CONSULTATION RESPONSE

September 2025

CBAM Implementing Regulations, Cefic response

Today CBAM, as currently designed, is not suitable to be extended to complex value chains such as those of organic chemicals and polymers. The four original conditions outlined in the original Cefic position are yet to be met. These are finding a solution for exports, addressing the full value chain coverage, considering the indirect carbon costs related to indirect emissions, and guaranteeing sufficient feasibility for implementation. In addition, the chemical sector stresses that preventing circumvention (e.g. resource shuffling, fake CO2 price, fake guarantees of origin, etc.) is also critically important and should be further improved.

Cefic welcomes the opportunity of providing input for the upcoming implementing regulations for the methodology, the adjustment of free allowances and carbon pricing paid in third countries, highlighting the critical consequences that these three aspects have, should CBAM be extended further to chemicals.

Methodology

CBAM would require a methodology able to cover the entire chemical value chain to prevent circumvention, encompassing approximately 45,000 chemicals that end up in numerous of consumer end products. The chemical value chains are complex and multi-layered, requiring integration from the refinery to manufactured goods. Limiting CBAM to high-volume chemicals would unfairly affect installations with downstream applications. All chemical products, regardless of volume, can have high embedded emissions from their precursors. If only some precursors are covered by CBAM, downstream products will face a competitive disadvantage against products from regions without EU carbon pricing.

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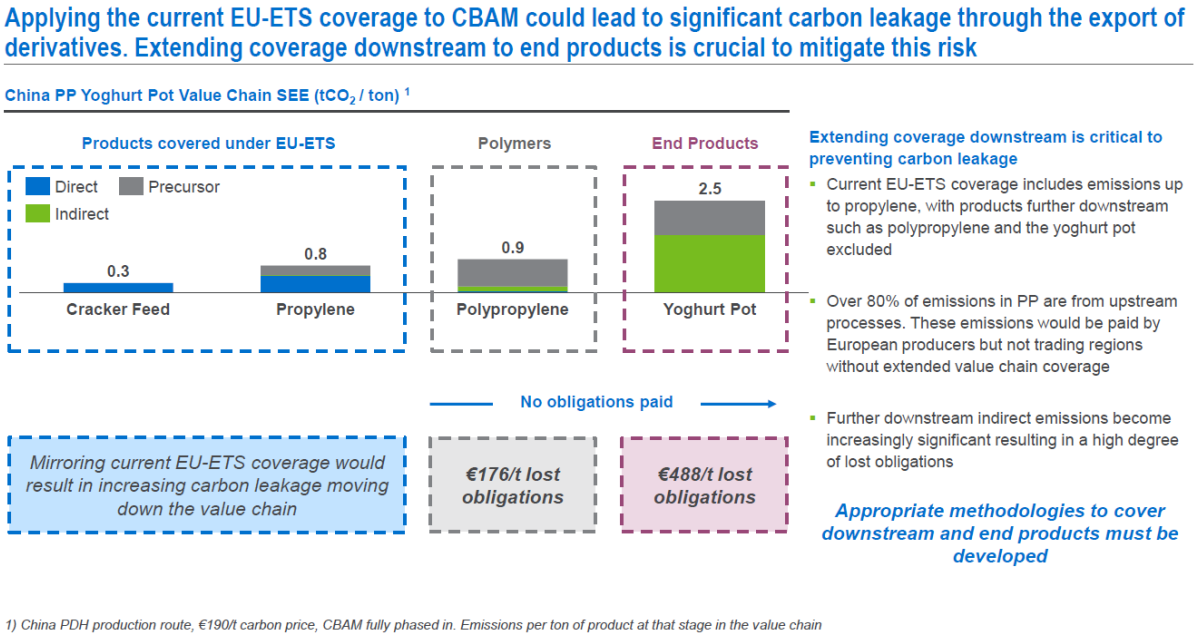
- The upcoming legislation should develop methodologies able to include the full value chains and cover the total product GHG emissions, without increasing the bureaucratic burden for CBAM affected companies.

For example, steam crackers, which typically produce olefins (e.g. propylene) as well as aromatics, have high embedded emissions upstream and high indirect carbon costs downstream. Mirroring the ETS coverage would not allow to extend the protection of carbon leakage to the full value chain, leaving steam cracker operators at a competitive disadvantage vis-à-vis their competitors outside Europe. See below a practical example.



Source: Nexant CBAM study for Cefic - report on external Communication

Figure 1: illustration of risk of carbon leakage moving down into the value chain for organic chemicals

Additionally, not all up-and downstream products (and their related PRODCOM codes) can be sufficiently detailed and specifically described by CN codes. The extensive use of chemicals across different manufacturing processes makes it harder to implement a goods-based system like CBAM to the calculation of emissions. The challenge will increase if the variety of production technologies (more and less carbon-intensive, different ways for emission reductions, other environmental objectives) will increase.

