

Plastics Europe opposes extension of the Carbon Border Adjustment Mechanism (CBAM) in its current form to plastics

Plastics Europe shares the European Commission's climate ambition and commitment to prevent carbon leakage. We believe that, in its current form and timing, extending CBAM to plastics and organic chemicals would not achieve these aims and could instead undermine the EU's industrial transformation by imposing high emission and administrative costs, leaving critical scope gaps, and eroding competitiveness and support at a critical time for the plastics industry.

We therefore recommend not extending CBAM to plastics and organic chemicals at this stage. Instead, we urge the Commission to adopt the immediate measures set out below and engage in a structured co-design - with industry and Member States - of a fit-for-purpose longer-term framework that combines effective leakage protection with an accelerated decarbonisation process.

Plastics Europe stands ready to collaborate with the Commission and provide data, technical expertise, and practical design options to ensure that Europe's climate leadership translates into industrial success and high-quality jobs in Europe.

Plastics Europe supports the EU's objective of climate neutrality by 2050 and the shared goal of preventing carbon leakage. CBAM, if proven effective, can be an important policy innovation toward these ends. However, extending CBAM to plastics and organic chemicals, in its current form would be premature and risks undermining both EU industrial competitiveness and the industry's net-zero transition.

Plastics and organic chemicals feature complex, interdependent value chains, diverse feedstocks and process routes, and high export exposure. Price effects from a CBAM inclusion of parts of the value chain can lead to major uncompensated cost burdens in other parts. CBAM has not yet demonstrated its effectiveness in currently covered sectors, and the necessary measurement, reporting and verification (MRV) architecture for plastics—spanning upstream petrochemicals through to downstream products—remains insufficiently mature. Proceeding now would introduce disproportionate administrative burdens and compliance risks, while offering limited environmental benefit and potentially accelerating offshoring of production and investment. An extension might

even introduce incentives for downstream users of organic chemicals and polymers to delocalise production, effectively circumventing CBAM due to the immensely complicated value chain affected. Plastics Europe does not support an extension of CBAM to plastics and their upstream chemicals in its current form. Instead, we propose immediate, targeted measures to protect against carbon leakage and sustain decarbonisation investment, while working with the Commission on a fit-for-purpose longer-term approach.

1. Context and Principles

- Shared ambition: Plastics Europe supports the EU Green Deal and the 2050 climate-neutrality target.
- Challenging moment: Prolonged energy and feedstock price pressures, geopolitical uncertainty, and higher capital costs have materially weakened the competitiveness of the EU plastics and organic chemicals value chain.¹
- Investment for transition: Delivering low-carbon plastics requires large-scale investment in electrification, renewable power, hydrogen, CCUS, circular feedstocks, and chemical recycling. Policy predictability, cost-competitiveness, and access to finance are critical enablers.

2. Why Extending CBAM to Plastics Now Is Counterproductive

2.1 Effectiveness Not Yet Demonstrated

CBAM remains in a transition phase in currently covered sectors. Extending it to plastics and organic chemicals—before learning is consolidated and enforcement is proven—risks policy overreach with limited environmental gain and significant execution risk. This concern is reinforced by the Chemical Industry Action Plan, which underscores the strategic importance of the chemical sector for Europe and the immense pressure it currently faces. Introducing CBAM for plastics and organic chemicals now would run counter to the objectives of that Action Plan—by adding complexity, cost, and uncertainty at a time when stability and investment are critical to achieving Europe's climate and competitiveness goals.²

2.2 Sector Complexity and MRV Gaps

Multiple feedstocks and routes: The same polymer can be produced via different feedstocks/processes with widely varying embedded emissions, complicating default values and verification.

Co-production and allocation: Petrochemical processes often yield multiple outputs in parallel; emissions allocation strongly influences product footprints and creates scope for data inconsistency or manipulation without a robust, harmonised methodology.

¹ Since 2020 the competitiveness position of the European plastics industry has worsened significantly, resulting in numerous plant closures, loss of jobs and increased dependency on imports.

² Note that the introduction of the CBAM goes together with an accelerated reduction of free allocation (which currently serves as protection against carbon leakage). If the CBAM turns out to be not or only partly effective, the competitiveness of European industry will be heavily hit.

Administrative burden: The sheer number of polymers, feedstocks, intermediates, compounds, and downstream applications would greatly increase reporting, auditing, and enforcement demands versus currently covered sectors.

2.3 Scope Gaps: Upstream and Downstream

Upstream emissions materiality: A substantial share of plastics' emissions occurs upstream of polymerisation (e.g., steam cracking, refining, feedstock production)³. A polymer-only CBAM scope would miss critical sources or force an impractical expansion into multiple upstream processes.

Downstream coverage challenge: Plastics enter countless finished goods and packaging.⁴ Effective leakage protection would require coverage far downstream, creating exponential complexity, risk of competitive distortions⁵, and enforcement challenges.

2.4 Indirect Electricity Costs and Electrification

CBAM currently excludes indirect emissions, yet electricity price pass-through from the ETS significantly affects polymers—especially as the sector electrifies to decarbonise. Any mechanism to protect against carbon leakage must address indirect emissions to ensure a level playing field, as is the case for sectors like cement and fertilizers. A similar issue arises with the cost for nitrogen-containing intermediates such as ammonia that are required for the production of some plastics, including certain styrenics.

