

Dear

Having assessed the latest draft compromise on CBAM Article 27a, which was made public by media outlets, we are very concerned about the direction of the proposed safeguards and wanted to share our assessment:

Paragraph 3a sets the condition for triggering the first step in an exemption procedure (the implementing act) **if a good's average import price in the last 6 months** (without taking into account the CBAM financial liability) **has increased by more than [50%] compared to the average import price of the CBAM good over the previous [ten] years.**

Our team made an assessment for urea and ammonia: **If the proposed formula applies and the law was in force today** (regardless of whether CBAM is included in or excluded from the assessment), **it would give grounds to abolish the CBAM for fertilizers.** The price increase in the last months is due to the surge in global prices stemming from the closure of the Strait of Hormuz. This is a global phenomenon and not a result of CBAM. Suspending CBAM for fertilizers would risk a further imbalance by weakening competitiveness of European production and thus widening the global supply-demand gap – this would be self-defeating.

Our arguments against the article remain the same:

- Article 27a reduces investment certainty and thus discourages investment in the EU
- An economic clause in CBAM undermines the argument to our trading partners that CBAM is an environmental measure (so the clause undermines its credibility vis-à-vis WTO rules). The newly proposed formula further proves the economic objective of the article.

We remain available to provide further information if needed.