

Carbon Border Adjustment Mechanism: extension of its scope to downstream goods and anti-circumvention measures

2025/0419(COD) - 17/12/2025 - Legislative proposal

PURPOSE: to expand, from 2028, the CBAM's scope to include specific steel and aluminium-intensive downstream products with a view to strengthening the CBAM's effectiveness.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: Regulation (EU) 2023/956 of the European Parliament and of the Council establishing a Carbon Border Adjustment Mechanism (CBAM Regulation) which entered into force on 1 October 2023 was initially designed with a limited scope, covering those goods that are most exposed to the risk of carbon leakage and that are most carbon intensive. A simplified system of the CBAM scheme is currently in place until the end of 2025. The scope of that Regulation should be gradually extended to cover products further down the value chain of the goods listed in Annex I to that Regulation.

In its Communication entitled 'A European Steel and Metals Action Plan', the Commission set out the objectives of extending the scope of the carbon border adjustment mechanism to certain steel and aluminium-intensive downstream products, as well as addressing the risk of circumvention and practices which could undermine the objectives of the CBAM, including the redirection by third countries of low emission-intensive goods to the Union market in the absence of efforts to decarbonise the entirety of their production.

CONTENT: therefore, the aim of this proposal is to amend Regulation (EU) 2023/956 establishing the Carbon Border Adjustment Mechanism (CBAM) to strengthen the effectiveness of the CBAM to protect against the risk of carbon leakage by:

1. **extending the scope** of the CBAM to address the risk of carbon leakage for products further down the value chain of the steel and aluminium products currently in CBAM's scope;
2. tackling attempts to avoid **compliance** with CBAM obligation;
3. improving the technical rules for attributing emissions to **electricity** with the aim of encouraging the decarbonisation of electricity imports.

Extended scope

The proposed **extension of the scope** of CBAM to downstream steel and aluminium-intensive products builds on the logic of the current CBAM Regulation and the EU ETS, with a focus on the products and sectors where embedded emissions and the risk of carbon leakage are the highest. On this basis, the proposal expands the scope of CBAM to include **180 steel and aluminium-intensive downstream products** in a way that maximises environmental benefits by covering additional emissions, while limiting, to the extent possible, the administrative burden and complexity for importers and third-country operators.

Circumvention and avoidance

The proposal regarding the risk of **circumvention and avoidance** equally balances the needs to ensure the effectiveness of CBAM and to limit the complexity and administrative burden of the mechanism. It employs a flexible and targeted approach, via implementing and delegated acts, to identify **imports at risk of circumvention** or other practices aimed at avoiding CBAM obligations, for which additional conditions should apply for the use of actual emissions.

Electricity imports

The proposal on **electricity imports** will simplify conditions to declare actual emission values. This will improve the effectiveness of the CBAM in incentivising the decarbonisation in third countries while making the use of actual emission values more feasible for all stakeholders. The changes to the approach for default values for electricity imports do not create any additional complexity for importers or third-country operators.

Reporting

The proposal strengthens monitoring, reporting and verification requirements for importers of newly covered downstream goods. It enhances cooperation and information exchange between customs authorities, national competent authorities and the Commission.

Budgetary implications

The downstream extension is not aimed at generating revenues but rather at strengthening the climate effectiveness of CBAM in preventing carbon leakage. The proposal is projected to generate around EUR 0.58 billion of annual revenues by 2030. Beyond 2030, since free allocations under the EU ETS are phased out and CBAM is phased in, revenue should continue to increase, reaching an estimated EUR 0.69 billion by 2035. The impact on the EU budget is estimated at EUR 0.2 billion on average per year over the period 2028-2034 as per the Commission's proposal for the 2028-2034 Multiannual Financial Framework.