European Foundry Federation

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Position paper
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The foundry sector and the CBAM downstream-extension proposal (amending Regulation (EU) 2023/956; Commission proposal COM(2025)0989 — procedure 2025/0419(COD))

Position in brief

The foundry sector supports the objective of the Carbon Border Adjustment Mechanism (CBAM) — preventing carbon leakage and protecting industry that decarbonises under a carbon price. However, as currently designed, the mechanism penalizes the sector on both sides: it raises the cost of essential imported inputs for which there is not sufficient EU production, while leaving most imported finished foundry products outside the mechanism. The likely result is relocation of production outside the EU and an increase in global CO_2 emissions— contrary to the purpose of Regulation (EU) 2023/956.

We ask the co-legislators to:

1. Extend the CBAM scope to the remaining categories of foundry products.
2. Exclude or otherwise neutralise its cost for essential imported inputs with negligible EU production.
3. Correct the Temporary Decarbonisation Fund's eligibility criterion so that broadened eligibility actually reaches foundries.
4. Ensure CBAM–ETS coherence, including on free allocation for mixed-production plants (in the ETS review) and on export exposure.

The position in detail

1. A methodological problem at the root: customs-code (CN) classification misrepresents the foundry sector

The Commission assesses carbon-leakage risk — and therefore which goods to include in the CBAM — on the basis of trade flows, i.e. of Combined Nomenclature codes. **This methodology is structurally unreliable for the foundry sector.**

Foundries work mainly to customer specification, producing components whose geometry, alloy and performance are defined by the customer.

The manufactured goods produced cannot be traced back to a unique product category of the sector, but are classified, from time to time, according to the metal alloy used and/or the end use of the product (e.g., "pump components"). This leads to their inclusion

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in Common Customs Tariff headings often shared with products belonging to other manufacturing sectors and made with different materials, significantly reducing the representativeness of the data used for the purpose of assessing the risk of carbon leakage.

Trade data associated with such headings are consequently a poor indicator of the foundry goods contained therein, and any risk assessment based on them is distorted.

This flaw underlies both the under-coverage of foundry products (section 2) and the sector's exclusion from access to the Temporary Decarbonisation Fund (section 4).

2. Under-coverage of imported foundry products

Of the 58 categories of foundry goods proposed for inclusion so that imported finished products face the same carbon cost as EU output, only 17 were retained in the ENVI position of 6 July, leaving **41 uncovered** (see annex 1). European foundries are thereby left competing against third-country products that carry no CBAM cost — unfair competition the mechanism exists to prevent.

Both the Council (which added some 200 further metal-intensive products to the Commission's initial list) and the Parliament are moving towards broader downstream coverage. Extending the scope to the remaining foundry categories is therefore consistent with the direction of the file and with the environmental integrity of the CBAM.

> **Request 1: extend the CBAM scope to the remaining 41 foundry products listed in annex 1.**

3. Essential imported raw materials with no meaningful EU production

Foundries depend on certain CBAM-subject inputs — low-phosphorus pig iron and the ferro-alloys ferro-chrome, ferro-manganese and ferro-nickel — for which EU production is far from being sufficient and the import dependency is near total.

This fact is decisive. The CBAM works by equalising the carbon cost between an EU producer paying the ETS price and an importer, so that production does not relocate. That logic only applies where there is EU production to protect. Because there is no meaningful EU production of these inputs, applying the CBAM to them protects no European producer and cannot prevent any carbon leakage — there is no domestic production that could relocate. It merely raises the input costs of EU foundries — by an estimated **€80 million per year** relative to third-country foundries that source the same inputs without any CBAM cost. Far from preventing carbon leakage, it therefore *increases* the risk that the foundry production itself will relocate outside the EU, directly contrary to the purpose of Regulation (EU) 2023/956.

Excluding these inputs is thus not a loophole but a correction that keeps the mechanism faithful to its own objective.

> **Request 2: exclude from the CBAM — or otherwise neutralise its cost for — essential inputs (low-phosphorus pig iron and the ferro-alloys ferro-chrome,**

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ferro-manganese and ferro-nickel) with negligible EU production. Where a full exclusion is not achievable, a targeted alternative should be provided that preserves the mechanism's integrity, e.g. allowing access to compensation mechanisms such as the Temporary Decarbonisation Fund to all foundry products (whether exported or destined for the internal market) generated starting from such inputs.

