Position Paper

28 August 2026

Feedback on CBAM extension to downstream products

INTRODUCTION

We welcome the opportunity to provide feedback on the European Commission's consultation regarding the extension of the Carbon Border Adjustment Mechanism (CBAM) to downstream products. As the principal European organisation representing the retail and wholesale sector, with a large part of the membership being deeply involved in global supply chains and committed to supporting the EU's climate objectives, we recognise the importance of addressing carbon leakage through effective policy mechanisms. However, the proposed extension to downstream products represents a significant evolution that requires careful consideration of practical implications, market dynamics, and international trade relationships.

GENERAL FEEDBACK

We acknowledge the Commission's objectives to:

- Strengthen anti-circumvention measures
- Address downstream carbon leakage risks
- Revise electricity emission calculations
- Ensure a level playing field for EU manufacturers

However, the complexity of modern supply chains necessitates a balanced approach. Broadening CBAM's scope would substantially increase administrative burdens and make the collection of accurate emissions data much more challenging, highlighting the need to maintain practicability alongside environmental effectiveness.

KEY AREAS OF CONCERN

- **Negative impact on competitiveness and value chains**

Extending CBAM to downstream products would significantly increase administrative and compliance burdens. While the current CBAM focuses on upstream materials, adding downstream goods would extend these burdens across many additional sectors (e.g. machinery, transport). For industries that rely heavily on imported intermediate goods, this will result in higher production costs, reduced price competitiveness, and loss of market share both within and outside the EU. Without an export adjustment mechanism, companies face a double burden – paying CBAM costs while competing in third-country markets without similar rules – threatening the viability of energy-intensive value chains. In addition, ongoing uncertainty around CBAM scope extension has already contributed to price volatility for key input materials, further affecting production costs for downstream industries and manufacturers of finished goods within the EU. At the same time, the limited availability of decarbonised alternatives increases the risk that companies face higher costs without viable options to adapt. It is worth noting that the CBAM has not yet been proven to be an effective mechanism to prevent carbon leakage and, as such, it should be tested before any expansion of the scope is considered, be it horizontally or to downstream products. In any case, an extension of the scope should come in the event of a request by a specific EU sector in its scope requiring its coverage. These concerns have been further reinforced by the Council's 12 June 2026 proposal to extend the CBAM scope to an additional 180–200 steel-containing products.

- **Severe practical and legal uncertainties**

CBAM reporting is highly complex and resource-intensive, requiring detailed emissions data from foreign suppliers. A lack of standardised methodologies, delays in the publication of technical guidance and verification rules, and continued legal uncertainty create major challenges, thus exposing European companies to financial and contractual risks. In many cases, obtaining verified data from non-EU suppliers is unrealistic, forcing reliance on default values that inflate costs because of a lack of carbon emissions calculation capabilities in upstream industries initially outside of the scope, with scarce development and expertise in this area. Where companies initially rely on default values and later obtain verified emissions data, they may face retroactive adjustments to their CBAM obligations. This creates uncertainty over the final cost of imports, undermining supply chain planning and discouraging long-term investment. These challenges are particularly pronounced in complex supply chains, where intermediate actors may lack the technical capacity or information required to comply with CBAM requirements. For retailers and wholesalers sourcing a broad range of products from numerous suppliers across multiple jurisdictions, these challenges are further amplified. Collecting, verifying and managing emissions data across complex supply chains for thousands of product lines would create a disproportionate administrative burden and significant compliance costs. In addition, the verification of actual emissions remains a new and evolving process, requiring time, resources, and clearer guidance to be effectively implemented across global supply chains. This is further compounded by the need for non-EU suppliers to navigate complex regulatory concepts, which may not be readily applicable in their operational context.

For downstream importers such as retailers and wholesalers, determining the exact steel or aluminium content of finished goods may be particularly challenging. Importers generally do not manufacture the goods concerned and may therefore lack access to detailed information on material composition, scrap ratios, precursor inputs or the origin of embedded materials. While the use of actual values is intended to improve accuracy, a workable methodology is needed to enable downstream importers to comply where detailed supplier-level information is not available. Any implementing rules should therefore provide clear definitions of material composition, practical methodologies for determining embedded steel and aluminium content, and sufficiently robust default values that can be used where reliable supplier-level data cannot reasonably be obtained.

