Comments to USTR on the Effect of the European Union's Carbon Border Adjustment Mechanism and the Proposals to Expand Coverage on U.S. Trade

Submitted by: Climate Leadership Council
Docket Number: USTR-2026-0661

I. Introduction and Summary

The Office of the United States Trade Representative (USTR) has requested comments on the impact of the European Union's Carbon Border Adjustment Mechanism (CBAM) on U.S. producers. The EU's CBAM is the first policy of its kind to charge a fee on imports based on the emissions released during the manufacturing process. Though U.S. exposure to the EU CBAM is presently limited (1% of U.S. exports to the EU, $3.8 billion), the EU CBAM will be extended both horizontally to other sectors and vertically to downstream products, and it is being used as a template for similar policies that are being implemented or considered in at least 11 other countries.[i] The impacts on U.S. manufacturers, including small- and medium-sized businesses, are poised to grow significantly.

These policies should confer new competitive benefits on American manufacturers. For the past six years, the Climate Leadership Council has documented the U.S. carbon advantage: the ability of U.S. firms to manufacture products with much lower greenhouse gas emissions than their global competitors in China, India, and even the EU. As a result, policies like the CBAM may confer benefits on the U.S. firms that have built the carbon advantage, affording them a more competitive position and larger market share.

Accordingly, it is critical that the EU gets the CBAM implementation right to ensure that U.S. firms can appropriately monetize their carbon advantage. We encourage USTR to support U.S. industries by engaging with the EU to address some of the early implementation challenges that have arisen with the CBAM. Specifically, as discussed in more detail below, we have the following recommendations:

- ***Implementation timelines:*** USTR should encourage the EU to ensure that any revisions or expansions of the CBAM only become effective after adequate time has been provided following the release of any regulatory guidance for affected businesses to develop compliance systems.

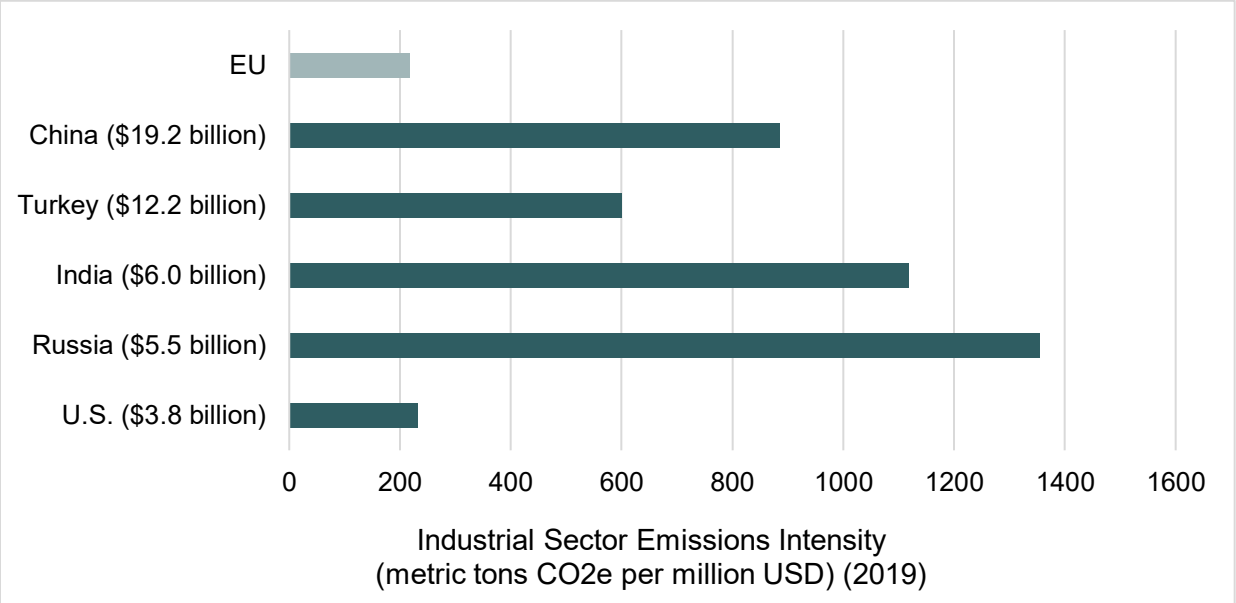
- ***Verification:*** USTR should ease the data reporting burden for U.S. firms by negotiating a mutual recognition agreement that would permit U.S. accreditors to accredit CBAM verifiers.

