



Carbon Border Adjustment Mechanism

A new, green way of pricing carbon in imports to the EU

EU Commission, Brussels,

May 2023

CBAM at a glance

- ❑ **Focusing on actual carbon content in goods, not targeting countries!**
- ❑ **Companies are subject to CBAM only on individual merits and taking into account:**
 - Actual carbon content of the imported goods;
 - Level of free allocations of EU ETS allowances in the EU;
 - Carbon price effectively paid in country of production.
- ❑ **Possible exemption due to participation/linking to EU ETS**
- ❑ **Companies buy and surrender certificates to cover carbon content via annual declarations**

Carbon Price

□ Equal carbon pricing

- EU businesses pay a **carbon price on their production in the EU**
- **Imports will need to pay a carbon adjustment**, corresponding to the price they would have paid if the goods had been produced under the EU's carbon pricing rules (ETS).
- The CBAM charge will be adjusted to reflect the level of EU **ETS free allowances** allocated to EU production of sectors in scope.

□ No double pricing

- **If a non-EU producer can show that they have already paid a carbon price** for the production of the imported goods in a third country, that amount can be deducted for the EU importer.

Gradual implementation of CBAM

Gradual phase-in
to allow
businesses
to adjust

Transitional phase
October 2023-
December 2025

Monitoring and reporting
Implementing rules to
be adopted by the
CBAM Committee

Post-transitional phase
January 2026 onwards

Phase out of free allocation
Phase in of CBAM

Review
2025

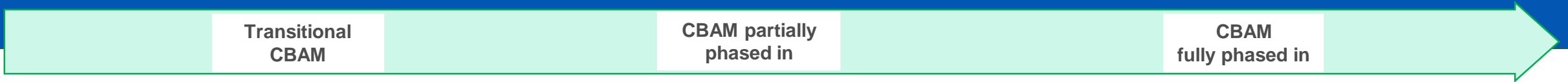
Scope extension
Indirect emissions
Exports

Phasing out of free allocation / Phasing-in of CBAM

2026	2027	2028	2029	2030	2031	2032	2033	2034
2.5 p.p.	2.5 p.p.	5 p.p.	12.5 p.p.	26 p.p.	12.5 p.p.	12.5 p.p.	12.5 p.p.	14 p.p.
2.5%	5%	10%	22.5%	48.5%	61%	73.5%	86%	100%

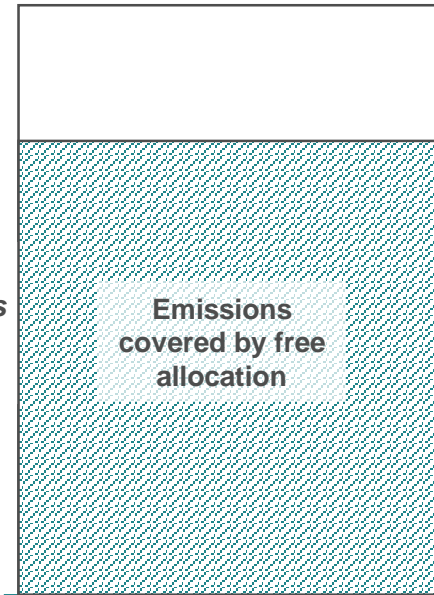


Free Allocation → CBAM



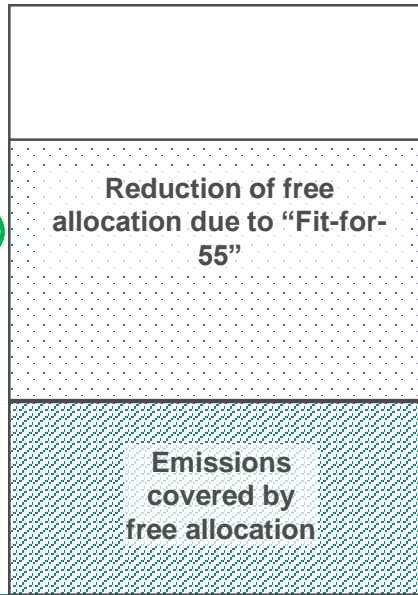
Third country emissions in CBAM sectors

EU ETS emissions in CBAM sectors



2023-2025

CBAM Information



2026-2033

CBAM Adjustment



2034 onwards

CBAM Adjustment

Sectors during Transitional Phase

- ❑ In the **first phase**:



