Statement

The CBAM must be fixed and launched urgently

Brussels, 22 January 2025 – European steelmakers have been subject to the EU Emissions Trading System (ETS) since its inception in 2005, thus being exposed to a unilateral carbon price that has recently reached around 75€/t CO_2. Meanwhile, more than 25 million tonnes of steel (around 20% of EU production) are imported annually from third countries without any carbon cost. Therefore, the planned launch of the Carbon Border Adjustment Mechanism (CBAM) in 2026 is urgently needed to prevent carbon leakage and support the European business case for steel decarbonisation investments announced in recent years.

However, the CBAM is an unprecedented, first-of-its-kind measure that entails significant risks, in particular for a complex sector like steel, characterised by numerous products used across many value chains, different production technologies with varying carbon intensities as well as global trade flows involving multiple trading partners.

Therefore, its effectiveness needs to be ensured from the outset through a watertight design. This urgently requires major improvements to the current proposal, including:

- Introducing a structural solution to preserve European exports, ensuring they remain competitive globally.
- Implementing stricter rules against circumvention practices, such as resource shuffling.
- Extending the CBAM's scope to steel-intensive downstream sectors.

Additionally, other design elements - such as stringent default values and the free allocation adjustment - must ensure the mechanism's environmental integrity.

Without these adjustments, the combination of CBAM and the scheduled phase-out of free allocations will fail to provide adequate protection against carbon leakage and, even further incentivise the relocation of production to third countries, affecting both steel and downstream sectors. Most importantly, these changes must be implemented still this year, well before the definitive period start in 2026.

While pursuing the effectiveness and environmental integrity of the mechanism, the administrative burden on operators should be minimised through simpler and streamlined procedures. For example:

- CBAM reporting obligations should not apply to European products that are exported outside the EU, processed abroad, and subsequently reimported into the EU as CBAM

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goods. Effective monitoring should prevent such provisions from favouring circumvention practices.

- The current de minimis threshold of €150 should be converted into a weight unit and increased at e.g. 1 tonne of the concerned CBAM good to avoid unnecessary reporting for small consignments.

However, simplification should not come at the expense of the CBAM's effectiveness. For instance, a broad exemption for small companies, without linking it to the size of their consignments, would undermine the entire purpose of the mechanism.

In line with these recommendations, a more effective yet simpler CBAM is both possible and urgently needed. Delaying its implementation or launching it without the necessary improvements would further erode the competitiveness of the European steel industry. At the same time, it is important to acknowledge that the CBAM is not a silver bullet - industrial competitiveness must be mainstreamed across all policies, starting with trade and energy.

About the European Steel Association (EUROFER)

EUROFER AISBL is located in Brussels and was founded in 1976. It represents the entirety of steel production in the European Union. EUROFER members are steel companies and national steel federations throughout the EU. The major steel companies and national steel federations in the United Kingdom and Turkey are associate members.

The European Steel Association is recorded in the EU transparency register: 93038071152-83.

About the European steel industry

The European steel industry is a world leader in innovation and environmental sustainability. It has a turnover of around €191 billion and directly employs 303,000 highly-skilled people, producing on average 140 million tonnes of steel per year. More than 500 steel production sites across 22 EU Member States provide direct and indirect employment to millions more European citizens. Closely integrated with Europe's manufacturing and construction industries, steel is the backbone for development, growth and employment in Europe.

Steel is the most versatile industrial material in the world. The thousands of different grades and types of steel developed by the industry make the modern world possible. Steel is 100% recyclable and therefore is a fundamental part of the circular economy. As a basic engineering material, steel is also an essential factor in the development and deployment of innovative, CO2-mitigating technologies, improving resource efficiency and fostering sustainable development in Europe.

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