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**NOTE**

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From: General Secretariat of the Council

To: Delegations

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Subject: Opinion of the European Economic and Social Committee

- Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) 2023/956 as regards the extension of its scope to downstream goods and anti-circumvention measures
- Proposal for a Regulation of the European Parliament and of the Council establishing the Temporary Decarbonisation Fund

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Delegations will find attached the abovementioned opinion. Other language versions are available on the following website: <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/revision-carbon-border-adjustment-mechanism-cbam> .

# OPINION

European Economic and Social Committee

## CBAM revision

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Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2023/956 as regards the extension of its scope to downstream goods and anti-circumvention measures

Proposal for a Regulation of the European Parliament and of the Council establishing the Temporary Decarbonisation Fund

(COM(2025) 989 final), (COM(2025) 990 final)

**NAT/976**

Rapporteur: **Teppo SÄKKINEN**

Advisor	Petra LAMMINAHO
Legislative procedure Referral	<a href="#">EU Law Tracker</a> European Parliament, 14/1/2026 Council, 16/3/2026
Legal basis	Articles 192(1) and 304 of the Treaty on the Functioning of the European Union
European Commission documents	<a href="#">COM(2025) 989 final</a> , <a href="#">COM(2025) 990 final</a>
Relevant Sustainable Development Goals (SDGs)	<a href="#">SDG 13 – Climate action</a>
Section responsible	Agriculture, Rural Development and the Environment
Adopted in section	26/2/2026
Adopted at plenary session	19/3/2026
Plenary session No	604
Outcome of vote (for/against/abstentions)	220/0/3

## 1. RECOMMENDATIONS

The European Economic and Social Committee (EESC)

- 1.1 reaffirms its commitment to EU climate targets and its support for the emissions trading system (ETS) as a key tool for driving decarbonisation while securing a just transition, upholding competitiveness and respecting the United Nations Sustainable Development Goals. To ensure impact on a global scale, the EU should encourage third countries to strengthen their domestic climate action;
- 1.2 emphasises that carbon leakage risks must be robustly addressed to avoid Europe's climate leadership materialising at the expense of its industrial and manufacturing capacity and employment. The CBAM is an instrument that is the first of its kind, and is in the early phases of implementation. As a result, the impacts of the CBAM, its ability to mitigate carbon leakage and the accompanying phase down of free allowances must be carefully monitored;
- 1.3 reiterates its support for the extension of the scope of the CBAM to avoid shifting the risk of carbon leakage downstream in the value chain. However, any extension of the CBAM scope must remain proportionate to the reporting obligations placed on companies and the competitiveness of European industry, be consistent in the inclusion and exclusion of types of products, and be informed by sufficient impact assessments, taking into account both the producers and users of goods covered by the CBAM;
- 1.4 calls for the Commission to redouble its focus on implementation and to continuously look for ways to make the administrative requirements for companies as efficient and proportionate as possible. As the extension of the CBAM scope would cover new importing companies, including thousands of SMEs, and create cumulative administrative burdens for existing importers, a limited transitional period for the downstream extension should be considered;
- 1.5 supports the anti-circumvention measures proposed by the Commission, while emphasising that acquiring necessary emissions data from suppliers can be challenging, and that the availability of accredited verifiers is emerging as a bottleneck for the use of actual values. Therefore, the EESC calls for the Commission and the Member States to act urgently to increase the availability of verifiers. Default values should be based on best available emissions information and not be used in a punitive way, particularly with more complex downstream products;
- 1.6 notes that the newly proposed Article 27a, which allows the temporary exclusion of goods from the CBAM scope in serious and unforeseen circumstances, must be clearly defined to avoid market and investment uncertainty, governed by transparent and predictable criteria and

processes and be evidence-based in order not to jeopardise the aim of preventing carbon leakage and promoting decarbonisation investments. In the event of the use of Article 27a, complementary measures to prevent carbon leakage and negative impacts on decarbonisation should be implemented;

