



European Metals' position paper on the establishment of a Temporary Decarbonisation Fund

16 March 2026

As EU climate policies are operationalised against the backdrop of growing geopolitical uncertainty, **Europe stands at a crossroad in 2026**, making it essential that these policies reflect the economic realities faced by European industries.

One of the most pressing of these realities is the exposure of energy-intensive industries to **high energy and carbon costs**, which is increasingly undermining their global competitiveness and leading to more carbon leakage. This is further exacerbated by the absence of comparable carbon measures in other parts of the world and lack of reciprocity from international partners.

With the entry into force of the definitive CBAM period and the planned review of the EU ETS, energy-intensive industries must be equipped with the necessary tools to decarbonise in a cost-competitive manner. **An export solution under CBAM has long been among the most critical missing tools to achieve this.**

The Temporary Decarbonisation Fund is intended to bridge the gap until such a long-term export solution is in place and to compensate the EU industry for carbon leakage already occurring vis-à-vis export markets.

Yet, as currently designed, the Fund falls short of doing so. Targeted adjustments are therefore necessary so that the Fund provides the necessary level playing field to European industry in a **timely** and **meaningful** way.

We therefore urge policymakers to take the following recommendations into account during the forthcoming negotiations:

- 1. Expand the scope to additional installations and products**, in particular non-ETS installations that are nevertheless impacted by CBAM, as well as key aluminium products falling below the 30% trade intensity threshold and therefore excluded from the scope of the Fund.
- 2. Align the Fund's timeline with industry needs**, to ensure a clear and predictable application process and to advance payments as much as possible, so that support is provided closer to the compliance costs incurred in 2026-2027.
- 3. Ensure funding matches the scale of the industry challenges**, by exploring options to allocate additional resources under the Fund, including the possibility for Member States to implement a top-up mechanism for goods and installations in scope.



1. Expand the scope to additional installations and products

While the list of products covered by the Commission's proposal – whether included in the Annex to the Regulation or defined through the 'opt-in mechanism' provided for in Article 6(2) and (3) – constitutes a positive starting point, the Fund presents **three significant shortcomings** in its current scope.

1.1. Exclusion of certain aluminium products from the Annex

The set of criteria chosen by the EC to draw up the list in the Annex (trade-intensity above 30%) leaves outside the scope of the Fund important aluminium products which are covered by both CBAM and ETS and are at risk of carbon leakage. Therefore, **the list in the Annex should be amended to include CN Codes 7606 and 7607 in their entirety** (AM 4).

1.2. Limitations of the opt-in mechanism in Art 6(2) and (3)

We support the introduction of an opt-in mechanism as an important feature to allow Member States some flexibility to extend the scope of the Fund to additional products based on national circumstances. However, in its current design, the mechanism appears effective mainly for a limited range of cement-based products.

Targeted adjustments to Art. 6 can address this limitation. Specifically, the two eligibility conditions in point 2 i.e., low ratio of value to weight and heightened remaining risk of carbon leakage at the national level, should not be treated cumulatively i.e., **the high risk of carbon leakage should constitute a standalone requirement for products to qualify for the opt-in**.

This edit would allow additional non-ferrous metal-based products that face a heightened risk of carbon leakage at national level to be included in scope of the Fund. Additionally, it would also enable operators of installations not covered by the ETS Directive – but still at risk of carbon leakage – to be eligible for support (*see next point*) (AM 2).

1.3. Insufficient consideration of CBAM impacts and of rising raw material costs on producers of downstream CBAM goods from primary metals

The proposal emphasises the need to compensate in particular ETS-covered installations – especially in light of the phase-out of free allowances. While this focus is understandable, it does not account for the carbon leakage risks present across the wider value chain, particularly for export-oriented downstream installations that produce downstream CBAM goods from primary metals and that are not covered by the ETS.



This issue is particularly evident in the aluminium value chain. European primary aluminium installations – subject to the ETS – are price takers on global markets, with aluminium prices determined on the London Metal Exchange (LME) and based on global supply and demand.

Downstream aluminium producers – the majority of which are not subject to ETS – will face increasing exposure to rising metal input costs, which they must bear in addition to the impact of increased ETS carbon costs resulting from the phase out of free allocation.

Although CBAM is intended to raise the carbon cost of imports, it will unintentionally increase metal input costs for all downstream producers in Europe. Meanwhile, non-European producers could adjust their raw material inputs and production costs to avoid the border charge and undercut European aluminium producers.

