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INFORMATION

From:	General Secretariat of the Council
To:	Working Party on the Environment
Subject:	European Climate Law amendment: follow-up to the WPE on 2 September 2025 – Commission presentation

Delegations will find attached the presentation on the Carbon Border Adjustment Mechanism (CBAM) that was made by the Commission at the abovementioned WPE meeting.

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Carbon Border Adjustment Mechanism: review and proposals in 2025

Council Working Party Environment
2 September 2025

European Commission, DG TAXUD

Main workstreams for the CBAM Implementation in 2025

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Transitional period
October 2023 - December 2025

Post-transitional period
January 2026 onwards

2025

CBAM Simplification (legal proposal) - *February 2025*

Adoption of implementing legislation - *throughout 2025 and 2026*

Review report - *Q4 2025*

Second amendment of the CBAM Regulation (legal proposal) - *Q4 2025*

Proposal for measure on carbon leakage risks for exports - *Q4 2025*

Reporting of direct and indirect emissions for all goods

2026

CBAM obligation due:
- Steel, aluminium, hydrogen: only direct emissions
- Cement, fertilisers: direct and indirect emissions

CBAM review

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- **Review report**, including analysis of
  - State of play/ governance
  - Scope and methodology
    - scope extension to other sectors, precursors
    - scope extension to indirect emissions
  - impact on third countries

Planned CBAM revision: Downstream extension and circumvention measures

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Downstream extension

- The CBAM Regulation provides for the need to assess and propose, if appropriate, an extension of the scope to so-called "**downstream products**" (i.e. products that are further down the value chain of the goods currently in scope).
- The Steel and Metals Action Plan announced that the Commission will put forward a proposal to extend the scope of CBAM "to certain steel and aluminium-intensive downstream products" by Q4 2025.
- Downstream carbon leakage could occur if higher carbon costs for basic materials in the EU prompt manufacturers of downstream goods to move production abroad where carbon costs for those basic materials are lower. Alternatively, imports of carbon-intensive downstream goods from countries with less stringent climate policies could replace

Planned CBAM revision: Downstream extension and circumvention measures

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Anti-circumvention

- The SMAP announced that by Q4 2025, the Commission will present an anti-circumvention strategy and include additional anti-circumvention measures in the legislative proposal.
- Circumvention arises from any practices for which there is insufficient due cause or economic justification, other than to effectively avoid, wholly or partially, the financial liabilities arising from CBAM, undermining the environmental integrity of the mechanism.
- Examples
  - Avoiding the CBAM obligations by making slight modifications to the CBAM basic goods
  - Resource shuffling, ie when goods produced in low-carbon production facilities in third countries are redirected to

Carbon leakage risk from exports

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- **Commission will propose a measure by the end of 2025**
  - to address the risk of carbon leakage for EU-produced goods in CBAM sectors
  - by supporting **production of goods at risk** of carbon leakage and ensure **equal treatment** for CBAM goods, whether produced and sold in the EU, imported into the EU or exported.
- **Timeline**
  - CBAM sectors to be consulted in advance of the proposal – High Level Dialogue
  - Scheme would be in place for an initially defined period with a review in 2027.
- **Context**

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Thank you

