25 July 2025

SEA Europe
Shipyards' & Maritime Equipment Association

CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

CALL FOR EVIDENCE FOR AN IMPACT ASSESSMENT

The Shipyards & Maritime Equipment Association of Europe (SEA Europe) represents the European maritime manufacturing industry in 17 countries, encompassing the production, maintenance, repair, retrofit and conversion of all types of ships and floating structures – commercial as well as military – including the full supply chain with the various producers of maritime systems, equipment material, and services.

This document represents SEA Europe's response to the Call for Evidence for the impact assessment on the **Carbon Border Adjustment Mechanism (CBAM)**, in particular as regards the extension of the scope of CBAM "to some downstream products to lower the risk of carbon leakage, when downstream producers move abroad or EU buyers switch to non-EU imports." As CBAM remains in its transitional phase, this assessment reflects the initial feedback from SEA Europe members.

SEA Europe's contribution aligns with our broader recommendations for the upcoming **Industrial Maritime Strategy**, which seeks to enhance the competitiveness, sustainability, and resilience of Europe's maritime manufacturing sector.

OVERVIEW OF SEA EUROPE'S INPUT

- **SEA Europe supports the policy goals of CBAM.**

- **However, SEA Europe is worried about the unintended adverse effects of CBAM on the competitiveness of Europe's maritime manufacturing sector: whilst CBAM was designed to create a level playing field, it may do the opposite for the maritime manufacturing sector..**

- **In the absence of mitigating measures and sectoral support policies, there is a serious risk that CBAM's twin objective of levelling the playing field and combating carbon leakage *upstream* will lead to an uneven playing field *downstream* in sectors such as the maritime manufacturing sector as well as unintended adverse consequences (e.g., the outsourcing of ship hull construction to foreign countries), at a time that this sector is already heavily affected by unfair competition and trade protectionism from Asia, which has only but aggravated in the past five years.**

SEA Europe asbl • Rue de la Loi 67 1000 Brussels, Belgium
Tel.: +32 2 230 27 91 • info@seaeurope.eu • www.seaeurope.eu
Registration n° 0508.622.072 • RPR Brussels • Transparency register n°009214311424-03

1. Introduction

SEA Europe – representing European Shipyards and Maritime Equipment industry (hereafter "Maritime Manufacturing Sector") – supports the objective of preventing carbon leakage under the Carbon Border Adjustment Mechanism (CBAM). At the same time, however, **SEA Europe is highly concerned that a CBAM imposed on the import of products used in shipbuilding (such as steel, aluminium and electricity) has unintended severe negative consequences for the competitiveness of Europe's Maritime Manufacturing Sector**, particularly when combined with the (parallel) "phase-out" of free allowances in Europe.

These unintended severe adverse consequences would come on top of Asia's well-known competitive distortions and trade barriers from which Europe's maritime manufacturing sector has been suffering from for decades and against which Europe has been unable to defend itself due to a unique legal gap in trade defence instruments. **In the past five years, Asia's competitive distortions and trade protectionism have only but aggravated, to the detriment of Europe's maritime manufacturing sector.** Almost all recent orders for newbuilt vessels, including for green vessels, have been placed in South Korea or China, also by European shipowners, due to low prices offered by Asian yards, benefitting from past and present state support. Hence, any additional competitive distortions will no doubt result in a loss of a part of Europe's maritime manufacturing sector, at a time that Europe aims at implementing the FuelEU Maritime Regulation and strengthening its industrial competitiveness.

Therefore, **SEA Europe calls for an equitable, predictable and burdenless CBAM, capable of achieving Europe's European Green Deal goals, without any adverse impact on the maritime manufacturing sector.** At the same time, **SEA Europe calls for prompt sectoral measures for the maritime manufacturing sector**, in the framework of the upcoming European Industrial Maritime Strategy, not only to protect the sector effectively but also to allow Europe to secure a competitive, sustainable and innovative maritime manufacturing industry, to create prosperity and jobs, and to safeguard Europe's maritime strategic autonomy.

2. SEA Europe's main concerns with the CBAM

SEA Europe's main concerns on the CBAM are as follows:

- **Ships built in the EU suffer from a competitive disadvantage when compared with similar ships built outside the EU.** There are indeed additional costs from higher steel costs (subject to ETS, if produced in EU, or to CBAM, if imported), whereas foreign competitors (e.g., Asian shipbuilding nations) do not have to pay for their GHG emissions and still benefit from domestic subsidies and/or other support measures.

- For the products in the CBAM scope, **the progressive phase-out of free allowances will not only lead to an increased cost of these products but also of all downstream products, when produced in EU**. E.g., the phase-out of ETS free allowances for steel production in Europe may lead to more expensive European steel products.

- **Import of (plain) steel in Europe will become more expensive because of CBAM** and create strong administrative burdens for downstream steel-processing producers (such as shipyards). This burden comes on top of the fact that many European shipyards are forced to rely on imports of steel due to an insufficient domestic production of steel suitable for the shipbuilding industry. For ships destined for the internal market, the following scenarios may then occur:

    - Ships built in Europe with steel (or aluminium) produced or imported in Europe will become even more expensive than today (and more expensive than similar ships built in Asia) as a knock-on effect of the EU steel (or aluminium) cost increases resulting from the phaseout of ETS free allowances for EU steel (or aluminium) producers and CBAM.

    - A ship's hull produced outside Europe with non-European steel or aluminium and imported into Europe will be cheaper than one built in Europe as this steel product (the hull) is not subject to CBAM when imported.

    - A foreign built ship consisting of foreign produced steel will remain the cheapest option, also for EU shipowners, as this scenario falls outside CBAM.

