

Consultation response

Ensuring a robust and effective Carbon Border Adjustment Mechanism (CBAM) : a prerequisite for scope extension



AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €3.7 trillion in 2022, directly supports more than 4.9 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

Executive summary

The Carbon Border Adjustment Mechanism (CBAM) will enter its definitive phase in 2026, introducing financial obligations for importers from 2027. At the same time, the European Commission is considering extending the scope of the measure to cover both additional sectors and more upstream and downstream products. As a new and evolving instrument, its design remains incomplete and its effectiveness yet to be assessed in practice. To meet its objectives while preserving industrial competitiveness, the focus must remain on strengthening the mechanism before expanding its scope.

The EU should take a phased, evidence-based approach to finalising the framework by conducting a robust 2028 review in close cooperation with industry and maintaining existing carbon leakage protections, such as free allowances and indirect cost compensation, until effective alternatives are in place. It should not consider any scope extension until the mechanism has proven its effectiveness and after carefully evaluating value chain impacts, feasibility and administrative burden.

Ensuring CBAM functions effectively would ensure it is a fair, credible and durable element of the EU's climate policy framework.

Introduction

Effectively addressing carbon leakage is essential to maintaining industrial competitiveness while supporting Europe's climate objectives. When CBAM enters its definitive phase on 1 January 2026, importers of covered goods will bear financial responsibility for embedded emissions, with payments beginning in 2027. As a first-of-its-kind instrument, CBAM's effectiveness remains uncertain. Thus, the European Commission must further refine the mechanism to ensure it achieves its objectives without undermining competitiveness.

The Commission's upcoming reviews, foreseen for later this year and early 2026, present a critical opportunity to improve the mechanism. Before considering expanding CBAM's scope, its design must be finalised and its effectiveness fully assessed. Basing any scope extension on objective criteria and maintaining existing carbon safeguards can secure both the EU's environmental ambition and industrial resilience.

Prioritising implementation before expansion

Any expansion of CBAM's scope must follow a thorough evaluation of its performance. Moving ahead prematurely would risk unintended consequences and policy misalignment.

Basing scope extension on objective criteria

Any future expansion must be based on demonstrated effectiveness as well as stakeholder consultation. Expanding the mechanism without robust data and impact assessments on its feasibility, administrative and financial burdens and potential market impacts could create distortions, particularly in complex or trade-intensive sectors.

For example, the Commission's proposed list of downstream products and their associated Combined Nomenclature (CN) codes encompasses a far broader array of goods than those solely within the iron, steel and aluminium sectors. Instead, the inclusion of a wide range of products across multiple

industries risks constraining the competitiveness of EU manufacturers and exporters. A rapid or sweeping expansion may prevent affected companies from anticipating and managing the resulting financial obligations and complexities of compliance. A phased approach is not only advisable but necessary to allow EU CBAM declarants and impacted industries to thoroughly assess forthcoming financial impacts, adjust operational strategies and prepare for the demands of compliance implementation as well as help safeguard European industrial resilience.

Maintaining existing carbon leakage safeguards

If CBAM does not sufficiently prevent carbon leakage, the Commission should consider postponing the scheduled phase-out of free allowances under the EU Emissions Trading System. Companies must have support until reliable alternatives are in place. Likewise, it should enable Member States to maintain indirect cost compensation beyond 2030, including for CBAM sectors. Extending CBAM to indirect emissions would add administrative burdens without addressing EU producers' actual electricity-related costs. Companies also need a simplified reporting methodology to avoid excessive complexity, particularly for downstream goods.

Strengthening enforcement and administrative capacity

Effective implementation requires harmonised enforcement across Member States. Strengthening customs and national authorities' capacity, alongside coordinated oversight, can prevent circumvention and ensure fair, consistent application.

Conclusion

CBAM can only achieve its objectives if it reflects the realities of industrial production and global value chains. A one-size-fits-all model risks inefficiencies that would weaken both climate policy and industrial competitiveness. Sectoral differences, interlinked supply chains and feasibility must guide the mechanism's evolution.

Timing and sequencing are crucial. CBAM must be fully operational and fit for purpose before the Commission pursues any scope extension. This requires completing its design, assessing its effectiveness and working closely with stakeholders.