

ACEA Position

CBAM simplification



ACEA POSITION ON THE SIMPLIFICATION OF THE CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

CBAM will assist ACEA (European Automobile Manufacturers Association) members in reaching climate neutrality commitments and is a necessary complimentary instrument to allow for increased ambition in the ETS.

However, the mechanism will have significant implications for our manufacturer's market competitiveness given the increased supply chain costs that it will create. Due to concerns around competitiveness, ACEA members are very **cautious concerning the possibility of extending CBAM** to downstream sectors that are not at risk of carbon leakage in the foreseeable future.

Now that CBAM is being implemented in its transitional phase, the significant administrative demand that the mechanism is creating is becoming ever more apparent. The size of this undertaking for our members, with their global and multi-tiered supplier structure, cannot be underestimated. This makes the need for the simplification of the mechanism ever more pressing.

Through supplier engagement and in developing internal reporting processes, our members have a good perspective on the critical issues that need to be addressed to ensure that European users of CBAM goods have the means to ensure compliance.

Regarding the CBAM simplification package we highlight the following critical elements:

1. **De minimis.** ACEA welcomes the Commission's proposal of a cumulative annual threshold of 50 tonnes to exempt small importers from reporting requirements, however the proposal fails to provide any simplification for large importers in this regard. ACEA proposes a critical additional *de minimis* that could be used by registered CBAM declarants to exclude the reporting of goods of insignificant value in terms of both mass and embedded emissions.
2. **Default values.** ACEA welcomes the Commission's proposal to allow for the unconditional use of default values.
3. **Group reporting.** The proposal omits to allow for group-level management of CBAM operations for companies located in several member states.

4. **Packaging.** Apply an exclusion for goods already on the market and then reimported into the EU – in particular reusable packaging.
5. **Automatisation.** The Commission should seek to part-automatise the reporting process through use of import declaration data.
6. **National Competent Authorities** should be comprehensively empowered before regulatory elements become effective

In more detail, ACEA's recommendations for the CBAM simplification are:

1. Extend a *de minimis* exemption to all goods that have insignificant emission values.

While ACEA welcomes the introduction of a *de minimis* threshold that will exempt all small importers from CBAM reporting requirements up to 50 tonnes per annum, the absence of a similar minimum threshold that would allow for the exemption of similarly insignificant imports for larger importers is highly regrettable.

The European Commission's proposal will require importers who exceed the 50 tonne threshold to still report the CBAM values of goods no matter how small or insignificant the consignment is in terms of weight, value and embedded emissions. Moreover, the Commission proposes to abolish the existing €150 *de minimis* threshold meaning that all imports, no matter how small and insignificant in terms of weight and emissions, will need to be accounted for.

The objective of the European Commission should be to avoid this scenario and to provide a simplification for all importers, while maintaining the overwhelming majority of embedded emissions in the scope of the mechanism.

Reporting CBAM metrics represents a significant administrative burden for importers and suppliers alike. To strike the required balance between disproportionate efforts and actual impact, the CBAM should exclude all imports with negligible embedded emissions.

The Commission itself has recognised that '90% of imports account for less than 10% of emissions'. The exclusion of all low embedded emission value imports will have almost no discernible impact on accounting for the carbon content of imported goods.

As it stands, importers above 50 tonnes will need to report emission-irrelevant imports starting from just one screw or one bolt. This is an increase in the administrative burden for large companies and therefore a clear disadvantage compared to the existing CBAM regulation. The extremely limited value created by capturing these emissions will be vastly outweighed by the administrative and financial burden of obtaining and reporting it. A *de minimis* based on a low weight

threshold and on a per supplier basis would provide benefits to all importers above 50 tonnes while not compromising the decarbonization objectives of the mechanism.

ACEA proposal

In keeping with the objective to simplify the CBAM regulation to focus on goods with the highest emissions, reducing operators' reporting burden while maintaining system integrity and security, ACEA proposes to apply an additional *de minimis* for registered CBAM declarants in addition to the existing 50 tonne exemption for small importers. This new *de minimis* would be based on:

- Each importer above 50 tonnes should be allowed a *de minimis* threshold of **1 tonne net weight of CBAM goods per supplier and per reporting period.**¹
- For imports that exceed 1 tonne per supplier and per reporting period, full CBAM reporting requirements would apply.
- This approach will significantly reduce the administrative burden of CBAM while still capturing the overwhelming majority of imported emissions. Based on ACEA member data, we estimate that the actual total volume of CBAM goods imported by automobile manufacturers covered by the regime that we propose would actually *increase* compared to the total volume of CBAM goods covered only by a 50 tonne exemption. However, the number of suppliers that would be concerned would be drastically diminished and therefore the reporting requirements would be significantly reduced.²

2. ACEA supports the proposal to allow for the unconditional use of default values.

We welcome the proposal to allow for the unconditional use of default values as ACEA requested in its comments to the Commission of June 2024. This will allow for some rebalancing of importer's reporting obligations.

