

Mr. Mohammed Chahim
Member of the European Parliament
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CBAM

Scope Extension for downstream metal products and temporary decarbonisation fund

Dear Mr. Chahim,

the undersigned Associations represent one of the largest industries in the EU and a major contributor to European prosperity. This sector generates a greater number of jobs, companies, and value added compared to the metal-producing industries within the EU. With 430.000 companies, 3.300.000 employees and 740 billion € turnover, the European steel processing industry is comprised of over ten times as many companies and employees as the steel-producing sector in Europe, with a turnover approximately six times higher. As such, it is essential that the interests of these industries receive at least equal consideration during policy development.

The European Carbon Border Adjustment Mechanism aims to create a level playing field for CO₂ pricing by imposing a comparable price on imports into the EU. However, CBAM focuses on raw materials, particularly steel and aluminum. The steel processing value chain is not within its scope.

CBAM has a significant impact on the European industries that use steel or aluminum for producing half-finished or finished products. It leads to a remarkable increase in the cost of steel and aluminum as raw material, which will lead to a further shift of steel and metal processing production to non-EU countries (carbon leakage). Consequently, there will be an increase in imports of processed steel and aluminum, which is not covered by the climate tariff. Overall, the European Union will lose value added in the steel and metals value chain and disadvantage European consumers.

For these reasons the European Parliament must ensure now that all steel and aluminium processing downstream industries that are to be covered by the scope must be included in the scope. However, there are still many products not been covered by the scope of application yet.

For many uncovered products, the reasons are unclear to us. Either the EU Commission overlooked it during the accomplished impact assessment, or the EU Commission's criteria are not being met. We do not consider the methodology established by the European Commission in its working document to be appropriate. The trade intensity does not indicate the relocation risks and, at the required level of 10%, is unattainable for many downstream products. The cost push factor of 5% does not reflect reality for highly competitive industries, since steel and metalworking industries often have very low margins. The threshold value of 150 Kt CO₂ eq. (EU production emission floor) does not adequately reflect the individual impact. In our view, this methodology and criteria set by the European Commission are not only unsuitable but also not legally binding. We would be very interested to hear the European Parliament's views on this matter.



We ask the EU Parliament to ensure that industries in need of protection are included in the scope of application as soon as possible. These industries need protection now and cannot wait until 2028.

We would be happy to provide you with the relevant product numbers. We will also gladly send you the related data analysis as soon as we know what information you require exactly.

Downstream industries face international competition to a much greater extent than raw material producers. Unfortunately, there is no export regulation in place as yet. To offset competitive disadvantages in export markets, the EU Commission is promising a temporary decarbonisation fund accessible for companies in the EU-ETS. But almost all downstream companies are not included in EU-ETS. It is unclear whether downstream industries will be included in EU-ETS and whether they will be provided access to the decarbonisation fund. We therefore cannot see that the decarbonisation fund offers any real compensation for the lack of competitiveness on export markets. Consequently, we call for compensation measures for all downstream industries as they are directly or indirectly affected in a negative way.

We would very much look forward to speaking with you in person soon.

We also send this letter to the shadow rapporteurs for the subject matter of CBAM scope extension and temporary decarbonisation fund. We also send it to the European Commission (DG TAXUD, C5), which led to a face-to-face meeting where the undersigned associations were able to set out their position.

Yours sincerely,

ARGE The European Federation of Locks and Building Hardware Manufacturers
CEO Comité Européen de l'Outillage European Tool Association
EUROFORGE AISBL
FEC Federation of the European Cookware and Cutlery Industries
Metal Packaging Europe
WSM Wirtschaftsverband Stahl- und Metallverarbeitung e. V.
CIELFFA Comité International d'Étude du Laminage à Froid du Feuillard d'Acier