

Ensuring Fair Competition: The Need to Extend CBAM to Downstream Products

Input to Consultation to EU COMM's initiative Carbon Border Adjustment Mechanism – downstream extension, additional anti-circumvention measures and rules for the electricity sector

FEC and IVSH in general welcome the EU's commitment to climate neutrality and support the objectives of the EU Emissions Trading System (EU-ETS) and CBAM. However, we wish to highlight several critical concerns regarding the current scope of CBAM and its impact on downstream products, particularly those with high metal content such as cookware, cutlery, and non-electrical houseware.

The IVSH would like to highlight additionally the following general problem: In its current form and design, there is a significant risk that CBAM will harm the competitiveness of European industry—and our sector in particular—by encouraging production shifts (with negative consequences for climate protection) and creating distortions and an unfair playing-field in international competition. The primary reason is that CBAM is not presently applicable to downstream products within our sector. From our perspective, it is essential to prevent the continued existence of the paradoxical (and environmentally harmful) situation in which imported steel is subject to the Carbon Border Adjustment Mechanism (CBAM), but products made from steel in our sector imported from outside the EU are not. This leads to massive competitive distortions, with no fair “level playing field.” Even more problematic, the EU is currently establishing incentive structures that encourage further processing of imported steel outside Europe, or that disadvantage companies in our sector that produce in the EU and are committed to social and environmental responsibility. This is neither in the interest of environmental protection, nor does it serve to strengthen the competitiveness of European industry.

Key Concerns and Recommendations:

- ***Risk of Carbon Leakage and EU deindustrialization***

The exclusion of cutlery, cook and houseware downstream products with high metal content (e.g. more than 70%) from CBAM scope creates a significant risk of carbon leakage, i.e. relocation of carbon-intensive production outside the EU, or replacement of EU products by more carbon-intensive imports in our sector – as shown by FEC's and IVSH's impact assessments. European manufacturers will face rising raw material costs due to reduced free allowances under EU-ETS and introduction of payable certificates under the CBAM for raw materials. In contrast, non-EU competitors in our sector are not subject to equivalent carbon pricing mechanisms, creating a cost asymmetry. This disparity places EU-based producers of metal-intensive cookware, cutlery, scissors, and household products at a competitive disadvantage not only in the EU, but also in global export markets.

Based on the FEC impact assessment of CBAM previously shared with the European Commission, this imbalance threatens:

- Significant increase of costs of materials (aluminum, stainless-steel, etc.) used by the EU manufacturers in comparison with non-EU manufacturers;
- Due to this competitive disadvantage a possible 35% reduction in EU production, a possible 33% drop in exports, and the possible loss of approx. 15,000 direct and indirect jobs;
- A 13% increase in CO₂ emissions due to a shift toward more carbon-intensive imports of downstream cookware, cutlery and household products.

- ***Extension of CBAM Scope***

We urge the Commission to extend CBAM Annex I scope to include high-risk downstream products with more than 70% metal content (proportion of steel and aluminum in the product weight). This extension is technically feasible and would ensure fair competition.

FEC and IVSH identified eleven priority customs codes for inclusion in CBAM scope: 761510, 732393, 732394, 732399, 732410, 732392, 8211, 8212, 8213, 8214 and 8215.

- ***Export Compensation Mechanism***

To safeguard the global competitiveness of EU manufacturers, we recommend the introduction of a monetizable compensation mechanism for exporters of downstream products to non-EU markets. It is important to highlight that EU-ETS and CBAM-related costs embedded in the raw materials will be reflected in the cost base of the downstream products, even though the downstream manufacturing processes themselves are significantly less carbon-intensive.

Options such as inward processing or full retrocession of CBAM certificates are clearly preferable to decarbonization subsidies, which are less effective for low-carbon-intensity downstream sectors.

- ***Anti-Circumvention Measures***

Effective safeguards are needed to prevent circumvention through inaccurate emissions reporting, resource shuffling, or customs code manipulation. A robust system based on country default emission factors could significantly reduce emissions and strengthen EU industry. The measures should cover the following risk areas:

- resource shuffling (non-EU producers directing recycled or less carbon-intense raw materials to European markets, while keeping most carbonized upstream products for non-EU markets),

- transfer between HTS codes (non-EU producers changing customs codes or nature of imported semi-finished goods to avoid CBAM),
- transshipment of semi-finished goods from countries with carbon-intense production to less carbonized countries.

- **Regulatory Synchronization**

We call for alignment between the phase-out of free allowances, the extension of CBAM to downstream goods, and the implementation of export and anti-circumvention measures. To ensure a level playing field, the introduction of CBAM on downstream products should mirror, in monetary terms, the reduction of free allowances under the EU-ETS and the introduction of payable CBAM certificates on imports of carbon-intensive raw materials used in their production.

Delayed, not aligned or retrospective adjustments risk irreversible carbon leakage and undermine industrial investment in Europe.

Conclusion

FEC and IVSH believe that the proposed measures will ensure a level playing field, reduce emissions in downstream production sector, and preserve industrial capacity and employment in Europe.

We are dedicated to advancing the EU's climate objectives and are prepared to continue working collaboratively on the successful implementation of a fair and robust CBAM.



IVSH
Industrieverband Schneid- und
Haushaltwaren

About IVSH

The Industrieverband Schneid- und Haushaltwaren e.V. (IVSH) / German Association of Cook- and Houseware, Cutlery and related Industries represents companies in the cutting and household goods industry across Germany. This industry is responsible for thousands of jobs and billions in revenue in Germany. The sector produces high-quality everyday products that are appreciated and loved worldwide and contribute to social cohesion.

About FEC

The FEC was founded in 1952 to represent the interests of European manufacturers of cookware, cutlery, cutlery parts, and household articles. It promotes cooperation among its members, provides assistance and support for economic and technical improvements, works on defining technical standards, and officially represents the common interests of its members to international authorities, particularly the European Commission in Brussels.