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THE CBAM AFTER OMNIBUS I

An assessment of the simplification of the EU Carbon Border Adjustment Mechanism: design, rationale and environmental implications

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KEY MESSAGES

1 The Omnibus I simplification preserves CBAM's formal arithmetic: 10% of importers still cover ~99% of embedded emissions.

2 Two circumvention risks identified by the Commission itself, consignment splitting and downstream value-chain shifting, require close monitoring to protect the mechanism's environmental integrity.

3 A legislative response is underway: the Commission's December 2025 strengthening proposal and the Council's June 2026 general approach seek to close these channels; the net environmental outcome will depend on their adoption path and enforcement.

50 t	~90%	~99%	~180
new de minimis mass threshold per importer per year	of importers exempted (about 182,000, mostly SMEs)	of embedded emissions still covered by CBAM	downstream products proposed for inclusion by 2028

Key figures of the CBAM simplification. Sources: European Commission, DG TAXUD (2025); Council of the European Union (2026).

1 WHAT IS THE SIMPLIFICATION ABOUT?

The Carbon Border Adjustment Mechanism (CBAM), established by Regulation (EU) 2023/956, is the EU's flagship instrument against *carbon leakage*: it imposes a carbon price on imports of carbon-intensive goods (iron and steel, aluminium, cement, fertilisers, electricity and hydrogen) equivalent to what EU producers pay under the Emissions Trading System (ETS). At the forefront of the "Omnibus I" legislative initiatives package, the simplification measures are presented as being designed for the promotion and the deepening of CBAM's effectiveness in preventing carbon leakage while minimising the impact on small importers and exporters (SMEs) (European Commission, 2025a).

Regulation (EU) 2025/2083, adopted on 8 October 2025, changed both *who* is in scope and *how* to comply. Its centrepiece is the replacement of the previous EUR 150 per-consignment exemption with a single mass-based de minimis threshold of 50 tonnes of CBAM goods per importer per year, exempting roughly 90% of importers (approximately 182,000 firms, mostly SMEs) while retaining around 99% of embedded emissions in scope (European Parliament & Council of the European Union, 2025; European Commission, 2025a). The reform also delays the first sale of CBAM certificates to February 2027, moves the annual declaration deadline to 30 September, softens the quarterly certificate-holding rule from 80% to 50%, and harmonises the calculation and verification of embedded emissions with EU ETS boundaries. Table 1 summarises the changes.

Element	Regulation (EU) 2023/956 (original)	After Regulation (EU) 2025/2083 (Omnibus I)
Exemption	EUR 150 per-consignment de minimis	Single mass-based threshold: 50 t of CBAM goods per importer per year (not for electricity / hydrogen)
Who complies	Virtually all importers of covered goods	About 10% of importers, covering ~99% of embedded emissions
Declaration deadline	31 May of the following year	30 September of the following year

Certificate sales	From 1 January 2026	From 1 February 2027 (2026 liabilities priced on quarterly EU ETS averages; obligation retroactive)
Quarterly holding rule	80% of embedded emissions	50% of embedded emissions (from 2027)
Emissions calculation	Actual data; limited defaults	Harmonised methods aligned with EU ETS boundaries; conservative default values where actual data is absent

Table 1. The CBAM before and after the Omnibus I simplification.

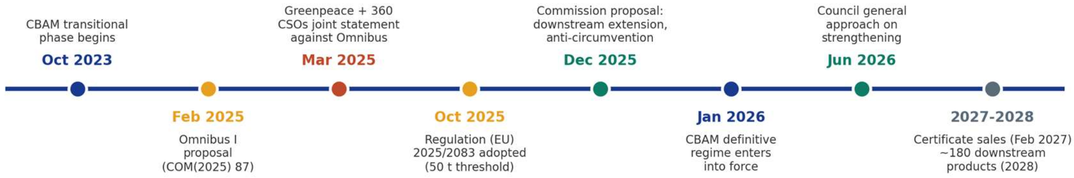

Figure 1. From simplification to re-strengthening: the CBAM Omnibus timeline (authors' elaboration).

