



## BMW Group Position

on the EU Commission's Call for Evidence on Carbon Border Adjustment Mechanism (CBAM) – downstream extension, anti-circumvention and rules on electricity emissions.

### **1. Extension only after full implementation and review of the initial CBAM**

An extension of the scope should be postponed until the original regulatory framework for the definitive phase has been fully established. It is almost impossible to evaluate an extension appropriately without a complete regulatory package (methodology, recognition of foreign regulations, standard and benchmark values, distribution cost plan, verification). Consideration of extending the mechanism to additional ETS sectors should furthermore occur only if its effectiveness has been demonstrated.

Extending CBAM to specific downstream sectors requires careful evaluation. Such an extension should be guided by objective criteria, comprehensive impact assessments (throughout value chain, reg. potential market distortions or unintended effects, systemic interdependencies / inconsistencies with other regulations) and consultation with both directly and indirectly affected sectors. The administrative challenges for reporting embedded emissions in downstream goods and the need for a straightforward calculation and reporting methodology should be considered.

### **2. General constraints**

Without a carbon accounting framework, extending to various additional processing levels would involve significant complexity (number of levels and stakeholders in value chains), and would practically prove infeasible.

Within the current fragmented framework, we ask to refrain from assessing CBAM relevance through BOM explosion as required for Battery Regulation. CBAM scope should continue to be determined by the actual product imported – when it is imported.

### **3. Premises for extensions**

Potential extensions must closely follow and be evaluated by the following premises:

- High trade volume and high emission intensity
- High risk of carbon leakage, securing EU ETS
- Risk of circumventing existing regulations
- Feasibility

### **4. Discourse to be differentiated in 4 categories with different assessments**

(1) **Postponed scope from initial CBAM proposal** [premise 1, 2] - The current regulatory framework is yet insufficiently equipped to provide pragmatic decarbonization incentives or to adequately address adverse effects on competitiveness.

(2) **Vertical extensions to product groups consisting entirely of goods already regulated under CBAM** [premises 1, 2, 3] - the identification of such products is unfortunately not

straightforward. This involves the potential impact on hundreds of thousands of affected materials across a multitude of potentially affected tariff numbers. Any vertical extension should hence focus on significant trade volumes and emissions intensity.

(3) **Horizontal extensions** [premise 2, 3]. Prior to considering such extensions, the initial regulation should be fully established. Certain downstream product groups, such as battery cells, are currently regulated or will be regulated under other frameworks. Instead of technically and politically very complex CBAM downstream extensions we support the Clean Industrial Deal's goal of harmonizing CO<sub>2</sub>e calculation methodology (Carbon Accounting) and recommend developing corresponding sector-specific regulations.

(4) **Indirect emissions:** In particular, the calculation of emissions in association with the use of electricity is relevant. The focus here should be on pursuing a market-based approach, as this is the best way to give companies an incentive to switch to renewable energy. This will make a decisive contribution to industrial decarbonization. Both Power Purchase Agreements and Energy Attribute Certificates should therefore be recognized.

## 5. Feasibility

The current level of guidance remains insufficient. Establishing and maintaining structures to ensure compliance and support long-term business planning remains very challenging. The implementation deadlines were often far too short and sometimes lead to challenging regulatory design, major uncertainties and structural deficiencies. Continuous changes and the increasing number of legal amendments / adjustments pose a substantial additional burden on executing authorities and importers. Complexities and interdependencies should more carefully be assessed and considered with a systemic approach as guiding principle.

Negotiating long-term contracts is challenging due to uncertainty around CBAM-related costs and methodologies, making accurate cost forecasting practically impossible. This instability disrupts our ability to maintain consistent pricing for clients and suppliers.

## 6. Considerations on cost and revenues

The greater the scope of an extension, the higher the associated costs. The introduction of CBAM for complex automotive products would significantly increase the costs and bureaucratic effort for the automotive industry.

CBAM revenues should be allocated to facilitate decarbonization initiatives, the implementation of innovative low-carbon technologies within EU industry, and the competitiveness of EU industries during transition. Furthermore, it is important to recognize and give due consideration to comparable international systems.