



The Carbon Border Adjustment Mechanism

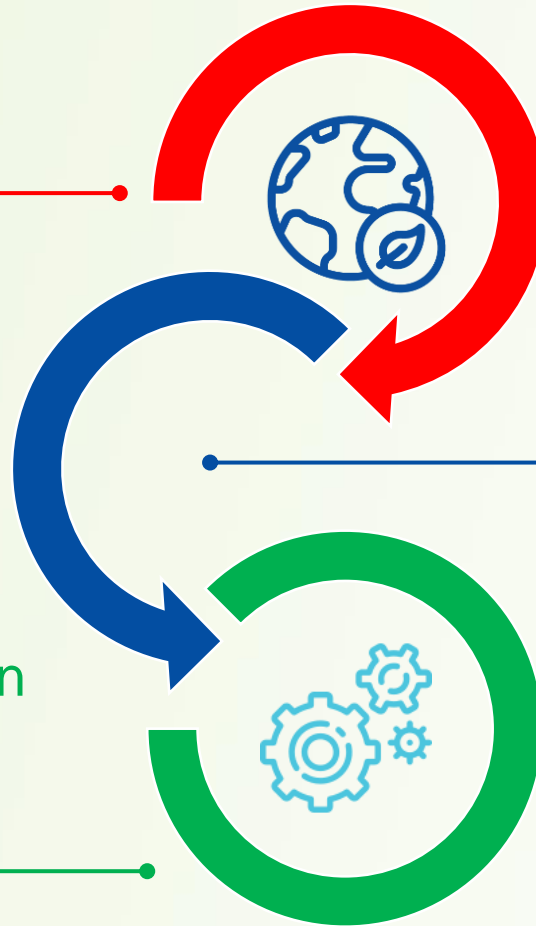
A new, green way of pricing carbon in imports to the EU

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What is the aim?

Prevents carbon leakage
to ensure effectiveness of
EU climate policy

Contributes to decarbonisation
globally and to reaching EU
climate neutrality by 2050



Complements and
reinforces the EU ETS

How do we do this?

Mirror EU **carbon pricing** through new mechanism for imports into EU

Addressed to companies, not countries, based on **actual carbon content** of imported goods



Aligned with **EU's international policies** and **legal commitments**, including WTO compatibility

Focus on **carbon-intensive sectors**

Takes into account **carbon price effectively paid by third-country operator**

What are the sectors in scope?



IRON & STEEL



ALUMINIUM



CEMENT



FERTILISER



HYDROGEN



ELECTRICITY

Selected on the basis of 3 criteria:

- ✓ *High risk of carbon leakage (high carbon emissions; high level of trade)*
- ✓ *Covering large share of greenhouse gas emissions of EU ETS sectors*
- ✓ *Practical feasibility*

Exclusions (under 150 € / countries linked with the EU ETS)

- In the future, scope may be extended to a limited list of ETS sectors at risk of carbon leakage (such as refineries and chemicals), provided that such an extension is justified based on selected criteria

Gradual implementation of CBAM

Transitional period
October 2023 - December 2025

Post-transitional period
January 2026 onwards

2023

2024

2025

2026

Monitoring and reporting
(Implementing Regulation (EU) 2023/1773)