In light of the above, these downstream sectors must be fully compensated for the additional costs resulting from the combined impact of EU climate legislation and rising metal costs. Pricing them out of global markets provides no climate benefit and would, in fact, harm the European decarbonisation efforts and economy. Therefore, and **to reflect these sector-specific realities, the Fund should take into account the impact of rising raw material costs and be extended to cover additional installations not subject to the EU ETS (AM1,3).**

To ensure the Fund remains robust and effective with its expanded scope, policymakers should explore opportunities for allocating additional resources under the Fund (see *Section 3 of this paper for details*).

Draft proposal	Amendment
AM 1: Recital 12	
<p><i>(12) The Fund should in particular contribute to the decarbonisation objective by providing support to operators of EU-ETS installations which produce goods exposed to the highest remaining risk of carbon leakage in the short term. Those goods should be selected taking into account both their emissions and carbon leakage exposure, using the approach followed to determine the carbon leakage list for the EU-ETS as a starting point and targeting the measure to those goods which remain most at risk of carbon leakage based on an objective indicator.</i></p>	<p><i>(12) The Fund should in particular contribute to the decarbonisation objective by providing support to operators of EU-ETS installations which produce goods exposed to the highest remaining risk of carbon leakage in the short term. Those goods should be selected taking into account both their emissions and carbon leakage exposure, using the approach followed to determine the carbon leakage list for the EU-ETS as a starting point and targeting the measure to those goods which remain most at risk of carbon leakage based on an objective indicator. Installations not covered by Directive 2003/87 but incurring</i></p>



	<i>costs resulting from the application of Regulation (EU) 2023/956 and thereby exposed to a heightened risk of carbon leakage should also be eligible for support under the Fund.</i>
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Draft proposal	Amendment
AM 2: Recital 13	
<p><i>(13) The risk exposure of goods with a low ratio of value to weight might differ significantly between Member States. To account for the specific characteristics of goods with a low ratio of value to weight with regards to the remaining risk of carbon leakage, an opt-in mechanism should be established. While the goods set out in the Annex demonstrate a particularly high Union-wide exposure, this opt-in mechanism should consider national circumstances. There should be an opt-in mechanism to allow Member States to subject certain Combined Nomenclature codes ('CN codes') in accordance with Council Regulation (EEC) No 2658/87 19 to the proposed measure provided that they can demonstrate that the selection criteria that were used for defining the goods set out in the Annex to this Regulation are met at the national level.</i></p>	<p><i>(13) The risk exposure of goods, including but not limited to those with a low ratio of value to weight, might differ significantly between Member States. To account for the specific characteristics of such goods with a low ratio of value to weight with regards to the remaining risk of carbon leakage, an opt-in mechanism should be established. While the goods set out in the Annex demonstrate a particularly high Union-wide exposure, this opt-in mechanism should consider national circumstances. There should be an opt-in mechanism to allow Member States to subject certain Combined Nomenclature codes ('CN codes') in accordance with Council Regulation (EEC) No 2658/87 19 to the proposed measure provided that they can demonstrate that the selection criteria that were used for defining the goods set out in the Annex to this Regulation are met at the national level.</i></p>

Draft proposal	Amendment
AM 3: Article 6 (2)	
<p><i>(2) The operator of an installation producing goods not listed in the Annex, which have a low ratio of value to weight and are subject to a heightened remaining risk of</i></p>	<p><i>(2) The operator of an installation, including but not limited to those within the scope of Directive 2003/87, producing goods not listed in the Annex, which have a low ratio of</i></p>



carbon leakage at national level as defined in the delegated act adopted in accordance with paragraph 3, shall, upon decision of the Commission following a reasoned request of a Member State, be eligible to receive financial support in accordance with Article 9 and be subject to the conditions set out in Article 7.

value to weight ~~and~~ **or** are subject to a heightened remaining risk of carbon leakage at national level as defined in the delegated act adopted in accordance with paragraph 3, shall, upon decision of the Commission following a reasoned request of a Member State, be eligible to receive financial support in accordance with Article 9 and be subject to the conditions set out in Article 7.

Draft proposal		Amendment	
AM 4: Annex (First table)			
Aluminium			
CN Code	Description	CN Code	Description
[...]		[...]	(new)
		7606	<p>Aluminium plates, sheets and strip, of a thickness exceeding 0,2 mm:</p> <p><i>*To be added in its entirety</i></p>
		7607	<p>Aluminium foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials) of a thickness (excluding any backing) not exceeding 0,2 mm:</p> <p><i>*To be added in its entirety</i></p>



2. Align the Fund's timeline with industry needs

Articles 8, 10, and 11 set out the implementation timeline for the Fund. While we recognise the administrative constraints involved in allocating and disbursing funding, the current timeline could be improved to ensure that support is delivered in a timely manner. We therefore suggest the following **three adjustments**.