- **Market impacts across downstream value chains**

The impact of a downstream extension would not be limited to the companies directly subject to CBAM obligations. Additional costs and compliance requirements would cascade through downstream value chains, affecting sourcing decisions, supply chain structures and ultimately consumers. Businesses may respond by restructuring supply chains, reducing the number of suppliers or sourcing countries, or discontinuing product lines for which CBAM compliance is disproportionate to their commercial value. Regardless of the option, this will cause a reduction in sourcing flexibility and product availability in the EU market, thus increasing prices for the final consumer.

Moreover, CBAM-related costs may accumulate at different stages of the value chain, particularly where products contain multiple CBAM inputs or are traded through several intermediate stages. Such cascading cost effects may ultimately translate into higher consumer prices and reduce the competitiveness of EU downstream industries compared with producers and suppliers outside the EU.Any impact assessment of a downstream extension should therefore consider not only the direct compliance costs for importers, but also effects on supply chain restructuring, sourcing flexibility, product availability, consumer prices and the competitiveness of EU value chains.

- **Disproportionate administrative burden**

CBAM obliges businesses to deal with new registries, platforms, and verification processes, creating significant operational challenges. Without thorough testing, new obligations risk serious financial and operational harm, especially for SMEs, where complex compliance, volatile costs, and legal risks may render some trade flows unviable. In the current context, these additional burdens would come at a particularly sensitive moment for European businesses, further compounding economic uncertainty and operational complexity. This is further illustrated by ongoing practical challenges related to data availability, product classification, and the implementation of verification requirements along complex supply chains.An expansion of the CBAM scope would also significantly increase the exchange of information between third-country suppliers and EU importers through the CBAM Registry. As the current framework does not provide dedicated mechanisms for the secure and efficient exchange of company-specific identifiers required for compliance, businesses may face additional administrative complexity, legal uncertainty and confidentiality concerns, particularly in complex supply chains involving multiple suppliers and importing entities. The practical functioning of the CBAM Registry should therefore be further improved to facilitate secure and efficient data exchange while minimising unnecessary administrative burdens for businesses.

- **Alignment with Regulation 2025/2083 for operational purposes regarding the declarant registration**

The expansion of the scope to downstream goods will most likely result in a high number of applications to obtain the status of authorised CBAM declarant. This, together with the 120 or 180-day assessment period for authorisation applications, and combined with the complexity of the Registry itself, creates uncertainty for businesses that depend on continuous import flows. Should the scope be expanded, EuroCommerce strongly suggests to include a provision similar to the one found in Regulation 2025/2083 – art. 1 (13) (d) and recital 11 – that allows for companies to provisionally continue to import goods pending the competent authority's decision with regard to the CBAM declarant.

- **Avoiding an open-ended expansion of the CBAM beyond downstream products**

The current legislative discussion concerns the extension of CBAM to downstream products. EuroCommerce does not support using this process as a basis for a broader or horizontal expansion of the CBAM to additional sectors, including organic chemicals and polymers.

The Commission's assessment has highlighted the technical challenges associated with potentially including chemicals, including the complexity of multiple subsectors and interconnected production routes, as well as the need for clearer product coverage and methodologies for accounting for emissions.

These issues underline a broader principle: extending CBAM beyond the current downstream proposal should not be treated as an automatic next step. Any future inclusion of additional sectors should require a separate, sector-specific assessment demonstrating carbon leakage risk, environmental benefits, technical feasibility and proportionality of the compliance burden.

EuroCommerce therefore opposes any horizontal or open-ended expansion of CBAM and calls for any future sectoral extension to be considered only following a thorough assessment and meaningful consultation with all affected value-chain stakeholders.

- **Broader plans for future CBAM expansion**

The current discussion should also be considered in the context of the broader trajectory of CBAM scope expansion. The European Parliament is already considering further developments beyond the Commission's proposed extension to selected steel- and aluminium-intensive downstream products.

The draft ENVI report supports the Commission's approach to the initial downstream extension but also envisages further developments in the future, including consideration of newly split CN codes and a progressive extension of CBAM coverage to indirect emissions in additional sectors. It also refers to the potential future inclusion of certain chemicals and polymers, subject to further assessment.