CEMENT



IRON & STEEL



ALUMINIUM



FERTILISER



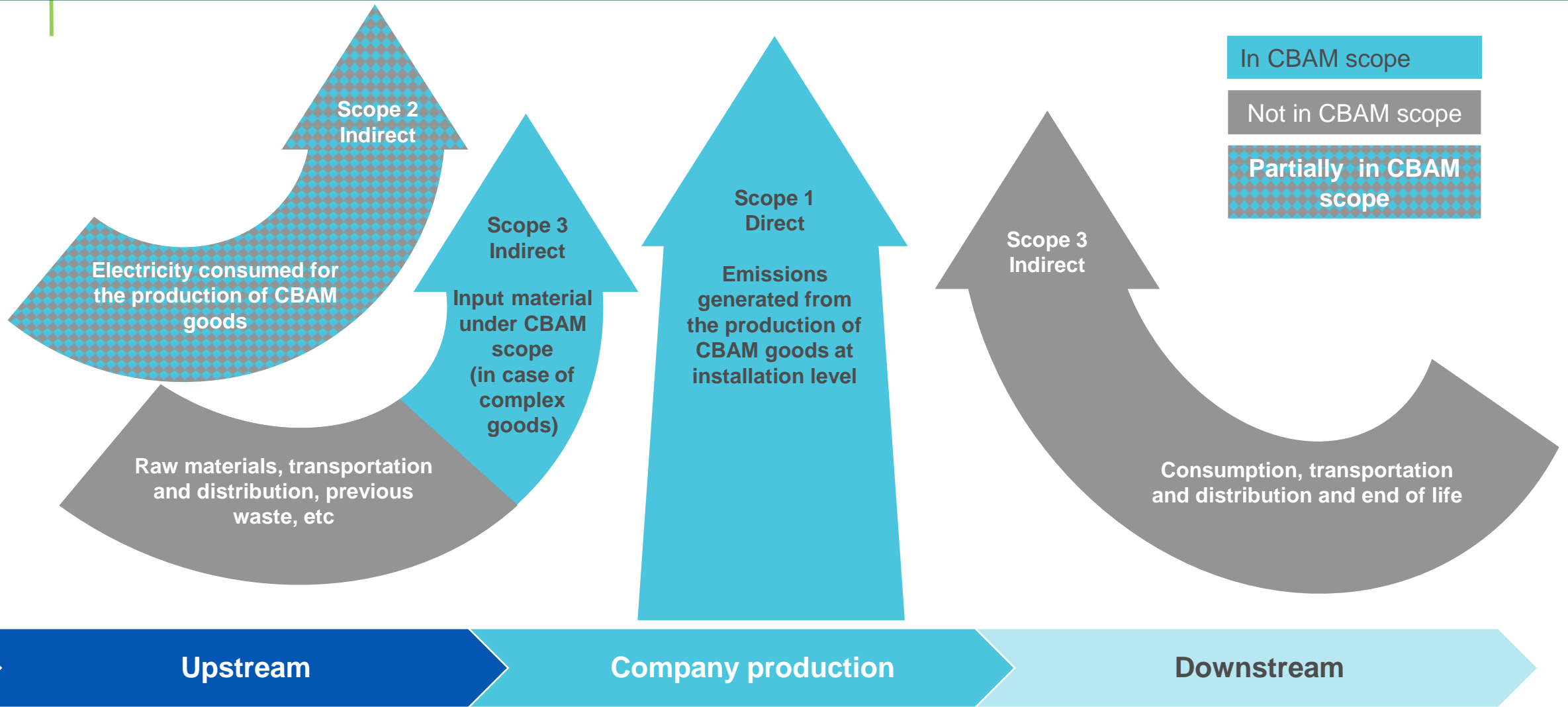
ELECTRICITY



HYDROGEN

- ❑ Includes some precursors and downstream products
- ❑ Selected on the basis of 3 criteria:
 - ✓ *High risk of carbon leakage (High carbon emissions; High level of trade)*
 - ✓ *Covering more than >45% of CO2 emissions of ETS sectors*
 - ✓ *Practical feasibility*
- ❑ In a **second stage**, extended to other sectors

Emissions under CBAM scope



Reporting emissions

- During the transitional phase the following shall be reported

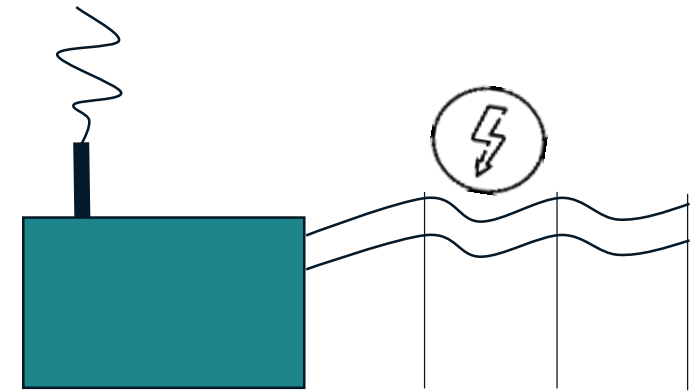
- ↪ *Direct and Indirect emissions for all CBAM goods included in Annex I of the Regulation*

- During the definitive phase the following shall be declared

- ↪ *Direct emissions for all CBAM goods included in Annex I of the regulation*

- ↪ *Indirect emissions, for all CBAM goods except those that may receive indirect cost compensation under the EU ETS framework (Annex IA)*

- The Commission will work towards the extension of the list of goods for which indirect emissions shall be reported