- 1.7 notes with concern the severe situation surrounding imports of fertilisers coinciding with the launch of the CBAM, and calls for the Commission to urgently address the availability and affordability of fertilisers through a wide set of measures, in conjunction with the European Action Plan on fertilizers. The immediate aim is to secure the 2026 and 2027 harvests, but also to provide realistic solution for the agricultural sector to address the issue of international trade, competitiveness and food security;
- 1.8 reiterates that the CBAM is a climate instrument, not a trade or fiscal policy measure. Predatory pricing, distortive subsidies or other forms of unfair competition should be addressed through trade policy measures. Its primary purpose must remain to mitigate the risk of carbon leakage and incentivise third countries to decarbonise and apply a carbon price to embedded emissions, and thereby contribute to global climate objectives in a cost-efficient manner;
- 1.9 underlines that the primary objective of the CBAM should not be to maximise the collection of own resources for the EU. The Union must remain a promoter of open trade, while advancing a more level playing field for European industries. Revenues generated by the mechanism should be used to incentivise the competitive decarbonisation of European industry and promote low-carbon solutions;
- 1.10 stresses the need for long-term operational mechanisms to support Europe's export-oriented sectors following the phase-out of free allocation under the EU ETS. A dedicated, permanent export mechanism covering also impacted downstream exports with high risk of carbon leakage is necessary. The proposed Temporary Decarbonisation Fund does not adequately resolve this challenge because it is limited in time and in product scope. The EESC calls for the Commission to present a long-term, administratively efficient and WTO-compliant export solution as part of the upcoming ETS review or through other suitable policy instruments, while gearing the upcoming Competitiveness Fund to support decarbonisation of industries;
- 1.11 recommends that the EU engage actively with trading partners, particularly developing countries in order to support their capacity to comply with the CBAM, secure reliable emissions data and adopt carbon pricing schemes. The possibility to use international carbon credits (Article 6) to account for an effective carbon price paid in the country of origin should be strictly on a euro-per-euro basis with high-quality credits.

## 2. EXPLANATORY NOTES

### *Global context of the CBAM*

- 2.1 Achieving the EU's climate targets requires ambitious and predictable policy instruments that support industrial decarbonisation, competitiveness and Europe's open strategic autonomy. The CBAM is an integral component of the EU's broader climate framework, aiming to support the Paris Agreement, and is directly linked to the EU ETS. As the EU progressively reduces free allocation, the CBAM aims to ensure that the climate ambition embedded in the ETS is not undermined by carbon leakage or deteriorating industrial competitiveness. A strong industrial base is of strategic importance for the EU and provides jobs to millions of Europeans.
- 2.2 Internationally, trade-related climate measures are emerging as a key question in global climate negotiations. The EU ETS is by far the most advanced carbon pricing scheme in major economies. However, the CBAM has been challenged in global climate negotiations by China, India and developing countries in general. As the world's most extensive and first operational carbon border adjustment mechanism, the CBAM may significantly shape global carbon pricing developments. According to the World Bank<sup>1</sup>, carbon pricing mechanisms worldwide are increasingly emerging as a response to the CBAM. Additionally, similar border carbon adjustment systems are being developed in the UK, with discussions underway in Australia, Türkiye, Canada and Japan.
- 2.3 The EU's global leadership in climate diplomacy and as a proponent of open, rules-based trade requires that the CBAM maintain its climate-policy integrity, avoiding its instrumentalisation for trade or fiscal objectives. This reduces risks of retaliatory action and reinforces the EU's credibility. The EU should engage actively with its trading partners, particularly developing countries, in order to build capacity to comply with the CBAM and support the development of carbon pricing schemes, for example through the Task Force for International Carbon Pricing and Markets Diplomacy<sup>2</sup>, and by participating in initiatives such as the Open Coalition on Compliance Carbon Markets launched at COP30.
- 2.4 As the CBAM is still in its early operational phase, its functioning and impacts require constant assessment and refinement to ensure effectiveness, proportionality and the flow of trade. In the transitional period, companies faced several difficulties in procuring emissions data and

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<sup>1</sup> World Bank 2025, State and Trends of Carbon Pricing:  
<https://www.worldbank.org/en/publication/state-and-trends-of-carbon-pricing>.

