Europe’s long-awaited Carbon Border Adjustment Mechanism (CBAM) is supposed to be the continent’s answer to a vexing climate-industrial dilemma: how to impose strict emissions rules at home without handing a competitive advantage to dirtier producers abroad. But as Brussels races to finalize the technical details before the January 1 rollout, troubling signals suggest that CBAM may be born with its claws filed down — not by political opposition in Washington or Beijing, but by the EU’s own administrative caution.

At the heart of the controversy is a seemingly technical question with enormous consequences: **what carbon footprint should be assigned to imported goods when foreign producers fail to disclose real emissions data?** These “default values” are meant to function like a penalty — a stick to push foreign manufacturers toward transparency and cleaner production. Yet leaked draft documents indicate they may instead become a loophole large enough for heavy-polluting goods to sail through.

The Dangerous Comfort of Low Default Values

The EU’s most energy-intensive industries — steel, fertilizers, aluminum, cement — are raising the alarm. The draft benchmarks reportedly assign **lower emissions to some steel products from China, Brazil, and even the United States than to EU-made equivalents**. In what alternate industrial universe is Chinese blast-furnace steel cleaner than its European counterpart? As Stegra’s Ola Hansén put it, the numbers seem “odd.”

Odd — and dangerous.

If default emissions values are set too low, foreign producers gain an unexpected gift:

- They can **skip reporting their real emissions**, because the assigned defaults are already favorable.
- Their products will appear **cleaner on paper than they actually are**.
- European producers, who are subject to an €80-per-ton carbon price at home, end up **competing with phantom-clean imports**.

This is not merely an administrative glitch. It strikes at the core purpose of CBAM: **to level the playing field and reduce global emissions, not merely shuffle them across borders.**

A Policy Meant to Deter Could Instead Reward Evasion

The Business for CBAM Coalition has been clear: the defaults must be high enough to make non-reporting unattractive. That principle was embedded into the original vision for CBAM, which sought to push foreign producers toward transparency by imposing a carbon cost they would want to reduce.

But if the Commission's default formulas let heavy polluters masquerade as low-carbon suppliers, the outcome flips. Foreign producers gain a competitive advantage *by not reporting*. The very companies most responsible for carbon leakage would be the least incentivized to change.

This is CBAM inverted — a climate measure turned upside down.

A Familiar Brussels Trade-off: Urgency vs. Accuracy

To be fair, the Commission is under immense pressure. Importers "needed clarity yesterday." EU governments are asking for revisions. The clock is ticking toward the January implementation deadline. But speed cannot justify structural flaws that risk locking in distorted carbon values for **two full years**, as the drafts indicate.

If the defaults are wrong now, they could undermine both climate integrity and industrial competitiveness before a single CBAM charge is even collected.

And let's be clear: some sectors quietly stand to benefit from this softness. European farmers reliant on cheap imported fertilizers, or industries with globalized supply chains, may prefer lower import costs. Foreign governments opposed to CBAM may see their pressure campaigns rewarded without lifting a finger.

But the EU must decide whether CBAM is a **climate tool**, a **trade instrument**, or merely **a symbolic gesture**.

Europe Cannot Afford to Botch This

Europe is entering a decisive phase in the green industrial transition. The U.S. is deploying hundreds of billions in clean-tech subsidies under the Inflation Reduction Act. China is racing ahead in green manufacturing. The EU cannot protect its climate ambition — or its industrial base — with a border mechanism that lets heavily polluting imports appear cleaner than domestic goods.

A weak CBAM is worse than no CBAM at all. It sends a message to global markets that the EU will enforce climate standards only until they get complicated, diplomatic, or administratively heavy.

This is not the moment for hesitation.

A Better Path Forward

The Commission should do the following — urgently, but not recklessly:

1. **Set conservatively high default values**, in keeping with the original design philosophy.
2. **Require automatic upward adjustment** if credible evidence emerges of underestimation.
3. **Accelerate pathways for verified emissions reporting**, reducing reliance on defaults over time.
4. **Prioritize transparency**, publishing methodologies so stakeholders can scrutinize and improve them.

CBAM is too important to fail on a spreadsheet error.

Europe can lead the world in aligning climate ambition with global trade — but only if it refuses to let convenience dilute conviction. If the EU wants CBAM to be a model rather than a mirage, it must resist the temptation to round down the emissions of

foreign competitors and instead defend the integrity of its climate policy with the same firmness it expects from its industries.