- ***Default values:*** USTR should demand that default values accurately reflect U.S. emissions performance supported by data that demonstrate the low average emissions intensity of U.S. manufacturers of covered products.

II. The American Carbon Advantage and the Implications of CBAM for U.S. Industry

The EU CBAM and other policies that incentivize lower-emissions production practices should generally benefit U.S. producers given the American carbon advantage. Economy-wide, manufacturers globally average more than twice the emissions of greenhouse gases to create the same dollar of value as manufacturers in the United States; emissions-intensive economies like China, India, and Russia emit 3–5 times the U.S. average.[ii] This carbon advantage is a consequence of three characteristics of the U.S. economy: it is more energy-efficient than rival economies, it has a cleaner electricity mix than rival economies, and its industries use a more carbon-efficient energy mix than competitors.

Figure 1. Emissions intensity of countries with the largest CBAM exposure by trade value (metric tons CO_2e per million USD)



Source: Phylleos, OECD, and author calculations.

The carbon advantage should provide U.S. manufacturers with a competitive advantage in the EU market over more emissions-intensive producers from other countries.[iii] U.S. manufacturers are more carbon-efficient, and their products should enter the EU with a lower CBAM cost burden than like products from other countries.[iv]

III. The Proposed Extension of the CBAM to Downstream Products

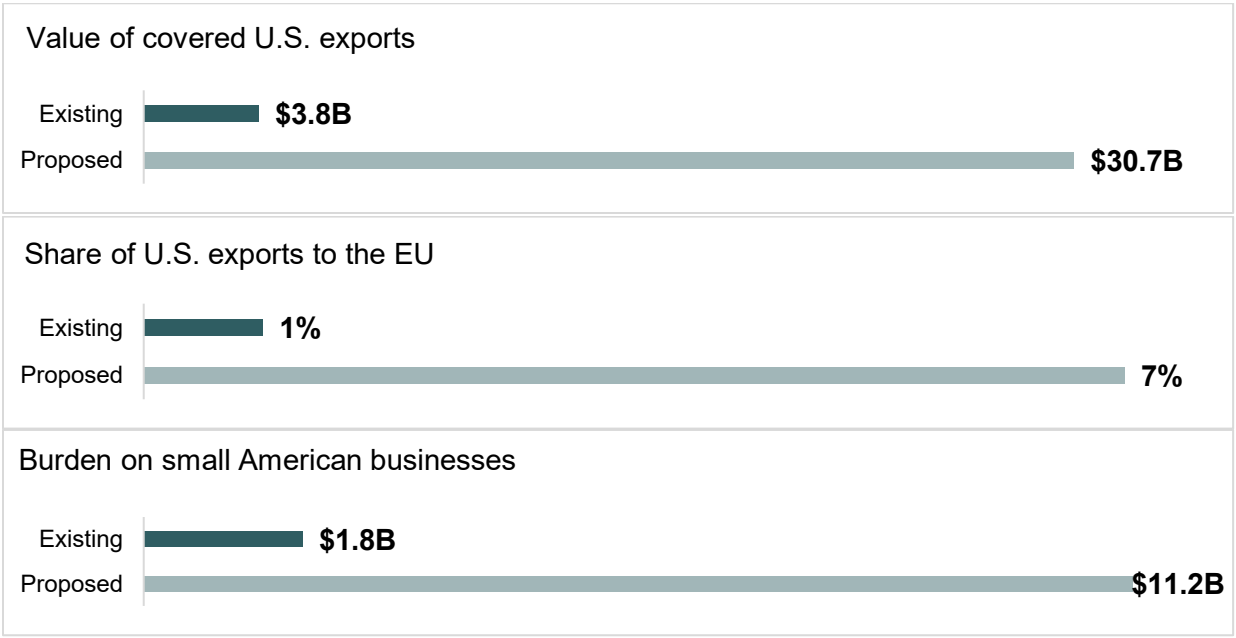
The EU was the first market to introduce a CBAM on traded goods. Its CBAM was initiated in October 2023 with a transitional period to begin collecting data and working through implementation issues. In January 2026, the compliance phase, or "definitive period," began; importers now must document the emissions embodied in imports of 567 products across six categories: iron and steel, aluminum, cement, fertilizers, hydrogen, and electricity.[v]