As a result, CBAM leads to a **double negative incentive**, notably materials produced in the EU (e.g., steel) will become more expensive than those produced in foreign countries, whilst activities such as ship hull construction will likely be further outsourced to foreign countries for cost reasons. The entire market (including intra-EU) could be driven upward, generating a structural price increase of up to €200-250 per ton of steel. **Hence, whilst CBAM was designed to create a level playing field amongst upstream producers, it may do the opposite for downstream industries, such as shipbuilding. Such a situation would be particularly unfortunate at a time when the EU is considering the need to be(come) less dependent on foreign nations to safeguard its strategic autonomy and reinforce its resilience and economic security.**

3. SEA Europe's recommendations

To avoid these anticipated negative effects, SEA Europe recommends the following measures:

- **Maintain the free allowances' system under the EU ETS well beyond 2026** to safeguard the competitiveness of the affected European raw materials' producers (upstream) as well as the users of these raw materials (downstream), in particular European shipbuilders and equipment manufacturers. In this respect, SEA Europe refers to a legal study commissioned by AEGIS Europe, which concluded that an EU ETS, incorporating both free allowances and a CBAM, is WTO compatible[1].

[1] AEGIS Europe legal study "Consistency of an EU carbon border adjustment mechanism ("CBAM") with World Trade Organization ("WTO") rules" accessible here. AEGIS Europe considers that even if an EU ETS – incorporating both free allowances and a CBAM – would be considered by a Panel as WTO inconsistent, such a system can still be justified under GATT Article XX since it would fall under the GATT general exceptions relating to the conservation of exhaustible natural resources (GATT Article XX(g)) or to the necessity to protect human, animal or plant life or health (GATT Article XX(b)).

- **Postpone the introduction of the certificate purchases mechanism** with the aim of simplifying the criteria for defining benchmarks and calculating charges on imports from third countries, **preparatory to a specific proposal for simplification and/or exemption of raw materials and products procured for strategic sectors**, like security and defence in the context of Readiness 2030.

- **Reinvest CBAM revenues into the affected European downstream sectors relying importantly on uses of steel or aluminium, including Europe's maritime manufacturing sector**, proportionately to the "financial adjustment" amounts eventually paid. As the European Commission has repeatedly asserted that the CBAM is an environmental measure not motivated to raise revenues for the EU budget, it would be well advised to earmark the collected revenues and not let them become an own resource in the EU general budget. Hence, the legislation should dedicate CBAM revenues to support (e.g., via dedicated funds) sectoral decarbonization projects, the deployment of low-carbon technologies and the environmental enhancement of production processes.

- **Carry out a thorough analysis to assess the potential effects on the maritime supply chains of including ships[2] as downstream products in the CBAM,** to avoid an additional competitive disadvantage for the European maritime manufacturing industry, both on the export market and in the internal market. However, any inclusion should be phased in gradually, giving the industry enough time to adjust and make the necessary investments. In this regard, consideration should be given to developing sectoral CBAM measures for ships destined for operation in the EU as a possible measure to protect European shipyards and equipment manufacturers from Asia's unfair competition. The shipbuilding sector's specificities must be considered carefully to address the fact that – contrary to most other industrial goods – ships are normally not "imported" in the sense of "released for free circulation"[3] in the EU's customs territory. Additionally, a consistent and transparent method should be put in place to calculate the carbon content of ships, reflecting the complexity of shipbuilding supply chains and production processes. Moreover, an inclusion of ships as downstream products in the CBAM must avoid creating a competitive disadvantage for European-controlled shipyards that build ships and hulls outside the EU.

- **CBAM should not undermine the global competitiveness of EU products, such as ships. To address this, export adjustments like reimbursements or rebates should be provided to CBAM-affected EU producers (like shipyards), considering their sector-specific factors.**

Moreover, it would not arbitrarily or unjustifiably discriminate between countries where the same conditions prevail or represent a disguised restriction on international trade.

[2] E.g. NACE C30.1.1 – "Building of ships and floating structures"

[3] The CBAM Regulation applies to goods as listed in Annex I, originating in a third country, when those goods are imported into the customs territory of the Union. Article 3 of the CBAM Regulation defines 'importation' as the "release for free circulation as provided for in Article 201 of Regulation (EU) No 952/2013". Goods "released for free circulation" means goods that permanently enter the EU customs territory. However, due to the nature of the sale and the use of ships, they are rarely if ever "released for free circulation" as ships are generally put into service upon delivery at the yard, and neither physical delivery, customs clearance, nor even registration, take place in the country where the buyer is established.

- **CBAM administrative burden for importers should be finally kept to a minimum.** Currently, CBAM results in disproportionately high process costs compared to the volume of emissions and the cost of certificates. Most of these efforts are spent on collecting supplier data and preparing reports. Given that shipbuilding is highly price-sensitive, the administrative costs associated with CBAM threaten the competitiveness of European companies against foreign competitors.
  Therefore, the European Commission should urgently revise the CBAM legal framework to lower compliance costs, specifically by:
  - Increasing the de minimis thresholds for import reporting,
  - Allowing the use of standard emission values for imports valued under €50,000, and applying this exemption without limit to SMEs,
  - Exempting SMEs from liability for data errors except in cases of gross negligence,
  - Simplifying all aspects of registration and reporting.

Consistently with the European Green Deal and Clean Industrial Deal ambition, the goal of CBAM, should not only aim at combatting climate change but it should equally be a strategy in support of the growth of the entire EU economy and manufacturing sectors. Therefore, the current CBAM should be reviewed in order to address the anticipated shift of carbon leakage risks to downstream value chains, with a negative impact on the competitiveness of Europe's maritime manufacturing industry. Only in this way, the transformation to climate-friendly products and production processes – which is supported by SEA Europe – can succeed without any significant losses to the competitiveness of Europe's maritime manufacturing industry.

***