

The background of the top section is a composite image. On the left, there's a close-up of industrial machinery with sparks flying. On the right, there's a geometric pattern of triangles in shades of grey and white. A European Union flag with its yellow stars on a blue background is partially visible on the left side, overlapping the machinery image.

STATEMENT

Brussels, 14 October 2026

Make CBAM work for Europe's downstream manufacturing competitiveness

CBAM must not undermine the manufacturing base Europe needs for its clean transition

As Europe's largest manufacturing sector sourcing materials and components from all over the world and as a strongly export-oriented industry, technology manufacturers are major downstream users of CBAM goods such as steel and aluminium. Orgalim is concerned that, without decisive improvements, CBAM and the parallel phase-out of free allocation under the EU ETS will severely increase the risk of carbon leakage, weaken Europe's downstream industrial base and make it harder for companies to compete both in the EU and on global markets.

Decision-makers are therefore at a **critical point**. The CBAM instrument is creating higher input costs for downstream industries. The choices made in the coming trilogue negotiations must prevent CBAM from becoming a driver of disproportionate **compliance burdens and carbon leakage in downstream manufacturing**. Europe's climate policy must support industrial decarbonisation without pushing production, investment and emissions outside the EU.

This concern is not theoretical. As Orgalim has previously warned, the **December 2025 CBAM legislative package falls short of providing the solutions needed to secure the competitiveness of downstream industries**. In particular, it does not yet provide a durable answer for EU exporters, sufficiently workable compliance conditions for complex goods, or an effective safeguard mechanism to prevent severe harm to downstream users.

CBAM, together with the progressive phase-out of free allowances under the EU ETS, has already increased the cost of key manufacturing inputs — a trend that is set to accelerate in the years ahead. Technology companies across Europe face a **structural loss of competitiveness** while many third-country manufacturers can continue to access raw materials and semi-finished products at significantly lower cost and compete on the global market against EU products without equivalent carbon-cost exposure. Downstream industries therefore need swift and straightforward access to compensation under the Temporary Decarbonisation Fund, alongside a workable, WTO-compliant long-term solution to address export-market challenges.

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

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We call on decision-makers to ensure that any extension of CBAM to **downstream products** is evidence and transparent criteria, coordinated with the impacted sectors, administratively workable and accompanied by an **effective solution for European exporters**. Otherwise, CBAM risks **undermining the manufacturing base Europe needs for its clean industrial transition and resilience**, by shifting production, investment and emissions outside the EU rather than strengthening clean manufacturing in Europe.

Why the European manufacturing industry needs a rapid reaction

European exporters remain exposed. EU manufacturers face rising input costs from CBAM and the phase-out of free allocation under the EU ETS, while many global competitors do not face equivalent carbon costs. As Orgalim has also argued in its EU ETS review position, climate policy must provide a realistic, predictable pathway for industry and avoid exposing strategic manufacturing value chains to carbon leakage. Without a viable and immediately WTO-compatible export solution, production and investment may move outside Europe.

Complex value chains make compliance disproportionately costly. Downstream manufacturers depend on hundreds of components and suppliers across global markets. Reliable embedded-emissions data are often unavailable, particularly for complex finished goods. Reporting and verification costs may therefore exceed the cost of CBAM certificates, in particular for SMEs. The Council has proposed using global default values to simplify the burden of verifying and reporting embedded emissions across complex value chains. We support this approach, provided that the values are determined by the Commission without mark-ups and set well before implementation to give industry sufficient predictability. In this context, we support the Council's position under Article 22(2), which would allow companies to use actual 2026 emissions data for their 2027 reporting even if verification is still pending, thereby avoiding unnecessary liquidity pressures during the period where verified data are not yet available.

Orgalim recommendations

- **Consult downstream industry sectors:** The downstream manufacturing industry must be consulted on a sector by sector basis, on the addition of new product codes in the Annex 1 list.
- **Make compliance feasible for complex and finished goods.** Ensure workable reporting systems from day one by simplifying data requirements, allowing reasonable use of default values without punitive mark-ups, and exempting low-volume consignments where the environmental or circumvention impact is negligible.
- **Protect export competitiveness.** Establish a durable, WTO-compatible mechanism that addresses the indirect ETS and CBAM costs borne by downstream manufacturers competing in global markets. Closely monitor potential business losses for downstream manufacturing sectors resulting from the lack of export provision in CBAM and address such risks in a timely and appropriate manner.
- **Ensure coherence between CBAM and the EU ETS review.** CBAM rules and the phase-out of free allocation must be assessed together to avoid cumulative cost impacts on downstream manufacturers, especially where companies compete in global markets and cannot pass on higher input costs.
- **Engage manufacturing industry during the final stage of negotiations and throughout implementation.** Structured consultation is essential because companies understand their products, supply chains, data constraints and global markets best.