The CBAM legislation requires that the EU consider extending coverage to products further down the value chain. The European Commission (EC), Parliament, and Council have each offered proposals for an expanded product list to implement in January 2028. The most expansive of those proposals comes from the European Parliament, which has proposed 457 new goods categories for inclusion and applying CBAM charges to more, smaller shipments of aluminum (reducing the mass base threshold from 50 to 5 tonnes).[vi] This change would substantially increase U.S. exposure to the CBAM from $3.8 billion in bulk commodity exports today to $30.7 billion in exports of bulk commodities, semi-finished goods, machinery, and other products.

The proposed expansion should theoretically benefit more American manufacturers who enjoy a carbon advantage across these newly covered goods categories. Domestic steel and aluminum producers could also gain market share, as their low-emissions products will be increasingly attractive to downstream manufacturers, creating a dynamic similar to the application of the Section 232 tariffs on steel and aluminum to derivative products. The downstream extension of the CBAM will, however, impose significant monitoring, reporting, and verification burdens on more and smaller U.S. producers.

The expanded CBAM list disproportionately captures small- and medium-sized firms across the value chain. The proposed list of covered products would increase exposure for small businesses from $1.8 billion today to $11.2 billion under the Parliament's proposal.[vii] Smaller firms will have less familiarity with CBAM reporting requirements and fewer resources to satisfy the new data demands. USTR can play a role in ensuring that the EU regulations, and regulations in other markets considering these policies, are well designed and minimally burdensome, allowing American firms to monetize their carbon advantage.

Figure 2. Impacts of proposed CBAM expansion on U.S. exports and small businesses



Source: EC, U.S. Census Bureau, U.S. Small Business Administration, and author calculations.

IV. CBAMs in Additional Overseas Markets

The EU CBAM is the first of an emerging set of CBAM policies; global markets representing 30% of U.S. exports are considering CBAM-style policies on imports of industrial products. Early design details suggest that U.S. exposure to CBAMs may increase from $3.8 billion today to more than $45 billion in exported products by 2028. Table 1 summarizes some of the policies that are presently under development.

Additional policies are under consideration in markets that include Australia, Canada, India, and others. International forums, including the Open Coalition on Compliance Carbon Markets[viii] and the Integrated Forum on Climate Change and Trade,[ix] are providing education and discussion platforms for more markets to consider emissions reduction strategies that incorporate CBAMs or similar elements. The global market is increasingly pricing the emissions associated with traded goods, providing USTR an opportunity to shape these policies in favor of cleaner, American production.

Table 1. U.S. exposure to emerging CBAM-style policies

Policy	EU CBAM	Serbia Import Tax	United Kingdom CBAM	Norway CBAM	Taiwan CBAM	Japan GX-Surcharge	Turkey CBAM
Launch Date	January 2026	January 2026	January 2027	January 2027	Trial period, 2027	2028	Authorized, no date set
Covered Products	Iron & steel, aluminum, cement, fertilizers, hydrogen, electricity	Iron & steel, aluminum, cement, fertilizers	Iron & steel, aluminum, cement, fertilizers, hydrogen	Iron & steel, aluminum, cement, fertilizers, hydrogen, electricity	Iron & steel, cement	Fossil fuels	TBD*
Covered U.S. Exports, 2025 (million USD)	$3,872 ($30,670 under proposed expansion)	$3	$914	$106	$488	$11,953	$1,538

Source: CBAM Guide, U.S. Census Bureau, and author calculations.

