

European Commission
President Ursula von der Leyen

Rue de la Loi / Wetstraat 200
1049 Brussels, Belgium

Urgent Concern: Impact of CBAM on European Small and Medium-Sized Enterprises

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Dear Ms von der Leyen,

We would like to ask for your attention and hearing on an urgent matter. A currently unforeseeable number of European jobs in small and medium-sized enterprises and, to the same extent, the enterprises themselves are in great danger of being lost.

The European Green Deal and Fit for 55 are noble goals that are to be implemented in record time. The associated tools, such as the EU Emission Trading System, the Waste Shipment Regulation, REPowerEU, the Net Zero Industry Act, the European Critical Raw Material Act or the Carbon Border Adjustment Mechanism CBAM, pose ever new challenges not only to the large European corporations, which are, however, cushioned by generous subsidies from the European Union and the member states.

In contrast, small and medium-sized enterprises and their employees are left alone to deal with the necessary investments and the growing administrative and bureaucratic burden of the European Green Deal.

In particular, the introduction of CBAM from October 2023 and the drafts now published by the Directorate-General for Taxation and Customs Union are intended to create a bureaucratic monster that will make the German tax system feel like a summer walk.

No less than 220 fields to be filled in the CBAM declaration and no less than 130 of them mandatory. In addition, European companies will have to provide all supporting documents on the CO2 emissions of the respective manufacturers. Threatening penalties and an incomprehensible set of rules for which there is not even an IT infrastructure, sufficient staff or an interface to all 27 customs authorities of the member states are already leaving many companies in despair. Different calculation systems and an unmanageable mass of CO2 data make everything even more complicated. There is neither an input mask nor a calculation scheme that can be used by everyone. Until the beginning of June 2023, there was not even any binding financing for CBAM.

How small and medium-sized enterprises, which are urgently dependent on imports from non-European countries, are supposed to set up something in barely three months and finally report it from January 2024, which even the European Commission has not managed to do since the first CBAM draft in 2021, brings unrest and uncertainty to the already beleaguered European economy and will cost jobs, companies, and livelihoods.

According to the EU's Access2Markets tool, more than 1.6 billion tonnes of goods were imported from non-EU countries in 2022. Of these, more than 63 million tonnes of steel and iron products alone, almost 11 million tonnes of aluminium, over 10 million tonnes of cement and almost 18 million tonnes of fertiliser.

Only German customs cleared more than 149 million imports for free circulation in 2022. A large part is likely to come from small and medium-sized enterprises, which form the backbone not only of the German economy, but of the entire European economy.

99.4% of all German companies, more than 2.5 million, are considered SMEs, as a former German federal minister you know that better than we do. Just 16,000 of them are large enterprises. These 2.5 million SMEs are compared to not even 3,000 installations that are currently obliged to report CO2 emissions. The companies belonging to them are mostly large corporations. Corporations that have decades of experience in reporting CO2 emissions and have received several billion euros in surplus free ETS allowances as payment for doing so. The picture is unlikely to be much different across the European Union.

More than 23 million companies in the European Union are classified as small and medium-sized enterprises. These companies already face enormous challenges. And now, in addition to a CBAM declaration for each import, which represents an immense effort for each declaration, the CO2 data of non-European companies are also to be included. How this is to be done in less than three months is something that we and 23 million other companies and their employees would like to know.

The recently published draft of the CBAM Implementing Regulation also states:

"The reporting requirements should be limited to what is necessary to minimise the burden on importers in the transitional period and facilitate the smooth roll-out of the CBAM declaration requirements after the transitional period."

Unfortunately, the CBAM draft and its annexes already show that it is equivalent to, if not more demanding than, the effort required to prepare the annual financial statements of a medium-sized limited liability company.

The picture that emerges gives the impression that the Informal Expert Group (CBAM) is to be composed exclusively of representatives of the interests of domestic large-scale industry. The large number of importing and exporting small and medium-sized enterprises was and is rejected on flimsy grounds.

Thus, another lobbyist group is being created, which has nothing else in mind than to ban urgently needed imports even further from the European economic area. Imports, mind you, on which the middle class is urgently dependent. The very SMEs that are already suffering from massive supply chain problems due to the pandemic and the war in Ukraine.

And which, with the introduction of CBAM, could reach proportions that will cause unprecedented chaos at the slightest difficulty. We would just like to recall the often-invoked spirit of the EU Safeguard measure on certain steel products, and the repeated emphasis on preserving traditional trade flows. CBAM in its current form will destroy these traditional trade flows.

Dear Commission President, please address this matter as soon as possible, otherwise an economic and job-destroying disaster will become a reality in no time.

Your sincerely

Thorsten Gerber