Review 2025

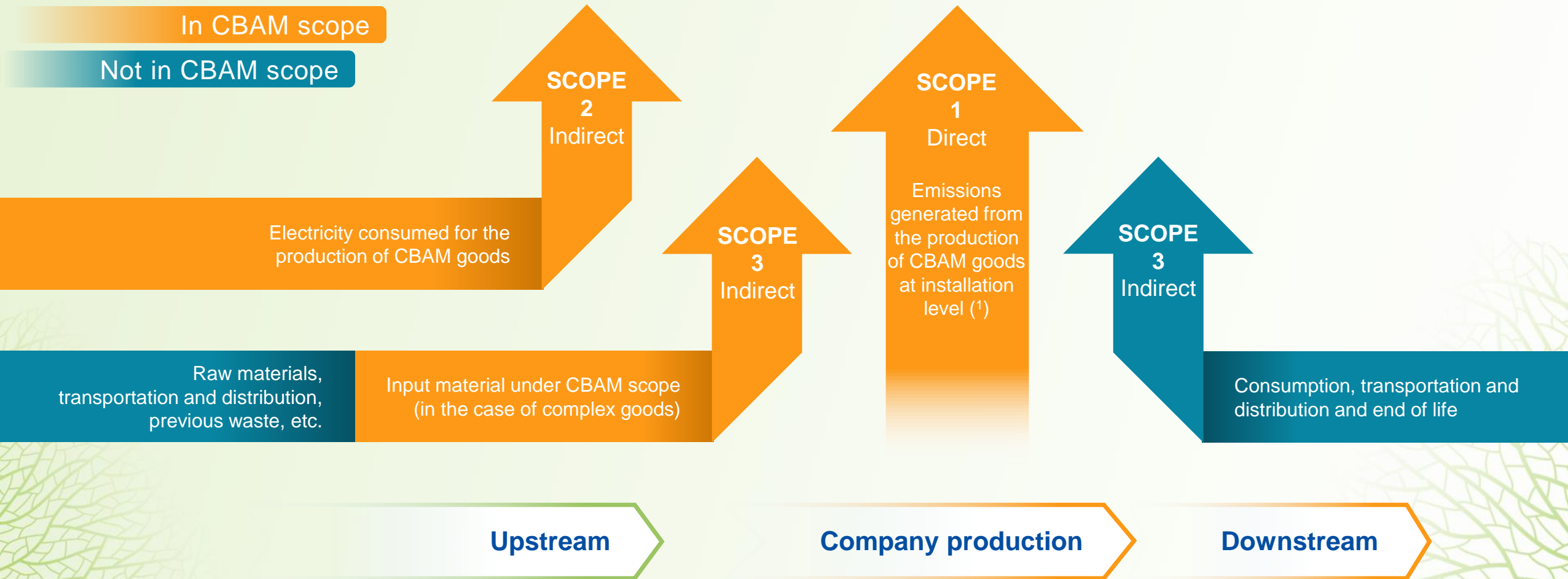
- Assessment feasibility / proportionality of scope extension post 2026, including to
 - a limited set of EU ETS sectors at risk of carbon leakage (e.g. refineries/ chemicals);
 - a selected number of downstream products which contain a high share of basic CBAM goods;
 - indirect emissions
- Impact on LDCs
- Progress in international climate discussions

Start of **gradual phase-in of CBAM**/phase-out of free ETS allocation

Sectors at risk of Carbon leakage considered for possible extension

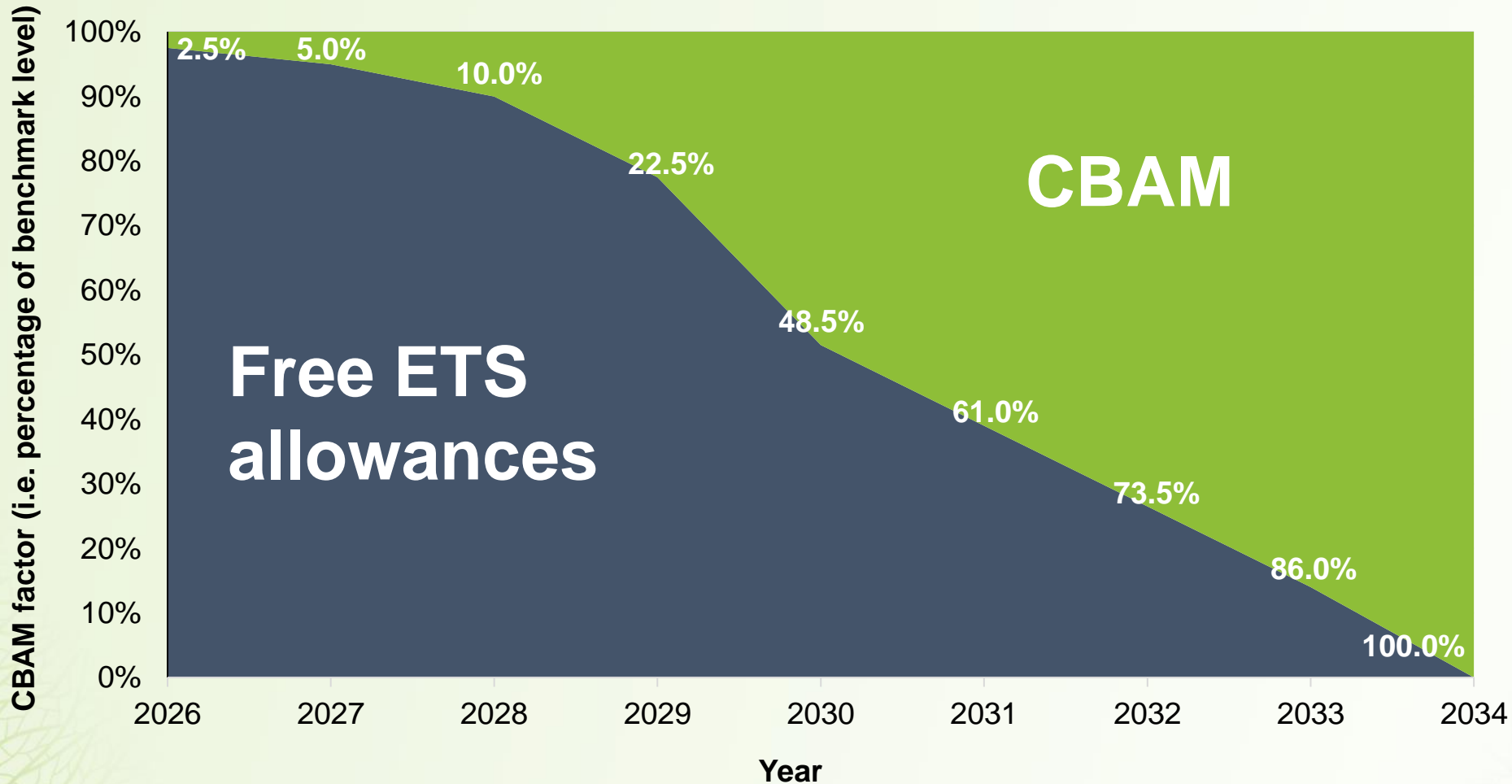
- Priority ETS sectors for assessment of CBAM extension:
 - **Refined petroleum products**
 - **Organic basic chemicals**
- Other ETS sectors include: Lime, Pulp and paper, Glass,...
- Criteria for inclusion will include:
 - Practical feasibility
 - Share of emissions covered