*U.S. exposure estimate assumes similar product coverage to the EU CBAM.

V. Engaging the EU on CBAM: Examples from Other Markets

Other countries are already aggressively supporting their manufacturers by engaging with the EC on the CBAM. More than half a dozen major EU trading partners have begun high-level dialogues with the EU on CBAM implementation to protect their market share.[x] Other efforts by major manufacturing countries to respond to the CBAM include the following:

- China has converted its carbon pricing system to be more aligned with the EU's; this allows China to collect revenues that can then be credited against EU CBAM liabilities.[xi] To support compliance with CBAM data disclosure requirements, China is also making significant investments in the capacity of both firms and the government to determine product-level emissions intensity.[xii]

- Japan has issued emissions intensity calculation guidelines for some CBAM-covered products[xiii] and convened meetings on the CBAM between the EC and public and private sector representatives.[xiv]

- The Taiwanese Ministry of Environment and Ministry of Economic Affairs recently launched an International CBAM Service Platform to provide industries covered by

the CBAM with "support, including updates on rules, emissions calculations, carbon fee offsets as well as verification and certification services . . . ."[xv]

- South Korea is implementing 15 programs to help Korean companies "strengthen their carbon reduction capabilities, enhance competitiveness with foreign firms, and view the CBAM not as a regulation, but as an opportunity for growth."[xvi] The programs provide assistance to domestic manufacturers both in calculating, reporting, and verifying the embedded emissions of products exported to the EU, and in reducing their emissions intensity.[xvii] Korea has also created the International Cooperation Bureau, a new agency tasked with addressing the CBAM and other international environmental regulations.[xviii]

VI. Observations from Early Implementation of the EU CBAM and Recommendations for Action

To inform USTR's engagement with the EC on the design, implementation, and administration of the CBAM, we offer observations of three fundamental implementation issues that are burdening American firms. This is not a comprehensive distillation of all issues associated with CBAM implementation, but rather a triaged list of the issues most impacting American producers today.

a. Inadequate Implementation Timelines

The EC did not release the final regulatory guidance for the CBAM definitive period until two weeks before it began on January 1, 2026. Despite anticipating the policy for two years through the transitional period, importers and their suppliers were forced to digest approximately 5,000 pages of regulatory guidance for the CBAM (implementing and delegated acts and supporting materials),[xix] parse nontrivial differences between transitional period and definitive period requirements, and begin complying nearly immediately. This abrupt transition did not afford industry time to adapt; U.S. manufacturers report that trade and contracting with EU partners is still disrupted, nearly a year later. If this approach is repeated with future revisions of the CBAM, including the proposed expansion to downstream products, it will be exceedingly difficult for U.S. manufacturers to comply.

Recommendation: USTR should encourage the EC to ensure that any revisions to the CBAM, including the expansion to cover additional sectors or products, are implemented with adequate time for businesses to establish compliance systems before those revisions take effect.

b. Lack of Accredited Verifiers

U.S. manufacturers of covered products are well positioned to submit actual facility-specific emissions intensity data for the products they manufacture and ship to the EU.

American firms have complied with domestic emissions reporting requirements since 2010, and many have adopted voluntary standards to measure, report, and verify the emissions associated with their operations.

In practice, however, American firms cannot report actual data under the EU CBAM because of complications with the verification process. Actual data must be verified by a firm that has been accredited by an EU member state.[xx] To complete the verification process, manufacturers need to bring verifiers on-site to confirm reported emissions data from each facility at which they manufacture covered products. Given the rushed implementation of the definitive period, only five verifiers have been accredited to date, all of them established in the EU.[xxi] These firms do not have the capacity to cover the sheer volume of CBAM-covered imports to the EU or to conduct the mandatory site visits.

