

Reforming CBAM with Europe's critical net-zero technology industry in mind

T&D Europe position and proposals for amendments

29 April 2026

T&D Europe, the European Association of the Electricity Transmission and Distribution Equipment and Services Industry, calls on the European Parliament and the Council to amend the Commission's proposals for regulations to amend the CBAM regulation as regards the extension of its scope to downstream goods and anti-circumvention measures, and establishing the Temporary Decarbonisation Fund.

Key points:

T&D Europe represents Europe's providers of power transmission and distribution technology for electricity grids and electricity intensive sites – including buildings, factories and data centres – representing over 600 companies, operating more than 450 factories and employing over 175,000 people in Europe.

T&D Europe members are deeply concerned about the impact of CBAM on **the competitiveness of Europe's transformer manufacturing industry**. Transformers are indispensable for Europe's electricity grids, industrial electrification and security of supply across Europe.

As developers, providers and manufacturers of **strategic net-zero technologies for Europe's critical electricity system** we call the European Parliament and the Council to

amend the proposals to avoid the undesirable weakening of a strategic European industry that is critical for the success of the clean energy transition.

We call on the co-legislators to:

- 1. Include transformers, laminations and cores in the list of goods and greenhouse gases in Annex I of the CBAM Regulation,**
- 2. Introduce a support mechanism for European exports, and**
- 3. Make simplification a reality and avoid administrative and compliance burden**

Let us develop our proposals in more detail.

- 1. Include transformers, reactors, laminations and cores in the list of goods and greenhouse gases in Annex I of the CBAM Regulation**

The CBAM Regulation includes grain-oriented electrical steel (GOES), which has a negative impact on the competitiveness of Europe's transformer manufacturers. GOES is the key raw material for cores and laminations, which are essential components of power transformers, at the heart of Europe's electrification bottleneck. In other words, it is a system-critical input for transformers. Due to limited GOES production in Europe, imports from the major producing countries - including China, Japan, Korea, United States, and India - are unavoidable for transformer manufacturing.

To avoid further increasing the already growing competition from non-EU manufacturers, the EU needs to level the playing field by expanding CBAM's product scope to include transformers, reactors¹, cores and laminations, which are currently excluded but face significant carbon leakage risk.

Power transformers are predominantly composed of materials already included in the CBAM framework, notably grain-oriented electrical steel, carbon steel, and aluminum. Across several major transformer categories, these CBAM-covered inputs represent

¹ In transmission and distribution (T&D) grids, electrical reactors are used to control reactive power, voltage, current levels, and power flows, ensuring grid stability, equipment protection, and efficient operation.

approximately **70–90% of total transformer weight**. Not including imported power transformers from CBAM therefore creates a significant, regulatory asymmetry and strong incentives to relocate transformer manufacturing outside the EU27.

Such an outcome would result in **emissions being displaced rather than reduced**, directly undermining the environmental integrity of CBAM. This trend is already visible in Eurostat trade data: **imports from outside the EU27 increased by 374% in mass, from around 53 kt in 2020 to 251 kt.**² In **2025 alone**, imports from China reached **123 kt** across all CN codes covering power transformers, corresponding to approximately **540 kt of CO₂-equivalent emissions.**³ Under the current CBAM proposal, however, only **2% of these emissions**, linked to **CN code 8504 33**, are covered, leaving **98% of the associated emissions outside the CBAM scope**.

Exempting the vast majority of grid-relevant transformer imports from CBAM risks entrenching carbon leakage while weakening a **strategic European industrial base essential for grid expansion, electrification, renewable integration, and digital infrastructure**. This would ultimately undermine both **climate objectives and the resilience of the EU energy system**.

We call for the inclusion of all transformers, reactors, laminations and cores in the list of goods and greenhouse gases in Annex I of the CBAM Regulation:

CN code	Description
8504 21 00	Liquid dielectric transformers, having a power handling capacity ≤ 650 kVA
8504 22 00	Liquid dielectric transformers, having a power handling capacity > 650 kVA and ≤ 10 000 kVA
8504 23 00	Liquid dielectric transformers, having a power handling capacity > 10 000 kVA

² [EUROSTAT Comext database](#)

³ T&D Europe calculations based on CBAM default factors as laid down in COMMISSION IMPLEMENTING REGULATION (EU) 2025/2621 and CBAM benchmarks as laid down in COMMISSION IMPLEMENTING REGULATION (EU) 2025/2620

8504 31	Transformers, having a power handling capacity ≤ 1 kVA
8504 32	Transformers, having a power handling capacity > 1 kVA and ≤ 16 kVA
8504 33	Transformers, having a power handling capacity > 16 kVA and ≤ 500 kVA
8504 34 00	Transformers, having a power handling capacity > 500 kVA
8504 50	Inductors (excl. inductors for discharge lamps or tubes)
8504 90 11	Ferrite cores (for transformers and inductors)
8504 90 13	Steel laminations and cores, whether or not stacked or wound, for transformers and inductors

2. Support mechanism for European exports

While CBAM and carbon leakage discussions tend to focus on tackling imports, CBAM must be complemented by mechanisms that offset climate-related costs for European exports. Some manufacturers of downstream products that are included under the scope of CBAM and are not exposed to global markets may see their competitiveness restored on the EU market. However, export-oriented downstream manufacturers, including transformer manufacturers, will still face a major loss in competitiveness when they export to third countries, as they will have to compete with manufacturers of the same products who have access to raw materials and components at lower prices.

In light of the above, the approach taken by the Commission in the Legislative Proposal establishing the Temporary Decarbonisation Fund (TDF) not only fails to achieve this objective, but appears not even to acknowledge the problem. The proposal sets very narrow eligibility criteria that restrict access to compensation exclusively to operators of ETS installations, i.e. producers of CBAM goods such as steel and aluminium. Also, access to financial support under the fund is made conditional on deliverables that are mainly relevant to ETS industries, such as investments in low emissions production processes. This means that the legislative proposal will leave the export competitiveness issue completely unaddressed for our industries, even though technology companies will bear disproportionate costs stemming from the implementation of CBAM and the phaseout of ETS FA. T&D Europe therefore supports [Orgalim](#)'s call for the establishment of a separate

instrument aimed at compensating Europe's technology industries for the loss in export competitiveness due to CBAM and the phaseout of ETS FA. It is important to ensure the following:

- The instrument must be adequately devised, to fully compensate downstream industries for the loss in their export competitiveness.
- The instrument must be established for an indefinite period.
- Only manufacturers of downstream goods that include CBAM goods as inputs should be eligible to receive compensation under the instrument.

As a temporary solution, T&D Europe reiterates Orgalim's call for the eligibility criteria set out in Article 6 of the Legislative Proposal establishing the Temporary Decarbonisation Fund to be broadened. It is essential to ensure that not only operators of ETS installations, but also manufacturers of downstream goods that are at risk of carbon leakage, are able to claim compensation under the fund.

3. Make simplification a reality and avoid administrative and compliance burden

Finally, sustainability regulations must avoid imposing disproportionate administrative and compliance burdens on industry. T&D Europe supports reducing such burdens through simplified reporting requirements and extended deadlines for quarterly submissions. The new de minimis mass threshold whereby imports up to 50 tonnes per importer per year will not be subject to CBAM rules, which Parliament and Council agreed is a step forward in this direction. The regulatory framework should maintain a careful balance between environmental ambition and industrial competitiveness, ensuring that Europe's sustainability goals are achieved through practical, harmonised and implementable measures.

T&D Europe remains willing to engage in further discussions and provide additional input if needed, to support the effective implementation of CBAM in a way that safeguards European industry while advancing sustainability objectives.

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