

Updates on CBAM: Expansion of Scope and a Strengthened Implementation Framework

The Carbon Border Adjustment Mechanism (CBAM) has become one of the key regulatory instruments embodying the relationship between the European Union's climate policies and trade policies. As of 1 January 2026, the mechanism, which enters the phase of financial obligations, is based on the objective of reducing the risk of carbon leakage and balancing, with respect to imported products, the carbon costs arising under the European Union Emissions Trading System (ETS).

Nevertheless, CBAM does not constitute a static regulation whose scope and implementation principles have been determined in an immutable manner. The experience gained from the transitional period practices demonstrates that the risk of carbon leakage is not confined solely to basic inputs; risks of circumventing obligations through product classifications, emissions calculations, and supply chain structures are also increasingly on the agenda of regulatory authorities.

In this context, the regulatory proposal presented by the European Commission in December 2025 and the General Approach adopted by the Council of the European Union on 12 June 2026 reveal the policy tendency toward expanding CBAM to cover certain downstream products and strengthening its implementation framework. The proposal envisages that this scope expansion will apply as of 1 January 2028. However, since the legislative process has not yet been completed, the final scope of the regulation and its implementation timetable will be determined following the negotiations to be conducted between the European Parliament and the Council.

This article aims to assess the current developments concerning the medium-term evolution of the mechanism, in addition to the matters explained in our study published in the February 2026 issue of *Lebib Yalkin Monthly Legislation Journal*, which addressed the implementation period of CBAM following the Omnibus regulations.

Current Developments Regarding the Expansion of CBAM's Scope

As of 1 January 2026, the current scope of CBAM includes imports of iron and steel, aluminium, cement, fertilisers, electricity, and hydrogen. The practices during the transitional period, however, indicate that the risk of carbon leakage is not limited solely to these basic products, but may also arise in certain downstream products.

For this reason, the expansion of scope is considered a policy instrument developed against the possibility that basic inputs covered by CBAM may be further processed into more advanced products and thereby remain outside the existing obligations. The Commission proposal dated December 2025 and the Council General Approach dated 12 June 2026 have rendered this regulatory tendency more concrete.

Although the current proposals envisage that the expansion of scope will apply as of 1 January 2028, the final product lists, CN codes, and implementation principles will be determined following the completion of the legislative process. Therefore, current developments reveal CBAM's tendency to evolve into a more comprehensive industrial and trade policy instrument that also takes into account the further stages of the value chain.

The Implementation Trend Indicated by Current Commission Documents

Current developments concerning CBAM are not limited solely to the expansion of its scope. The recent documents published by the European Commission in 2026 demonstrate that, during the implementation period, CBAM is progressing toward a structure in which technical details are becoming more clearly defined and its data-based functioning is being strengthened. In this context, the rules regarding the authorisation of importers, CBAM declarations, certificate management, and the functioning of the registry system are being clarified in greater detail.

The Commission's current documents indicate that, although CBAM legally has an importer-centred obligation structure, it also gives rise to significant data management and verification obligations for exporters, since embedded emissions data are largely obtained from producers in third countries. In this framework, the monitoring of installation-level emissions data, the use of verified actual emissions, and the establishment of a data infrastructure compatible with the CBAM Registry are gaining importance.

On the other hand, the Commission's technical study on indirect emissions dated 8 June 2026 and its statement published on 12 June 2026 regarding the Council agreement demonstrate that CBAM is progressing toward a strengthened implementation framework not only in terms of product scope, but also with respect to emissions calculation methods and the prevention of circumvention risks. Furthermore, the approach indicating that the expansion of scope may not remain limited to a fixed product list and that new product groups may also be taken into consideration in the future suggests that CBAM will continue to evolve as a dynamic regulatory framework.

Which Products Does the Expansion of Scope Bring to the Agenda?