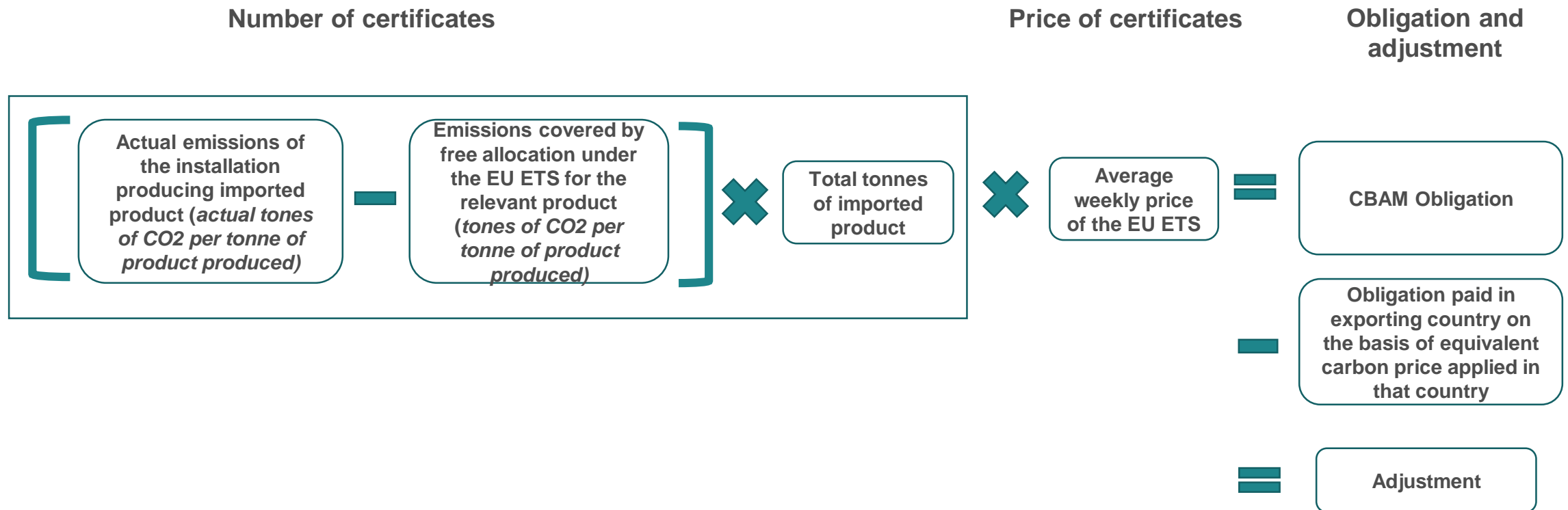


Calculation of carbon content

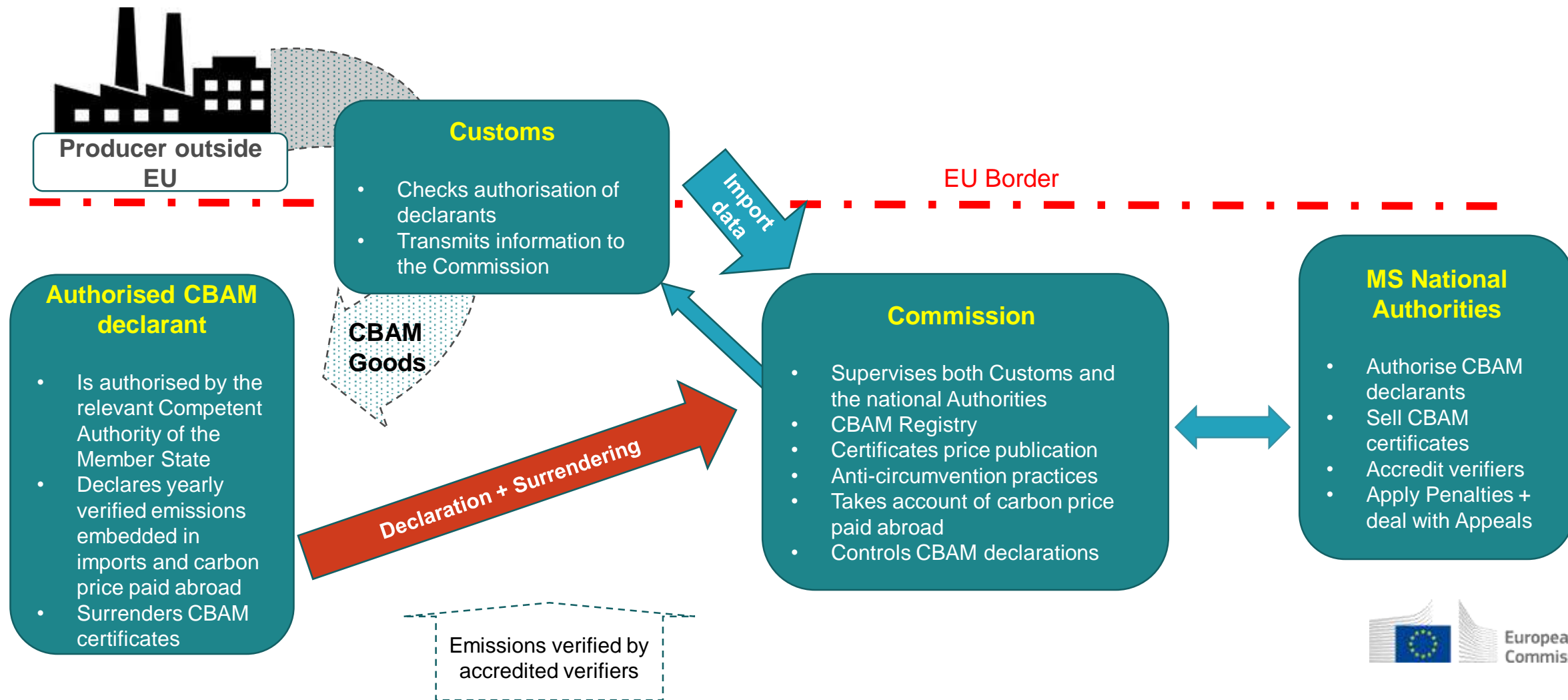
- ❑ **Replicates as much as possible the EU ETS methodology**
 - **Actual embedded emissions in imported goods**
 - **Emissions verified by independent accredited verifiers**
 - **CBAM regulation gives**
 - **principles for calculations**
 - **Implementing powers to the Commission on details**
 - **Implementing rules to be adopted by the CBAM Committee**

