Fecc
EUROPEAN ASSOCIATION OF CHEMICAL DISTRIBUTORS

EU Consultation: Feedback on CBAM certification - Sale and repurchase

European Association of Chemical Distributors (Fecc)
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The European Association of Chemical Distributors (Fecc) welcomes the opportunity to provide feedback on the Commission's draft rules governing the sale and repurchase of CBAM certificates. Fecc remains a steadfast supporter of the EU's climate ambitions and recognises the importance of CBAM as a tool to prevent carbon leakage and ensure a level playing field for European industry. At the same time, the practical implementation of CBAM must take into account the operational realities of companies involved in complex international supply chains, including chemical distributors.

Chemical distributors play a critical role in EU supply chains as intermediaries, importers, and logistics operators. While not always the final users of CBAM-covered goods, distributors may be responsible for compliance obligations under the CBAM framework. It is therefore essential that the design of the CBAM certificate system reflects the specific challenges faced by intermediaries and avoids disproportionate administrative and financial burdens. This consideration is particularly important in light of the potential future extension of CBAM's scope. As foreseen under Regulation (EU) 2023/956, the European Commission may assess the inclusion of additional sectors and downstream products, which could affect additional chemical value chains, including sectors such as organic chemicals and polymers. Ensuring that the certificate management system is practical, scalable, and proportionate from the outset will therefore be essential to support the effective implementation of CBAM across a broader range of products and operators.

Furthermore, it is of utmost importance that all EU Member States implement the CBAM legislation simultaneously and in a highly coherent manner. This simultaneous and aligned enforcement is essential to prevent administrative friction, operational disparities, and market fragmentation across the EU, thereby preserving a level playing field for all operators.

Fecc therefore highlights the following considerations to support the development of a practical and proportionate certificate management system:

Liquidity Impacts and Financial Burden

The obligation to purchase CBAM certificates in advance may create significant liquidity constraints for companies importing CBAM-covered goods, particularly where businesses operate with high volumes and limited margins. A well-designed system should avoid unnecessary capital being tied up while ensuring compliance with CBAM obligations.

- Introducing more flexible purchasing options (e.g. periodic settlement rather than continuous pre-financing). Specifically, more flexible options should be introduced such as periodic settlement (for example, quarterly or monthly) rather than continuous pre-financing, allowing companies to flexibly purchase certificates against real operational needs all year long instead of relying on rigid, long-term annual estimates. This is critical to ensure that European companies do not lose their global competitive edge against non-EU competitors due to disproportionate capital lock-ups.

- Ensuring timely and efficient repurchase mechanisms to avoid capital being locked in the system.

- Considering a buffer or tolerance threshold allowing minor discrepancies without immediate financial penalties.

- Ensuring that the purchase of CBAM certificates remains free of unnecessary additional costs. Specifically, the proposed fixed fee of €0.05 per CBAM certificate sold under Article 15 of the Draft Delegated Regulation should be eliminated. It is unnecessary to create additional cost structures for this mechanism, which only serves to compound the financial and administrative burdens on importers.

Functioning of the Repurchase Mechanism

A transparent and efficient repurchase mechanism will be essential to avoid over-purchasing of certificates and reduce financial inefficiencies for operators.

- Guaranteeing that unused certificates can be repurchased at a transparent and predictable price.

- Establishing clear timelines for repurchase to ensure liquidity. The current draft's restriction under Article 4(2) limiting users to only one repurchase request per year does not serve the practical needs of businesses. A single, irrevocable annual repurchase window that can lock cash for almost two years is highly inefficient. Instead, a multi-window or continuous repurchase option should be established to accommodate demand volatility and prevent critical business capital from being locked up.

- Avoiding restrictive caps on the volume of certificates eligible for repurchase, particularly in cases of demand volatility.

Price Predictability and Market Stability

The price of CBAM certificates will have a direct impact on business planning and contractual arrangements across supply chains. Excessive uncertainty regarding certificate costs may create additional challenges for importers and their downstream partners.

- Providing clear guidance on pricing methodologies,

- Exploring mechanisms to reduce excessive volatility (e.g. averaging periods or reference price corridors),

- Ensuring alignment with the EU ETS price while avoiding speculative distortions.

Administrative Complexity

The practical implementation of certificate purchasing, tracking, and repurchase procedures should remain proportionate and accessible, particularly for SMEs with limited administrative resources.

- Developing a user-friendly digital interface for certificate management.
- Minimising reporting duplication and ensuring consistency with CBAM reporting obligations.
- Providing clear guidance and practical examples tailored to intermediaries such as distributors.
- Protecting participating companies from liability due to platform errors.

Role of Intermediaries

Distributors may act as importers under the CBAM framework while not always having full visibility or control over upstream emissions data or the final use of imported products. The allocation of responsibilities should therefore reflect the respective roles and capabilities of different actors across the supply chain.

- Clarifying the responsibilities of intermediaries within the CBAM framework.
- Allowing contractual pass-through mechanisms for CBAM costs.
- Ensuring that compliance obligations remain proportionate to the level of control over the goods.

SME Considerations

Given the significant number of SMEs involved in international supply chains, the implementation of the certificate system should take into account the specific administrative and financial constraints faced by smaller operators.

- Introducing simplified procedures or thresholds for smaller importers.
- Providing targeted guidance and support tools.
- Avoiding excessive financial guarantees or upfront payments that may restrict market access.

Fecc appreciates the Commission's efforts to further develop the operational framework for CBAM and establish a functional system for the management of CBAM certificates. As the mechanism enters its definitive phase, it is essential that the sale and repurchase system remains predictable, proportionate, and workable for all operators involved, including intermediaries and SMEs across European supply chains. Ensuring administrative simplicity, financial manageability, and scalability will be key to maintaining the effectiveness of CBAM while avoiding unintended barriers to legitimate trade. Fecc remains committed to constructive dialogue with the European Commission to support the development of a CBAM framework that is both environmentally effective and practical in its implementation.

To access the Fecc's response on EU Commission's website, please click here.

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