This underlines the importance of establishing robust principles for scope extensions now. Any future expansion should remain evidence-based, sector-specific and subject to a transparent assessment of carbon leakage risk, environmental benefits, technical feasibility, administrative burden and impacts on EU value chains.

EuroCommerce therefore considers it essential that the current legislative process does not establish a precedent for automatic or open-ended expansion of the CBAM scope. Each additional sector or product category should be assessed on its own merits and should only be included where a clear case for inclusion has been demonstrated.

WHAT WE SUGGEST

- **Enforcement first:** EU rules on imported consumer products, particularly in cross-border e-commerce and imports from third countries, remain poorly enforced. Extending CBAM without addressing this gap risks penalising compliant businesses while allowing non-compliant imports to continue undermining consumer safety, environmental objectives and fair competition.
- Conduct a thorough **impact assessment** before any expansion of the CBAM scope. Commit to **multilateral engagement and cooperative solutions** to address carbon leakage, rather than relying on unilateral trade measures.
- Before any further expansion of the CBAM scope, assess the implications for the SME-relief objective underpinning the existing 50-tonne annual threshold. The threshold was introduced to exempt the vast majority of importers while maintaining broad emissions coverage. As CBAM coverage expands, however, a fixed threshold will inevitably bring more SMEs into the regime, potentially undermining the original simplification objective.
- **Introduce a simplified compliance framework** with default values for complex supply chains, streamlined calculation methods for low-risk products, clear guidance for mixed-material goods, and practical, proportionate solutions for recognising carbon prices paid in third countries under Article 9. Such solutions should, where appropriate, allow for simplified country-level approaches based on reliable and publicly verifiable information, reducing unnecessary company-level certification and record-keeping requirements.
- **Establish clear scope definition criteria**, including carbon intensity thresholds, measurable leakage risk parameters, assessment of emissions calculation feasibility, and consideration of supply chain complexity for transparent and practical application. The process for identifying and amending the list of downstream products should ensure balanced representation of all affected stakeholders, including retail and wholesale associations, and not be driven exclusively by upstream industrial interests.
- **Pause the current legislative process on the extension of CBAM to downstream products until key preconditions are met**. These include, in particular, robust enforcement of existing rules, a simplified and verifiable reporting framework, and stronger international alignment with key trading partners.
- **Prioritise the consolidation and stabilisation of the existing CBAM framework before considering any expansion**. This should include addressing outstanding implementation

challenges under the existing framework, including practical and proportionate procedures for recognising carbon prices paid in third countries.

CONCLUSION

The Retail and Wholesale Sector is committed to supporting EU climate goals and meeting consumer expectations. However, we must express our deep concern regarding the proposed extension of CBAM to downstream products. Given the sector's broad and diverse supply chains, which rely heavily on the import of intermediate goods, such an expansion would place additional burdens on businesses in an already challenging global trade environment.

Equally concerning is the uncertainty this extension would create, further complicating administrative processes. At the current juncture, proceeding with an expansion risks increasing costs, reducing sourcing flexibility and product availability, deepening uncertainty and weakening Europe's competitiveness, with potential knock-on effects for consumer prices. These impacts should be fully assessed before any further expansion is pursued. A phased, cooperative approach, focused on enforcement, simplification, and international alignment, will achieve these objectives more effectively than a premature CBAM extension. A temporary pause in the legislative process is therefore warranted to ensure that the existing system is fit for purpose before any further expansion is considered. By incorporating these suggestions, the EU can address carbon leakage while safeguarding industry competitiveness and minimising burdens on complex supply chains and consumers. We look forward to continuing the dialogue and remain available to provide further information or clarification as needed.

Contact:
Vasilia Anayiotos | Adviser International Trade, anayiotos@eurocommerce.eu
João Albuquerque | Director Advocacy and Political Affairs, albuquerque@eurocommerce.eu

EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 27 countries and 5 million companies, including leading global players and many small businesses. Over a billion times a day, retailers and wholesalers distribute goods and provide an essential service to millions of business and individual customers. The sector generates 1 in 7 jobs, offering a varied career to 26 million Europeans, many of them young people. It also supports millions of further jobs throughout the supply chain, from small local suppliers to international businesses. EuroCommerce is the recognised European social partner for the retail and wholesale sector.