

# Vattenfall's views on the Omnibus I CBAM simplification proposals

## Policy Paper

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As business leaders and investors committed to Europe's fossil-free future, we support reducing administrative complexity while emphasising the importance of a coherent, predictable regulatory framework designed on the basis of impact assessments and full adherence to the Better Regulation principles is critical for achieving climate neutrality by 2050, ensuring EU competitiveness and enhancing energy security.

- Vattenfall welcomes the European Commission's legislative proposal to simplifying the Carbon Border Adjustment Mechanism (CBAM) framework, by totally exempting small and occasional importers, while also reducing the regulatory burden for the companies who remain in scope.
- At the same time, the proposal would benefit from being amended in the following ways:
  - A non-discriminatory treatment of all CBAM sectors is needed, hence a 'de-minimis' threshold should be applied to all products covered by CBAM, including electricity and hydrogen.
  - Import volumes should be calculated as an average (e.g. 3 years) when applying the thresholds, to avoid a cliff edge and instability about whether a company is regulated.
  - Practical measures should be put in place, so that a small mistake in the paperwork does not risk leading to goods being upheld on the quayside and delay construction.

### Background:

On February 26th, the European Commission tabled a legislative proposal on amending the Regulation (EU) 2023/956 with regards to simplifying and strengthening the EU's Carbon Border Adjustment Mechanism (CBAM). The initiative is a part of the Commission's strategy to strengthen the EU's competitiveness and promote sustainable growth based on the Clean Industrial Deal as well as a series of Omnibus initiatives aimed at reducing the administrative burden and regulatory complexity for European companies.

### Key messages :

We welcome the Commission's concrete proposals to significantly reduce the administrative burden for companies within the CBAM framework, for instance by exempting small importers, while also reducing the regulatory burden for the large importers who will still be in scope of CBAM compliance. According to the Commission's assessment based on data from the CBAM's transitional period (2023-2025), the proposed 'de-minimis' threshold of 50 tonnes mass per year will release around 90 % of the currently included companies from the CBAM obligations, while keeping nearly 99 % of the embedded CO<sub>2</sub> emissions in scope of the CBAM. From that, it is clear that the administrative burden outweighs the environmental benefit of keeping these small and occasional importers inside the CBAM's scope.

We are also positive towards many of the other simplification measures proposed by the Commission, including the possibility for authorised CBAM declarants to choose between using either default values or actual values

when calculating embedded emissions, the fact that electricity is being added to the list of CBAM goods for which only direct emissions are to be taken into account, as well as the change in the annual deadlines for submitting declarations and surrendering CBAM certificates.

Nonetheless, there are three key aspects of the legislative proposal which should be amended:

## **1. A de-minimis threshold should be applied also to electricity and hydrogen**

**Problem description:** While the European Commission is proposing a 'de-minimis' threshold aimed at exempting small and occasional importers, it is explicitly stated in the legislative proposal that this should be applicable to all CBAM sectors and products, apart from just two: electricity and hydrogen.

**Possible solution:** We call for a non-discriminatory treatment of all CBAM sectors, in line with the general principle that the regulatory burden must not outweigh the environmental benefit of keeping importers regulated by the CBAM. For that reason, a de-minimis threshold for exempting small importers of electricity and hydrogen is also justified. However, since it is not possible to measure electricity in terms of tonnes imported per year, a more suitable yardstick could be GWh.

## **2. Smooth the application of the exemption threshold so that it is not a cliff edge**

**Problem description:** If company expected to import 45t of CBAM goods in a year but there was a chance that it might import 51, it would then have to do all the CBAM data collection / reporting just in case. It might also have to buy CBAM certificates in a hurry just before the surrender deadline and hence pay a high price for the certificates.

**Possible solution:** A company should be exempted if their average CBAM imports over the previous [3] years are less than [50 tonnes]. This would allow more time for the importer to understand its CBAM obligations and would mean that an importer would not suddenly be regulated by CBAM just because they had a spike in CBAM imports slightly reaching over the threshold in just a single year.

## **3. Avoid the risk that CBAM goods become held up on the quayside by CBAM authorities, causing significant delays on construction of a large project**

**Problem description:** Imported steel for the foundations of an offshore wind farm may be held up by the authorities due to a mistake in the CBAM paperwork, causing a serious delay in the commencement of generation by the wind farm by six months from Autumn to Spring of the following year.

**Possible solution:** To manage this risk for time-critical CBAM goods, CBAM documentation pre-checking is needed and there should be an accelerated process to resolve paperwork mistakes.

Vattenfall is a European energy company with approximately 19,000 employees. For more than 100 years we have electrified industries, supplied energy to people's homes and modernized our way of living through innovation and cooperation. Our goal is to make fossil-free living possible within one generation. Everything we do and the decisions we take shall lead to this goal. This is the basis of Vattenfall's strategy, and we advocate for a regulatory environment that makes this transition possible - in the energy sector and beyond in transport, industry etc