Due to the lack of verifiers, EU importers are reportedly assuming that imports will be subject to default values. American manufacturers are struggling to market their products in the EU and are unable to monetize their carbon advantage simply because they cannot access appropriate verification. This problem will be exacerbated with an expanded CBAM unless bottlenecks in accreditation and verification are suitably addressed.

The CBAM authorizes the EC to issue delegated acts providing for mutual recognition of accreditors.[xxii] The EC, however, has chosen to interpret this language to preclude mutual recognition of accreditors from outside the EU; only the national accreditation bodies (NABs) of EU member states may accredit CBAM verifiers, and only seven NABs have agreed to accredit verifiers outside the EU.[xxiii] This approach is unduly burdensome and will become more so if followed by the numerous other countries that are implementing or considering CBAMs.

Recommendation: USTR should pursue a mutual recognition agreement with the EU that would allow U.S. accreditors to accredit CBAM verifiers.[xxiv] This would expand the number of verifiers available to U.S. firms, expedite the verification process, and allow American manufacturers to build market share in the EU.

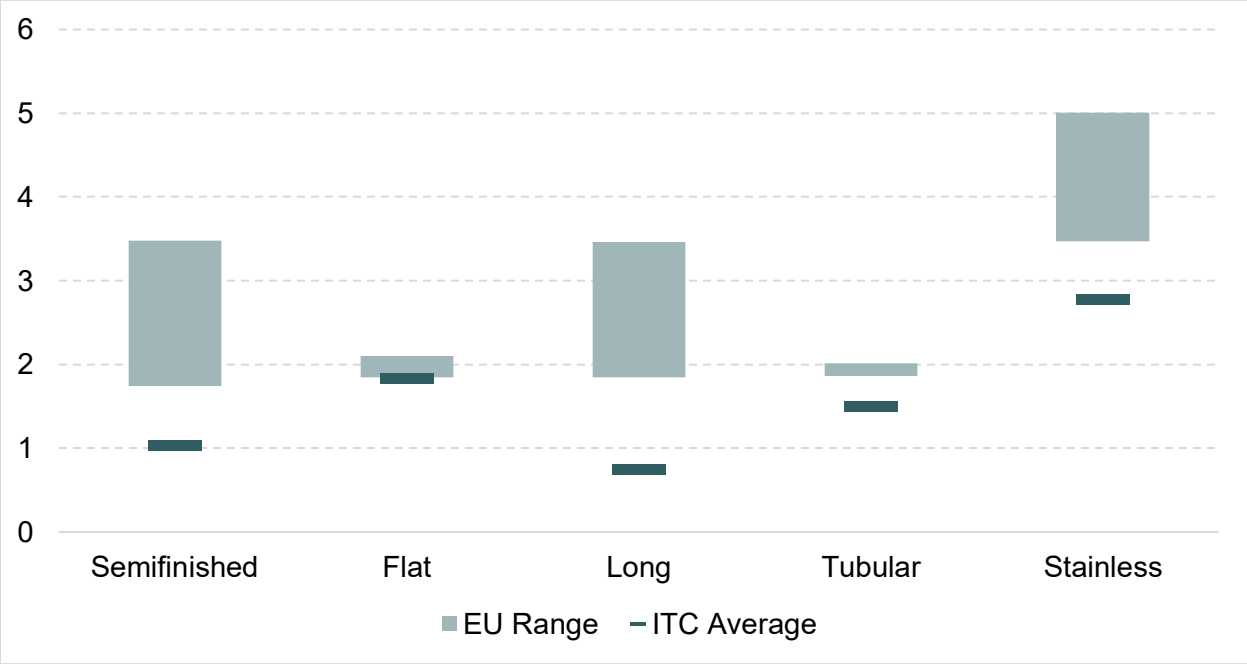
c. Inaccurate Default Values

Rather than reporting shipment-specific data on the emissions intensity of CBAM-covered products, importers can instead comply with their CBAM obligations using a default emissions intensity figure determined by the EC. The EC, however, assigned default values to some U.S. products, including steel, aluminum, and fertilizers, based on the highest-emitting production pathway.[xxv] These defaults are deliberately punitive and are inconsistent with the CBAM regulations, which require that default values be set at the average emissions intensity for a product in a given country.[xxvi]