What is the scope for emissions during the transitional period?

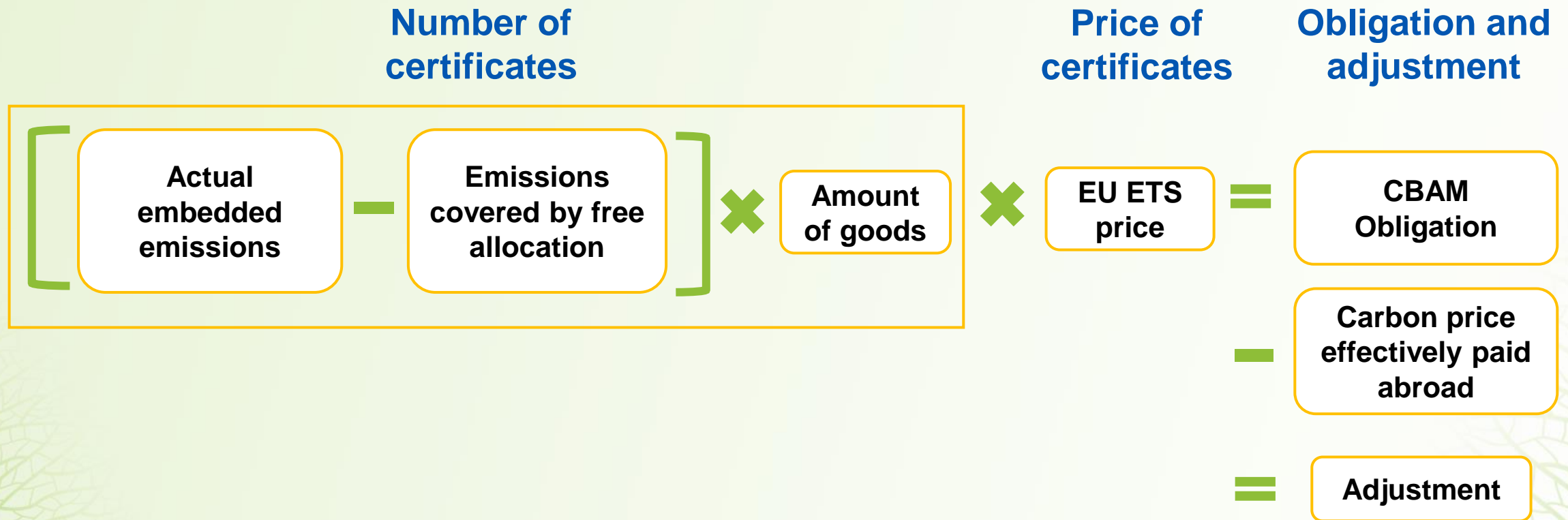


(1) Direct emissions include emissions from the production of heating and cooling, even if that production takes place outside the installation.