2 WHY IS THIS SIMPLIFICATION JUSTIFIED, OR NOT?

The case for simplification is essentially one of proportionality. During the 2023-2025 transitional phase, thousands of occasional importers faced reporting obligations disproportionate to their carbon footprint: the exempted 90% of importers account for only around 1% of embedded emissions. A threshold that removes them while preserving “over 99% of emissions in scope” (European Commission, 2025a) arguably strengthens the mechanism by concentrating enforcement capacity where the carbon actually is. Understood this way, simplification is not a retreat from climate ambition but a condition for the CBAM to be administrable, credible and defensible internationally: the clean transition remains the EU's competitiveness strategy, and a workable carbon border instrument is one of its pillars.

The case against is both substantive and symbolic. In a joint statement of March 2025, Greenpeace European Unit, along with more than 360 civil society organisations, viewed the Omnibus I as a “disastrous” move that prioritises corporate profits over the protection of the planet and its living beings (Greenpeace, 2025). Beyond CBAM, the package erodes existing EU laws passed under the 2019 Green Deal, including the CSDDD, the CSRD and the Taxonomy Regulation, producing an over 80% reduction in company scope, transition plans without a binding obligation to act on them, the exclusion of environmental stakeholders, and maximum harmonisation that caps Member States' more ambitious national rules (Greenpeace, 2025; Merler, 2025). Even where the CBAM-specific changes are defensible in isolation, their packaging inside a deregulatory omnibus risks sending a market signal that rewards companies that drag their feet on the green transition. The benchmark articulated by the Commission itself, that simplification should go hand in hand with environmental integrity, offers the most useful test: on paper, the CBAM-specific measures largely meet it; in practice, the outcome hinges on how the circumvention risks documented in Section 4 are handled.

3 WHY THE SHIFT FROM THE GREEN DEAL COMMITMENT?

Three dynamics explain the Commission's pivot from the 2019-2024 Green Deal legislative wave to the 2025 simplification agenda. **First, a change in the political economy of climate policy:** the 2024 European elections strengthened the EPP and parties campaigning explicitly against "green red tape", and President von der Leyen's second-term political guidelines re-centred competitiveness as the Commission's organising priority.

Second, an intellectual reframing: the Draghi Report (2024) and the Competitiveness Compass (European Commission, 2025b) legitimised the argument that Europe's regulatory stock, and not only its energy costs, undermines industrial competitiveness, placing targeted simplification at the centre of the EU's industrial strategy. **Third, sustained pressure from industry coalitions** (notably steel, aluminium and chemicals federations) and from several Member States, channelled through the Antwerp Declaration and Council conclusions.

The result was not a formal renunciation of climate targets: the 2030 and 2050 goals remain, and the Clean Industrial Deal frames decarbonisation itself as the growth strategy. What changed is the instrument mix, with the same objectives pursued through lighter compliance machinery. The institutional line within the College, championed by the clean-transition portfolio, has been explicit and consistent: simplification is legitimate; deregulation is not. The CBAM reform is a test case for that distinction: the Commission proposed the closure of the circumvention channels documented below within months of their emergence, while civil society organisations have contested both the substance of the package and the balance of the preparatory consultations (Greenpeace, 2025).

4 POTENTIAL IMPACTS OF THE SIMPLIFICATION

4.1 Structural loopholes undermining carbon leakage prevention

The burden now falls onto exporters to justify their carbon production emissions when their products arrive at European harbours' doors. However, some companies, both European and international, have found ways to circumvent the newly introduced 50-tonne threshold. If the Omnibus package is framed and justified as an administrative relief measure by EU institutions, implementation has revealed two distinct and mutually reinforcing circumvention risks, both identified and flagged by the Commission itself, that could affect the environmental integrity of the CBAM if left unaddressed (Figure 2).