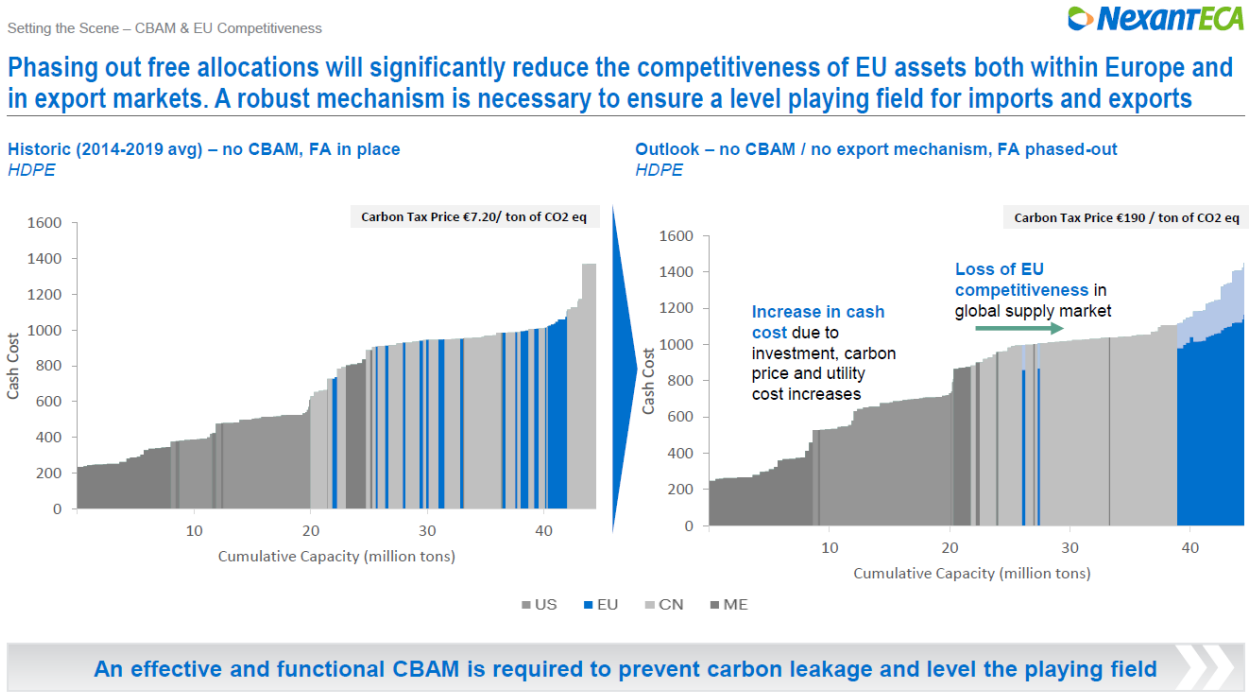
- A future CBAM methodology should outline solutions that better reflect product complexity. and new production routes for CBAM goods where needed.

As a final comment on the methodology, Cefic would like to stress that the high carbon costs related to electricity consumption to which industry is subjected, should be sufficiently reflected in any solutions moving forward.

- Adequate compensation and coverage for indirect carbon costs are critical to protect energy-intensive sectors like chemicals from the risk of carbon leakage. Therefore, any CBAM methodology should fully acknowledge that and adapt accordingly.

Free allowances and CBAM certificates

CBAM does not provide the same carbon leakage protection granted by a high level of ETS free allowances, and a broad eligibility for indirect carbon cost compensation. The current CBAM framework does not sufficiently prevent industries from relocating outside Europe, and therefore it is not enough to ensure EU's industry competitiveness and progress towards climate transition. Stronger safeguards such as sufficient free allowances and compensation for indirect carbon costs are critical to maintain these objectives. Moreover, the absence of a level-playing field on markets outside the EU worsens this framework because EU companies will still be affected by ETS payments, and put at a competitive disadvantage against industrial companies based in other regions of the world. See the example below, where the potential expansion of CBAM to high-density polyethylene (HDPE) would lead to.



Source: Nexant CBAM study for Cefic - report on external Communication

Figure 2: modelling of cost curves for high-density polyethylene (HDPE), comparing situations with and without the phase-out of free allocation.

- Cefic sees carbon leakage protection as effective when provided by a sufficient high number of free allowances and indirect carbon cost compensation. These two mechanisms should be maintained at least until CBAM proves to be reliable and effective to level the playing field on international markets.

Additionally, adjusting the loss of free allowances with CBAM certificates requires still to address some issues. Understanding how ETS product benchmarks influence CBAM coverage and how the implementation of different system boundaries will work in practice is still unclear. For future climate legislation it is important that the Commission evaluates how the change in one instrument affects the other, avoiding overlaps, and conflicting rules.

- Any changes in CBAM and ETS legislation should be considered in parallel to avoid detrimental effects on industry investments, slowing down the climate transition for EU companies.

Carbon price paid in a third country

A mechanism to guarantee level-playing field between EU companies and third countries' counterparts should look at some key aspects. First a sound CBAM should have in place a robust verification

mechanism to ensure the price of CO2 that the EU importers will need to pay through CBAM is not offset by forms of state aid in the concerned third country. Second, there should be sufficient enforcement to spot incorrect declarations or reporting. And finally, default values for third countries simplify import operations for EU companies, including small importers when above the threshold of 50 tons per year. Therefore, these should be properly defined ensuring that a fair competition is maintained.

The current method to define the CO2 price in a third country is still not mature enough to potentially include complex value chains such as those of the chemical sector.

- For an effective CBAM, a robust mechanism of verification for C02 price effectively paid in third countries should be in place. This should identify potential goods covered by state aid measures as well as perform robust checks on declarations and default values assigned to third countries.
- CBAM is still too fragile to be extended to the chemical sector, as it fails to identify trade complexity and does not ensure that industry is sufficiently protected against circumvention practices.

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About Cefic

Cefic, the European Chemical Industry Council, is the forum of large, medium and small chemical companies across Europe, accounting for 1.2 million jobs and 13% of world chemicals production.
On behalf of its members, Cefic's experts share industry insights and trends, and offer views and input to the EU agenda. Cefic also provides members with services, like guidance and trainings on regulatory and technical matters, while also contributing to the advancement of scientific knowledge.