

TRADE FINANCE GLOBAL · COMMENTARY

One client, three desks: What Draghi left to the banks

Europe's persistent cost gap is reshaping industrial clients, with producers increasingly replaced by importers.

Rising regulation and CBAM requirements are creating new working-capital needs and financial liabilities for European importers.

Supply-chain disruptions are turning transport and freight volatility into a new financing need, effectively creating three distinct banking desks for one client.

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A European importer used to be one file. Title to the goods, a letter of credit (LC), 90 days, one relationship manager. Half a century of trade finance rested on that arrangement, and it worked because the European client was a producer who imported now and then.

Two years ago, Mario Draghi - former President of the European Central Bank - told the European Commission that Europe's production costs had come apart from its competitors'. He was right, and his report has been read ever since as a policy document.

But read from the perspective of a credit desk, it says something else. A cost gap that stays open does not remain a cost. It changes the client.

The gap, and what has been done about it

According to the International Energy Agency (IEA), the European Union's (EU) electricity prices for energy-intensive industries averaged over twice the US levels in 2025 and nearly 50% above Chinese figures, while the EU Emissions Trading System (ETS) carbon price averaged at around €75 a tonne. Chinese allowances traded at about \$11 per tonne over the same period, and the US has no federal carbon price at all. Higher wages are not the only explanation.

The Commission reports that over 90% of its Competitiveness Compass flagships were inspired by the Draghi report, and more than €1 trillion has been mobilised to maintain European competitiveness.

The independent Draghi Observatory, which counts only what has become binding law, puts delivery at 60 of 383 measures in July 2026. In energy, one measure of 83 has been implemented. The Commission counts activity. The Observatory counts statute.

EU industrial production fell 1.5% in 2023 and 2.4% in 2024, recovered 1.5% in 2025, and by May 2026, was below the previous year again. The recovery came from pharmaceuticals, shipped early to beat US tariffs, primarily from Ireland.

There has been no sustainable recovery for four years, and the one good year came from tariff timing, not from the energy-intensive base.

The cost gap does three things to the European industrial client. Each one breaks a different part of that single file.

1. The producer is replaced by an importer

Europe's aluminium sector took more than one million tonnes a year of capacity offline during the energy crisis that began in late 2021, and around 800,000 tonnes remains offline today, because a competitive smelter needs long-term power at around \$40 per megawatt hour, and no European tariff comes close to providing this.

The metal is still consumed, but is simply imported now. Cement went the same way: the EU imported 14.2 million tonnes of cement and clinker in 2025 - up from 11.3 million a year earlier - of which Türkiye supplied 42.9%.

The documentary desk of trade finance grows on this. Its volume rises following closure announcements, with imports replacing the output lost. It is also the thinnest margin in the business, which matters because the two conversions that follow cannot be paid for out of a documentary fee.

2. The regulation becomes a liability

The EU's Carbon Border Adjustment Mechanism (CBAM) is usually described as a percentage of a cargo's emissions. It is not. Implementing Regulation (EU) 2025/2620 charges the difference between those emissions and a free-allocation deduction, and that deduction runs to zero by 2034. A supplier that cannot document what they emit is charged on an assigned default rate - set above what the industry emits in practice.

On a 50,000 tonne clinker cargo, that mechanism produces the following bill.

EMISSIONS BASIS	2027	2030	2034
No verified data - assigned default	6.67 million	9.39 million	11.55 million
Türkiye industry average, verified	1.56 million	3.38 million	5.54 million
At the EU benchmark	0.21 million	2.03 million	4.20 million

Annual CBAM liability on a 50,000 t clinker cargo, in euros, at €126 per tonne of CO₂ held constant. Source: Metal Supply Experts

None of this stops at the border. In its own impact assessment, the Commission **expects** European producers downstream in Europe to face higher input prices, and anticipates a regressive effect. The Organisation for Economic Co-operation and Development (OECD) **reaches** the same conclusion. CBAM ends up being a charge on the European client's input costs, collected at the frontier and paid by European buyers.

The importer holds those certificates through the year and surrenders them against its declarations. That is working capital, and a documentary file has no room for it. Its size follows the quality of the supplier's emissions data rather than the volume of the shipment: the annual distance between no data and a documented average performance is about €6 million.

