Council of the European Union
General Secretariat

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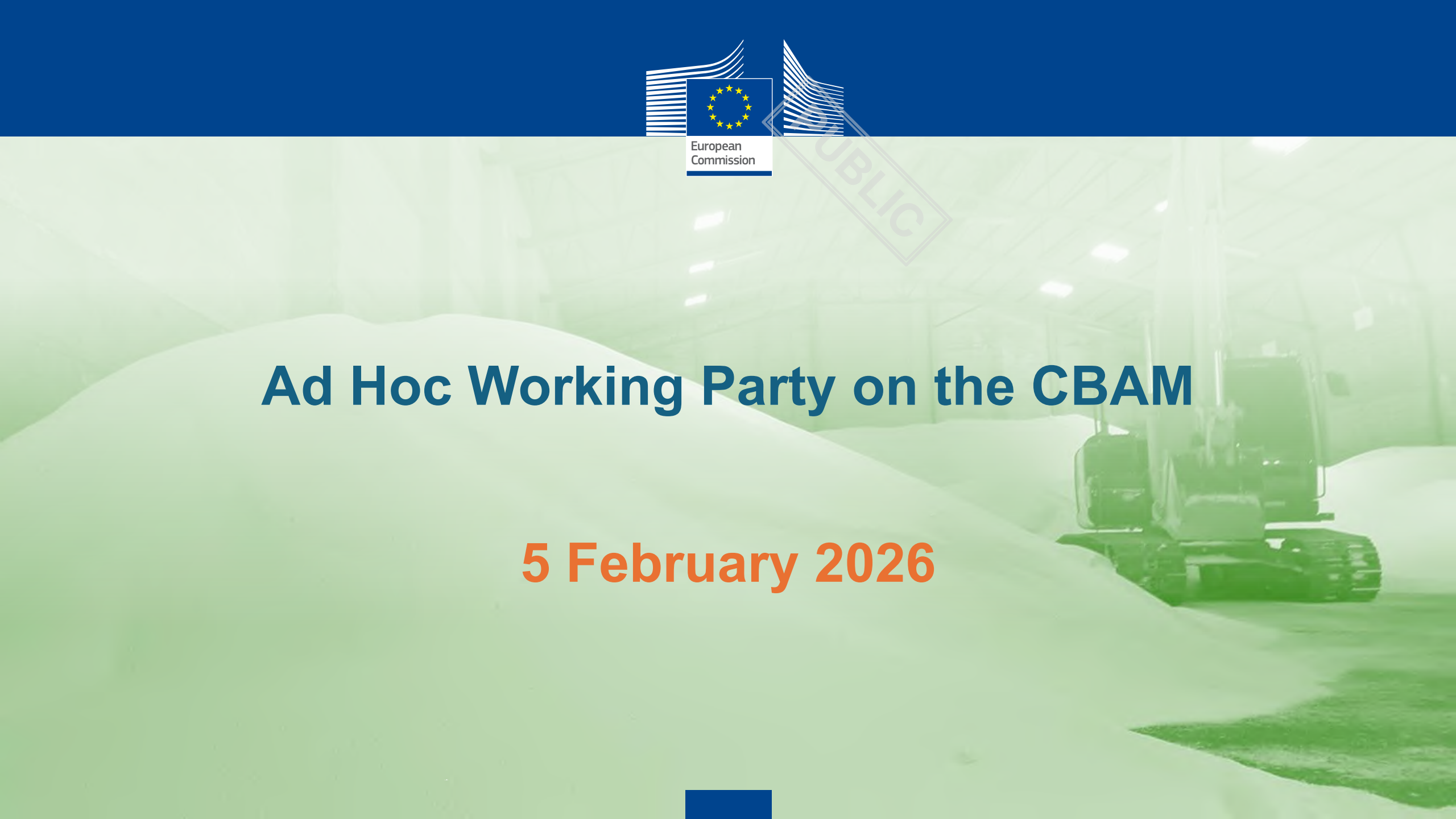
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MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Delegations
Subject:	CBAM - presentation by the European Commission

Delegations will find attached the presentation made by the European Commission at the AHWP CBAM meeting on 5 February 2026.



