

## Carbon Border Adjustment Mechanism: changes in the operating environment need to be addressed

Orgalim supports the European Union's climate ambition and the goal of carbon neutrality by 2050. To ensure the success of Europe's technology industries, we are advocating for a level playing field. Therefore, we agree with the rationale behind the carbon border adjustment mechanism (CBAM). The main objective of the mechanism should be to fight climate change by avoiding carbon leakage, while at the same time taking into account the competitiveness of carbon-lean industries.

The supply of steel and aluminium is crucial for Europe's technology industries, represented by Orgalim. Record high energy prices and shortages of materials resulting from the Russian invasion of Ukraine severely affect the operating environment of European export industries.

Besides short-term immediate adjustments to trade policy, these developments need to be taken into account in European regulation. With regard to the CBAM, we call on the European Commission, the Council of the EU, and the European Parliament to take the necessary steps to:

- More thoroughly **assess the impact** of the CBAM on the competitiveness of downstream sectors that will be subject to this measure. Downstream users including export-oriented industries risk being impacted by carbon leakage created by users not included in the CBAM when using raw materials which are included in the CBAM. There need to be clear transition phases and a progressive entry into force of the mechanism.
- Since this is a new mechanism with highly uncertain impact on the value chain, the review provisions in Article 30 **should remain neutral on the possible extension of the scope** – this should be analysed and decided based solely on the impact assessment and the subsequent report.
- The CBAM and the reform of the EU Emissions Trading System need to **form a coherent and effective package** to safeguard the competitiveness of Europe's technology industries. Orgalim supports amendments that guarantee a controlled take-up of new regulatory measures and calls for special measures that will maintain the competitiveness of our industries, within both the internal and global markets.
- The changed situation calls for stronger language in the articles that help to prevent **carbon leakage** from EU manufacturing to countries outside Europe across all sectors, and **to avoid circumvention** of the CBAM measures.

Ultimately, Orgalim encourages the Commission to increase its efforts to make the biggest contributors to the greenhouse gas emissions commit to global carbon pricing. The EU should also foster multilateral cooperation on decarbonisation with its trading partners.

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of over €2,076 billion, manufacturing one-third of all European exports and providing 11.33 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

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