Bioenergy Europe's Feedback on the Carbon Border Adjustment Mechanism (CBAM) Draft Act Consultation

Bioenergy Europe supports the EU climate targets for industrial decarbonisation, preventing carbon leakage, and ensuring a level playing field throughout the value chain for the whole European industry.

However, as CBAM is implemented and carbon-related costs are reflected in materials such as steel and aluminium, **it is important to review potential unintended impacts on the competitiveness of downstream manufacturing sectors in the European Union.**

This issue is especially relevant for manufacturers of renewable heating and clean energy technologies, such as biomass boilers, pellet stoves, combined heat and power systems, and district heating equipment. These products depend heavily on steel and other CBAM-covered materials and are produced in highly competitive global markets.

If carbon-related costs are included in production inputs but not in competing imported finished products, **there is a risk of downstream carbon leakage**. This may place EU-manufactured finished products at a disadvantage compared to similar products imported from outside the EU. However, European technology producers have traditionally also imported parts and components into the EU from their own manufacturing sites as well as from external suppliers. Since a significant share of their market is located outside the EU (for many, even the clear majority), **extending CBAM to further downstream products would also create a risk of carbon leakage.**

In addition, increased equipment costs would negatively affect investment decisions and could therefore hinder further growth of carbon-neutral energy production in the EU. They would also affect the operator side of the value chain, as increased capital costs can delay or discourage investment in new renewable heating, CHP and district heating capacity in Europe.

This could disadvantage EU-made clean energy technologies, despite their role in supporting Europe's decarbonisation goals.

Bioenergy Europe calls upon the European Commission to assess the possible impacts on downstream clean technology manufacturing when considering future changes to the CBAM framework. And any extension of CBAM to downstream products should be based on transparent and objective criteria, such as carbon intensity, trade exposure, leakage risk, and the proportion of CBAM-covered materials in the final product.

However, it is also important to note that **before extending CBAM to downstream clean technology products, a feasible solution for export competitiveness should be established**. European manufacturers of renewable heating and bioenergy technologies should not be disadvantaged in international markets by carbon-related costs in EU production inputs without an appropriate adjustment mechanism.

If downstream clean technology manufacturers are demonstrably affected by carbon-related costs, the Commission should assess the need for temporary and targeted support measures, such as a compensation mechanism. Support should be proportionate and focused on sectors exposed to international competition in order to avoid undermining EU manufacturing while maintaining incentives for industrial decarbonisation.

Existing customs tools, such as the inward processing regime, are not a sufficient solution for downstream manufacturers: they are often difficult to apply to complex clean technology products with many components and multi-layered value chains. In addition, many preferential trade agreements include the so-called no-drawback clause, which rules out the inward processing regime.

For example, a manufacturer may import steel components that are integrated into large, tailor-made equipment with thousands of other parts, making it too difficult to trace each imported input to a specific exported product. As a result, downstream manufacturers may be unable to recover or avoid carbon-related costs in imported inputs, even when the final product is exported outside the EU.

Aligning carbon leakage prevention, industrial competitiveness, and clean technology manufacturing is essential to support the EU's competitiveness, investments, and the EU's broader industrial and decarbonisation objectives.

PUBLIC CONSULTATION

Bioenergy Europe is the voice of European bioenergy. It aims to develop a sustainable bioenergy market based on fair business conditions. Founded in 1990, Bioenergy Europe is a non-profit, Brussels-based international organisation bringing together associations and companies, as well as academia and research institutes from across Europe.