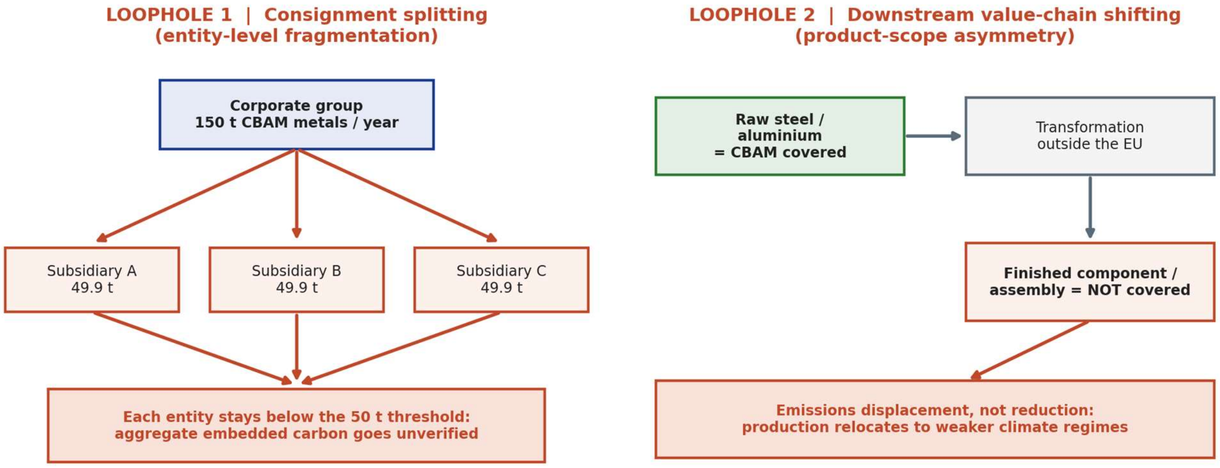

Figure 2. The two circumvention channels opened by the simplification (authors' elaboration).

The first loophole concerns the 50-tonne threshold under Regulation (EU) 2025/2083, which leads to a split import flow. Rather than functioning as intended, exempting small, occasional importers from disproportionate compliance costs, the threshold has instead incentivised large corporate groups to engage in *consignment splitting*. Metal imports illustrate this case: carbon-intensive imports are deliberately fragmented across separate legal subsidiaries, each structured to import fractional volumes that stay below 49.9 tonnes within one year. This allows entire corporate groups to legally avoid authorised declarant status and the associated certificate purchase obligations, even as their aggregate embedded emissions may be substantial. The European Commission has explicitly flagged this practice as a “circumvention strategy”: when volumes are spread thin across affiliated entities purely to preserve de minimis status, the real embedded carbon footprint of the underlying production goes unverified and effectively disappears from the EU's carbon pricing radar (European Commission, 2025c).

The second, and arguably more consequential, loophole stems from CBAM's narrow product scope, which applies only to raw and semi-finished materials such as raw steel and aluminium. Third-country manufacturers have identified that by performing even basic industrial transformation on these materials outside the EU border, converting raw metal into finished downstream components, they can export the final products into the EU market free of any CBAM obligation. This creates a structural “asymmetry” between covered and uncovered goods, generating a powerful economic incentive to relocate the manufacturing of finished goods away from comparatively energy-efficient EU facilities toward regions operating under weaker climate policy regimes. The resulting environmental impact is not emissions reduction but emissions *displacement*: carbon-intensive production is pushed further down the value chain into untaxed foreign electricity grids, achieving no net climate benefit while eroding the competitiveness rationale that underpins CBAM in the first place. In this scenario, the global atmosphere experiences the same emissions, just hidden behind gamed paperwork.

These two mechanisms have already triggered a legislative counter-reaction: in December 2025 the Commission proposed anti-avoidance provisions targeting entity-splitting behaviour and the extension of CBAM coverage to roughly 180 additional downstream metal-intensive product categories by 2028, a position the Council endorsed, with a refined product list and pre-consumer scrap added as a precursor, in its general approach of 12 June 2026 (European Commission, 2025c; Council of the European Union, 2026).

4.2 Environmental assessment: neutral-to-positive on paper, if calibration and enforcement hold

Set against these risks, the design of the simplification retains meaningful environmental safeguards. The new 50-tonne mass-based de minimis threshold exempts many small importers, but ~99% of embedded emissions remain covered, preserving the mechanism's climate ambition and keeping the *abatement signal* intact for the sources that drive almost all embedded emissions (European Parliament & Council of the European Union, 2025). Hydrogen and electricity are excluded from the exemption, which matters for environmental integrity in sectors with potentially large emissions.

