

To be fit for purpose, the Carbon Border Adjustment Mechanism should effectively reduce carbon emissions and prevent carbon leakage down the value chain

Joint statement by the European downstream industries

Not enough attention has been paid to the impact of the Carbon Border Adjustment Mechanism (CBAM) down the value chain, both in socio-economic terms, and in terms of carbon emissions. As designed in the European Commission's proposal, CBAM was intended to apply to a limited number of imported raw materials and electricity, thus risking carbon leakage in all EU-based downstream industries that rely on such materials.

An incomplete CBAM only focused on raw materials and electricity cannot effectively reduce carbon emissions and prevent carbon leakage down the value chain; it will rather stimulate a transfer of carbon emissions and production investments outside the EU, with harmful socio-economic impacts on all European downstream industries, workers and consumers.

The European downstream industries support a fair, ambitious and comprehensive European carbon pricing system, which would effectively incentivise carbon emission reductions up and down the value chain, both in domestic (EU) and foreign (non-EU) markets. In this spirit, we urgently call on the European Commission, the European Parliament and the Council of the EU to consider the following recommendations in the pending trilogue negotiations:

- No automatic scope extension down the value chain through delegated acts. Downstream goods are inherently more complex than raw materials; it is misleading to believe that a simple delegated act amending CBAM Annex 1 would suffice to prevent carbon leakage down the value chain.
- Only a complementary legislative proposal can properly address the risk of carbon leakage down the value chain. The complementary legislative proposal should be based on a dedicated, clear and robust methodology fit for downstream goods. It should be mentioned as such in the review clause (Art. 30) by requiring the European Commission to propose it as soon as possible and before the end of the transitional period.
- A fair level-playing field in carbon pricing is desirable; this necessitates a regular assessment of the impacts of CBAM on all economic actors, such as EU-based industries (both upstream and downstream), importers, and exporters. Compatibility with WTO rules and other EU commitments in international trade should be considered a prerequisite for all elements of CBAM.
- It is misleading to believe that Art. 27 on circumvention could prevent carbon leakage down the value chain. Circumvention is different from carbon leakage; it only relates to trading practices with insufficient due cause or economic justification other than avoiding CBAM. On the contrary, carbon leakage would be the logical consequence of an incomplete CBAM down the value chain.

Signatories:

- [APPLiA](#) is the association of European manufacturers of home appliances, representing 800,000 jobs in the EU, an annual turnover of 50 bn EUR, and over 1.4 bn EUR invested annually in R&D and innovation. Our companies are well known for consumer products such as refrigerators, washing machines, hoovers and heat pumps, to name only a few. European home appliances often set the global standard for sustainability and energy performance.
- [CEIR](#) is the European association of valves and taps manufacturers associations, established in 1959. CEIR membership counts 11 National Associations from 6 EU Member States as well as the United Kingdom, Switzerland and Turkey. CEIR also counts on the direct involvement of 12 leading companies as associated members. The European Valves and Taps industry consist of 3 branches (Sanitary, Building, and Industrial) with a total production value of more than 11 billion euros and with more than 50.000 employees“.
- [Eurovent](#) is Europe’s Industry Association for Indoor Climate (HVAC), Process Cooling, and Food Cold Chain Technologies. Its members from throughout Europe represent more than 1.000 companies, the majority small and medium-sized manufacturers. Based on objective and verifiable data, these account for a combined annual turnover of more than 30bn EUR, employing around 150.000 people within the association’s geographic area.
- [Europump](#), the European Association of Pump Manufacturers, was established in 1960. It represents 16 National Associations in 14 EU Member States, the United Kingdom, Turkey, Russia & Switzerland. Europump members represent more than 450 companies with a collective production worth more than €10 billion and employing 100,000 people in Europe.
- [Pneurop](#) is the European association of manufacturers of compressors, vacuum pumps, pneumatic tools and allied equipment, represented by their national associations. PNEUROPE members are national associations representing more than 200 manufacturers in 6 EU Member States, in the United Kingdom and in Turkey. The European market turnover for the business represented exceeds €20 billion.