2.1. Introduce an appeal and clarification process

The Regulation should provide for a formal process enabling national competent authorities to request missing documentation or clarifications from applicants where necessary. In fact, given the complexity of the data required, the absence of certain documentation must not automatically result in exclusion from the process. This process should take place between 31 March 2028 (the deadline for operators to submit applications) and 31 June 2028 (the deadline for national competent authorities to transmit the list of eligible applications and installations to the Commission) (*AM 5*).

2.2. Establish a clear timeline for the Commission's actions

While strict deadlines apply to both national competent authorities and installation operators, the proposal does not set out any deadline for the actions to be taken by the Commission under Article 10(1), notably the review of the list submitted by national competent authorities and the determination of the financial support to be awarded to operators of installations. **This lack of clarity creates uncertainty for applicants and should be addressed by introducing a clearly defined timeframe (i.e., by 30 September 2028) for the Commission to issue its disbursement decision** (*AM 6,7*).

2.3. Bring forward the timeline to disburse support

The proposal does not provide sufficient clarity on when financial support would be disbursed to eligible beneficiaries. First, the wording introduced in Article 11(2) – which suggests that payments would be made within one month of the Commission's decision or at the latest by 31 December 2029 – is vague and creates legal uncertainty. Secondly, if support is only disbursed at the latest date foreseen (i.e. end-2029), it risks reaching the industry far too late in relation to the compliance years concerned (2026–2027).

To ensure the Fund provides effective and timely relief, financial support should be made available as early as possible, ideally from 2028 onwards. This could include a phased disbursement approach, for example payments in 2028 for the 2026 production year and in 2029 for the 2027 production year. Such an approach is essential to offset compliance costs that are already arising and being borne by industry right now (*AM 8*).



Moving forward in designing the future export solution, **we must ensure that support is provided concurrently – rather than after – with the costs incurred** by European producers to ensure effectiveness.

Draft proposal	Amendment
AM 5: Article 8(4)	
<p>4. A competent authority shall assess the documentation provided in accordance with paragraph 2. Based on that assessment, the competent authority shall decide whether the conditions set out in Articles 6 and 7 have been met. It shall recover funds if the conditions were not met and bring legal proceedings where necessary in that regard.</p>	<p>4. A competent authority shall assess the documentation provided in accordance with paragraph 2. Based on that assessment, the competent authority shall decide whether the conditions set out in Articles 6 and 7 have been met. Where necessary, the competent authority shall request eligible applicants to provide missing information or clarify supporting documents within the timelines established in the implementing acts adopted pursuant to paragraph 3 of this Article. It shall recover funds if the conditions were not met and bring legal proceedings where necessary in that regard.</p>

Draft proposal	Amendment
AM 6: Article 10(3)	
<p>3. Based on its assessment in accordance with paragraph 1, the Commission shall adopt an implementing decision on the financial support to the operators upon availability of the resources of the Fund. That decision shall constitute a financing decision within the meaning of Article 110 of Regulation (EU, Euratom) 2024/2509. The notification of that decision to the competent authority concerned shall constitute an individual legal commitment within the meaning of Regulation (EU, Euratom) 2024/2509.</p>	<p>3. Based on its assessment in accordance with paragraph 1 and by no later than 30 September 2028, the Commission shall adopt an implementing decision on the financial support to the operators upon availability of the resources of the Fund. That decision shall constitute a financing decision within the meaning of Article 110 of Regulation (EU, Euratom) 2024/2509. The notification of that decision to the competent authority concerned shall constitute an individual legal commitment within the meaning of Regulation (EU, Euratom) 2024/2509.</p>



Draft proposal	Amendment
AM 7: Article 11(1)	
<p>1. Following the adoption of the decision referred to in Article 10(3), the Commission shall disburse the total amount set out in that decision to the competent authorities. By derogation from Article 196(3) of Regulation (EU, Euratom) 2024/2509, the Commission may also pay support with respect to investments and productions even if already completed.</p>	<p>1. Within one month following the adoption of the decision referred to in Article 10(3), the Commission shall disburse the total amount set out in that decision to the competent authorities. By derogation from Article 196(3) of Regulation (EU, Euratom) 2024/2509, the Commission may also pay support with respect to investments and productions even if already completed.</p>

Draft proposal	Amendment
AM 8: Article 11(2)	
<p>2. Within one month upon receipt of the funding from the Commission and at the latest on 31 December 2029, the competent authorities shall disburse the financial support awarded by the Commission under the decisions referred to in Article 10(3) to the final beneficiaries and shall inform the Commission immediately after the disbursements are made.</p>	<p>2. Within one month upon receipt of the funding from the Commission and at the latest on 31 December 2029; The competent authorities shall disburse the financial support awarded by the Commission under the decisions referred to in Article 10(3) to the final beneficiaries and shall inform the Commission immediately after the disbursements are made.</p> <p>The competent authority shall disburse the financial support related to production year 2026 to final beneficiaries within one month upon receipt of the funding from the Commission and at the latest on 31 December 2028. The competent authority shall disburse the financial support related to production year 2027 within one month upon receipt of the funding from the Commission and at the latest on 31 December 2029.</p>

