

# Carbon Border Adjustment Mechanism - CBAM

## – Improving the effectiveness of emissions pricing on imports



In December 2025, the European Commission proposed extending the Carbon Border Adjustment Mechanism (CBAM) to so-called downstream products and establishing a temporary decarbonisation fund. CBAM aims to level the playing field between imports and European production and to prevent the risk of carbon leakage, i.e. the relocation of production and emissions to countries with lower regulatory requirements. CBAM currently covers imports of iron and steel, aluminium, cement, fertilisers, hydrogen and electricity. The reporting phase began in 2023, and the payment obligation started in January 2026.

### FINNISH INDUSTRIES EK'S MESSAGES TO DECISION-MAKERS

**The primary purpose of the Carbon Border Adjustment Mechanism (CBAM) is to prevent carbon leakage as a complement to the EU Emissions Trading System (ETS1) – not to serve as a revenue-raising budget instrument or a trade policy tool.**

**EK considers it essential that the implementation of CBAM does not weaken the international competitiveness of EU companies, as free allocation of emission allowances to production at risk of carbon leakage will be gradually phased out, including for exports.**

The implementation of CBAM and any potential extensions to new sectors, more complex downstream products and indirect emissions must be carried out in a well-planned and predictable manner. These and any other proposed changes must be based on carefully prepared, publicly available impact assessments, developed in close dialogue with the affected industries:

- The impacts must be assessed from the perspective of the competitiveness of both producers and users of products covered by the scope, as well as the combined effects of different measures. Trade- and tax-policy instruments applied simultaneously to the sector, such as import restrictions and anti-dumping duties, must also be taken into account.
- EK underlines that any decision to exclude sectors from the scope of CBAM (Article 27a) must be based on clearly defined, transparent and publicly available criteria.
- The Temporary Decarbonisation Fund (export compensation mechanism) must be targeted at export products facing a significant risk of carbon leakage and must not distort the functioning of the internal market or competition. The criteria for granting support must be transparent. Export competitiveness must be safeguarded through a long-term measure that is properly targeted.
- The Commission must ensure that CBAM is supported by functioning verification markets and actors, so that the system works effectively in the EU and internationally.
- CBAM should be based on transparent data and aim to use actual emissions values wherever possible. Default values must be available when needed and should reflect real emissions, without penalising companies for their use. The so-called inward processing procedure must be made available.
- CBAM should create incentives for emissions reductions and the adoption of carbon pricing in non-EU countries.

***The Confederation of Finnish Industries supports the EU's ambitious climate policy, with the 2030 and 2040 targets as essential milestones towards a climate-neutral Europe in 2050. These goals can only be achieved through thriving companies that use and deliver clean products, solutions and innovations.***

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