November 9, 2026

The Honorable Jamieson Greer
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

**Re: "Request for Comments on the Effect of the European Union's Carbon Border Adjustment Mechanism and the Proposals To Expand Coverage on U.S. Trade: Docket USTR-2026-0661-0001**

Dear Ambassador Greer:

The National Foreign Trade Council (NFTC) respectfully submits these comments in response to the Office of the United States Trade Representative's (USTR) October 8, 2026, "Request for Comments on the Effect of the European Union's Carbon Border Adjustment Mechanism and the Proposals To Expand Coverage on U.S. Trade." The NFTC is pleased to provide our perspective on the current and potential impacts of the European Union's Carbon Border Adjustment Mechanism (CBAM) on U.S. producers, workers, exporters, and the broader terms of trade between the United States and the European Union (EU).

## About the NFTC

The NFTC, organized in 1914, is an association of U.S. business enterprises engaged in all aspects of international trade and investment. Our membership covers the full spectrum of industrial, commercial, financial, and service activities, accounting for over $6 trillion in revenue and employing nearly 6 million people in the United States.

## I. Introduction

NFTC's membership holds a range of views on CBAM that reflect differences in sector exposure and commercial priorities. Companies whose products are currently not in scope report limited near-term impact, while those already covered face material compliance costs, data-collection challenges, and growing commercial friction with EU customers. Some members view well-designed carbon border measures as a potentially useful tool to support decarbonization, address carbon leakage, and support the competitiveness of U.S. production relative to higher-emitting sources, such as China. Other members are concerned that the EU's current design and proposed expansion impose disproportionate burdens on U.S. exporters, function as a non-tariff barrier, and disadvantage American producers relative to both EU competitors and third-country suppliers that face lower default values or different regulatory treatment. This submission focuses on the specific elements of CBAM implementation and potential expansion that raise the greatest concern across the membership. Many of these concerns were also included in NFTC's recent input for the 2027 National Trade Estimate report.

Above all, proposals from the European Commission, European Council, and Parliament to add hundreds more products are extremely concerning and would dramatically expand the competitive concerns and administrative challenges already experienced by companies in the original CBAM sectors.

Industry experience to date indicates that the EU's CBAM, particularly if expanded as proposed, imposes significant regulatory and data burdens on many U.S. exporters, can restrict access to the EU market, risks distorting competition, and functions in practice as a non-tariff barrier for products from countries such as the United States that have established, rigorous, environmental safeguards but lack equivalent carbon-pricing schemes.

We encourage USTR to engage the EU to ensure that CBAM implementation does not discriminate against U.S. exports, is commercially workable, and remains consistent with the EU's broader sustainability objectives.

## II. Responses to Specific Issues Raised in the Federal Register Notice

### 1. CBAM's *current impact* on the costs, regulatory burden, and access to the EU's market for U.S. producers, including small- and medium-sized producers; workers; direct and indirect exports; and overall trade with the EU

CBAM's current implementation, before certificate purchasing formally begins, imposes significant operational, financial, and regulatory burdens on U.S. manufacturers exporting covered goods to the EU. Companies must build a compliance infrastructure to meet emissions data, verification, and reporting obligations. As an example, one U.S. manufacturer estimates total annual compliance costs of approximately $1 million, covering data collection, supplier engagement, internal reporting, and mandatory verifier interactions before any carbon fee is paid. In addition:

- **Certificate Exposure.** Companies accrue obligations from 2026 onward even though certificate purchasing occurs later, creating multiyear liability that impedes business planning and EU sales contracts.
- **Supplier Data Gaps and Reporting Friction.** CBAM requires granular, verified emissions data, often beyond Tier 1. Many SMBs lack emissions tracking systems or resources to respond. Other suppliers may be unwilling or unable to provide the data required, forcing U.S. exporters to expend substantial internal resources, reconcile conflicting information, or rely on default values. This burden disproportionately harms U.S. SMBs, raises administrative overhead, and delays shipments. Even large manufacturers frequently cannot obtain actual emissions data for every upstream input and must rely indefinitely on EU default values, which are currently overly conservative and should be updated to be less punitive.
- **Customer Friction.** During the transitional phase, EU customers repeatedly requested emissions details that U.S. exporters could not obtain from upstream suppliers. This generated persistent concern about data availability, forced reliance on default values (creating mistrust and contract uncertainty), and led some exporters to register as Authorized CBAM Declarants even when not strictly required—an additional burden not borne by EU-based competitors.
- **Military End-Use Products.** Although the regulation provides a military exemption, EU guidance effectively nullifies it for dual-use and defense-related imports unless imported directly by military authorities, creating an unpredictable environment and unnecessary compliance burden without environmental justification. This burden falls heavily on exporters of dual-use items, including certain oilfield tools, sensors, and components, which must already satisfy U.S. and EU export control requirements and now face a separate CBAM reporting layer for the same shipments.

- **Verification Burdens.** Emissions data must be verified by EU-accredited third-party verifiers, creating capacity constraints, higher costs for U.S. suppliers and exporters, and structural dependence on EU-controlled gatekeeping functions.
- **Oilfield Equipment and Spare Parts.** Many steel products used in oil and gas operations fall within CBAM's current iron and steel scope. U.S. oilfield services providers that ship these goods, and spare and replacement parts made from them, into the EU must report embedded emissions for low-volume, high-mix shipments that often move on short notice to support active well operations. Because these items are frequently built from multi-sourced forgings and castings, actual emissions data is rarely available, forcing reliance on punitive default values and adding cost and delay to time-critical deliveries where an equipment outage can halt production.

Free carbon allocations provided to EU producers under the EU emissions trading system (ETS) are being gradually phased from 2026 to 2034, in parallel to the phase-in of the CBAM for third-country imports. This means the full costs of both the EU ETS and CBAM are not yet fully being felt by the affected industries. In one example, a producer that imports 10,000 tonnes of steel and 1,000 tonnes of primary aluminum into the EU would only pay an estimated €60,000 in 2026. By 2030, the cost for the same imports, absent any further changes, would balloon to approximately €1.2 million.[1] These costs will continue to rise until CBAM is fully phased in in 2034.

**2. The *potential impact* of the EU's three proposals (the Commission, Council and Parliament proposals) to expand CBAM coverage to additional products on the costs, processes, and access to the EU's market for U.S. producers, including small- and medium-sized producers; workers, direct and indirect exports; and overall trade with the EU**

The EU's CBAM expansion proposals will significantly magnify impacts on U.S. industry and advanced manufacturing exporters, but it is difficult to quantify the precise impact without knowing the affected product scope. Anecdotally, NFTC members report the following potential impacts:

- Expansion of CBAM would affect facility level construction, maintenance operations, and repair costs as additional covered products (e.g. piping, bolts, equipment, etc.) become more expensive.

- If oil and gas products were added to CBAM, the supply chain challenges are expected to resemble those currently generated by the European Union's Methane Regulation (Regulation (EU) 2024/1787) (EUMR), which could endanger energy security and affordability in Europe.

- Expanding CBAM to highly integrated transatlantic supply chains, such as commercial aviation, would result in substantial compliance and administrative burdens for both U.S. and EU suppliers and prime manufacturers. The aerospace sector depends on complex, specialized, and highly integrated supply networks that support long-term production programs. Additional CBAM requirements will increase costs, reduce operational flexibility, and create unintended distortions in established supply chains without corresponding environmental benefits.

- Inclusion of auto parts and light commercial vehicles (e.g. pick-up trucks) would reduce incentives to source high-value components produced in the U.S. , including engines and transmissions. It will also add further costs to vehicle imports from the U.S. into the EU,

[1] Senken, "Understanding carbon regulation and standards," June 17, 2026, available at https://www.senken.io/academy/regulation-and-standards/cbam-regulation.

potentially undermining the advantage from tariff-free exports of certain American vehicles and auto parts provided in the U.S.-EU Cooperation/Framework Agreement on Reciprocal, Fair, and Balanced Trade announced in July 2025 ("the Turnberry Agreement").

