



Expert Consultation: Extension of the CBAM scope

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Agenda

- Context and previous research findings
- Panel interventions
- Roundtable discussion
- Upcoming CBAM events and activities

Rationale for expansion

- The CBAM applies to 303 emission-intensive goods across key sectors, including **cement, fertilizers, aluminium, iron and steel, electricity, and hydrogen.**
- While the current scope includes primary goods, **only a few semi-finished products are covered.** Limiting CBAM to primary goods can **drive up input costs for downstream EU producers of semi-finished and finished products,** as both the ETS and CBAM increase the price of essential raw materials.
- **Rationale** for expansion:
 - Prevents carbon leakage across entire value chains.
 - Ensures consistent carbon pricing across EU industries.
 - Aligns with the EU ETS and climate goals.

Expanding the CBAM Scope

- Inclusion of:
 - **Downstream products**
 - Targets goods made from covered materials (e.g., steel-based automobiles, aluminium packaging).
 - Aims to stop production relocation and circumvention of carbon costs.
 - Examples include **automotive components, construction materials, and packaging**.
 - European Commission to review feasibility in 2025, with a legislative proposal in 2026.
 - **Additional sectors**
 - Potential sectors: **chemicals, refineries, paper, glass, ceramics, plastics**.
 - European Parliament pushes for broader scope, including oil refining and chemicals.
 - Introduces new reporting obligations and potential cost increases for businesses.
- Implications:
 - **Enhanced carbon leakage prevention** across the entire value chains
 - **Competitiveness shift**: Levels the playing field for EU industries; increases costs for non-EU producers.
 - **Business impact**: Higher administrative and compliance costs.
 - **Trade dynamics**: Risks trade disputes; requires international dialogue.

What do research and policy briefs say?

- **Downstream industries** have voiced concern in several statements:
 - Consensus that cost increases for raw material inputs will affect competitiveness;
 - Complexity of downstream products requires careful assessment of solutions;
 - Ideally decide on extension before the transitional period ends.
- Think tank and academic research confirms some concerns:
 - **Sandbag**: Impacts very specific to products and their value chains, not always large.
 - **ERCST**: CBAM might raise cost of semi-finished aluminium products by 10-13%.
- **European Commission Impact Assessment**:
 - Affirms existence of winners and losers across downstream goods
 - 5-15% of all manufacturing value added in commodity groups at risk of carbon leakage
 - Negative output effects can be mitigated by extending CBAM downstream
- **OECD Policy Brief (2025)**:
 - Suggests that expanding CBAM coverage may have limited impact.
 - Adding 1,400 emission-intensive goods and removing free CO₂ allowances would slightly reduce EU value added (-0.08%) and global emissions (-0.02%).
 - The initial product list was optimized for impact with minimal coverage; future extensions should weigh benefits against downstream effects and calculation challenges.

High-level principles to guide extension decision

- **Principle 1: Prevention of carbon leakage should drive extension**
Protect the competitiveness of downstream producers not for its own sake, but to ensure that emission reductions within the EU are not offset by increases elsewhere.
- **Principle 2: Use objective metrics and leakage risk formula**
Align the methodology for determination of CBAM coverage with the existing leakage risk criteria applied under the EU ETS.
- **Principle 3: Conduct comprehensive assessment of leakage risk**
Take a comprehensive approach that accounts for the cumulative impacts of carbon costs across the value chain, as well as substitution effects across value chains.
- **Principle 4: Consider future trends and projections**
Markets for affected goods are evolving rapidly, particularly with the transition toward low-carbon technologies and industrial decarbonization.

Additional Considerations: Administrative Burden & Complexity

- In general, the risk of leakage shrinks as we go further down the value chain, and the administrative burden and complexity increase.
- Most embodied carbon comes from upstream at the level of basic products, and the value of that carbon relative to the price of a product shrinks as more value is added. So risk of leakage also shrinks. Also, the further down the value chain the more non-price considerations matter; products are branded, differentiated. Need to find a balance: is the pain worth the gain?
- **Administrative burden**

This is a challenge for CBAM administrators. Adding more products means more methodologies, more default values, more importers and transactions. CN 7326 (other items of iron & steel) includes 15 product categories at 8-digit level, each covering many distinct goods.
- **Complexity**

This is a challenge for CBAM reporters, foreign producers. The further downstream a good is, the more upstream stages (inputs) for which the declarant must try to obtain data. In some cases suppliers do not have or will not furnish that data.

Additional Considerations: Administrative Burden & Complexity

- **The CBAM Regulation explicitly establishes three criteria by which to decide on inclusion:**
 - Whether the sector is a large aggregate emitter of GHGs;
 - Whether the sector is significantly exposed to carbon leakage;
 - **The need to balance broad product coverage in terms of greenhouse gas emissions, while limiting complexity and administrative burden.**
- **Inherent difficulties vs transitional pains**

Eventually more suppliers will furnish data, as they develop accounting systems and their concerns over confidentiality are addressed. But the inherent basic complexity of covering more goods will not diminish over time.

Additional Considerations: Methodology & Sectoral Competition

- **Methodological challenges**

Organic chemicals and refinery products were not included in the CBAM's initial coverage because of methodological challenges: single facilities produce many products; how to allocate emissions? This may be resolved in time, though no solution is perfect.

- **Competition across sectors**

One of the several reasons aluminium was included in the CBAM's initial coverage was the fact that steel was covered. The two are substitutes in some end uses, so to cover one but not the other would distort competition across sectors. This becomes less relevant a consideration further down the value chain, as specialized products have fewer substitutes.

Key takeaways

- The CBAM and its operationalization becomes increasingly complex, once we start looking at concrete aspects. There are not always easy choices and solutions - that is, there is sometimes a need to act, but acting within the CBAM leads to **very complex and potentially expensive solutions**.
- **If the CBAM is not expanded to cover more downstream goods** in some sectors, there is a risk that they will be subject to significant **loss of competitiveness** and resulting **carbon leakage**.
- Expansion brings a risk that goods not at risk of leakage will be covered; **the further downstream in any value chain we go, the less the value of cumulative carbon costs relative to the total value of the good**, and therefore the less risk of leakage.



Panel interventions

- Nicola Rega, **Cefic**
- Marc Poulain, **AFEP**
- Renaud Batier, **Cerame-Unie**
- Domien Vangenechten, **E3G**
- Anna Feldman, **VDMA**
- Reena Skribbe, **Oeko**

Roundtable discussion

Upcoming CBAM events and activities

- **12th June:** Launch Event: Expansion of the CBAM scope.
- **September:** Expert Consultation: Implementation challenges of CBAM.
- **October:** Launch Event: Implementation challenges of CBAM.