Measurement, reporting and verification (MRV) is now tighter, and greener in effect. The Commission's December 2025 implementing acts align CBAM's system boundaries and calculation methods with the EU ETS, improving comparability and reducing loopholes; default values are deliberately set above benchmarks, intentionally “conservative”, nudging exporters to supply verified actual data or decarbonise the process to avoid paying the default charge, which raises the environmental incentive to improve data and cut emissions (European Commission, 2025c). The timing effect of the delayed certificate sales is likely temporary: surrender for 2026 imports occurs in 2027, which could delay cash outflows, but the obligation is retroactive and priced on 2026 EU ETS levels, so the cumulative environmental signal for 2026 remains largely intact.

Two further channels could even amplify global benefits. From 2027, the Commission may publish default carbon prices for third countries in the CBAM registry, strengthening declarants' ability to deduct verified carbon prices paid abroad: a design that rewards foreign carbon pricing and can encourage policy diffusion, provided default-price methodologies are conservative and transparent (European Parliament & Council of the European Union, 2025). And with independent evidence suggesting that trade-related leakage offsets roughly 13% of the emission reductions achieved by carbon pricing in sectors like steel and cement, a workable CBAM matters: simplification is meant to keep the mechanism usable without weakening this aim, in a global context where carbon pricing coverage and revenues are rising (World Bank, 2025).

ENVIRONMENTAL TAKE-AWAY

The likely net impact is neutral-to-positive: near-full emissions coverage is maintained, MRV is stronger and aligned with the ETS, defaults are conservative, and external carbon pricing may be recognised. The potential headwinds are precisely the loopholes of Section 4.1, entity splitting and downstream shifting, whose closure depends on methodological rigour and enforcement capacity. What to monitor next: default values and benchmark updates in 2026-2027; publication of third-country default carbon prices from 2027; the adoption path of the downstream-scope proposal; and leakage indicators in trade data as the CBAM registry matures.

4.3 Economic and trade impacts of the simplification

Beyond its environmental design, the CBAM is intended to level the playing field between EU and foreign producers while encouraging cleaner production abroad. Macroeconomically, it creates redistributive effects within the EU: while many Member States may gain competitiveness in domestic markets, some Central and Eastern European countries could experience sectoral losses, particularly in conventional power generation. The European Commission estimates a GDP reduction of 0.22% by 2030 compared to continued free allowances, alongside higher investment (+0.39%), lower consumption (-0.56%), and sectoral employment gains except in cement. Imports in covered sectors are expected to decline significantly, especially for fertilisers (-26%), cement (-15%), iron and steel (-12%) and aluminium (-4%). Inflationary pressures may also arise due to higher production costs (European Commission, 2021).

Externally, the countries most affected are those exporting large volumes of CBAM-covered goods to the EU, notably China, Türkiye, India, the United Kingdom and Russia. Türkiye and India are particularly vulnerable owing to the carbon intensity of production and the high share of exports directed to the EU. The UK is less exposed because of its own emissions trading system and closer carbon price alignment, while China's macroeconomic exposure remains limited given the small share of CBAM goods in its total exports (European Commission, 2021).

The CBAM may stimulate decarbonisation among trading partners by incentivising cleaner production and stronger climate policies. However, least developed countries could face disproportionate costs and reduced access to EU markets. Critics argue that the CBAM may impose undue burdens on developing economies and could redirect carbon-intensive goods toward non-EU markets without reducing global emissions. Geopolitically, the CBAM may be perceived as protectionist, though challenging it under World Trade Organization rules would be difficult, since it mirrors the domestic ETS carbon price; retaliatory trade measures remain possible but costly, and some countries may instead pursue negotiations or carbon-price alignment with the EU.

The simplification interacts directly with this trade picture. Approximately 182,000 importers, around 90-91% of the total, mainly small and medium-sized enterprises (SMEs), are exempt from CBAM registration and reporting obligations under the Omnibus I package. This drastically reduces compliance costs and bureaucratic hurdles for smaller traders, facilitating easier market access for foreign goods, particularly from non-EU SMEs. Overall, the CBAM combines climate and trade policy objectives: while it may slightly reduce EU GDP, it is expected to support investment, sectoral employment and carbon leakage reduction, with its long-term effectiveness depending on implementation, international cooperation and how revenues are used to support affected trading partners.

