POSITION PAPER

22 June 2026

JBCE'S POSITION PAPER ON THE PROPOSED CBAM SCOPE EXTENSION TO DOWNSTREAM GOODS

INTRODUCTION

The Japan Business Council in Europe (JBCE) welcomes the opportunity to present its views on the Commission's proposal to extend the scope of the Carbon Border Adjustment Mechanism (CBAM).[1] We acknowledge the constructive elements of the proposal, which reflect some of the points JBCE has previously raised. Significant concerns, however, remain as to the proportionality and administrative feasibility of the proposed scope extension. Consequently, JBCE calls on the co-legislators to give due consideration to these matters.

KEY MESSAGES

- Extending CBAM to downstream goods raises significant concerns as to proportionality and administrative feasibility, since the compliance costs imposed on importers would be disproportionate to the resulting reductions in emissions. JBCE calls for a careful review of the proposed scope and for the exclusion of items lacking proportionality or practical feasibility.
- Even if the downstream extension proceeds, the two simplification measures already incorporated in the proposal, namely the non-application of the mark-up on certain downstream goods and the precursor-based calculation principle, must be retained. Further simplification measures are nevertheless required to make compliance practical for importers.
- Even if the downstream extension proceeds, the proposed date of application (1 January 2028) is premature in light of the limited operational track record of the CBAM definitive period, the pending implementing and delegated acts, and the available verification capacity. JBCE calls for the date of application to be postponed, and for the adoption of the relevant implementing and delegated acts in a timely manner.
- The scope of supply chain practices captured by the proposal's anti-circumvention provisions is not defined with sufficient clarity, undermining operators' predictability. JBCE calls for that scope to be clarified.

[1] Proposal for a regulation amending Regulation (EU) 2023/956.

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Refining the scope of the downstream extension

While we acknowledge the policy objective of preventing carbon leakage by extending CBAM to downstream goods, the present scope risks undermining the very proportionality and effectiveness that the extension is intended to achieve.

CBAM operates most effectively for basic materials, such as steel and aluminium, whose emissions can be identified at the production installation. Downstream goods, by contrast, are typically manufactured through multi-tier global supply chains. These supply chains differ significantly from the production of basic materials, and the divergence is particularly pronounced for items with a very low content of CBAM-covered precursors.

- **Disproportionate burden and operational infeasibility of the proposed scope**

We wish to highlight two principal concerns in this regard. First, applying CBAM to downstream goods containing only a small number of CBAM-covered precursors is disproportionate, as the compliance costs borne by importers are not commensurate with the decarbonisation contribution of the items concerned, and the proposed scope draws inconsistent boundaries between products of equivalent complexity.

For example, an importer whose annual imports of CBAM-covered goods exceed the 50-tonne threshold would face declaration obligations even for small items such as two special M2x10 screws with a mass of approximately 1g: at an emission intensity of 1.65 [kg CO_2]/[kg steel] and a certificate price of EUR 75.36 per tonne of CO_2, the annual emission cost for 200 such screws would amount to approximately EUR 1.243 cents, while the importer would incur compliance costs of several hundred euros to calculate those emissions.

Moreover, inconsistencies arise at the CN code level, where almost identical products classified under different CN codes are treated differently. These inconsistencies indicate the necessity of greater transparency in the selection methodologies applied to products of equivalent complexity.

Second, applying CBAM to complex composite downstream goods is not feasible in practice. Such goods typically comprise hundreds to thousands of components, with each CBAM-covered precursor sourced from multiple suppliers in different countries of origin. For example, supply chains of electrical and electronic equipment typically consist of a hierarchical structure with three to five tiers. The manufacturer of final products collects information from tier 1 manufacturer of assemblies, who in turn obtain information on components from tier 2 suppliers. Tier 2 suppliers procure from tier 3 material suppliers and tier 4 raw material producers. Since there are multiple suppliers at each tier, the structure of supply chain is complex, and EU importers will need to manage an enormous amount of data. Many of those suppliers are small and medium-sized enterprises in third countries with

limited capacity to calculate and report emissions. Obtaining the country-of-origin breakdown required for CBAM declarations across the entire supply chain is, therefore, in practice, extremely difficult for importers. The cost and burden of this task will ultimately be passed on to the final price in the EU. Therefore, we strongly recommend conducting the evaluation to identify realistic, practical rules that efficiently contribute to reducing carbon emission worldwide.

- **Careful review of the proposed scope and targeted exclusions**

JBCE calls on the co-legislators to carefully review the proposed extension and exclude from the scope of the downstream extension, on grounds of lack of proportionality and lack of feasibility: (i) items containing only a very small amount of CBAM-covered precursors; and (ii) complex composite items, such as vehicles, vehicle components, machinery, electrical equipment, and electronic components, whose components are sourced from numerous suppliers and/or from multiple countries of origin. Including such items would impose excessive burdens on importers, third-country operators, and Member States' competent authorities alike, while contributing only marginally to the environmental integrity of CBAM.

Adopting further operational simplification measures

JBCE welcomes the two simplification elements reflected in the proposal: the non-application of the mark-up to downstream goods, and the principle of precursor-based calculation. Both are essential to making the downstream extension workable in practice and should be retained throughout the trilogue.