The expansion of scope focuses on more advanced industrial products in which the basic inputs currently covered by CBAM are used intensively. This approach demonstrates that the mechanism has begun to take into account not only the import of basic products, but also the value chains using these products. Therefore, in the new period, not only the customs classification of the product, but also the inputs it contains, the production process, and the traceability of embedded emissions data will gain importance. In the Council General Approach, it is observed that, compared to the Commission's proposal dated December 2025, the list of downstream products is addressed in greater detail in terms of scope and implementation framework. In this context, certain steel- and aluminium-intensive product groups relating to the fields of industry, construction, machinery, and electrical equipment come to the fore.

Among the product groups brought to the agenda in this context, pipes, tube or pipe fittings, structural metal products, tanks, containers, pressure vessels, wire and cable products, fasteners, and certain parts relating to motors and generators are particularly prominent.

Downstream Product Groups Highlighted in the Council General Approach

Product Group	Examples Included in the Document
Pipes and hollow profiles	Pipes, tubes, and hollow profiles of iron or steel
Tube or pipe fittings	Elbows, sleeves, flanges, and other fittings
Structural metal products	Bridges and bridge sections, towers, lattice masts, columns, and structural profiles
Building components	Door and window frames, thresholds, shutters, and railings
Storage and transport equipment	Reservoirs, tanks, vats, boxes, and containers
Pressure vessels	Containers for compressed or liquefied gas
Wire, cable, and netting products	Steel wire ropes, cables, plaited bands, and netting products
Fasteners	Screws, bolts, nuts, rivets, washers, and similar articles
Electric motors, generators, and certain parts thereof	Certain electric motors, generators, alternators, and parts and components thereof

Note: The table summarises the product groups highlighted in the regulatory proposals and Council documents, and the final product list and CN codes will be determined upon completion of the legislative process.

Strengthened Implementation Framework: Indirect Emissions and Traceability

Current developments in CBAM demonstrate that, in addition to the expansion of scope, the rules on emissions calculation and verification are also evolving. The European Commission's technical study on indirect emissions dated 8 June 2026 contains significant assessments with respect to the calculation of indirect emissions arising from electricity, the determination of default emission factors, and the conditions for declaring actual indirect emissions.

The study assesses that, for third countries, grid average electricity emission factors provide an applicable default method; conversely, declarations concerning the use of low-carbon electricity may be subject to stricter verification conditions. In this context, the existence of renewable energy power purchase agreements (PPAs) alone is not considered sufficient; elements such as direct technical connection, meter data, verifiable data flows, contractual evidence, and the prevention of double counting gain importance. The study also emphasises the risk that no actual emissions reduction may be generated through the allocation of low-carbon electricity to certain products merely on paper, referred to as "resource shuffling".

In this framework, CBAM is evolving not only as a mechanism whose product scope is expanding, but also as a regulatory framework in which the rules on emissions calculation, data verification, and traceability are becoming increasingly detailed.

Circumvention Risks and the Strengthened Supervisory Approach

In the recent regulatory proposals, the limitation of practices that may enable the circumvention of CBAM obligations emerges as an important issue. Product classifications, supply chain structures, production processes, or practices such as directing low-emission production to certain markets are considered risk areas that may weaken the environmental integrity of the mechanism.

The expansion of scope concerning downstream products also serves the purpose of reducing these risks. In the Council's approach dated June 2026, the monitoring of high-risk practices, regulations concerning certain metal scraps, and the assessment of additional measures in the event that new methods of circumvention emerge come to the fore. In this context, particularly how pre-consumer steel and aluminium scrap arising in the production process will be included in the embedded emissions calculation, and conversely how post-consumer scrap will be distinguished, has become one of the critical issues in terms of traceability and verification.

This framework demonstrates that CBAM is evolving beyond being merely a mechanism that balances carbon costs, toward a stronger supervisory regime supported by supply chain traceability and verification capacity.

Potential Impacts for Exporters in Türkiye

CBAM's tendency to expand toward downstream products has the potential to affect not only producers of basic raw materials, but also manufacturing industry companies that intensively use iron, steel, and aluminium inputs. Considering Türkiye's strong trade integration with the European Union, it is assessed that the expansion of scope may be significant for sectors such as metal processing, machinery manufacturing, the automotive supply industry, white goods, construction products, and electrical equipment.