Ad Hoc Working Party on the CBAM

5 February 2026

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A. Impact Assessment



Recap of the impact assessment and its approach

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Categorised and conceptualised the underlying **problems**, their drivers, and **objectives**

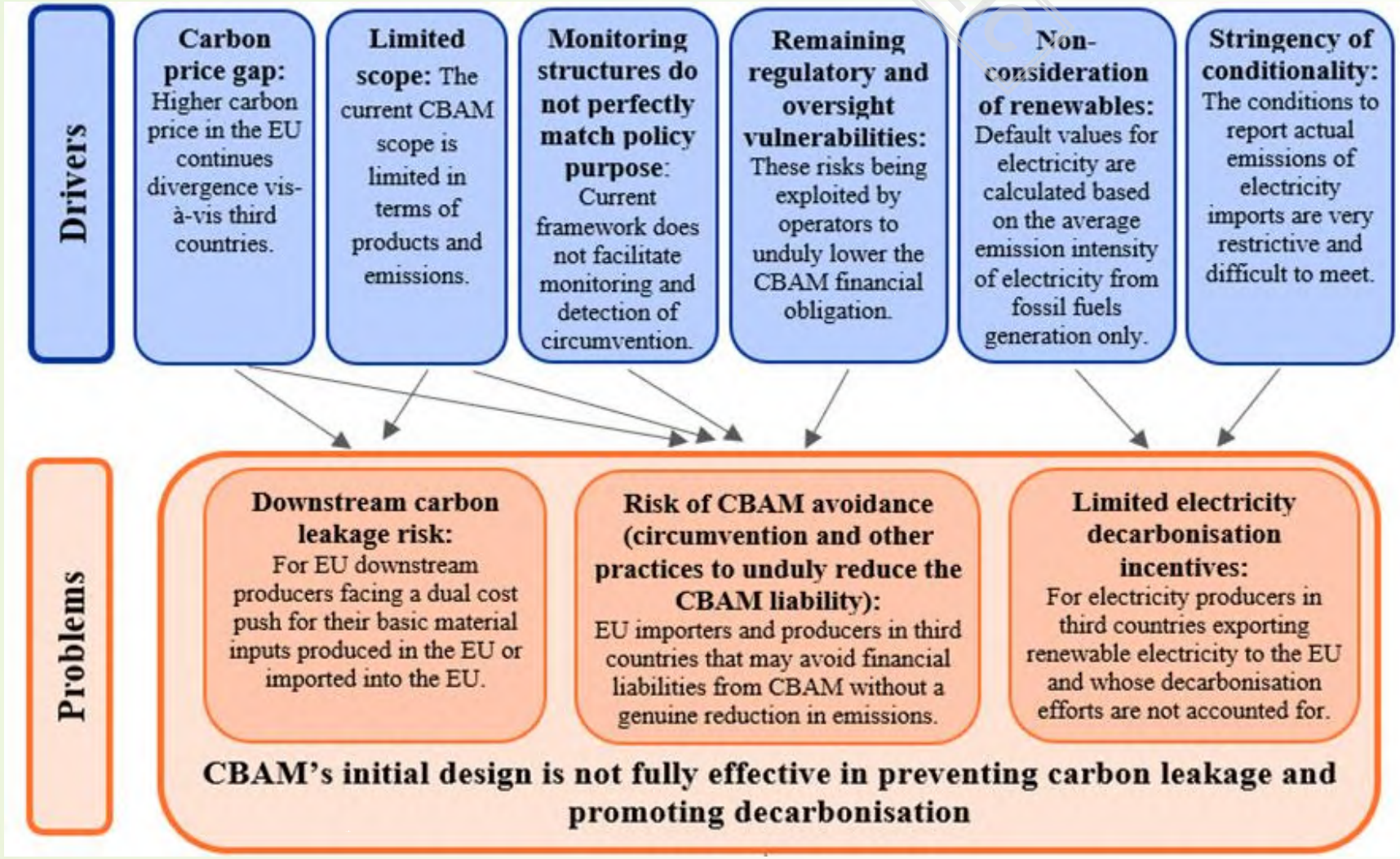
Assessed a range of **options** to strengthen the effectiveness of CBAM in addressing the risk of carbon leakage and contribute to decarbonisation globally. Specifically assessed options for:

- Extending the scope of CBAM to steel and aluminium-intensive downstream products
- Addressing circumvention risks through better monitoring and targeted amendments
- Improving the treatment of electricity to encourage decarbonisation

Rested on **qualitative and quantitative** tools plus feedback from public consultations. Depth of quantitative assessment depended on the nature of the problem and proposed options.