Retaining these two elements alone, however, would not be enough to ensure that importers can comply in practice. Therefore, JBCE calls for the additional operational simplification measures set out below.

- **Expanding the scope of simplified compliance options for downstream goods**

For downstream goods, the calculation of embedded emissions from actual data is generally not practicable for importers, and reliance on default values would therefore be unavoidable in many cases. We acknowledge that the proposal addresses this issue by limiting the application of the mark-up where downstream goods are produced with input materials from multiple CBAM sectors, or a mix of input materials sourced from both sectors covered by CBAM and sectors outside of its scope.

The compliance burden, however, remains no less acute in two further situations. First, for single-precursor downstream goods targeted by the proposal, obtaining actual emission

data is no less burdensome than for multi-precursor goods, since importers must, in either case, trace each precursor through the upstream supply chain to its place of production. Yet such single-precursor goods fall outside the mark-up limitation in the proposal. Second, for complex composite downstream goods, the default-value system, being differentiated by CN code and country of origin, requires importers to trace each precursor through the entire supply chain and to identify the country of origin and quantity breakdown of every component. That exercise is, in practice, extremely difficult.

In particular, importers of downstream goods should be allowed (i) to apply default values without the mark-up across the full range of downstream goods, and (ii) to apply, for complex composite downstream goods, a single default value for each CBAM-covered precursor (such as steel or aluminium), regardless of the country of origin (for instance, at the importer's discretion, either the weighted average of the default values for the precursor's countries of origin, or the default value of the country of origin accounting for the largest share of that precursor). Taken together, these options would substantially ease the administrative burden on importers and make the default-value system workable for downstream goods as a whole.

- **Threshold based on the net weight of CBAM-covered precursors**

Downstream goods falling within the scope of CBAM generally include components made from materials not covered by CBAM, resulting in the total weight of imported downstream products easily reaching the 50-tonne threshold, even when the share of CBAM-covered precursors they contain is marginal.

Consequently, JBCE calls on the co-legislators to specify explicitly in the Regulation that, for downstream goods: (i) the 50-tonne threshold should be assessed solely against the net weight of components consisting of CBAM-covered precursors; and (ii) such assessment should be carried out by importers on a self-assessment basis, without any third-party verification requirement. Establishing a clear and proportionate threshold applied through self-assessment would not only reduce compliance costs for EU importers and third-country manufacturers but also prevent an excessive workload for Member States' competent authorities and verification bodies.

- **Harmonisation between the CBAM and ESPR carbon emission calculation methodologies**

In addition, JBCE calls on the co-legislators and the European Commission to harmonise, over the medium-to-long term, the carbon emission calculation methodologies adopted under CBAM and the Ecodesign for Sustainable Products Regulation (ESPR)[2] for iron, steel

[2] Ecodesign for Sustainable Products Regulation

and aluminium products. This would avoid contradictions between the two regimes and prevent duplicative compliance work for importers and manufacturers.

Aligning the date of application with implementation readiness

The proposed date of application (1 January 2028) would precede the readiness of three essential conditions: meaningful operational experience with the CBAM definitive period, the adoption of the implementing and delegated acts setting out key operational details, and adequate verification capacity. The CBAM definitive period, which began on 1 January 2026, is still in its initial stages, and meaningful evidence of its operation will not become available before the course of 2027 at the earliest. Many key operational details of the proposal are left to implementing and delegated acts, the timely adoption of which cannot be assumed. The number of accredited CBAM verifiers is already limited, and the scope extension is expected to widen this capacity gap further by 2027.

Therefore, JBCE calls on the co-legislators to: (i) postpone the date of application until meaningful evidence of the operation of the CBAM definitive period has become available; and (ii) ensure that the implementing and delegated acts setting out the operational details be adopted sufficiently in advance of the date of application.

Clarifying the scope of anti-circumvention provisions

In the proposal, the concept of "practices of circumvention consisting of artificially adjusting the supply chain of goods to avoid the obligations"[3] is not defined with sufficient clarity. As a result, operators are unable to foresee whether their legitimate business decisions, such as geopolitical risk diversification, quality improvement or supplier switching, might subsequently be characterised as circumvention. We recognise the importance of effectively enforcing anti-circumvention measures under CBAM, but believe that this lack of clarity undermines predictability for operators and that it should be addressed.

JBCE therefore calls on the co-legislators to expressly define the criteria for identifying an "artificial adjustment of the supply chain", as well as the objective criteria for distinguishing such an adjustment from legitimate business decisions.

[3] Recital (36) of the proposal

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CONCLUSION

We call on the co-legislators to carefully examine the proportionality and feasibility of extending the CBAM scope, and to make the necessary adjustments to enable importers and other stakeholders to comply with the regulations in an effective and predictable manner.

It is also essential, for the legitimacy of CBAM, that the proposal be implemented in accordance with WTO rules, including the national-treatment principle.

JBCE stands ready to continue its constructive dialogue with the European Commission, the European Parliament and the Council of the European Union as the legislative process moves forward.

ABOUT JBCE

Founded in 1999, the Japan Business Council in Europe (JBCE) is a leading European organisation representing the interests of over 110 multinational companies of Japanese parentage active in Europe. Our members operate across a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceuticals, textiles, and glass products.

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