CLEPA
European Association of Automotive Suppliers

POSITION PAPER

CARBON BORDER ADJUSTMENT MECHANISM

For a resilient, competitive and climate-neutral automotive manufacturing

EXECUTIVE SUMMARY

The Carbon Border Adjustment Mechanism (CBAM) is progressively becoming a cornerstone of the EU's industrial and climate framework. CLEPA, the European association of automotive suppliers, supports the objective of preventing carbon leakage and recognises the strategic rationale of extending CBAM further downstream over time.

However, the automotive industry is currently going through a high-tension phase with strong economic implications. Equipment manufacturers are already making significant investments to decarbonise their supply chains by paying premium prices to source cleaner materials. Yet these efforts are not always incentivised under the existing CBAM methodology, due to the use of default values, whether imposed or due to insufficient recognition of primary data, leading to inevitable surplus cost for manufacturing industries. Before considering further scope expansion, the priority should be ensuring that the mechanism does not result in an additional economic impact for downstream sectors and remains a tool for levelling the playing field.

At the same time, the current implementation phase shows that significant operational challenges remain unresolved for downstream industries, demonstrating a clear need for simplification to make the framework manageable for companies. **Without addressing these issues, any extension of CBAM risks amplifying administrative complexity, compliance uncertainty and cost pressures for automotive suppliers and other downstream manufacturers.**

CLEPA considers that the current policy debate must prioritise ensuring CBAM is economically proportionate, operationally workable and scalable for downstream manufacturing industries, such as the automotive sector, before any further scope expansion is considered.

CLEPA's main recommendations:

1. Facilitate primary-data based declaration to reflect the investments manufacturing industries make to decarbonise their value chains. Drawing attention to the amendment proposition to impose default values for certain third countries: this would cancel out incentives for industries to purchase low carbon alternatives.

2. Ensure operational feasibility and companies' readiness by implementing predictable and proportionate default values (i.e. not artificially penalising), by providing a robust CBAM implementation framework, including improved data infrastructure supporting access to primary data.

3. Guarantee that any downstream CBAM extension remains evidence-based, proportionate and operationally feasible, based on demonstrated carbon leakage risks, implementation readiness, an adapted threshold framework, and taking into account the negative economic impact on downstream industries.

CONTEXT

CBAM has just entered a new phase, moving from its transitional regime towards full implementation, while the European Commission assesses potential further downstream extensions, particularly for steel and aluminium products, in parallel with the upcoming European Emission Trading System review.

For automotive suppliers, these developments have direct operational and economic implications. The sector is deeply embedded in highly integrated global value chains and relies on substantial imports of steel, aluminium, semi-finished materials, and complex components. As a result, any adjustment to CBAM scope or methodology immediately translates into cost exposure, compliance obligations, and supply chain impacts.

At this stage, however, the absence of default values and primary data for the additional proposed CN codes (Combined Nomenclature) makes it difficult for automotive suppliers to fully assess the operational and economic implications of the current scope extension proposal.

Experience from the transitional phase already highlights that several fundamental implementation challenges remain unresolved. In highly fragmented and global supply chains, companies have no effective leverage to force sub-suppliers to provide reliable primary emissions data yet face severe financial penalties when such data cannot be obtained. As a result, manufacturers that actively invest in low-carbon and cleaner supply chains are still forced to rely on inflated default values that fail to reflect actual emissions performance. In the current system, automotive suppliers continue to face limited access to primary data, incomplete default value coverage, traceability constraints across complex supply chains, legal uncertainty regarding reporting obligations and substantial administrative burdens.

Access to primary emissions data is already difficult across global value chains and may become increasingly constrained in certain jurisdictions. A particularly acute illustration of these dynamics is Article 13 of China's new Regulations on Industrial and Supply Chain Security, which may significantly restrict the ability of European companies to collect supply chain information, including data linked to ESG audits, carbon footprint mapping and CBAM compliance obligations. In the automotive sector, where Chinese suppliers are deeply integrated into Tier-1 and Tier-2 supply chains, such restrictions risk placing European manufacturers in a no-win situation, with financial and strategic penalties. **Consequently, companies may be legally required to report emissions data that they cannot realistically access and, in the absence of such data, will be forced to rely on significantly higher default values, - which directly leads to higher costs for importers and (end) customers even though the imported products may not actually have the high "assumed" carbon intensity.**

These challenges are likely to become even more pronounced in the context of a downstream CBAM extension. Rather than rewarding investments in lower-carbon sourcing, the current framework risks penalising companies that are unable to obtain data that remains outside their direct control, a dynamic that would only intensify with broader scope.

Against this backdrop, the current policy debate should not focus solely on whether CBAM should be expanded further downstream, but rather on whether the necessary implementation conditions are already in place. CLEPA has identified three priority areas, supported by concrete measures to improve the practical implementation of the current framework and to ensure that any future downstream extension remains both feasible and proportionate.