In this framework, for exporters, not only whether the product falls within the scope of CBAM, but also the carbon intensity of the inputs used in production, the traceability of embedded emissions data, verified emissions calculations, and data management throughout the supply chain are gaining importance. Although the final product list and CN codes have not yet been determined, the current policy direction indicates that companies need to strengthen their data, verification, and low-carbon production infrastructures.

For this reason, it is important for companies to review the final CN codes of the products exported to the EU, as well as the iron, steel, and aluminium inputs used in production, and to assess whether installation-level emissions data relating to these inputs can be obtained from suppliers in a traceable manner.

Conclusion and Assessment

CBAM is transforming beyond a carbon pricing mechanism into a regulatory framework integrated with the European Union's trade policy, industrial strategy, and supply chain management. The proposals concerning the expansion of the scope to downstream products are based on the recognition that the risk of carbon leakage may also arise at further stages of the value chain.

Nevertheless, the final product lists, CN codes, and implementation principles will be determined following the completion of the legislative process. Therefore, current developments should be assessed not as a finalised legislative amendment, but rather as a policy direction aimed at strengthening CBAM in terms of its scope and implementation instruments.

On the other hand, it is assessed that, within the scope of the ETS review expected to be carried out in 2026, discussions concerning carbon leakage protection mechanisms, free allocations, and market design may also affect the medium- and long-term development of CBAM.

The Commission's recent technical studies and question-and-answer documents demonstrate that CBAM is evolving not only in terms of product scope, but also with respect to emissions calculation methods, indirect emissions, data verification processes, and traceability mechanisms. For exporters in Türkiye, this process requires not only the monitoring of new obligations, but also the strengthening of data infrastructure, supply chain management, and low-carbon production strategies.

Gül Saldıraner

EG Partner

CPA

Independent Auditor

Sustainability Auditor

www.eg-econsulting.com



References

1. European Commission.- *Commission welcomes Council agreement on strengthening CBAM-* https://taxation-customs.ec.europa.eu/news/commission-welcomes-council-agreement-strengthening-cbam-2026-06-12_en
2. Council of the European Union- *Council moves to strengthen the EU's carbon border adjustment mechanism-* <https://www.consilium.europa.eu/en/press/press-releases/2026/06/12/council-moves-to-strengthen-the-eu-s-carbon-border-adjustment-mechanism/>
3. Council of the European Union. -Draft Regulation amending Regulation (EU) 2023/956 as regards the extension of its scope to downstream goods and anti-circumvention measures – General Approach. Council Document ST 10423/26, Brussels, 12 June 2026. - <https://www.consilium.europa.eu/media/wxcj00ir/st10423en26.pdf>
4. European Commission.- *Technical Study on Indirect Emissions in the CBAM-* https://taxation-customs.ec.europa.eu/news/technical-study-indirect-emissions-cbam-2026-06-08_en
5. European Commission.- *CBAM Communication and FAQs -* https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism/cbam-communication-and-faqs_en#frequently-asked-questions
6. Finnish Government.- *Carbon Border Adjustment Mechanism progresses at Ecofin Council-* https://valtioneuvosto.fi/en/-/1410877/carbon-border-adjustment-mechanism-progresses-at-ecofin-council?_cf_chl_tk=pkgrAHjbUv21E81MfrdoW46dv697rplcmXUblSIPsv8-1781378584-1.0.1.1-qHil1XGafz8UXUJaWEPyxHLqP103ly7LPlanGiRMRh8M
Republic of Turkey Ministry of Trade - SKDM Transition Period Review Report- <https://ticaret.gov.tr/dis-iliskiler/yesil-mutabakat/ab-sinirda-karbon-duzenleme-mekanizmasi/skdm-gecis-donemi-gozden-gecirme-raporu>