The CBAM default values must be revised by the end of 2027 at the latest, providing USTR and American firms the opportunity to challenge the default values and ensure that they accurately reflect the U.S. carbon advantage.[xxvii] The CBAM states that the revisions should be "based on the most up-to-date and reliable information, including on the basis of information provided by [another] country . . ."[xxviii]

The United States has a strong data record to represent the carbon advantage. Most notably, the International Trade Commission (ITC) released a robust analysis detailing the emissions intensity of production for many CBAM-covered steel and aluminum goods. It relied on a robust methodology, including input from American manufacturers who submitted facility- and product-specific data. Prior analysis found that the EU methodology consistently overstated the emissions intensity of U.S. steel and aluminum products.[xxix] Figure 3 compares emissions intensity estimates for steel products from the U.S. ITC and the European Joint Research Centre, which underpin the CBAM defaults. In all cases, the ITC study found that U.S. manufacturers outperform the default figures from the CBAM.

Figure 3. Emissions intensity estimates for steel production, U.S. ITC vs. EU CBAM



Source: U.S. ITC, EU JRC, and author calculations.

The National Energy Technology Laboratory (NETL) is presently developing "a study to determine the average emissions intensity of certain [CBAM-covered] goods produced in the United States compared to those from other countries."[xxx] In a request for information related to the analysis, NETL solicited data from industry, academia, and

other stakeholders.[xxxi] This analysis will be a strong complement to the ITC steel and aluminum analysis.

USTR can help U.S. manufacturers in CBAM-covered sectors receive fair treatment under the CBAM by engaging with the EU to ensure that revised default values accurately reflect the low emissions intensity of U.S. production.

Recommendation: USTR should engage with the EC on the preparation of the revised default values by—

1. demanding that the default values reflect the production-weighted average emissions intensity rather than the highest-emitting production route, as required under the CBAM regulation, and

2. providing data demonstrating the low average emissions intensity of U.S. production, drawing from sources including the following:

- the U.S. ITC study on the greenhouse gas intensity of U.S. aluminum and steel production,[xxxii]
- the forthcoming (January 2027) congressionally directed study by NETL on the emissions intensity of CBAM-covered goods,[xxxiii] and
- additional data gathered from U.S. manufacturers in the relevant sectors.

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[i] *See Putting Climate Coalitions into Practice: A Common Framework for Balancing Competitiveness and Equity,* Global Climate Policy Project at Harvard and MIT (September 2026) (identifying 11 additional countries developing or considering CBAMs), https://ceepr.mit.edu/workingpaper/putting-climate-coalitions-to-practice/.

[ii] Catrina Rorke, Scott Nystrom, and Daniel Hoenig, *America's Carbon Advantage 2025* (March 18, 2025), https://clcouncil.org/publications/research/americas-carbon-advantage-2025/.

iii C. Johnson et al., Emerging Green Steel Markets Surrounding the EU Emissions Trading System and Carbon Border Adjustment Mechanism, Nature Communications Vol. 16, Article No. 9087 (2025), at 6 (under the CBAM the United States will be among the most competitive exporters of secondary steel to the EU), https://doi.org/10.1038/s41467-025-64440-9; Sandbag, CBAM Impact on US Trade: An Analysis (September 24, 2025), https://sandbag.be/2025/09/24/cbam-us-trade-impact; Emily Benson, Joseph Majkut, William Allan Reinsch, and Federico Steinberg, *Analyzing the European Union's Carbon Border Adjustment Mechanism,* Center for Strategic and International Studies (2023), https://www.csis.org/analysis/analyzing-european-unions-carbon-border-adjustment-mechanism; Elana Benaim, *What Does the EU's New Carbon Border Adjustment Mean for the US?* Third Way (2023) ("US industries will be well-positioned to lead the race to produce clean goods and can therefore reduce the carbon tax that they will have to pay at the European borders. In other terms, it is likely that US industries will have a competitive advantage in EU markets, once the CBAM will be implemented."), https://www.thirdway.org/blog/what-does-the-eus-new-carbon-border-adjustment-mean-for-the-us; Hubertus Meinecke, Tim Figures, Michael Engels, Thijs Elling, Karolina Telejko, Iacob Koch-Weser, and Juliana Bruwer, *How Technology Can Tame the EU Carbon Tax on Imports,* Boston Consulting Group (July 20, 2022), https://www.bcg.com/publications/2022/navigating-the-european-green-deal.