A SECOND TECHNICAL GAP: CARBON PRICING DISCREPANCIES

Importers can deduct the carbon price already paid in the country of origin. However, discrepancies in how "foreign carbon prices" are calculated, verified and recognised create significant legal uncertainty and scope for dispute. If a third country operates a weak or poorly enforced, non-equivalent carbon trading system, importers might still claim deductions, reducing the effectiveness of the CBAM (European Commission, 2025a).

5 ALTERNATIVE OPTIONS NOT TAKEN: GREEN LOBBY PROPOSALS

The simplification that was adopted is only one point in a wider option space. Before and during the Omnibus negotiations, environmental organisations and climate think tanks tabled alternatives that the co-legislators declined to pursue:

A | WITHDRAW OR DECOUPLE THE PACKAGE

The 360+ signatories of the March 2025 joint statement demanded the withdrawal of the Omnibus proposal altogether, arguing that burden reduction should never be bundled with the reopening of recently adopted Green Deal laws, which creates legal uncertainty and rewards laggards (Greenpeace, 2025).

B | A LOWER OR GROUP-LEVEL THRESHOLD

Rather than a 50-tonne exemption assessed per legal entity, climate-oriented stakeholders advocated a substantially lower threshold (industry itself, for different reasons, proposed 5 tonnes) and/or assessment at corporate-group level, which would have neutralised consignment splitting by design instead of relying on ex-post anti-circumvention enforcement (European Aluminium, 2026).

C | IMMEDIATE DOWNSTREAM EXTENSION AND EXPORT TREATMENT

Think tanks such as Sandbag and ERCST had long argued that the raw-materials-only scope was CBAM's main structural limitation, and proposed extending coverage to downstream products from the start of the definitive regime, not 2028, alongside a WTO-compatible solution for EU exports. The December 2025 strengthening proposal takes up this diagnosis; a swift adoption would shorten the transition window during which the asymmetry of Section 4.1 remains open (Council of the European Union, 2026).

D | REVENUE RECYCLING FOR CLIMATE FINANCE

Several proposals, academic and from civil society, called for channelling CBAM revenues to decarbonisation in exporting developing countries, converting the mechanism from a defensive border tool into an instrument of climate diplomacy and of a just transition beyond the EU's borders. The adopted framework instead directs revenues predominantly to the EU budget.

6 CONCLUSION AND POLICY RECOMMENDATIONS

The CBAM simplification preserves the mechanism's environmental arithmetic: 99% of embedded emissions remain covered by 10% of importers, with stronger, ETS-aligned monitoring and conservative default values. Its *behavioural* arithmetic requires continued vigilance: entity splitting and downstream shifting show how supply chains can reorganise around mass-based thresholds and product scopes. A legislative response is underway: the Commission's December 2025 strengthening proposal and the Council's June 2026 general approach are designed to close both channels. Whether a simpler CBAM also proves to be a stronger one will be determined by the speed of their adoption and the rigour of their enforcement, not by the simplification itself. The recommendations below identify the variables on which that outcome depends.

FOUR PRIORITIES FOR SAFEGUARDING THE ENVIRONMENTAL INTEGRITY OF THE SIMPLIFIED CBAM

1. Accelerate the downstream extension. Support a swift co-legislative adoption of the ~180 downstream product categories so that coverage can begin as early as feasible, narrowing the transition window.

2. Assess the 50 t threshold at corporate-group level. Neutralise consignment splitting by design, complementing the ex-post anti-avoidance powers agreed by the Council in June 2026.

3. Resource enforcement and the CBAM registry. Conservative defaults and ETS-aligned MRV only bite if verification capacity, data cross-checks with customs and penalties are adequately staffed and funded.

4. Use external recognition as climate diplomacy. Publish transparent, conservative third-country default carbon prices from 2027 and pair them with support for partner countries, so the CBAM drives carbon pricing diffusion and a just transition beyond the EU.

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