3. Ensure funding matches the scale of the industry challenges



The proposal to allocate 25% of CBAM revenues collected by Member States to compensate installations affected by CBAM is likely to be insufficient for the Fund to achieve its objectives. In this context, and as discussions advance on what a long-term export solution for the European industry could look like, the following considerations should be taken into account:

3.1 Assess needs before setting funding levels:

While allocating 25% of CBAM certificate revenues may be the most straightforward and intuitive source of temporary funding, this approach is not grounded in a thorough assessment of actual industry needs. Therefore, at present, the envisioned amount is likely insufficient, given that (i) the exact list of products covered by the Fund has not yet been clarified, and (ii) the actual value of the 25% revenues collected by Member States remains uncertain. **Current estimates are only indicative** and do not fully account for the risks of circumvention and/or the possibility that revenues may fall short of expectations.

3.2 Explore additional funding opportunities:

In light of these uncertainties and the magnitude of the challenge, policymakers should therefore explore additional funding opportunities to ensure the European industry is adequately protected against the risk of carbon leakage. This should include the **possibility for Member States to allocate additional national resources**, in compliance with State aid rules, to cover goods and sectors identified as being at heightened risk of carbon leakage at the national level (see above comments on the opt-in mechanism under Article 6) (AM 9,11). Ultimately, if the funding is insufficient and no alternative sources are available, the implementation of CBAM must be paused, and free allocation reinstated to prevent adverse impacts on the European economy (AM 10,12).

Draft proposal	Amendment
AM 9: New Recital 13a	
	<p><i>(new)</i></p> <p><i>13a: To ensure that sufficient resources are available to support goods at risk of heightened carbon leakage at the national level, Member States shall be permitted to provide additional resources, beyond those foreseen under Article 3, to eligible sectors and goods, in compliance with State aid rules.</i></p>



Draft proposal	Amendment
AM 10: New Recital 13b	
	<p><i>(new)</i></p> <p><i>13b: If the resources under this Fund are insufficient to prevent the risk of carbon leakage, and Member States are unable to provide additional resources to address this risk, the phase-in of CBAM should be paused and the free allocation of allowances under the EU ETS reinstated, in order to avoid adverse impacts on the European economy.</i></p>

Draft proposal	Amendment
AM 11: Article 6 new paragraph 4	
	<p><i>(new)</i></p> <p><i>4. In addition to the revenues referred to in Article 3 of this Regulation, Member States shall be permitted to allocate additional funding to support eligible goods that are at heightened risk of carbon leakage, as determined pursuant to the criteria established in this Article, provided that such support is consistent with State Aid rules.</i></p>

Draft proposal	Amendment
AM 12: Article 6 new paragraph 5	
	<p><i>(new)</i></p> <p><i>5. If the resources under this Fund prove insufficient to prevent the risk of carbon leakage, and Member States are unable to provide additional resources to address this risk in accordance with paragraph 4 of this Article, the phase-in of Regulation (EU) 2023/956 shall be paused and the free allocation of allowances under the EU ETS reinstated.</i></p>



Looking ahead: The Fund needs to be recalibrated to meet short- and long-term industry needs

The Temporary Decarbonisation Fund is a welcome instrument to address the initial impacts of the CBAM definitive period on covered installations. However, **further improvements** are necessary to ensure it is fit for purpose, particularly **regarding its scope, timeline, and level of funding**.

At the same time, discussions must continue on the design of a robust long-term solution to address the risk of carbon leakage faced by European industry. Any such long-term solution should be **adequate, proportionate, and, to the greatest extent possible, reflect the business realities across different sectors**.

To achieve this, we must ensure that:

- EU manufacturers of CBAM goods are exempted from the financial compliance obligation under the EU ETS Directive (via allocation of free allowances) for the products exported outside the EU market, particularly in jurisdictions that do not have a carbon pricing system with the same level of ambition, cost, transparency, and scrutiny as the EU ETS. This general, simple, and easy-to-apply measure would be especially suitable to address the risk of carbon leakage in the ferroalloys sector.
- For other sectors, the design of the planned export solution should consider not only for the loss of free ETS allocations but also provide complementary measures to alleviate the raw material cost increase along the value chain for installations not covered by the EU ETS and exporting CBAM goods. This is particularly relevant for the aluminium value chain, whereby several installations that are not subject to the EU ETS will nonetheless face a cost increase trickling down from CBAM.