- ❑ **EU national accreditation bodies in MS**
 - ❑ **accredit legal persons as verifiers**

Calculation of the adjustment



Basic overview of administration



List of Implementing and Delegated Acts

Implementing Acts

- Art. 2(2) – Scope
- Art. 5(6) – Application for authorisation
- Art. 6(6) – CBAM declaration
- Art. 7(6) – Calculation of embedded emissions
- Art. 8(3) – Verification of embedded emissions
- Art. 9(4) – Carbon price paid in a third country
- Art. 14(6) – CBAM registry
- Art. 17(11) – Authorisation
- Art. 18(1) – Accreditation of verifiers
- Art. 21(3) – Price of CBAM certificates
- Art. 25(5) – Rules applicable to the importation of goods
- Art. 31(2) – Free allocation of allowances under the EU ETS and obligation to surrender CBAM certificates
- Art. 35(6) – Reporting obligation

Delegated Acts

- Art. 2(10 & 11) – Scope
- Art. 18(3) – Accreditation of verifiers
- Art. 20(3) – Sale of CBAM certificates
- Art. 27(6) – Circumvention

2025 review

The Commission shall present 2 reports before the end of the transitional period:

1) Containing an assessment on:

- a) possibility to extend the scope
- b) criteria to be used to identify the goods to be included in Annex I of the CBAM regulation
- c) technical requirements for calculating embedded emissions for newly added goods
- d) progress made in international discussions regarding climate action
- e) governance system, including the administrative costs
- f) impact of CBAM on goods listed in Annex I imported from developing countries
- g) methodology for the calculation of indirect emissions

2) Identifying products that are further down the value chain of the goods listed in Annex I

De Minimis Rule

- ❑ **CBAM shall not apply to:**
 - **Goods imported in the customs territory which do not exceed EUR 150 per consignment as specified in Article 23 of Council Regulation (EC) No 1186/2009**
 - **Goods contained in the personal luggage of travelers coming from a third country and that do not exceed EUR 150**



Obligation for a CBAM declarant

Transitional phase October 2023 - December 2025

- ❑ CBAM report containing the following:
 - Total quantity of goods imported during the preceding quarter
 - Total embedded direct and indirect emissions in those goods
 - The carbon price due in the country of origin for the embedded emissions