CLEPA KEY RECOMMENDATIONS

1. *Facilitate primary-data based declaration to reflect the investments manufacturing industries make to decarbonise their value chains.*

The current CBAM framework remains highly complex and resource-intensive, particularly regarding emissions data collection and verification. The highly complex methodologies, combined with insufficient data infrastructure, create significant administrative burden for companies operating in complex multi-tier supply chains. **These challenges would be significantly amplified in a downstream extension scenario, where more products, suppliers, and material flows are brought into scope without a corresponding increase in data maturity.**

While the Commission rightly promotes the progressive use of primary emissions data, it should also ensure that companies are effectively enabled to adopt primary data declarations through the development of a robust EU data infrastructure framework.

To this end, CLEPA calls for the creation of an EU-level registry for primary emissions or Product Carbon Footprint (PCF) data recognition. Such a system would enable suppliers to securely share verified information with customers while safeguarding commercially sensitive data through controlled access mechanisms. It would significantly improve data accessibility, transparency and traceability, reduce reporting burdens and simplify CBAM implementation.

Improving data availability must also be accompanied by a more balanced allocation of responsibilities across the reporting chain. Under the current framework, importers may remain fully liable for emissions information that they neither control nor have the ability to independently verify. This creates significant legal uncertainty, particularly where emissions data have already been verified by accredited third parties. CLEPA therefore calls for a more proportionate allocation of liability, ensuring that companies acting in good faith are not unfairly exposed to compliance risks resulting from data limitations outside their control.

In addition, the proposed CBAM extension remains impractical without a standardiszed verification template for suppliers to fill in. A Commission-designed template would establish uniform responsibility for manufacturers and grant consistent liability for suppliers. This is the only way to have an efficient verification procedure which actually reflects the industry's efforts to decarbonize its activity. By taking this approach, the Commission can better align compliance requirements with the practical availability of emissions data.

The same principle should apply to the recognition of carbon pricing schemes already paid outside the EU. Where operators have already incurred carbon costs in third countries, CBAM should provide a clear, transparent and operationally workable mechanism to recognise those payments and avoid situations where a carbon price is paid twice on the same emissions.

In this context, CLEPA calls for full interoperability between the EU CBAM and the UK CBAM and UK ETS frameworks. Given the significant similarities between the two systems, a lack of alignment would generate unnecessary administrative complexity and compliance costs for companies while delivering limited financial benefits.

Key actions:

- Enable primary data declaration and establish an EU-level registry for primary emissions and PCF data recognition.
- Rebalance liability across the reporting chain between importers and suppliers.
- Ensure effective recognition of carbon pricing schemes already paid in third countries and ensure full interoperability with UK carbon pricing schemes.

2. *Ensure operational feasibility and companies' readiness by implementing predictable and proportionate default values.*

Considering the current limited availability of primary emissions data across global supply chains, CLEPA recognises the importance of default values for CBAM operability. To support implementation, default values must remain comprehensively available across all CBAM-covered products and precursors.

In this context, default values must remain comprehensively available across all CBAM-covered products and precursors, including any newly covered CN codes. The timely publication of default values is equally critical to provide legal certainty and financial predictability for importers. Delays in their availability would create significant uncertainty for companies and risk undermining the operational implementation of CBAM from the outset.

CLEPA understands the rationale behind maintaining default values at sufficiently conservative levels in order to incentivise the gradual transition towards primary data reporting, however the current framework goes beyond incentivisation and creates disproportionate financial penalties for downstream industries. Companies that are already investing heavily in lower-carbon production technologies and sourcing cleaner materials at premium prices are still forced to rely on default values that significantly overestimate actual emissions. As a result, their decarbonisation efforts are neither recognised nor rewarded, leading to substantially higher CBAM costs despite continued compliance.

For low-carbon materials, the Commission should accept the best available data until a dedicated verification process is established. Information reported during this interim period should be retained and subject to ex-post verification once the relevant framework is in place. Requiring manufacturers to apply default values in the meantime would effectively penalise early decarbonisation efforts and create unjustified additional costs for the absence of a verification system that has yet to be implemented.

In this context, the introduction of additional mark-ups on top of these default values would create a disproportionate and unjustified financial penalty. Companies that are unable to obtain primary data, often due to factors entirely outside their control, would be penalised twice: first through the use of conservative default values and again through the application of an artificial mark-up. This approach does not incentivise better reporting; it simply increases compliance costs without improving data quality or environmental outcomes.

CLEPA therefore calls for the deletion of mark-ups applied to default values. Default values are already sufficiently conservative to encourage the progressive adoption of primary emissions data and should not be further inflated through additional penalties.

Finally, CLEPA supports the development of a harmonised EU emissions data framework as a necessary precondition for future CBAM extensions. This should ensure comprehensive default value coverage for all CBAM products and newly proposed CN codes, supported by a centralised EU database and clearer

rules on the application and evolution of default values. The Commission should also progressively improve default value granularity and provide further clarity on the interaction between EU, global and country-specific default values.

Such a framework is essential to create a solid backup plan for EU importers, by improving predictability, reducing administrative burdens and making CBAM implementation operationally manageable for industries, while supporting the broader decarbonisation objectives of the mechanism.