It is important to state that the use of full default values during CBAM implementation will provide punitive alternatives to the reporting of actual emissions but its use would allow an importer to be legally compliant when the preferable alternative is not an option. When importers can reasonably obtain actual data, they will use this instead of defaults. In addition, the default values should not be unduly punitive.

¹ A proposal for a legislative amendment is included in annex 1 to this document.

² ACEA has collected data from members and will shortly publish it as an adjunct to this position.

3. The proposal omits the opportunity to allow for group-level management of CBAM operations for companies located in several member states.

The current regulation requires CBAM operations, including reporting, certificate purchase, etc, to be done on a localised and per importing EORI number basis, i.e. by each importing legal entity.

Contingent on the decision on customs structures (centralized or localized), a company group with reporting obligations in several member states will have to conduct all CBAM operations via local established entities. ACEA believes that to substantially reduce the administrative burden of the mechanism, it should be possible to consolidate CBAM operations through centralised systems on behalf of all affiliated EORIs.

Such an approach would also greatly facilitate the CBAM certificate purchase and resale process. Given that the group is the overall responsible legal entity, it should be left to the group to decide how to perform the reporting and purchase of certificates in the most efficient way. The current legislative set-up requires more personnel and administration resources compared to a group-centralised approach.

Allowing for a centralised process only makes more sense when considering that CBAM is just one of a number of new operational and reporting requirements being made of importers that, in practical terms, can only be managed at a group level. The group should be given the possibility to ensure compliance in an efficient and cost-effective manner in-house.

4. Apply an exclusion for goods already on the market and then reimported into the EU – in particular reusable packaging.

In automotive, it is an industry wide practice to use durable metal containers which can be reused indefinitely to transport goods along the supply chain. These containers are used instead of less robust, durable or environmentally friendly disposable alternatives.

Once the containers have been used for the transport of goods, they are returned from third countries into the EU. In most cases the containers are returned empty.

Reusable packaging is currently classified as a CBAM good but it should only be treated as such if the packaging itself is the object of the import (i.e. the first time import clearance of new racks). Where the packaging has either been manufactured in the EU or has already been in free circulation prior to the

implementation of CBAM, and is only being returned to the EU to be used again for the purpose of transporting other goods, then it should be exempt from CBAM.

We note that as the packaging is only meant to serve the transport of automotive parts, the exchange of goods normally has no related transaction value. Reusable packaging often enters the EU under simplified customs procedures like temporary admission through oral declarations or through warehousing procedures.

CBAM requirements should only apply to first time import clearance of new racks. Therefore, the simplification proposal should make it clear that reusable packaging is exempt from CBAM requirements or the Commission should indicate that it intends to address this in appropriate guidance.

5. Part-automatise reporting through the use of import declaration data.

A lot of the data required in a CBAM report is already formally provided in any import declaration and is accessible by customs authorities and European Commission alike. This data includes the quantities, weights and origin of the goods concerned.

To report the same information twice, once at the moment of bringing the goods into the EU and the second time when filing a CBAM report, is not only a duplication of administrative burden but a lost opportunity to greatly facilitate CBAM reporting by not linking the two processes together.

It would be massively advantageous if CBAM systems would be pre-filled with import declaration information provided by the importers to customs authority systems at the time of import. This would also assist the process of timely CBAM reporting and ease the burden on reporting declarants.

While this might not be an immediate possibility for either the European Commission or the national competent authorities, and therefore not appropriate to include in this simplification package, it should be considered as an important medium term goal to assist in facilitating as much as possible the processes of CBAM reporting for those with the greatest burden of implementing the system.

6. National Competent Authorities should be comprehensively empowered before regulatory elements become effective.

The new speed and mode of regulatory deployment in CBAM necessitates collaboration between importers and authorities. A transitional phase could allow for the sharing of experiences, error elimination, and joint improvement. National Competent Authorities should be fully prepared before regulatory elements are implemented.