- Expansion to downstream products and entities designated as "importers for distance sales" under the EU Customs Reform could impose substantial new regulatory and financial obligations on online marketplaces that facilitate transactions but do not manufacture, own, or control the goods. Of particular concern is the prospect that marketplaces could become responsible for CBAM registration, emissions reporting, recordkeeping, and certificate payment for products sold by independent third parties. Marketplaces generally lack detailed information on manufacturing processes, material composition, origin, or embedded emissions. Obtaining and verifying such data across potentially millions of listings would be operationally complex, costly, and often impracticable, with disproportionate effects on SMEs and individual sellers. Importantly, designating online marketplaces as importers for distance sales under the EU Customs Reform should not automatically subject them to CBAM obligations. These responsibilities should reflect an entity's actual role in the transaction and its access to the manufacturing and emissions data required for compliance. Otherwise, such requirements could discourage U.S. small businesses and individual sellers from serving EU customers, increase costs for European buyers, and restrict product availability and consumer choice.

- Expansion of CBAM to downstream goods also raises concerns for second-hand, used, refurbished, and other pre-owned goods. These products have already been manufactured and placed into commerce and their resale generally does not generate the same production-related emissions as manufacturing equivalent new goods. Applying CBAM obligations to these products could impose additional carbon-related costs on product reuse, potentially undermining the EU's sustainability and circular-economy objectives. Moreover, sellers and online marketplaces frequently lack access to original manufacturing records, particularly for older goods, making emissions reporting exceptionally difficult. The EU has already recognized the distinct circumstances of used and second-hand goods under its Deforestation Regulation, providing a relevant precedent for comparable treatment under CBAM.

While CBAMs may be a necessary component of carbon pricing schemes, NFTC members have significant concerns with the aggressive trajectory of EU climate programs. The EU should slow expansion and first gain a clearer understanding of the competitiveness impacts of the existing CBAM program. A more deliberative approach would help avoid pitfalls already seen with the EUMR and the Deforestation Regulation.

**3. Whether CBAM and the EU's three proposals (the Commission, Council and Parliament proposals) disadvantage, advantage, or have other impacts and potential impacts on U.S. companies as compared to EU companies or third-country companies**

CBAMs are inherently complicated to implement. The EU's aggressive climate goals drive high ETS costs that have already affected EU competitiveness and affordability. Applying those same costs to importers is likely to create similar challenges for U.S. exports. In addition, the EU decarbonization regime, including CBAM, creates structural advantages for EU producers:

- **EU Companies are Exempt from CBAM.** CBAM applies only to imports, meaning EU domestic producers avoid CBAM obligations entirely. EU firms instead participate in the ETS, which features free allocations, transitional relief, and eligibility for decarbonization funding,

advantages not available to U.S. producers, which creates the opportunity for disparate treatment of domestic and imported goods, raising national treatment concerns.

- **EU Companies May Receive Benefits from CBAM Revenue.** The EU has publicly indicated that CBAM revenues may be used to support EU industrial decarbonization. This means that the EU manufacturers may receive indirect subsidies financed by fees paid by foreign exporters. To the extent CBAM revenues are used to support EU industrial decarbonization, U.S. exporters may perceive themselves as bearing increased compliance costs while competing against firms that benefit from EU supported transition programs.

- **Disparity in Administrative Burden.** EU firms have more direct access to emissions data from local suppliers. Non-EU exporters must traverse complex, multitier supply chains to obtain information. For many upstream metal producers outside the EU, obtaining CBAM compliant emissions measurements is practically or financially prohibitive. The net result is discrimination against imported goods.

- **Supply Chain Distortion and Competitive Harm.** CBAM encourages EU buyers to prefer EU origin products (to avoid CBAM compliance entirely), or suppliers in countries with lower default emissions factors. This creates an artificial substitution away from high value U.S. manufactured goods, long term erosion of U.S. market share in advanced industrial sectors, and structural incentive for EU companies to localize supply chains domestically, undermining transatlantic industrial integration. Even absent documented lost sales today, these systemic incentives represent a clear competitive distortion with long term consequences for U.S. industry.