Phasing-out of free allocation and phasing-in of CBAM



Calculation of the adjustment



Objectives of the transitional period

- The transitional period is a **learning phase** for all:
 - Understanding respective roles and tasks
 - Collection of information
 - Facilitate smooth roll-out of the mechanism after the 2025
- The information collected will allow the European Commission to further specify and finalise the methodology and find synergies with existing monitoring schemes
- **The information collected will feed into the review of the mechanism by 2025** and provide further clarity of the functioning
- **Reporting flexibilities** reflect the above and aim to introduce openness and balancing a smooth introduction with information needs

Flexibilities for the calculation of embedded emissions

- Until 31 July 2024, for each import of goods for which the reporting declarant does not have all the information listed in Article 3(2), the reporting declarant may use **other referenced methods for determining the emissions, including default values**
- Until 31 December 2024, **other monitoring and reporting methods may be used, if they lead to similar coverage and accuracy**. They could be based on:
 - a carbon pricing scheme where the installation is located, or
 - a compulsory emission monitoring scheme where the installation is located, or
 - an emission monitoring scheme at the installation which can include verification by an accredited verifier
- Without time limit, use of **estimations for up to 20% of the total embedded emissions of complex goods**

How to submit a report?

Who is responsible for the reporting?

- The reporting declarant
- **Same as the authorised CBAM declarant but not authorisation** needed yet

How to submit a report?

- **Gain access to the CBAM transitional registry** – request log-in via portal
- Fill out **mandatory fields** in the registry
- Indicate if reporting is **by importer or on behalf of an importer**
- Submit the report **no later than 1 month after the quarter**

Is there flexibility for the submission?

- **Yes** – A report can be modified **2 months after the reported quarter**
- For the first two CBAM reports (due Jan and April 2024) modification is accepted until **July 2024** (deadline of third report)
- After the deadlines possibility to request reopening for correction (IA-Article 9-3)

What to submit?

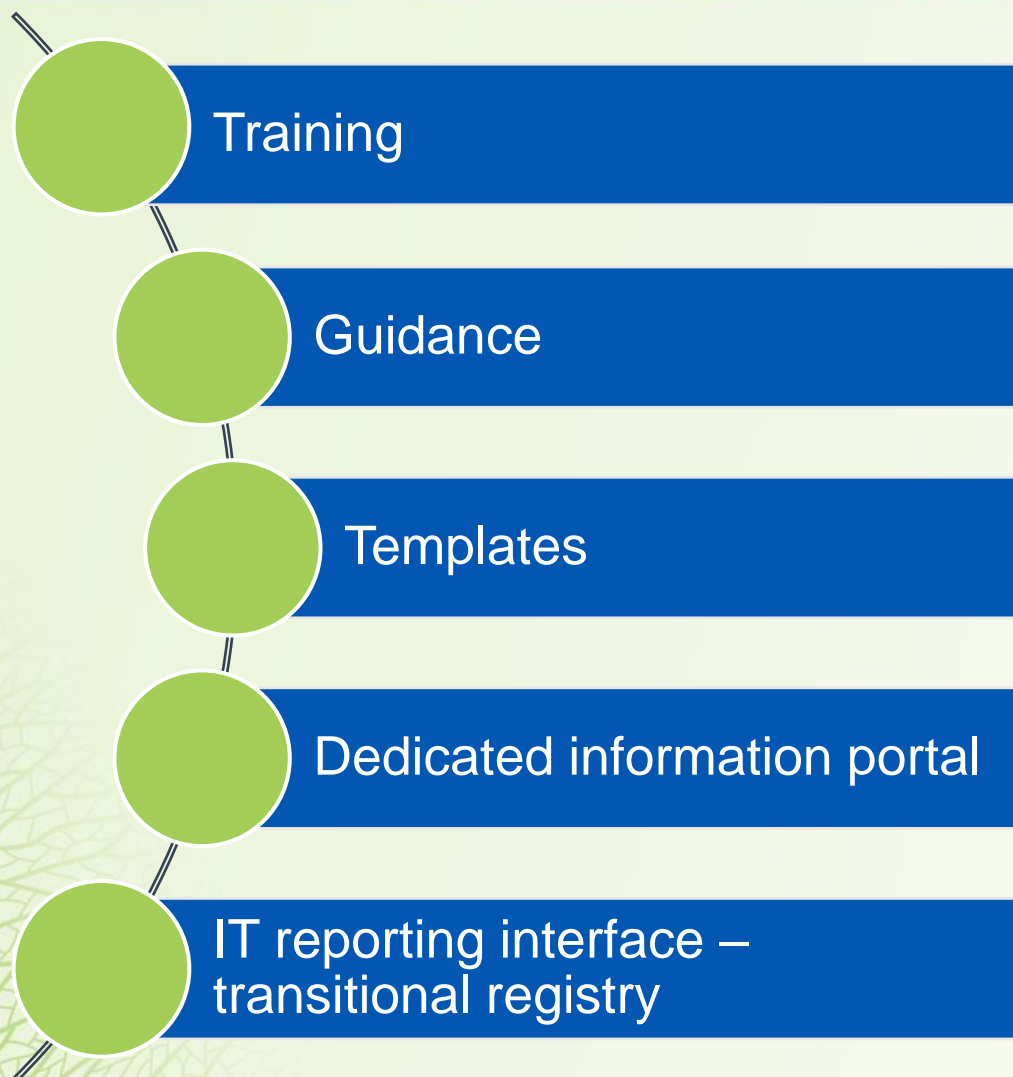
Role of third-country operators of installations

