

## **THE EUROPEAN STEEL PROCESSORS ASSOCIATION SUGGESTIONS FOR A FAIRER AND MORE INCLUSIVE CARBON BORDER ADJUSTMENT MECHANISM (CBAM)**

The European Steel Processors Association (ESPA) actively supports the EU's approach to combat climate change and decarbonise the European and global steel sector, notably with the introduction and roll-out of the Carbon Border Adjustment Mechanism (CBAM).

ESPA, however, highlights the need for a gradual and predictable implementation process in order to ensure a level-playing field among all players in the industry and secure the interests of those dependent on foreign supply. As the effectiveness of the mechanism will significantly depend on a number of technical and organizational aspects, ESPA members consider their duty to share their position on key issues related to both the transitional and definitive periods of CBAM.

### **TRANSITIONAL PERIOD (2024-2026)**

#### **A. LIMIT ON THE USE OF DEFAULT VALUES AND MANDATORY USE OF REAL EMISSIONS DATA IN THE REPORTING CRITERIA**

While acknowledging the need for and importance of the transition towards reporting real emission data and limiting the use of default values up to 20% of the goods' embedded emissions, ESPA members express serious concerns about the readiness of sectors covered by the CBAM to comply with these requirements. The first six months of the transitional phase highlighted the practical challenges for non-EU producers in providing real emissions data. These stem from both a technical level (difficulties with applying the EU methodology) and a legal level (lack of clarity on how the new EU rules align and/or contradict national regulation of non-EU parties), and underlining the need for a more gradual roll-out of reporting requirements.

*To avoid disruptions in the supply chains and prevent a strong pushback against CBAM from both EU and non-EU producers, ESPA members suggest the prolongation of the existing reporting rules and the possibility to keep submitting default values beyond July 2024.*

#### **B. EXTENSION OF THE REPORTING DEADLINE FOR Q4 2024**

CBAM rules for these transitional phase require the submission of quarterly reports no later than one month after the end of each period. While feasible for most of the reporting quarters, this deadline is too short for submissions reflecting the data of the last quarter of 2024. Since this will represent a final report of the year, a submission for Quarter 4 is expected to be based on the annual data of 2024 and thus requires more time compared to others to collect and process the data. Due to industry logic, the preparation of the detailed technical and energy reports necessary for the CBAM calculations requires a minimum of one month after the end of the year.

*Considering the scope of work and the number of parties involved in preparing the annual emissions data, it is advisable to postpone the deadline for Q4 2024 for at least one month until the end of February.*

### **DEFINITIVE PERIOD (2026 ONWARDS)**

#### **C. PURCHASING AND RESELLING CBAM CERTIFICATES**

As from the entry into force of the definitive period of CBAM in 2026, EU importers will have to quarterly buy CBAM certificates for an amount that is equal to at least 80% of the imported emissions. This percentage, however, will be calculated in some instances on the basis of default values, and not real values. On top of that, it is important to consider that importers will only be able to sell back one third of CBAM certificates purchased in excess during the previous year. Therefore, the current design for purchasing and reselling certificates could generate unnecessary and undue costs for importers,

especially in cases when they will be able to obtain, *ex-post*, actual emission data that is much lower than the default values previously declared.

*To prevent undue financial burdens on importers, ensure fairness within the system, and create additional motivation to submit real data, ESPA members suggest recalibrating the 80% threshold for surrendering CBAM certificates to reflect the average actual emissions data reported by the importer in the preceding year.*

*Alternatively, in case the use of real values would be considered impossible by the Commission, ESPA members call for the reduction of the threshold for defining the minimum level of the CBAM certificates at the importers' accounts down to 30%.*

Moreover, to further empower EU importers with the same rights that EU producers benefit from under the EU Emission Trading System (ETS), ESPA members suggest to *remove the deadline for the re-purchase of CBAM certificates by EU authorities, and to specify that certificates can be purchased by the importers at any moment in time when considered appropriate.*

#### **D. VERIFICATION RULES AND THE ACCREDITATION OF VERIFIERS**

Clear verification rules and unrestricted access to the verification services are key conditions for non-EU producers to submit real emission data and help EU importers ensure proper CBAM compliance. In order to ensure regulatory clarity and predictability, CBAM verification requirements should be based as much as possible on the existing EU ETS regulation, while accounting for the peculiarities of CBAM.

*ESPA members underline that future verification rules should be clear, transparent, and non-discriminatory; ensure a sufficient number of accredited verifying bodies both within and outside the EU; and be affordable for all types of non-EU producers, including those of small and medium size.*

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#### **\*ABOUT THE EUROPEAN STEEL PROCESSORS ASSOCIATION (ESPA)**

*Over the past years, European rerollers have been faced with a number of common challenges and have occasionally come together to discuss and formulate joint positions on trade agreements, CBAM, and other matters.*

*In response to the sector's rapid pace of change, increasing concerns, and the perception that the industry needed to speak with a single voice, rerollers have decided to formalise their association as the European Steel Processor Association (leaving room for future expansions, beyond rerollers, to other processing segments).*

*The five founding members of the European Steel Processors Association are Laminoirs des Landes (ES/FR), Marcegaglia (IT), NBH (BE), Officine Tecnosider (IT) and Vítkovice Steel (CZ).*

#### **THE STEEL PROCESSING BUSINESS MODEL**

*The steel processing business model is based on the import of semi-finished products to the EU, where they are transformed by a series of different processes (notably, reheating and rerolling), before being made available for downstream use. Processing activities in the EU can provide up to 70% of the steel products' added value, while helping balance demand and supply of finished steel producers.*

*Steel processors have been active in Europe for over 20 years and are geographically diverse. ESPA members have operations in nine EU Member States, including in Belgium, Czechia, Denmark, France, Spain and Italy.*

*The sector represents many European jobs – often in areas subject to deep industrial restructuring facing significant employment challenges. Accounting for 8% of total EU flat steel output – almost 10 million tons – and representing 30% of the plate market, rerolling companies alone provide for more than 20,000 direct and indirect jobs in the EU.*