<sup>2</sup> DG CLIMA 2025: [https://climate.ec.europa.eu/eu-action/carbon-markets/international-carbon-pricing-and-markets-diplomacy\\_en](https://climate.ec.europa.eu/eu-action/carbon-markets/international-carbon-pricing-and-markets-diplomacy_en).

complying with administrative obligations. The EESC also notes that several implementation acts came only weeks before the CBAM fully came into operation in January 2026. The upcoming comprehensive review of the CBAM should take stock of its functioning and its impact on climate, competitiveness and trade, and its effects on both producers and users of the goods in its scope, the phase-out of free allowances, and the effectiveness of the CBAM in preventing carbon leakage.

### *Impacts on agriculture*

- 2.5 The EESC notes that the EU is still extremely reliant on imports of fertilisers, which means that disturbances in trade and costs on imports are translated into input costs of farmers and impact supply. Currently, imports of fertilisers to the EU have decreased significantly, raising prices and creating supply uncertainty. The EESC sees the measures by the Commission to exempt fertilisers from import tariffs and to not apply markups to default values for fertilisers under the CBAM as necessary. However, a more comprehensive and consistent approach is needed to address the issue of international trade, competitiveness and food security.
- 2.6 The EESC calls for the Commission to urgently address the availability and affordability of fertilisers through a wide set of measures. This should be the subject of in-depth work with the relevant experts of the agricultural sector and fertiliser industry. The EESC eagerly awaits the action plan on nutrient recycling and calls for a targeted update and redoubled implementation of the EU strategy<sup>3</sup> on fertilisers to address the evolving geopolitical and market situation and to provide support for farmers and businesses during the transition. In the long term, ramping up the domestic availability of nutrients like phosphate, potassium and nitrogen, and increasingly sourcing these from trusted partners, is essential for open strategic autonomy and for food security in Europe.

### *CBAM extension and anti-circumvention*

- 2.7 The EESC has supported and called for the swift adoption of the Omnibus 1 simplification proposal, which reduces administrative burdens without lowering the climate ambition by raising the threshold from imports of EUR 150 to 50 tonnes of CBAM goods annually. According to the Commission, this reduces the number of importers within the scope of the CBAM by 90%, while retaining 99% of the emissions. As the CBAM further expands, administrative proportionality remains essential.
- 2.8 Expansion to downstream goods must be based on a sufficiently detailed and reliable assessment of the impacts of the mechanism on the costs and competitiveness of metal users

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<sup>3</sup> [OJ C 184, 25.5.2023, p. 109](#)

and producers, as well as on its actual ability to prevent carbon leakage. As the CBAM aims at mirroring the carbon costs of the EU ETS on European producers, the assessment must also consider the impacts on the competitiveness of European manufacturing industries that utilise aluminium and steel. It should also take into account the combined effects of other measures, such as steel safeguards. Finally, the inclusion or exclusion of CN codes in the extension should be consistent in order to avoid circumvention risk through similar goods with different codes.

- 2.9 The Commission estimates that the downstream extension (option 2) could bring 3 800 to 3 900 SMEs under reporting obligations. Additional obligations must remain targeted, feasible and proportionate. A limited transitional period for the downstream expansion similar to the initial phase-in of the CBAM, for example by requiring the purchase and surrender of CBAM certificates for 2028 after a delay, should be considered in order to ease in new companies in the scope.
- 2.10 The EESC has been supportive of the inclusion of downstream goods to avoid moving the risk of carbon leakage to downstream goods<sup>4</sup>. Monitoring during the CBAM's transitional phase revealed significant circumvention risks. The EESC stresses that the CBAM can function effectively only if it includes robust anti-circumvention provisions. The proposal is expected to reduce carbon-leakage risks by around 25%, according to a Commission impact assessment. Addressing leakage is essential for maintaining Europe's attractiveness for clean industrial investment. Therefore, the proposed anti-circumvention measures should focus particularly on goods at highest risk, such as iron and steel.
- 2.11 As the downstream goods can be highly complex, default values should be available without punitive mark-ups to avoid disproportionate reporting and costs. Manufacturing of industrial machinery in Europe, for example, can include thousands of individual parts and components, and therefore the cumulative administrative burden of the extension can be significant for users.
- 2.12 The proposal includes a new Article 27a to address 'serious and unforeseen circumstances' related to the price of goods. Whereas emergency tools to maintain the EU's security of supply in extraordinary cases are justified, the proposed Article 27a must be clearly defined to avoid market and investment uncertainty. Any possibility of temporarily exempting products from the CBAM must be governed by transparent and predictable criteria and be evidence-based in order not to risk the goals of preventing carbon leakage and promoting decarbonisation investments. These criteria could include more detailed conditions and indicators, such as impacts of natural disasters or extreme supply shocks, threshold values that would initiate an investigation, sectoral differentiation, monitoring, governance and process structures, and the consultation of relevant stakeholders, including producers and users of CBAM goods. In the

