

VCI-Statement on Draft Implementing Act on Emissions Reporting in the CBAM Regulation

The German chemical industry with its large diversity of products, complex production processes and value chains is fully committed to the goals of EU climate policy. However, VCI has been and remains sceptical whether the carbon border adjustment mechanism (CBAM) chosen will rightly balance protection from carbon leakage and free trade. The effects of CBAM will need a thorough monitoring, and CBAM needs new elements if it should become feasible for our industry and its value chains. Concerning implementation, practicable and unbureaucratic processes and a careful and supported stepwise approach are key if the CBAM:

- should protect from carbon leakage,
- should not act as protectionist non-tariff barrier and
- should not discourage partners abroad and/or lead to scarcities of supply and bottlenecks in the EU.

Having said this, CBAM becomes a reality for companies very soon, on Oct 1st. Concerns and many open questions appear in our membership. Even though most chemical products rightly so remained out of the CBAM scope for now, imports of ammonia, nitric acids, metal products and hydrogen affect chemical companies. Due to the large degree of uncertainty, we call on the European Commission and the national competent authorities, as appropriate, to:

- Publish official guidelines and organise relevant trainings soon, reflecting the different roles in the CBAM process;
- Engage in and keep an open dialogue with European industry during the implementation phase;
- Limit bureaucracy costs and legal uncertainties for importers as much as possible;
- Carefully monitor the effectiveness of CBAM in addressing carbon leakage as well as assess the impact of CBAM on the European downstream sectors, given that their input materials will become more expensive and perhaps scarce in their European production processes.

The latter will become especially crucial as effects on downstream sectors should not be underestimated after the ETS certificate price increases, free allowances disappear, or the scope will be extended.

The complexity of the implementation raised two different kinds of concerns in our membership: EU importers will soon have to implement the measure, while producers inside the CBAM scope fear that circumvention could undermine carbon leakage protection.

From the **EU importers** perspective, questions were raised on their role between public authorities and the extra-EU producer. The Commission has delegated new tasks to importers, collecting embedded emission information for the CBAM authorities. Their concerns are about availability of data, data quality (of data from partners that are not familiar with the EU-ETS), verification, legal risks, confidential business information and so on. They reflect lack of means to obtain data and efficiency. The CBAM implementation, even in the transition period, will require new bureaucracy and absorb resources in difficult times. It is good that flexibilities were introduced at the beginning. But tools for declarants need to be adequate, easy to introduce in the systems of companies and helpful. Furthermore, it seems that every importer walks alone in the new CBAM world. Possibilities for compliant cooperation should be developed. In addition, capacity building especially regarding producers in developing countries and cooperation for international standards on product-specific embedded emissions are needed soon.

From the **CBAM product producers'** perspective, it is important that the rules do not facilitate but omit circumvention. This requires reliable data, appropriate verification by authorized verifiers, and mechanisms calculating the embedded emissions that in the end reflect ETS costs appropriately. Most questions from either perspective concern the use of the default values (Article 5) and the balance between accessibility of data, verification and confidentiality of business information. Further clarification would be helpful.

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