Problems and problem drivers

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Downstream extension options

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	Carbon leakage risk filter		
Policy options	Trade intensity	Cost push	EU Emission floor
Option 1: Targeted	20%	15%	150Kt CO_2eq.
	• Higher cut-off for the carbon leakage filter and an emission floor • Selected products are those with the highest leakage risk and highest climate relevance.		
Option 2: Balanced	10%	5%	150Kt CO_2eq
	• Lower cut-off for the carbon leakage filter and keeps the emission floor. • Selected products are centred on those potentially at risk of downstream carbon leakage and with the highest climate relevance.		
Option 3: Broad	10%	5%	None
	• Keeps lower cut-off for the carbon leakage filter. No emission floor, • Broad list of downstream products to selected for inclusion		

Downstream extension: Quantifying the criteria

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Trade intensity

$$= \frac{\text{ImportValue} + ExportValue}{ImportValue + ProductionValue}$$

Cost push indicator

$$= \frac{\text{Carbon Costs induced by CBAM}}{\text{Gross Value Added}}$$

EU total production emissions

$$= Emmision\ intensity \times \text{EU Production}$$

Key elements

Carbon cost	Production Emission x Effective Carbon Price / Production Value
Effective carbon price	Expected effective carbon price for 2030
Emission intensity	Sector weighted emission intensity based on material composition

Downstream extension: Data sources

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Data on goods

PRODCOM

- 1500 PRODCOM codes identified corresponding to 2500 CN codes
- Sold production, exports, imports
- Eurostat (2024)
- Correspondence to CN code level

NACE

- Annual detailed enterprise statistics for industry (Eurostat[1])

Emission intensities

- JRC (2023) default intensities, 2019 data,[2]
- Sector specific weighted average using:
- PC level quantity weights
- 2021 revision of EU-ETS directive for assumptions on decarbonization of production technologies

Material composition

- Product group-specific data from Stede et al, 2021[3]
- Adjusted by industry intelligence where available

Carbon price

- Expected effective carbon price in reference year 2030
- 100% cost pass-through of EU CBAM inputs

[1] Eurostat (2024) Annual detailed enterprise statistics for industry, https://ec.europa.eu/eurostat/databrowser/product/page/SBS_NA_IND_R2
[2] JRC (2023): Vidovic, D., Zore, L., Moya, J. A. and Marmier, A., Greenhouse gas emission intensities of the steel, fertilisers, aluminium and cement industries in the EU and its main trading partners, Publications Office of the European Union, 2023, https://data.europa.eu/doi/10.2760/359533
[3] Stede et al. (2021) database, expanded in the contractor study. Full citation: Jan Stede, Stefan Pauliuk, Gilang Hardadi, Karsten Neuhoff, Carbon pricing of basic materials: Incentives and risks for the value chain and consumers, Ecological Economics, Volume 189, 2021, 107168, https://doi.org/10.1016/j.ecolecon.2021.107168.

Downstream: Comparison of options

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	Indicators	Option 1: Targeted extension	Option 2: Balanced extension	Option 3: Broad extension
General	Number of additional CN codes	70-80	150-180	230-250
	Number of additional importers	1400-1500	7000-7100	8400-8500
Effectiveness: benefits	EU production emissions (Mt CO2 eq.) covered	45-60	110-120	110-120
Efficiency: benefits / costs	EU production emissions (Kt CO2 eq.) / number of CN codes	680-740	720-730	470-480
	Import emissions (Kt CO2 eq.) / number of importers	1.1-1.15	1.1-1.15	1.05-1.1
Proportionality	Share of CN codes with ≥ 70% basic good content (kg)	85-100%	85-90%	75-80%
Administrative burden	Estimated additional compliance and enforcement costs in EUR millions	2.1 – 12.7	9.1 – 53.0	10 – 59.8

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B. Proposal for a Regulation amending the CBAM Regulation as regards the extension of its scope to downstream goods and anti-circumvention measures



Downstream extension

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Thematic bloc 1: Downstream extension



Downstream extension

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1. Goods in scope



Downstream extension: Recap of the approach for the selection of goods (Art. 1(21) & Annex I)

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Selection criteria of downstream goods

Carbon leakage risk screen

- **trade intensity** proxy for tradability — Threshold: 10%
- **cost push indicator**: Embedded carbon cost's importance in downstream good's overall costs, (% of value added) — Threshold: 5%

Additional filtering → **EU production emission floor:** only climate relevant products — Threshold: 150kt