4. The Temporary Decarbonisation Fund remains inaccessible in practice

The ENVI position on the proposal for a regulation establishing the Temporary Decarbonisation Fund – COM(2025) 990 – expanded eligibility for the Temporary decarbonization Fund to downstream operators using CBAM-covered products and brought forward the fund's operation to 2027-2029 — a welcome step. However, with the exception of a very small number of plants, the sector is effectively excluded from this mechanism.

With reference to nominal/de jure eligibility the sector is excluded because almost all European foundries — with the exception of about 21 plants — fall outside the ETS obligations of Directive 2003/87/EC, and very few foundry products appear in the annex of goods eligible for the fund.

With reference to the opt-in mechanism, the sector is excluded for the reasons explained previously regarding the classification of goods via customs codes, as the value/weight ratio does not allow for a correct assessment of foundry products. The eligibility criterion based on the value/weight ratio loses representativeness when applied to customs codes that encompass heterogeneous groups of goods. Where a code aggregates cast iron products with a low value/weight ratio with high-value and high-tech goods, the criterion systematically misclassifies foundry production, effectively excluding it.

A clear example is CN code **8708 30 91** (components for disc brakes). Eurostat data for the 2020-2025 period show an average value/weight ratio of approximately **€7-9/kg** for that code. Cast iron brake discs produced by foundries have an actual ratio of approximately **€1-2/kg**. The gap stems from the fact that code 8708 30 91 does not specifically identify cast iron discs: it aggregates a wide range of brake components, including high-tech pieces with integrated sensors and electronics. Any indicator calculated on such an aggregate is therefore not representative of foundry production.

Request 3: correct the fund's eligibility criterion so that it reflects material-specific realities rather than distorted CN aggregates, ensuring that the broadened eligibility the Parliament has voted actually reaches the foundry sector.

5. ETS free allocation and the export side

Two related concerns fall partly outside this file but must be raised for coherence:

- **Free allocation for mixed-production plants.** A non-disproportionate reduction of ETS free allocation for installations with mixed production — rather than its abrupt removal — is essential to the sector, but this is properly a matter for the

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forthcoming ETS review, where the Parliament has already directed related questions. The CBAM and ETS files should be kept coherent.

- **Export exposure.** The CBAM protects the home market but, without the Temporary Decarbonisation Fund coverage (for the reasons explained in section 4), it offers no protection for foundry exports to third-country markets, where the progressive loss of ETS free allocation leaves EU producers at a disadvantage against producers facing no carbon cost. For a sector that is highly export-oriented and composed of SMEs, this is a substantial gap that any comprehensive carbon leakage assessment should address and for which one possible corrective action is to revise the Temporary Decarbonisation Fund access criteria so as to also ensure sector coverage.

6. What is at stake

The foundry sector is a pillar of European manufacturing: an annual turnover of around **€31 billion**, over **2,300 companies** (mostly SMEs), some **138,000 skilled workers**, and third place globally. By penalising the sector on inputs and under-protecting it on outputs, the current CBAM structure would deliver no environmental benefit; it would drive production abroad and raise global emissions, contrary to the very purpose of Regulation (EU) 2023/956.

Summary of requests

1. **Extend the CBAM scope to the remaining requested foundry products.**
2. **Exclude — or otherwise neutralise the CBAM cost of — essential imported inputs with negligible EU production.**
3. **Correct the Temporary Decarbonisation Fund's eligibility criterion so that broadened eligibility reaches foundries in practice.**
4. **Ensure CBAM–ETS coherence, including on free allocation for mixed-production plants (in the ETS review) and on export exposure.**

Contact

EFF - European Foundry Federation remains at the co-legislators' disposal for technical clarification, supporting data, or an institutional meeting.

Annexes:

- Annex 1 – list of the remaining codes not included in ENVI position of 6 July

About the European Foundry Federation

EFF is the voice of the European foundry industry, bringing together 20 national foundry associations across Europe (16 from EU Member States and 4 from non-EU countries). It represents around **2,330** foundries, employing nearly **138,000** people and generating an annual turnover of approximately €31 billion. Foundries supply essential cast components to virtually every manufacturing sector, including automotive, mechanical engineering, construction and electrical engineering, making them a cornerstone of Europe's industrial value chains. Further information at eff-eu.org/ and LinkedIn EFF.

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