remain a workable and applicable regulation from 2026 with the end of the transition period. A situation in which the mechanism would not apply in practice due to a too wide scope or an unworkable complexity should be avoided.

In this sense, CAN Europe would like to remind that the CBAM has been in the making and negotiated with a large number of stakeholders and policy makers for more than two years, striking a careful balance between the different interests, for example offering a transitional period of two years until 31st December 2025. It is now time the CBAM moves to full (but stepwise) implementation from January 2026.

³ Policy Brief, “CBAM must not be used to export pollution”. Carbon Market Watch. July 2025

⁴ European Steel in Figures 2025. EUROFER

⁵ Commission staff working document impact assessment report accompanying the document proposal for a regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism, SWD/2021/643 final

⁶ Report from the Commission to the European Parliament and the Council on the functioning of the European carbon market in 2023, 19 November 2024, COM(2024) 538 Final

4/ The CBAM amendment should not reassess the gradual phase-out timeline of ETS free allocations, starting from 2026 towards 2034. Free allocations have been existing for 20 years and are a cause of slow progress in the decarbonisation of industry. The gradual phase-out of free allocation is now compensated by the gradual phase-in of CBAM certificates, addressing industry's call for a maintained protection against an alleged carbon leakage risk. CAN Europe currently sees a worrying trend to question the CBAM efficiency as a means to delay and/or overturn the phase out of free allocations, **which is a strong red line for our network.**

Responsible businesses fit for the 21st century have already taken into account the imperative of decarbonising production in Europe, also as a means to strengthen competitiveness, for example by investing in less carbon intensive technologies via electrification of production processes and fossil fuel phase-out. Going backwards on agreed legislation would jeopardise the needed regulatory certainty and a terrible blow for innovative and forward-looking European industry, which supported the phase out of free allocations as well as the CBAM replacing existing carbon leakage protection⁷. A recent UN report concludes that *"predictable carbon pricing through the EU Emissions Trading System (ETS) and EU Carbon Border Adjustment Mechanism (CBAM) will be important to the CID's success, along with stable incentives and consistent rules that build investor confidence in new technologies"*⁸. Paying the full carbon price through the free allocation phase out allows to free up larger revenues to be used in climate action by Member States, and an increase of the available envelope of the Innovation Fund, supporting further decarbonisation projects in the EU. Between 2021-2030 the overall budget for the Innovation Fund amounted to €45billion, while for the same period, heavy industry *"is set to receive €226 billion worth of free allocation"*⁹.

In addition, 90% of industrial emissions are still allocated for free under the EU ETS to date, which tampers the argument that EU products would be at a competitive disadvantage on non-EU countries due to the carbon price paid in the EU framework. This will slowly differ with the gradual free allocation phase-out, **which will only concern 2.5% of the free allocation starting from 2026, moving to a 100% only by 2034.** Yet, it is important to keep in mind the role played globally by instruments such as the CBAM, with the EU having historical responsibilities in the climate crisis and therefore in need to show leadership in climate action. Other regions recently advanced their work on carbon trading/pricing mechanisms, for example Turkey approving its own ETS in 2025¹⁰ (including heavy industry) with a view to aligning it gradually with the EU ETS, and China including heavy industry in its national ETS in 2025¹¹. Vietnam launched a pilot ETS in 2025¹² and developments of the Mexican ETS should follow this year.

5/ CBAM must evolve to serve global climate equity, transparency, and participation: Any amendment to (and any flexibilities given towards countries with regard to the implementation of) the CBAM must be in line with the well established principles of Common but Differentiated Responsibilities (CBDR-RC) Special and Differential Treatment (SDT). CAN Europe notes the perception of the EU's CBAM among [allies](#) in the Global South is that of a unilateral trade measure that exacerbates existing asymmetries between Global North and South. Any amendment to the CBAM must endeavour to undertake greater consultation with affected countries, assessment of the capacities of countries to comply with the EU's CBAM, the provision of financial, institutional and technical support towards compliance. Revenues collected from the CBAM must in part be used to support Global South countries to meet their climate goals, and to support technology transfer.

⁷ [Open letter to the ENVI Committee: time to vote for an EU Emissions Trading System \(EU ETS\) that works for climate and industrial transformation, May 2022](#)

⁸ [Making the Clean Industrial Deal bankable: Recommendations to scale sustainability across EU industry, United Nations Environment Programme, Finance Initiative, July 2025](#)

⁹ A clean industrial revolution: how the EU carbon market can accelerate industrial decarbonisation by making polluters pay, Carbon Market Watch, WWF, February 2025

¹⁰ [Türkiye ETS Has Officially Got the Green Light: What Comes Next?, ENCOSE, July 4th, 2025](#)

¹¹ [China officially expands national ETS to cement, steel and aluminum sectors, International Carbon Action Partnership, April, 10th, 2025](#)

¹² [Vietnam issues rules for pilot ETS, launching August 2025, International carbon Action Partnership, July, 2nd, 2025](#)



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