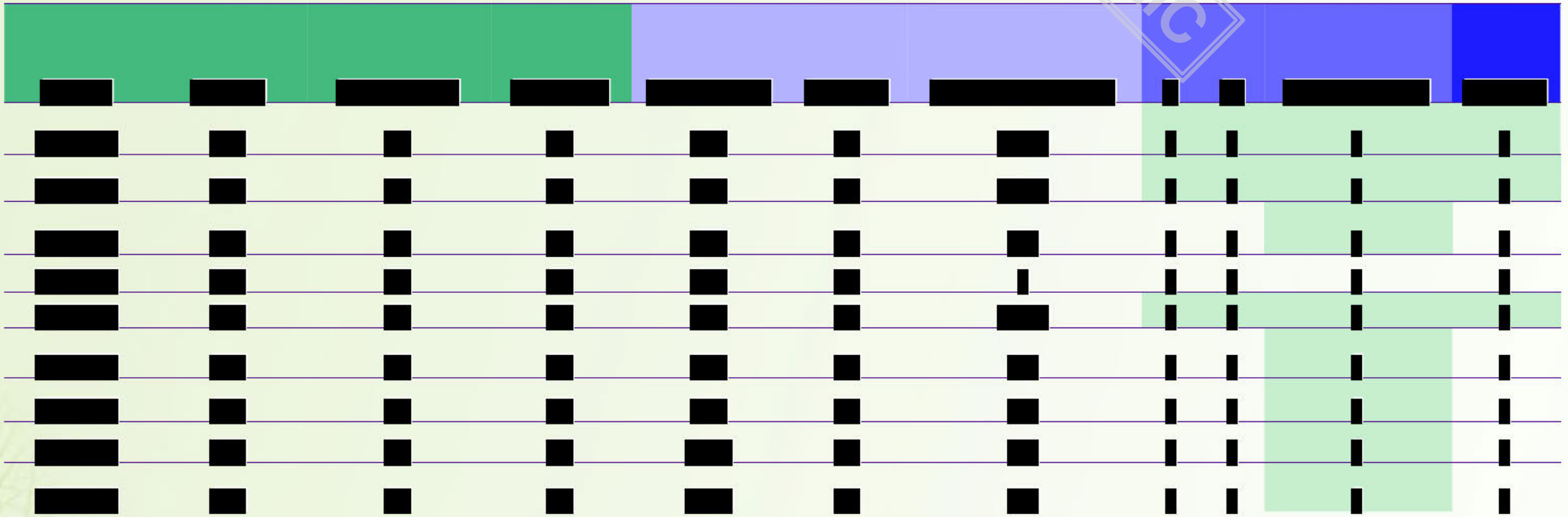
Technical feasibility to attribute emission to the goods selected

[redacted]

[redacted]

[redacted]

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[redacted]

Summary of selected goods (Art. 1(21) & Annex I)

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Downstream good category	Number CN codes
Industrial Machinery & Machine Tools	34
Vehicles & Chassis	39
Metal Hardware & Fabrications	28
Vehicle Components & Systems	21
Domestic Appliances & Consumer Goods	18
Construction & Lifting Equipment	17
Engines, Motors & Power Generation	7
Electrical & Electronic Components	6
Medical, Laboratory & Safety Devices	5
Agricultural & Lawn Equipment	5
Total	**180**

Downstream extension

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2. Attribution of emissions



Downstream: Principles for attribution of emissions (Art. 1(22) &Annex II)

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- In line with Omnibus amendments the system boundaries of production processes, shall be aligned with those covered by the EU ETS

- Attribution of emissions to downstream goods should be limited to the emissions that would be covered under the EU ETS if the good were produced in the EU.

- Therefore:
  - Downstream process emissions not included in the monitoring and calculations
  - Attribution is limited to precursors resulting from goods in the original CBAM scope

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Downstream extension

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3. Mark-up



Non-application of the mark-up for certain downstream goods
(recital 23, Art. 1(6)(c))

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Reasons:

- Some downstream goods have longer and more complex value chains, across sectors.
- Verification for these goods will be more difficult (longer, costlier).
- Not applying the mark-up in these cases will facilitate recourse to default values.

Implementation:

- Implementing Act on calculation methodology will provide a list of certain downstream goods.
- Implementing act on default values will not apply a mark-up for these goods.

Downstream extension

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5. Impact on 50 t threshold



Annual threshold – design aspects

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- Single mass-based threshold per importer per year set at a level to ensure that >99% of emissions are kept in scope
  - Based on net mass of the product (as used in customs declaration)
  - Same treatment of all products (except hydrogen and electricity)
- Opted for simplicity over accuracy
- Review in 2027

[redacted]

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[redacted]

Annual threshold assessment

Article 2a(3)

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Every year, COM assesses threshold per methodology Annex VII and establishes appropriate level for following year, ensuring that more than 99% of emissions are covered.