2.5 Export Exposure and Leakage Risk

The plastics value chain is export-oriented in several segments. If free allocation is phased down as a consequence of CBAM—without a robust export solution—EU producers face higher net carbon costs than global competitors, increasing the risk of offshoring production and emissions (“leakage”).

2.6 Partial Extension Would not Reduce Complexity but Distort Competition

Selective CBAM coverage for some polymers or polymer related chemicals—but not others—would be unworkable given interlinked value chains (shared upstream processes) and would distort competition among polymers that substitute each other in many applications.⁶

³ For example, for average European high-density polyethylene (HDPE), the steam cracker, a petrochemical process, emits almost 40% of total GHG emissions cradle-to-gate, whereas the polymerisation is responsible for around 15%.

⁴ Examples of pure plastic products include kitchen utensils, foams, baby wipes, pipes, and construction materials, but plastics are also imported as part of a more complex product, such as the bumper of a car or the housing of a cell phone.

⁵ Emissions from the polymer value chain are typically in the range of 2 t CO₂-eq. per t of product for relatively simple plastics and more for technical plastics. At current EUA prices of some 70 - 75 EUR, the full carbon cost at no free allocation would then typically exceed 10% of the commodity price. Imported downstream products would therefore have a decisive advantage on the European market.

⁶ Examples include: pipes made of polyethylene or PVC; automotive parts such as roof spoilers, door trims or smart panels where polypropylene and PC-ABS compete; insulin pen caps that can be made from polypropylene, PC-ABS, or ABS; and connectors; battery housings for electric and electronic equipment made of PBT, polypropylene, or polyamides; and cleaning product bottles where polyethylene, PET and PVC are still used. Please note that the technical differences between polymers are much smaller than those between polymers on the one hand and other materials such as metals or mineral products on the other. This

3. Policy Recommendations

3.1 Immediate Measures (2026–2030)

1. Maintain current free allocation levels for the plastics value chain to prevent a cliff-edge increase in net carbon costs during a period of heightened investment needs.
2. Ensure complete ICC for eligible electro-intensive activities in plastics and organic chemicals, recognising growing electrification as a decarbonisation pathway. Where necessary, update eligibility lists to avoid internal EU competitive distortions.
3. Establish a WTO-compatible export solution that addresses all net ETS-related costs, including purchased allowances and verifiable abatement expenditures, to protect export competitiveness while maintaining climate integrity.
4. Earmark and streamline EU ETS proceeds for industrial transformation (renewables access, grid connections, hydrogen, CCUS, circular feedstocks, chemical recycling), with simple, predictable access and timely disbursement.
5. Investment signal: Predictable funding support aligned with the mechanism to incentivize and de-risk large-scale decarbonisation investments. This also includes demand-side measures to stimulate the willingness to pay for low-carbon products.

3.2 Medium-Term Co-Design (Post-2030)

If, and only if, CBAM proves effective in currently covered sectors and the necessary methodologies are mature, an updated mechanism for plastics and organic chemicals could be considered based on the following design principles:

- Full MRV readiness, ensuring credibility and simplicity: Harmonised, auditable methodologies for allocation in co-production, credible default values, anti-circumvention (e.g., resource shuffling), and digital traceability (e.g., product passports) across the value chain.
- Appropriate scope: Coverage that reflects upstream emissions materiality and addresses downstream leakage channels, without imposing disproportionate administrative costs. To substitute carbon leakage protection at a comparable level as free allocation, nearly all leakage channels need to be closed.
- Indirect emissions: Potential distortions caused by asymmetric carbon pricing on indirect emissions (most notably from electricity generation) need to be addressed.
- Export solution embedded: Any mechanism must include a durable export competitiveness pillar to avoid leakage.
- Proportionality and simplicity: Implementation should be workable for customs, verifiers, and companies, with clear default pathways and limited bespoke data where possible.

To find the best possible solution, it is necessary to not only look at a further evolution of the current CBAM concept but to also think outside the box and explore alternative approaches. New market-based instruments that are currently being proposed to incentivize the decarbonization,

implies that cost differences triggered by a non-uniform implementation of the CBAM are very likely to have a much larger impact on the competitiveness of certain polymer types.

circularization and competitiveness (e.g., demand-side measures such as the establishment of lead markets) should be further developed and analysed to understand the pros and cons of different options.

4. Conclusion and Offer to Collaborate

Plastics Europe shares the European Commission's climate ambition and commitment to prevent carbon leakage. In its current form and timing, extending CBAM to plastics and organic chemicals would not achieve these aims and could undermine the EU's industrial transformation by imposing high administrative costs, leaving critical scope gaps, and eroding competitiveness during a fragile investment cycle.

We therefore recommend not extending CBAM to plastics and organic chemicals at this stage. Instead, we urge the Commission to adopt the immediate measures set out above and engage in a structured co-design—with industry and Member States—of a fit-for-purpose longer-term framework that combines effective leakage protection with an accelerated decarbonisation process that industry is willing to embark on and invest in.

Plastics Europe stands ready to contribute data, technical expertise, and practical design options to ensure that Europe's climate leadership translates into industrial success and high-quality jobs in Europe.

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