[iv] Daniel Hoenig, *Projecting CBAM Impacts on U.S. and Foreign Industry* (April 3, 2024), https://clcouncil.org/publications/blog/projecting-cbam-impacts/.
[v] Ulf Narloch, *CBAM CN Codes and Countries,* CO2 IQ (September 19, 2023), https://co2-iq.com/en/cbam-cn-codes-imports.
[vi] *Amendments adopted by the European Parliament on 15 September 2026 on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2023/956 as regards the extension of its scope to downstream goods and anti-circumvention measures, https://www.europarl.europa.eu/doceo/document/TA-10-2026-0276_EN.html.*
[vii] To calculate the impact on small businesses, we rely on several sources of data that include the EC's list of CBAM-covered products, the European Parliament's proposal for expanding CBAM coverage, the U.S. International Trade Commission's translator from tariff codes to North American Industrial Classification System codes, the Small Business Administration's definition of a "small business" across the sectors covered by the CBAM, and export and economic data from the U.S. Census.
[viii] Open Coalition on Compliance Carbon Markets, https://occcm.org/.
[ix] Integrated Forum on Climate Change and Trade, https://ifcct.org/.
[x] *See* European Commission, *Report from the Commission to the European Parliament and the Council on the application of the Regulation on the Carbon Border Adjustment Mechanism,* COM(2025) 783 final (December 16, 2025), para. 3.1:
CBAM-related dialogues were held under the EU-China High-Level Environment and Climate Dialogue, the EU-India Trade and Technology Council, the EU-Japan Green Alliance, the EU-Korea Green Partnership, the EU-Türkiye High-Level Dialogue on Trade, the EU-Türkiye High-Level Dialogue on Climate and the EU-Türkiye Customs Union Joint Committee . . . Several missions to partner countries were organised in close cooperation with the European External Action Service (EEAS) to specifically discuss implementation of the CBAM in partner countries (China, Egypt, India, Japan, South Africa, South Korea, Serbia, and Türkiye).
https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?qid=1767168823871&uri=CELEX%3A52025DC0783.
[xi] *See* Article 9 of Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism (Consolidated text as amended by Regulation (EU) 2025/2083) ("CBAM"), available at https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02023R0956-20251020.
[xii] Ilaria Mazzocco and Ray Cai, *The New Carbon Order: China's Response to Europe's CBAM,* Center for Strategic and International Studies (June 15, 2026), https://www.csis.org/analysis/new-carbon-order-chinas-response-europes-cbam.
[xiii] *See* IETA, *Evolution of Global Response to EU CBAM* at 16 (June 2025), https://www.ieta.org/news/ieta-launches-report-on-the-evolution-of-global-response-to-cbam.
[xiv] Tanabe Yasuo, *Japan Should Cooperate Constructively with the EU on CBAM,* RIETI (November 2023), https://www.rieti.go.jp/en/columns/a01_0739.html.
[xv] Esme Yeh and Wu Po-hsuan, *Online Platform Service Launched to Provide Support on EU Carbon Tariffs, Taipei Times* (April 4, 2026), https://www.taipeitimes.com/News/taiwan/archives/2026/04/04/2003855013.
[xvi] Korean Ministry of Climate, Energy, and Environment, press release, *Joint Briefing Session Held to Strengthen Response Capabilities in Preparation for the Full Implementation of the Carbon Border Adjustment Mechanism (CBAM)* (December 17, 2025), https://mcee.go.kr/eng/file/readDownloadFile.do?fileId=308278&fileSeq=1.
[xvii] Kim Dong-kyu, *Korean Government Launches 15 Support Programs to Help Enterprises Comply with EU's CBAM, Investment News* (February 20, 2026), https://ombudsman.kotra.or.kr/ik-en/bbs/i-5073/detail.do?ntt_sn=493232.
[xviii] Jung Da-hyun, *Gov't to Create Bureau to Handle Global Environmental Regulations*, *Korea Times* (February 6, 2025), https://www.koreatimes.co.kr/southkorea/society/20250206/korea-to-establish-new-bureau-for-global-environmental-regulations.

