



**European Materials Handling Federation**

## **CBAM transition period**

### **FEM recommendations**

**30/09/2024**

The European materials handling industry manufactures technical equipment and systems delivering organisational solutions for complex production, storage and logistics requirements. One of the largest mechanical engineering sectors, it is an export-oriented industry and a world leader in various of its segments.

The manufacture of materials handling equipment requires substantial amounts of raw materials that fall under the scope of CBAM, such as steel and aluminium. The sourcing of these is diversified and our manufacturers typically have complex value chains with suppliers both on the EU market and outside.

Together with the gradual end of ETS free allocation, CBAM will have a major impact on European materials handling equipment manufacturers. The cost of key raw materials will increase substantially, creating a competitiveness gap with competitors from outside the EU, who already benefit from better raw materials prices and will not be impacted at all by CBAM. This will seriously hinder our companies' business, not only on external markets but also on the European market, where third-country players are already gaining ground at high speed. Whilst the EU is set to place competitiveness of its industry as a top priority of the next political cycle, CBAM is set to achieve the exact opposite result.

In addition to the impact on manufacturing costs, our companies must comply with yet again a new set of reporting obligations, including complex rules to calculate emissions embedded in imported goods. The first few months of experience with the current transition period have highlighted a number of issues to comply with those reporting requirements. Whilst FEM calls on the European Commission to devise a solution to address CBAM's broader impact on our companies' competitiveness, we recommend urgently implementing the following solutions to already alleviate the burden on reporting:

- Allow unrestricted use of default values to overcome unresolvable challenges to get emissions data from suppliers
- Encourage customs authorities to release data to importers
- Provide guidance on how to carry out the reporting
- Extend the grace period from one to two months
- Extend the reporting cycles from quarterly to biannual
- Simplify reporting templates

More generally, FEM would like to express its full support to all the [Orgalim's recommendations on the CBAM transition period](#).



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### **Our recommendations**

Nearly a year after CBAM started applying, our companies are faced with serious challenges to carry out their reporting obligations.

Companies operating with complex decentralised structures may struggle to get a detailed overview of the different kinds and quantities of CBAM goods imported at company level. National customs authorities could offer a helpful source of information there, but only some do agree to release data to importers.

#### **FEM recommendation**

=> Customs authorities should be encouraged to make CBAM-related data available to importers

A major issue lies in the difficulty to obtain emissions data from suppliers located outside the EU. The reasons for such difficulties are manifold: variety of sourcing, complexity of supply chains, suppliers' inability or reluctance to provide data because of ignorance or confidentiality... The burden rests on importers who struggle to receive the information and experience a lack of support to calculate embedded emissions.

National authorities may also recognise these difficulties and avoid disproportionately punishing companies that genuinely try to comply but are objectively prevented from doing so. Germany provides a good example of such a pragmatic approach. If CBAM notifiers are unable to report data on actual emissions, they must demonstrate that they have made every reasonable effort to obtain this data from their suppliers or manufacturers of CBAM goods. National implementing authorities have discretion when examining reports and may then accept default values when the notifier demonstrates that he has done everything possible to report the actual emissions or has comprehensibly justified that he has made every reasonable effort to report the actual emissions and that further steps to determine the actual data would have required a disproportionate amount of effort.

#### **FEM recommendations**

=> Unrestricted use of default values should be allowed, including after the transition period, to overcome unresolvable challenges to get emissions data from suppliers

=> National authorities should acknowledge notifiers' demonstrated inability to provide emissions data and accept default values accordingly

In addition to the difficulty of obtaining embedded emissions data, the actual reporting process, tools and framework present additional complexities that our companies are struggling to navigate. It is complicated to manage the transitional registry. CBAM templates are neither easy to understand nor to complete. It is impossible for companies to upload the xml file from their ERP systems. Moreover, although reporters are dependent on installation operators to report good quality data, current instruction is limited to a certain group of installation operators, which operators have no direct



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communication with. Without clear instructions for different supplier levels, data received from suppliers tends to be insufficient, resulting in inaccurate pricing work. All of this makes it cumbersome and time-consuming for companies to carry out the actual reporting. It is therefore necessary to simplify the process, provide companies with support and tools, and adapt the timing.

### **FEM recommendations**

=> Increase the grace period from one to two months

=> Extend the reporting period from quarterly to biannual

=> Simplify reporting templates

=> Provide guidance on how to carry out the reporting for both reporters and installation operators

Finally, and although not specific to the transition period, CBAM is expected to have a serious impact on our industry's competitiveness. As major downstream users of CBAM goods, materials handling equipment manufacturers will inevitably see their production costs increasing, putting them at a competitiveness disadvantage compared to their non-EU competitors. The exact magnitude of such an impact is uncertain and it would be useful to assess how CBAM will affect business. This should bring conclusions how to offset this impact on the competitiveness of these companies.

### **FEM recommendations**

=> Assess CBA'sM impact on the competitiveness of EU downstream users

=> Propose measures to offset CBAM's impact on the competitiveness of EU downstream users

### **About FEM**

FEM has represented European manufacturers of materials handling, lifting and storage equipment since it was founded in 1953. One of the largest mechanical engineering sectors, the European materials handling industry employs nearly 300,000 people and generates more than €60bn annual turnover.

More information: [www.fem-eur.com](http://www.fem-eur.com)