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# Eurometaux's position on the call for evidence on the free allocation adjustment

*This paper provides Eurometaux's position on the call for evidence on the free allocation adjustment. Eurometaux represents European producers of Non-Ferrous Metals like Aluminium, Copper, Lithium, Nickel, Zinc, Silicon, but also ferro-alloys, among other energy transition metals.*

## Key messages

This call for evidence intends to gather feedback to help the Commission in drafting the draft act laying down the rules for calculating the adjustment to free allocation. This adjustment will be applied as a discount to the CBAM financial obligation to reflect the extent to which free allowances are allocated under the EU ETS.

More particularly, the upcoming implementing act should provide the methodology for calculating embedded free allocation, and develop CBAM benchmarks derived from EU ETS benchmarks. For the latter, key challenges include: i) matching the EU ETS benchmark, which applies to installations and not production processes, to CBAM goods, and ii) setting up a simple and accurate approach.

## Our position:

- **The CBAM benchmarks must follow the EU ETS approach by reflecting the most climate-friendly processes and available technologies and using an equivalently robust MRV system.** This way, operators of installations in 3<sup>rd</sup> countries will have an added incentive to decarbonise their more carbon-intensive production processes (this is only applicable if you consider CBAM will be effective in its other elements, which, with its current flawed design, will not be the case).
- **The benchmarks set under CBAM should also be periodically updated** to reflect technological progress and decarbonisation, **and transparent** to guarantee trust and prevent future disputes.
- **It is essential that CBAM benchmarks are designed in a way that does not incentivise circumvention and exacerbate loopholes.** For instance, the European Commission's [CBAM FAQ](#) (q132) states:

*"It follows from this calculation that no CBAM obligation will apply in a given year if the embedded emissions of a good are lower than the CBAM benchmark multiplied with the CBAM factor."*

- Based on the way the CBAM calculation is set up, depending on the exact design of the CBAM benchmark, it could be easy for third country importers to "play" with any exemptions (e.g. below 5% alloying elements) or loopholes (e.g. scrap for secondary aluminium, cold metal for primary aluminium) to fall below the CBAM benchmark (multiplied by the CBAM factor) so that no CBAM cost is due at the border at all. Meanwhile, European installations continue to pay carbon costs under the EU ETS (where such loopholes do not exist).

## Contact

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