[xix] *Carbon Border Adjustment Mechanism – December 2025 Updates,* Sustashift, https://www.sustashift.com/articles/carbon-border-adjustment-mechanism---december-2025-updates.
[xx] *See* CBAM Regulation, Article 18.
[xxi] Accredited CBAM Verifiers: Country-by-Country Accreditation Status (October 23, 2026), https://cbamguide.com/compliance/accredited-verifiers/.
[xxii] CBAM Regulation, Article 18.
[xxiii] *See* European Commission, *Concept Note – CBAM Accreditation and Verification* at 3 (September 12, 2025) ("The CBAM Regulation requires that only EU national accreditation bodies (NAB) shall grant accreditation to perform verification services for CBAM. No specific process of mutual recognition of accreditation for CBAM or possibility for third-country to provide accreditation for the EU's CBAM is set out in the legislation."). *See also Commission Delegated Regulation 2025/2551 of 20 November 2025 supplementing Regulation (EU) 2023/956 of the European Parliament and of the Council by specifying the conditions for granting accreditation to verifiers, for the control and oversight of accredited verifiers, for the withdrawal of accreditation and for mutual recognition and peer evaluation of accreditation bodies*, https://eur-lex.europa.eu/eli/reg_del/2025/2551/oj/eng.
[xxiv] *See generally* Robert Basedow, *Carbon Border Adjustment Mechanisms and International Emission Verification: How to Leverage Unilateral and Mutual Recognition Instruments? Journal of International Economic Law* (September 2026), https://academic.oup.com/jiel/advance-article/doi/10.1093/jiel/jgag030/8836643.
[xxv] *See* Greg Bertelsen, *The EU CBAM's Rocky Debut—and Why the U.S. Should Lead the Next Phase*, Climate Leadership Council (January 28, 2026), https://clcouncil.org/blog/eu-cbam-debut/.
[xxvi] CBAM Regulation, Annex IV point 4.1.
[xxvii] CBAM Implementing Act on Default Values, recital 11.
[xxviii] CBAM Regulation, Annex IV point 4.
[xxix] Matthew C. Porterfield and Daniel Hoenig, *ITC Values as the Basis for CBAM Emissions Intensity Defaults: Positioning U.S. Steel and Aluminum for Better Outcomes under the CBAM* (April 2025), https://clcouncil.org/publications/research/itc-values-as-basis-for-cbam-emissions-intensity-defaults/.
[xxx] House Report 119-213, Energy and Water Development and Related Agencies Appropriations Bill, 2026 (July 21, 2025), https://www.congress.gov/committee-report/119th-congress/house-report/213/1.
[xxxi] Department of Energy National Energy Technology Laboratory, *Carbon Border Adjustment Mechanism Study RFI* (May 20, 2026), https://sam.gov/workspace/contract/opp/6446fe855c144bd6a822fca050d11e64/view.
[xxxii] U.S. International Trade Commission, *Greenhouse Gas Emissions Intensities of the U.S. Steel and Aluminum Industries at the Product Level* (February 2025) ("ITC report"), https://www.usitc.gov/publications/332/pub5584_0.pdf.
[xxxiii] *See* House Report 119-213, at 112, https://www.congress.gov/committee-report/119th-congress/house-report/213/1.