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<sup>4</sup> OJ C, C/2026/36, 16.1.2026, ELI: <http://data.europa.eu/eli/C/2026/36/oj>.

event of the use of Article 27a, complementary measures to prevent carbon leakage and negative impacts on decarbonisation should be implemented.

- 2.13 The EESC notes that in contrast to goods in the original scope of the CBAM, the threshold of 50 tonnes of imports applies to the whole weight of imported downstream goods, not only to their steel and aluminium content. While it can be difficult to determine the weight of different elements in complex downstream goods, importers that can credibly demonstrate that the steel and aluminium content falls under the 50-tonne threshold should be able to do so.
- 2.14 The EESC supports maintaining the exclusion of inward-processing arrangements, ensuring that the CBAM applies only to goods released for free circulation in the EU. Clarifications regarding EEA countries strengthen consistency and prevent circumvention.
- 2.15 The EESC is supportive of the inclusion of preconsumer aluminium and steel scrap in the calculation of embedded emissions, and the proposed adjustments to the calculation of embedded emissions in imported electricity.
- 2.16 The CBAM review report published alongside the proposal states that the Commission is considering the inclusion of international credits under Article 6 of the Paris Agreement as part of the effective carbon price paid in the country of origin. The inclusion of international credits could incentivise faster adoption of carbon pricing schemes and support decarbonisation in developing countries, but could also undermine the development of comprehensive compliance schemes. Based on this, the EESC recommends that the inclusion of international credits should be done strictly on a euro-for-euro basis with high quality credits.

#### *The Temporary Decarbonisation Fund*

- 2.17 While the CBAM aims to level the playing field within the single market, export-oriented industries face structural disadvantages in third-country markets where carbon pricing is absent or lower. Therefore, the EESC has called for an export adjustment mechanism in line with the Draghi report.
- 2.18 The Temporary Decarbonisation Fund does not adequately address this challenge, as its scope is limited to two years and only to certain goods. Moreover, it does not cover exporting companies themselves, but is rather a general subsidy to export-intensive sectors. While the EESC recognises the need for a quick bridge solution, this may risk the ineffective use of public funds. In the event that the CBAM scope is extended, an adequate export mechanism should also cover impacted technology and other downstream exports where there is a credible risk of losing export competitiveness. The EESC calls for the Commission to present a long-term,

administratively efficient and WTO-compliant export solution as part of the upcoming ETS review or through other suitable policy instruments.

2.19 The EESC supports the inclusion of robust decarbonisation criteria in the fund. In general, the upcoming Competitiveness Fund should be used as the main EU tool to support decarbonisation investments.

2.20 In addition to the decarbonisation criteria, the EESC suggests, in line with its position on the MFF<sup>5</sup>, that the disbursement of money from the Temporary Decarbonisation Fund should be, where applicable, conditional on social criteria as provided for in EU and national law, while taking into account the specificities of the Member States. In order to be applied, these social criteria must be developed and agreed by the national social partners and might include site retention and employment guarantees, qualification and training measures or respect for collective agreements. Different examples already exist in some Member States. Such social criteria should respect the varieties of social dialogue in the Member States and not lead to undue discrimination against certain types of companies or Member States. What is more, these social criteria should not put unnecessary bureaucratic burdens on companies. National examples have shown that linking public funding to social criteria can support the necessary transformation of the economy to one that is consistently geared towards creating and maintaining quality jobs, thus increasing acceptance of the green transition.

Brussels, 19 March 2026.

*The President of the European Economic and Social Committee*

Séamus BOLAND

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<sup>5</sup> EESC opinion on "[Multiannual financial framework 2028-2034](#)" (not yet published in the OJ).