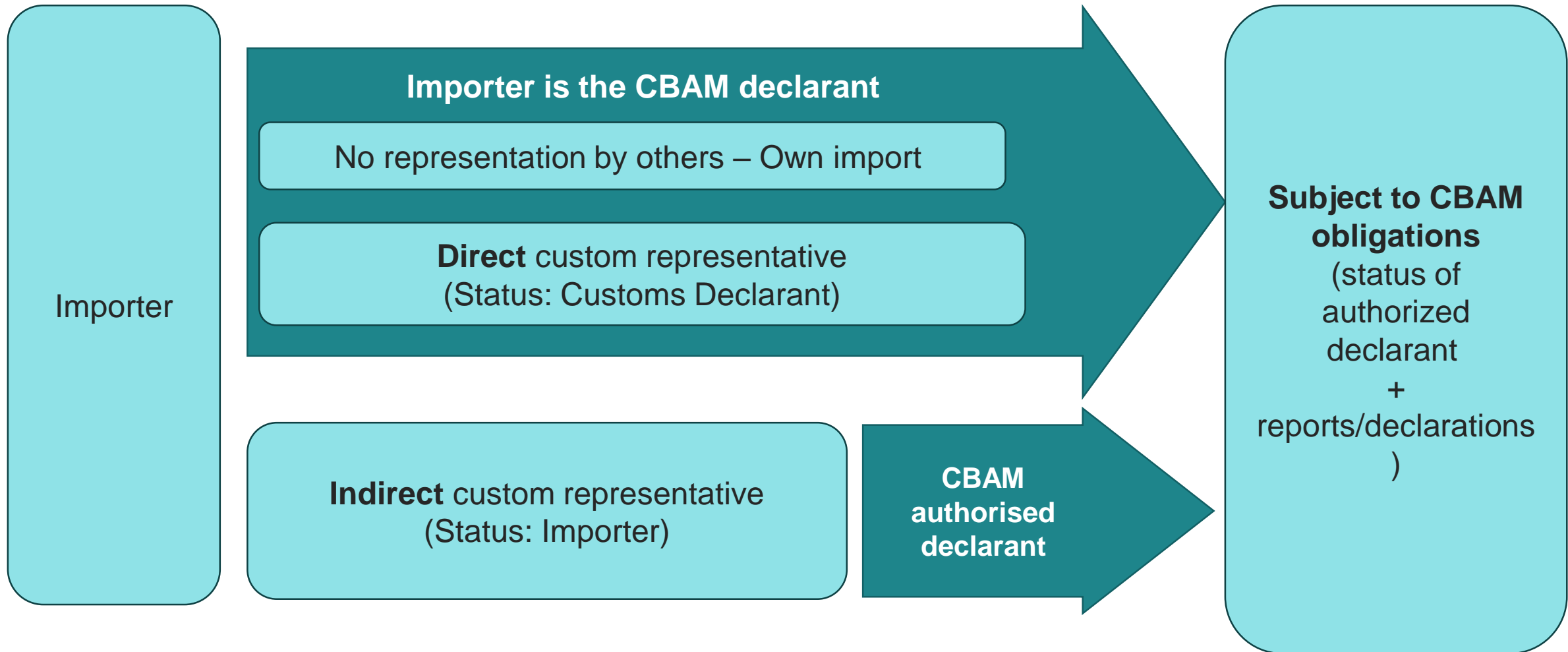
→ Report to be submitted each quarter

Post transitional phase January 2026 onwards

- ❑ CBAM declaration containing the following:
 - Total quantity of goods imported during the preceding calendar year
 - Total embedded emissions in those goods
 - Emissions to be verified by EU accredited verifier
 - Total number of CBAM certificated to be surrendered
 - The carbon price effectively paid in the country of origin for the embedded emissions