The 2027 assessment of the threshold sets the level for 2028, and hence should take into account the applicable product scope as of 1 January 2028.

[redacted]

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Thematic bloc 2: Anti-avoidance measures



Anti Avoidance

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1. Abusive practices



Abusive practices – definition

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- *'abusive practices' are practices pursued by an actor for the purpose of gaining a benefit by unduly avoiding, wholly or partially, the CBAM financial liability and thereby undermining the effectiveness of the CBAM to address the risk of carbon leakage in the EU.* (Art 1(3))

- *Abusive practices could occur when actors exploit the possibility of using actual emissions for the purpose of unduly avoiding, wholly or partially, the CBAM financial liability and thereby undermine the effectiveness of the CBAM in addressing the risk of carbon leakage in the Union and the attainment of the Union's climate policy objectives.* (Recital 12)

Abusive practices

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- *Where the Commission, taking into account relevant information, including from customs import declarations and CBAM declarations, finds that there is* ***sufficient evidence pointing towards a high risk of abusive practices*** *for a combination of goods and origins, (…) it is empowered to adopt delegated acts in accordance with Article 28 to supplement this Regulation by laying down the methods for the identification of the combination of goods and origins, the information to be declared for the use of actual emissions for those combinations of goods and origins as well as the evidence to be provided to demonstrate that no abuse has taken place.* (Art 1 (5) (C))

Anti Avoidance

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2. Misdeclaration of emission intensities



Misdeclaration of emissions

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Align customs classification with CBAM policy purpose (Article 1(15)): To distinguish products within one CN code that are heterogeneous in terms of embedded emissions.

[redacted]

Misdeclaration of emissions - traceability

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Strengthening traceability requirements by requesting documentation to prove that a product was produced at the specific installation and year, corresponding to the verification report used in the CBAM declaration.

Balance simplification objective with monitoring/enforcement needs.

Therefore:

- Ex-ante reporting requirements (Article 1(5)(a)(2), 1(5)(c)) : Commission identifies (via Implementing Act) priority products, where CBAM declarants always need to provide this documentation to address lack of supply chain traceability
- Ex-post reporting requirements (Article 1(11)): NCA can ask information as part of the review for any good.

Anti Avoidance

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3. Pre-consumer scrap



Pre-consumer scrap

Art. 1(6)(a), Annex VIII, Recitals 19-20

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Pre-consumer scrap	Post-consumer scrap
- byproduct within the boundaries of a given installation. - Material losses during the production process → incorporated as input material in the secondary production of metal in other installation.	- Recycling of products that are discarded as waste at the end of life stage - For example, aluminium cans, household appliances or electronic devices
- Results from production processes in installations under the EU ETS → EU ETS price applies	- Impossible to trace back original production site / date and to establish carbon price - Lifecycle methodologies typically assign zero emissions post-consumer.

Pre-consumer scrap

Art. 1(6)(a), Annex VIII, Recitals 19-20

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There are challenges in distinguishing and tracing scrap → circumvention risk if only pre-consumer scrap is assigned emissions

Solution (as part of Implementing Acts):

- Burden of prove is on 3rd country producer as part of verification process.
- If evidence is insufficient for verifier to verify the claim → scrap is treated as pre-consumer scrap

Anti Avoidance

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4. Circumvention & default values



Circumvention & default values

Art 1(16)

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- *Practices of circumvention shall be defined as a change in the pattern of trade in goods, which stems from a practice, process or work, for which there is insufficient due cause or economic justification other than to avoid, wholly or partially, any of the obligations laid down in this Regulation. Such practice, process or work may consist of, but is not limited to:*
- (…)
- **(c) artificially adjusting the supply chains to make the goods benefit from lower default values.**
- *The Commission shall continuously monitor the situation at Union level with a view to identifying practices of circumvention, including by way of market surveillance or on the basis of any relevant source of information, such as submissions by, and reporting from, civil society organisations.*

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Entry into force and review



Entry into force
(Art. 2)

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- Downstream extension: 1 Jan 2028 & scope to be assessed as part of 2027 Review
- Abusive practices: 1 Jan 2028 for importers in CBAM declaration (Art. 1(8)), upon application for empowerment (Art. 1(5)(c).
- Traceability: Upon application of the Amending Regulation.
- Pre-consumer scrap: 1 Jan 2028 (Art. 1(6)(a)) as it applies to operators and importers.
- Circumvention & default values: Upon application of the Amending Regulation.