Documentary practice doesn't answer who the obligor is when an indirect customs representative acts as declarant, or whether a certificate account is an eligible trade asset. Substitute steel or a fertiliser for the clinker, and only the scale changes.

3. The route becomes an exposure

Goods now arrive from outside Europe. They cross an ocean, enter a port, and move inland by river, rail, or road. Not one of those legs is dependable any more.

Three chokepoints carry maritime trade, and all three have failed over the last three years. Panama **cut** transits due to drought, and the Suez Canal **lost** traffic due to disruption in the Red Sea, together affecting about a fifth of global maritime trade.

Then, after the strikes on Iran of 28 February 2026, transit through the Strait of Hormuz fell from about 130 a day to six - a collapse of roughly **95%**. Hormuz alone carries a quarter of seaborne oil and about a **third** of seaborne fertiliser trade - some 16 million tonnes. Diverted cargo arrives late and bunched, laycans are missed, and the cost surfaces as demurrage. Nine carriers alone collected about \$15.4 billion in demurrage and detention between April 2020 and March 2025.

Just weeks ago, on 4 August 2026, the Rhine at Kaub fell to **21 centimetres**, the lowest since records began in 1880 and below the previous record of 25 centimetres (obtained in October 2018).

Barges loaded at a fifth of capacity, and tanker barge freight from Rotterdam to Karlsruhe went from €45 a tonne at the end of June to €145 in early August. The same heat **shut** Hungary's Paks plant for the first time in its 44 years, and in France took up to 7.6 gigawatts (GW) - some 12% of the nuclear fleet - off the grid on thermal discharge limits.

This is not a run of bad luck. A systematic attribution of 213 reported heatwaves **found** that those occurring between 2010 and 2019 were roughly 200 times more likely than in the climate of 1850 to 1900, and that a quarter of them would have been virtually impossible without global warming.

The land legs are no refuge. The EU Agency for Railways identified **13,469** extreme weather events on EU rail infrastructure between 2005 and 2024, and calculates that weather delay now costs the equivalent of one to three

full years of railway service every year.

The International Road Transport Union's (IRU) 2025 survey puts Europe 502,000 truck drivers short, and from January 2028, the second Emissions Trading System (ETS) prices carbon in road fuel. An inland vessel carries about 2,000 tonnes against 1,200 to 1,500 for a whole block train and 25 for a tank container, so in a market already short of drivers, replacing one barge can take upward of 100 trucks.

These events are short, severe, and unforecastable. A strait closes in 48 hours, a river drops below loading draught in a fortnight, a thermal limit takes a reactor off the grid in a week. None of them changes the client's solvency and all of them change its cash position, because the response is always the same: hold more inventory, pay more freight, or both, at a moment when neither was budgeted. That is the case for a third desk.

A facility approved on quarterly financials arrives after the event it was meant to cover. What the client needs is a committed line, documented and secured in advance and drawn on a freight trigger rather than an invoice, so that the credit decision is taken once in calm conditions and executed in hours. Different collateral, different covenants, different tenor.

Three desks, one client

The file is now three. One finances the goods, one a certificate account, and one a season of freight. None grows out of another, which is why a bank that holds one has no natural path to the second, and why the client is buying the set from three providers.

That is what Draghi left to the banks. The report asked how Europe closes the gap. It never asked who finances the client while the gap stays open, and that question now has dates attached to it. No industry builds three desks around a healthy borrower. Look at what is happening around the client. Chinese-made cars took over 7% of EU sales in 2025 as imports from China passed a million units for the first time and EU exports to China fell 43%. Of the 147 European unicorns - startups that eventually surpass \$1 billion in value - founded between 2008 and 2021, 40 moved their headquarters abroad, mostly to the US.

And the Commission's own Competitiveness Compass records that €300 billion of European savings leaves the EU every year because the financial system does not channel them into productive investment at home.

Read those together, and a pattern appears that no single figure carries alone. Risk and volatility rise, capacity leaves, competitors arrive, savings leave in the wake of the capacity, and the infrastructure meant to repair all this will be built from steel, cement, and aluminium that Europe increasingly does not make. That last step is an inference rather than a statistic, but it is the one the three desks will be financing.

In response to the question of who finances Europe's energy-intensive base as it restructures, and against what security, stands the idea that capital is waiting for a structure it can buy.

Capital is not the scarce input in European trade - the structure it can safely attach to is.

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