Annex One

A proposal for a textual edit to the European Commission's proposal could be:

<p>Proposal for a</p> <p>REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL</p> <p>amending Regulation (EU) 2023/956 as regards simplifying and strengthening the carbon border adjustment mechanism</p>	
Text proposed by the Commission	Proposed ACEA Amendment
<p>Article 1</p> <p>Regulation (EU) 2023/956 is amended as follows:</p> <p>(1) Article 2 is amended as follows:</p> <p>...</p> <p>(b) the following paragraph 3a is inserted:</p> <p>‘3a. By way of derogation from paragraphs 1 and 2, importers, including authorised CBAM declarants, shall be exempted from the obligations under this Regulation, where the goods listed in Annex I, with the exception of electricity and hydrogen, do not exceed, cumulatively per calendar year, the mass-based threshold laid down in point 1 of Annex VII.</p> <p>The threshold laid down in point 1 of Annex VII shall ensure that at least 99% of the emissions embedded in the imported goods and processed products pursuant to Article 2(1) and (2) are not covered by the derogation referred to in the first subparagraph.</p> <p>The Commission is empowered to adopt delegated acts to amend the mass threshold set out in Annex VII to reflect a material change in the average emission intensities of goods used for the calculation of the threshold laid down in point 1 of Annex VII, or significant changes in the pattern of trade in goods, including practices of circumvention of that threshold as referred to in Article 27(2), point (b).’;</p>	<p>Article 1</p> <p>Regulation (EU) 2023/956 is amended as follows:</p> <p>(1) Article 2 is amended as follows:</p> <p>...</p> <p>(b) the following paragraph 3a is inserted:</p> <p>‘3a. By way of derogation from paragraphs 1 and 2, importers, including authorised CBAM declarants, shall be exempted from the obligations under this Regulation, where the goods listed in Annex I, with the exception of electricity and hydrogen, do not exceed, cumulatively per calendar year, the mass-based threshold laid down in point 1 of Annex VII.</p> <p>The threshold laid down in point 1 of Annex VII shall ensure that at least 99% of the emissions embedded in the imported goods and processed products pursuant to Article 2(1) and (2) are not covered by the derogation referred to in the first subparagraph.</p> <p>The Commission is empowered to adopt delegated acts to amend the mass threshold set out in Annex VII to reflect a material change in the average emission intensities of goods used for the calculation of the threshold laid down in point 1 of Annex VII, or significant changes in the pattern of trade in goods, including practices of circumvention of that threshold as referred to in Article 27(2), point (b).;</p> <p>3b. By way of derogation from paragraphs 1 and 2, authorised CBAM declarants shall be exempted from the obligations under this Regulation, where the goods listed in Annex I, with the exception of</p>

<p style="text-align: center;">ANNEX II</p> <p>The following Annex VII is added:</p> <p>‘ANNEX VII</p> <p>Threshold referred to in Article 2(3a)</p> <p>1.The threshold referred to in Article 2(3a) shall be set at 50 tonnes of net mass.</p> <p>....</p>	<p>electricity and hydrogen, do not exceed, for each third country supplier and for each CBAM reporting quarter, the mass-based threshold laid down in point 2 of Annex VII.</p> <p>ANNEX II</p> <p>The following Annex VII is added:</p> <p>‘ANNEX VII</p> <p>Thresholds referred to in Article 2(3a and b)</p> <p>1.The threshold referred to in Article 2(3a) shall be set at 50 tonnes of net mass.</p> <p>....</p> <p>3.The threshold referred to in Article 2(3b) shall be set at 1 tonne of net mass.</p>
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ABOUT THE EU AUTOMOBILE INDUSTRY

- 13.2 million Europeans work in the auto industry (directly and indirectly), accounting for 6.8% of all EU jobs
- 10.3% of EU manufacturing jobs – some 3.1 million – are in the automotive sector
- Motor vehicles are responsible for €383.7 billion of tax revenue for governments across key European markets
- The automobile industry generates a trade surplus of €106.7 billion for the European Union
- The turnover generated by the auto industry represents over 7.5% of the EU's GDP
- Investing €72.8 billion in R&D per year, automotive is Europe's largest private contributor to innovation, accounting for 33% of the EU total

ACEA REPRESENTS EUROPE'S 16 MAJOR CAR, VAN, TRUCK AND BUS MANUFACTURERS

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