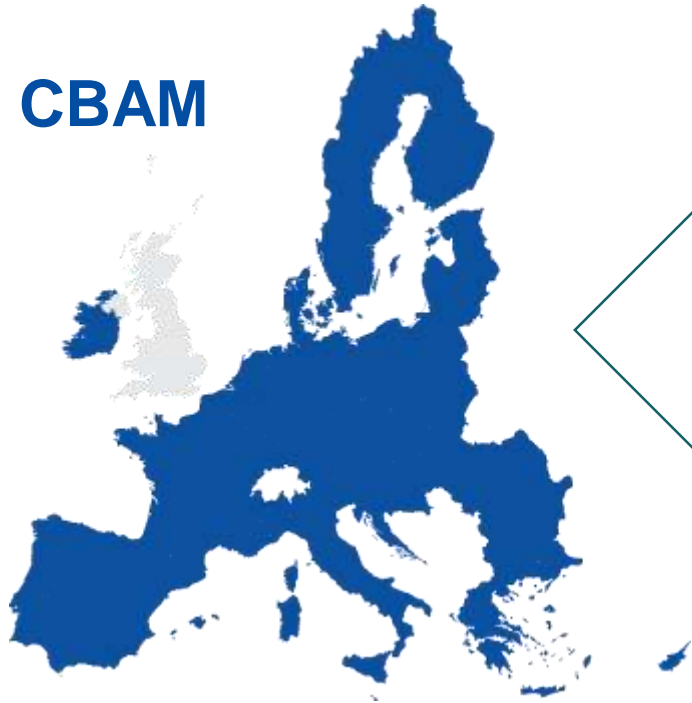
→ Declaration to be submitted each year

Rules for Representatives



CBAM is part of our international cooperation on climate actions

CBAM



International
coordination of
climate action

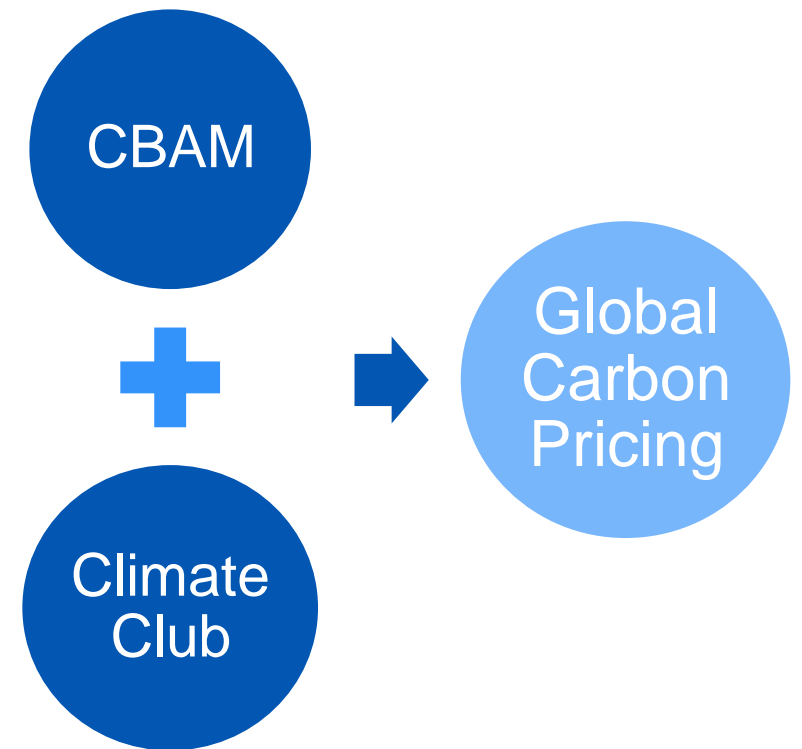


... climate action is urgent, so we need to act at all levels now

... starting with CBAM goes hand in hand with our engagement at international level

International cooperation

- ❑ **CBAM can be complemented by bilateral, multilateral and international cooperation with third countries**
 - ❑ **OECD's work under IFCMA**
 - ❑ **Establishment of a dialogue between countries with carbon pricing instruments ('Climate Club')**
- paving the way for ambitious climate policies and global carbon pricing



CBAM – an internationally open mechanism

- ❑ **CBAM is open to decarbonisation efforts in third countries and favours international coordination thanks to a four-tier system:**
 - **Actual emissions methodology – CBAM is based on carbon content of the imported goods.**
 - **Deduction of the carbon price paid in country of production from the adjustment on imported goods.**
 - **Countries applying EU ETS or linked to it are excluded.**
 - **Special rules on electricity for countries whose electricity market is “coupled” with the EU internal market for electricity**

Thank you

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