Key actions:

- Ensure broad and comprehensive default value coverage for all CBAM goods while maintaining default values at a proportionate and non-penalising level.
- Provide a timely publication of default values for newly proposed CN codes.
- Delete the proposed mark-ups on default values, as default emissions are already sufficiently conservative and should not be further inflated.

3. *Guarantee that any downstream CBAM extension remains evidence-based, proportionate and operationally feasible.*

As discussions on possible future CBAM scope expansions continue, CLEPA considers it essential that any inclusion of downstream products remains grounded in evidence and supported by a demonstrated carbon leakage risk. Any future extension should therefore be based on transparent CN code-level analysis, taking into account the specific characteristics of downstream industries, operational feasibility and the availability of reliable emissions data.

In this context, the structure of EU markets and the availability of viable EU production alternatives must be carefully assessed. Where no sufficient EU alternative exists, extending CBAM risks generating additional cost exposure for downstream manufacturers without effectively addressing carbon leakage, thereby weakening the instrument's intended objective.

At the same time, any downstream expansion must remain strictly aligned with the scope and principles of the EU ETS. Products or precursors not covered by the ETS should not fall within the scope of CBAM.

The current 50-ton CO_2 threshold has proven to be a useful and workable safeguard for many Tier 1 importers under the initial CBAM scope, helping to ensure proportionality and avoid unnecessary administrative burden for low-emission trade flows. CLEPA therefore recognises its value in the current phase of implementation. However, as CBAM evolves and potential downstream products are brought into scope, both the volume and complexity of covered emissions will increase significantly. In this context, a reassessment of the 50-ton threshold will be necessary to ensure that it remains proportionate and fit for purpose under an expanded system.

Rather than a mechanical application of the existing threshold, CLEPA therefore calls for a dual approach:

- A revised assessment of the 50-ton CO_2 threshold in light of downstream scope expansion, and the introduction of a complementary per consignment, clearly defined exemption threshold for low-volume imports.

This complementary threshold should explicitly cover categories such as testing and validation shipments, prototype batches, and other small consignments from single suppliers, where compliance obligations would be disproportionate to any meaningful carbon leakage risk.

In parallel, CLEPA notes that the Commission has proposed extending CBAM coverage to pre-consumer steel and aluminium scrap, and that some amendments currently under discussion in the Parliament would go further by applying a single default value to all unwrought aluminium without distinguishing between primary and secondary raw materials. Such an approach would be highly penalising for downstream manufacturers that have invested in recycled-material supply chains as part of their decarbonisation strategies.

The CBAM framework should instead appropriately recognise the emissions reductions achieved through the use of secondary raw materials. According to the International Resource Panel, secondary aluminium production emits approximately 95% less CO_2 than primary aluminium. Recognising the lower/zero embedded emissions of pre-consumer and post-consumer aluminium scrap would better reflect actual environmental performance, support circular economy objectives, and maintain incentives to collect, process and reuse aluminium waste.

By contrast, applying a single high default value to all unwrought aluminium regardless of recycled content would disregard the substantial emissions savings associated with secondary production routes and could materially increase costs for EU manufacturers that have already adopted lower-carbon sourcing strategies.

Key actions:

- Ensure that any CBAM extension remains evidence-based and supported by a demonstrated carbon leakage risk.
- Revise the current 50-ton CO_2 de minimis threshold in light of downstream extensions and consider introducing a complementary exemption threshold for low-volume imports.
- Recognise pre- and post-consumer scrap as lower/zero-emission inputs under CBAM.

CONCLUSION

CBAM can play an important role in supporting the EU's climate objectives and addressing carbon leakage. However, its effectiveness will depend on ensuring that the mechanism remains workable, proportionate and aligned with industrial realities.

For downstream industries such as automotive suppliers, the immediate priority should remain reducing economic burdens, improving implementation, simplification and legal certainty of the existing framework before considering broader scope extensions. Any future expansion of CBAM should therefore remain gradual, evidence-based and operationally feasible, ensuring that the mechanism supports both climate ambition and European industrial competitiveness.

CLEPA remains committed to continuing the dialogue with EU institutions and stakeholders in order to support the development of a CBAM framework that effectively addresses carbon leakage while remaining workable for downstream industries operating in complex global value chains.

ABOUT CLEPA

CLEPA, the European Association of Automotive Suppliers, represents over 3,000 companies supplying state-of-the-art components and innovative technologies for safe, smart, and sustainable mobility.

CLEPA brings together over 120 global suppliers of car parts, systems, and modules and more than 20 national trade associations and European sector associations. CLEPA is the voice of the EU automotive supplier industry linking the sector to policy makers.

The automotive sector accounts for **30% of R&D** in the EU, making it the number one investor.

European automotive suppliers invest over **30 billion euros** yearly in research and development.

Automotive suppliers register over **39,000 new patents** each year.

Automotive suppliers in Europe generate **1.7 million** direct jobs.

For more information, please contact
Margherita Del Carlo, CLEPA's Government Affairs Officer.

CLEPA
Cours Saint-Michel 30g,
1040 Brussels, Belgium
www.clepa.eu

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