Home Appliance Europe

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Position paper
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Position paper on Carbon Border Adjustment Mechanism's Scope Extension to Finished Goods

APPLiA Europe urges co-legislators to extend the extension of the CBAM scope to downstream goods to include currently missing home appliance categories which face the same carbon-related challenges as those already in scope.

Why is the downstream CBAM extension needed?

EU carbon pricing relies on two linked systems: the Emissions Trading System (ETS) for domestic industries and the new Carbon Border Adjustment Mechanism (CBAM) for imported raw materials like steel, aluminum, and cement. Historically, the ETS provided free allowances to prevent carbon leakage. As the definitive CBAM regime takes effect on January 1, 2026, these free allowances will gradually phase out by 2034.

In its initial design, CBAM excluded finished goods. This meant that an EU manufacturer had to pay carbon costs for the raw materials in their products (e.g., the ~70% steel and cement in a washing machine), while imported finished goods bypassed these costs entirely. Fixing this 'downstream carbon leakage' is essential, as the resulting competitive imbalance directly threatens European growth, investments, and jobs.

Defining the Scope for Downstream Goods

The European Commission's proposal for extending CBAM to downstream goods is based on three carbon leakage risk indicators: trade intensity, a cost-push factor, and a minimum emission floor. The home appliance sector meets the primary criteria: Eurostat data shows our trade intensity is 23%, and APPLiA estimates that the cost-push factor—the impact of input carbon costs on ex-factory production costs—exceeds the Commission's 5% threshold. While these first two indicators alone would have justified extending CBAM to 230–250 product categories, the Commission applied an additional, "emission floor" filter. This final criterion reduced the scope to just 180 categories, excluding 50–70 product groups that are otherwise highly vulnerable to carbon leakage.

We strongly regret this narrow interpretation, which creates obvious carbon leakage and circumvention risks in two key areas:

- **Same-use products:** Excluding variants of covered goods (e.g., washing machines over 10kg, or standalone refrigerators and freezers) creates a glaring loophole, offering importers an easy way to bypass the carbon price.

- **Adjacent products:** Excluding items with similar material compositions and shared production chains (e.g., dishwashers and ovens) sends contradictory carbon price signals to investors, who make strategic decisions at the factory level rather than the product level.

APPLiA strongly supports extending CBAM to finished home appliances wherever there is evidence of EEA production combined with a substantial share of CBAM material composition.

What's at stake?

The European home appliance sector supports one million jobs, contributes €79 billion to EU GDP (2024), and drives massive household energy savings. It is also highly reliant on CBAM-covered materials like steel and aluminum, which comprise 57% of our annual material consumption. Excluding the remaining large household appliances from CBAM exposes this critical sector to severe competitive disadvantages as free ETS allowances phase out. Extending CBAM to these products is the only way to ensure a level playing field between EU and non-EU manufacturers.

Ultimately, an incomplete CBAM threatens more than one industry—it undermines the EU's broader climate goals and industrial competitiveness. Addressing downstream carbon leakage is essential for cross-policy coherence and Europe's economic resilience.

Extending the CBAM scope to home appliances is critical to:

- **Preserve EU jobs, growth and investments**: fair carbon pricing between EU and non-EU home appliance producers ensures the business case for EU-based industrial investments and jobs does not decline due to ETS policy.
- **Reinforce European competitiveness through fair trade and competition**: as the carbon price is expected to grow significantly in the coming 5-10 years,[1] EU based finished goods manufacturers would be increasingly exposed to unfair competition without an extended CBAM scope.
- **Improve European economic security:** European finished goods manufacturers should not be incentivised to relocate outside Europe due to an incomplete ETS/CBAM policy.
- **Enable decarbonisation investments and reduce carbon emissions**: the transition to a low-carbon economy cannot happen if industry production is simply relocated outside the EU, carbon pricing reaches its climate objectives only when it does not create competitive imbalances.

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[1] Conservative estimates from the International Energy Agency and European Central Bank mention a 140 EUR/tCO2 price by 2030 (e.g. Assessing the macroeconomic effects of climate change transition policies, ECB Economic Bulletin Issue 1, 2024); third party research sometimes exceed 200-300 EUR/tCO2 by 2030-2035.