Mr. Gerassimos Thomas

Director-General for Taxation and Customs Union

European Commission

Via email: xxx

Paris, XX March 2024

Dear Mr. Thomas,

I am writing to bring to your attention to the severe compliance challenges faced by companies – of all sizes and across a range of sectors – during the first reporting period of the transitional phase of the Carbon Border Adjustment Mechanism (CBAM).

To be clear: we are fully supportive of the European Union’s ambitious efforts to accelerate climate action globally – and, moreover, appreciate the potential challenge posed by carbon leakage given existing asymmetries in domestic policies. However, we hope you will recognize the imperative to ensure that the CBAM does not create unnecessary barriers to global commerce – which risk stoking severe trade frictions and undermining cooperative action to secure a net-zero future.

In this context, we are eager to work with you to address prevailing concerns about the implementation of the CBAM which we believe can be resolved through detailed and constructive dialogue with international business. Of particular note, we wish to highlight the following challenges that have been raised with us by a broad spectrum of companies in recent weeks:

* **Access to the reporting platform:** the decentralised process to receive access to the reporting platform varies significantly between member states, which makes it complex for companies to navigate. In addition, technical issues were faced that impeded many companies from accessing the platform. Technical challenges have also been encountered once the platform was accessed, for example validation errors with commodity codes when using default values for direct emissions.
* **Navigating the submission:** following the instructions for filing, it has been a significant challenge for companies to determine how a report can be submitted by the declarant on behalf of the signatory who certifies that the info is correct.
* **High administrative burden:** due to the low threshold of €150, a large scope of products is captured in the scope of the CBAM including those traded in low volumes – such as screws and nails – resulting in disproportionately high compliance costs which are particularly challenging for smaller businesses.
* **Collection and calculation of required data:** there is an urgent need to assist companies with calculation methodologies and to recognise and facilitate the complexity of data collection across complex global supply chains.
* **Uncertainty about penalties and default values:** the use of default values is not available during the transitional phase – not even for low volumes – and there is a lack of clarity on penalties.

In view of these challenges, we would welcome a dialogue with you to explore solutions to address these immediate concerns – as well as a range of other compliance issues that have been faced over the first reporting period.

More broadly, we see a real risk of the CBAM fostering an uneven playing field for international commerce: not only affecting the competitiveness of European businesses – but also posing long-term risks to the integrity of the single market. Retaliatory measures by non-EU countries risk precipitating trade barriers that could further distort global markets – with small businesses likely to be most acutely impacted.

Given this macro- and micro-context, we see an imperative to ensure the CBAM is aligned with a trade policy that fosters fair competition and sustains the EU’s principles of open and fair trade on a global scale.

We, of course, appreciate the complexities involved with implementing such a forward-looking mechanism – and hope you will see ICC as a genuine partner to achieve its effective implementation.

I look forward to hearing from you.

Yours sincerely,

John W.H. Denton AO

In copy: Sabine Weyand, Director-General for Trade; Kurt Vandenberghe, Director-General for Climate Action