**4. Whether and What Enforcement Action May Be Appropriate to Remedy Any Negative Effects of CBAM**

NFTC believes that continued engagement with the European Commission and EU Member States is the most effective tool to address these concerns. CBAM NFTC encourages USTR to seek practical reforms that ensure CBAM implementation is nondiscriminatory, commercially workable, and consistent with the EU's broader sustainability objectives.

NFTC further recommends that USTR engage the EU to deliver on the Commission’s Turnberry Agreement commitment to “work to provide additional flexibilities in CBAM implementation.” Potential improvements include:

- **Improvements to Default Values as a Long-Term Compliance Option.** CBAM should allow company level reporting or default value reporting at the exporter’s discretion, without punitive markups. CBAM should also recognize the challenges of obtaining installation-level emissions data across multi-tier and distributor-based supply chains and ensure that reliance on default values, where actual data is not reasonably available, does not create disproportionate cost impacts.
- **Acceptance of Non-EU Verification.** U.S. accredited verification entities should be deemed acceptable to prevent EU-controlled gatekeeping from functioning as a barrier.
- **Exclusions for Online Marketplaces.** The clear exclusions of online marketplaces acting solely as third-party intermediaries, ensuring that CBAM compliance obligations are assigned to entities with meaningful access to the relevant manufacturing and emissions information.
- **Exemptions for Secondhand, Used, and Refurbished Goods.** Explicit exclusions for secondhand, used, refurbished, and other pre-owned goods would recognize the distinct environmental and commercial characteristics of secondhand commerce, support the EU’s

circular economy objectives, and avoid imposing impractical emissions reporting obligations on products already placed into commerce.

- **Guidance on Interaction between CBAM and Other Customs Reforms.** The EU should provide clear guidance on how CBAM, including any expansion to downstream products, interacts with the new importer-for-distance-sales framework established under the EU Customs Reform, including which entities bear legal responsibility for CBAM compliance. This guidance should avoid assigning obligations to intermediaries without access to the necessary emissions data and provide reasonable implementation timelines and proportionate requirements for small businesses and low-volume transactions.
- **Advance Notice of Changes.** Changes to CBAM scope, CN codes, calculation methods, default values, or reporting requirements should be communicated with sufficient advance notice. Companies need adequate time to update products and processes, engage suppliers, evaluate sourcing decisions, and manage landed-cost impacts.
- **Clarify and Expand Military and Dual-Use Exemptions.** The current EU interpretation limiting the exemption only to direct imports by the military undermines established U.S.–EU security partnerships and imposes unnecessary burdens on transatlantic defense supply chains.
- **Transitional Relief for Complex Assemblies.** The U.S. should seek carveouts or phased in obligations, where actual emissions measurement is unworkable.
- **Relief for Spare Parts, Repairs, and Returned Goods.** The U.S. should seek simplified treatment or exemptions for spare and replacement parts, goods returned after repair, and temporarily imported oilfield equipment, where emissions reporting for low-volume, time-critical shipments adds cost and delay without meaningful environmental benefit.
- **Transparency on Use of CBAM Revenues.** If EU manufacturers receive decarbonization funding financed by CBAM, this creates structural competitive asymmetry that must be addressed in transatlantic negotiations.

## III. Conclusion

CBAM is already imposing significant compliance and financial burdens on U.S. producers and is poised to become a major market-access barrier if expanded to hundreds more downstream goods. As currently designed, CBAM introduces systematic disadvantages for U.S. exporters, distorts transatlantic supply chains, and undermines principles of reciprocal, fair, and balanced trade. NFTC urges USTR to advance a robust engagement and negotiation agenda focused on advocating targeted reforms that promote competitive parity and ensure U.S. exporters can access EU markets without discriminatory treatment.

As always, we welcome continued dialogue on ways to improve the EU's CBAM. I would be happy to provide further comment or answer any questions you may have and can be reached at: tsmith@nftc.org.

Sincerely,



Tiffany Smith
Vice President, Global Trade Policy
National Foreign Trade Council