



Making the EU CBAM work for reuse

Policy paper

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Introduction

The EU Carbon Border Adjustment Mechanism (CBAM) entered its definitive phase on 1 January 2026. For goods covered by the regulation, CBAM certificates need to be purchased upon placing them on the EU Single Market. This is the case for all goods – defined based on CN codes – listed in Annex I of the regulation. If a good is covered by this list, the EU CBAM defines, in a set of clear methodologies and guidelines, how to calculate its carbon footprint, and the corresponding CBAM charges that come with it. While the CBAM methodologies have been well-tested and proven already effective in recent months, a specific subset of goods has come to experience challenges: reused goods. This because the EU CBAM methodologies never considered reused goods, as such exposing them to the same rules (and costs) as virgin goods. With a growing market share of reused goods in certain sectors covered by CBAM (e.g. construction steel and aluminium), this needs remedying to not jeopardise the transition to a more circular economy.

Problem

Reuse is not relevant for the majority of CBAM covered goods. For obvious reasons, one cannot simply reuse intermediate goods such as cement, fertiliser, electricity or hydrogen. However, this is different for iron/steel and aluminium given that Annex I of the EU CBAM covers several final products which do have a potential for reuse. Amongst others, this is the case for steel and aluminium tubes, pipes and beams which might end up being reused in construction or infrastructure works.

Distinguishing these products from their virgin counterparts, however, is not possible in the current CBAM set-up. This links to the fact that Annex I of the EU CBAM operates on the basis of CN codes, with the latter hardly ever distinguishing between primary and secondary goods. This stems from the simple fact that international trade of secondary goods is still very much in its infancy, and for most materials we do have international waste codes in place. One notable exception to this rule are textiles, where a CN code was introduced in recent years to cover trade of worn textiles and clothing (CN 6309¹), motivated by the high

¹ This CN code covers 'worn textiles and clothing' and is used in export declarations for (international) bulk trading. It was established to distinguish from the international trading in textile waste export streams, as the latter do not have a designated CN code.

volumes of trade/exports from the Global North to the Global South and the need for differentiation these streams from the bulk shipment of unsorted worn textiles, i.e. likely waste streams.

However, for other goods such devoted CN codes do not exist. meaning that they are traded under the same CN codes as new products. This is for example the case for CN codes 7302 – 7310 (for iron and steel) and 7608 – 7610 (for aluminium) as both cover a wide range of steel and aluminium products that are used (and potentially) reused in the construction and infrastructure sector. This is not perse a problem, as we also see a growing trend whereby also in other parts of regulation reused (construction) products are increasingly being covered by the same (or similar) standards used for product testing and (often) also CE marking².

However, from a CBAM perspective, the above situation does create a problem as the methodologies applied to the covered goods at present do not consider product reuse. Consequently, while reused products typically come with a carbon footprint close to zero, the current CBAM set-up does not allow to reward them as such. On the contrary, reused products are at present subject to the same CBAM cost as their 'virgin' counterparts, while also facing the additional complexity of determining their actual emissions. Given that this is an emerging, but growing, economic sector – often still confronted with a premium due to the higher labour costs associated with reuse – it is important to fix this existing gap in the EU CBAM legislation to not put additional (and unnecessary) burdens on product reuse.

Finally, it is hard to make strong estimations around the actual size of the problem in the absence of public data. Based on our expertise on the reuse construction products – most notably steel – it is fair to say that the trade in reused (construction) products is still in its early days. Nonetheless, several industry contacts did point out the unintended consequences created by the EU CBAM in recent months, resulting in reused goods no longer (or less) traded to the EU. Furthermore, several dynamics will make this particular 'CBAM reuse plugged pipe' more pertinent moving forward:

- **For construction products covered by CBAM:** both at the supply and demand side a (strong) growth in secondary goods is to be expected. This is the case for the following reasons:
 - Supply: in line with intra-EU evolutions, a growing number of EU trade partners are witnessing the rapid uptake of pre-demolition audits. This refers to a process whereby an inventory of reusable materials is made before demolishing a building or infrastructure work. Increasingly so, such audits are made mandatory (or strongly pushed) by local, regional or national legislation, in which case a quick supply of materials comes to exist. In the case of steel, pre-demolition audits are *de facto* made mandatory in London for all big projects, which has resulted in new trade patterns between the UK and EU for some of these goods (e.g. tubes, beams...)
 - Demand: the revised EU Energy Performance of Buildings Directive (EPBD) has come to initiate a process whereby initially for larger buildings (>1000m²) and ultimately all new buildings, limits will be set on global warming potential (including for the materials used within). One way to (partly) meet these targets is through the use of secondary materials. For this reason, the EU

² The possibility to CE mark on the basis of a product standards depends on the status of the former. When dealing with a harmonised standard requested under the EU Construction Products Regulation (CPR), this is the default option used by market actors for CE marking.

Construction Products Regulation is also starting to prepare smoothing the process of CE marking of reused goods. Both products will make the EU an attractive export market for reused construction products, including those made from steel and aluminium. In addition, the upcoming Circular Economy Act is also expected to have a sort of influence on reuse of construction products, but at this stage it is unclear what provisions will be embedded into the proposal.

- **For other products to be covered by CBAM:** while the proposal to expand the scope of CBAM is not yet adopted by the co-legislators, it is likely going to result in the inclusion of a (long) list of finished goods from different sectors. Many of these have a potential to be reused. Without having studied whether these products groups are already subject to much/any trade of secondary goods to the EU, it does seem plausible (e.g. car parts).

Solutions

While one could argue that the trade of reused goods is still in its early days, we believe it is important to fix the CBAM reuse 'plugged pipe'. Not only does this contribute to the EU's ambitions to transition to a circular economy; it can also be addressed in a straightforward manner, as such helping to further finetune the CBAM. This is also important from an international perspective with other countries set out to take inspiration from the European example.

Given the interplay between the EU CBAM and the CN codes framework, two sets of solutions could be explored:

- **Expansion of CN codes:** like worn textiles and clothes (CN 6309) one could seek to introduce CN codes for those CBAM covered goods (cf. Annex I) that have a potential for reuse. However, this would require continuous alignment between the (evolving) scope of the EU CBAM and the CN codes.
- **Introduction of rules on reuse in the EU CBAM acquis:** like the specific rules on e.g. the accounting of scrap, the CBAM acquis could provide exporters clear guidelines on how to account for the footprint of secondary goods – e.g. not accounting any emission to the good. Ideally, this is complemented with some form of *de minimis* provision, as such not exposing these importers to unnecessary regulatory burdens and costs. Depending on the potential risk for fraudulent declarations, certain safeguards could be introduced as well to ensure that a reused product did have a proper first service life already. One way to ensure this could be to use the definition of reuse, as put forward in the recent CEN/TS 1090-201:2024, 2024, according to which "reclaimed structural components" are "salvaged from a donor structure and are intended to be used again for fabrication and/or erection of a recipient structure". Applying such logic to the CBAM would entail that verification documents for importers would need to (i) establish a 'paper' trail all the way to the donor structure (e.g. building, car...); and (ii) CN codes under which the goods are traded need to be aligned with the future reuse of the traded goods.

In our view, the second solution is the preferred one because it addresses the problem once and for all in a simple and straightforward way. While solution one might also be capable of delivering, the continuous need for aligning the EU CBAM with CN codes seems difficult to be achieved in reality. Furthermore, from a principle point of view, it fails to align the EU CBAM with the principles of a circular economy.