- **Monitor and collect data** on embedded emissions – Possibility to use templates and guidance docs provided by the Commission
- **Communicate** data to reporting declarants – Possibility to use templates provided by the Commission
- Is verification needed: **Not yet!**

What information is necessary to be communicated for the reporting

- **Information on the goods:** Quantity / Type identified by CN code (8-DIGIT) / Country of origin
- **Info on the installation:** Company name / Address / Location / Geo coordinates
- **Info on the production:** Routes / Parameters
- **Information the emissions:** Specific direct and specific indirect
- **Information on carbon price paid** at production country (also for precursors)

Guidance and support by the Commission



- **E-learning (General and sector-specific)**
- **Webinars (General and sector-specific)**

Tailored guidance documents for:

- **Producers in third countries**
- **Reporting declarants**

Excel-based template to facilitate data collection and information exchange

Launch of dedicated Commission website with all information, Q&A and “how to find” guidance

- **Dedicated IT interface for reporting of information**
- **Detailed guidance for users**

CBAM is an internationally open mechanism

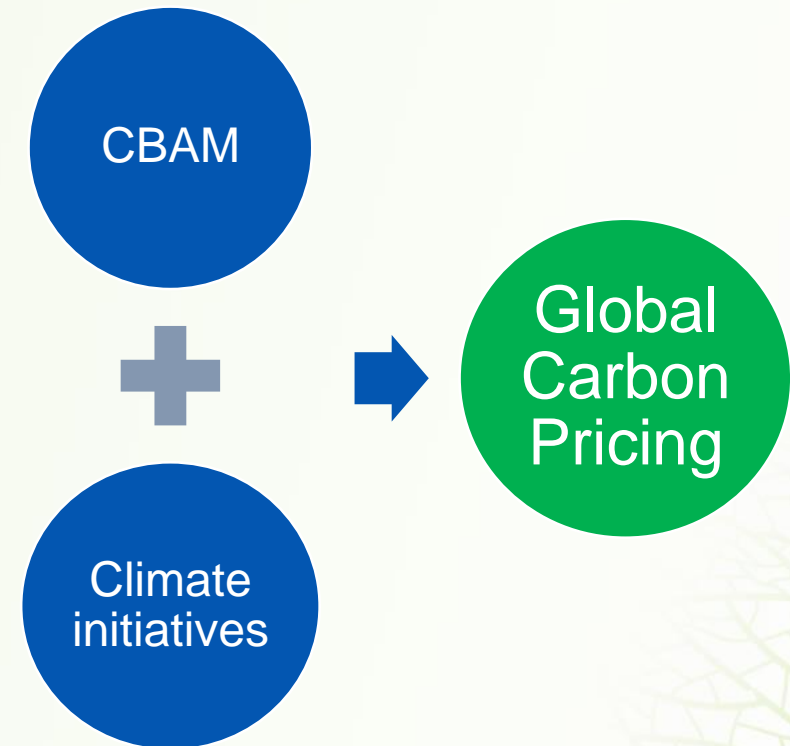
CBAM is open to decarbonisation efforts in third countries and favours international coordination thanks to a five-tier system:

1. **Actual emissions** methodology – CBAM is based on **embedded emissions** of the imported good
2. Deduction of the **carbon price paid in third countries** from the adjustment on imported products
3. Countries applying EU ETS or linked to it will be excluded
4. Special rules on electricity for countries whose electricity market is “coupled” with the Union internal market for electricity

International cooperation framework

- ❑ **CBAM can be complemented** by bilateral, multilateral and international cooperation with non-EU countries
- ❑ **Establishment of a dialogue** between countries with carbon pricing instruments
- ❑ **Building on other initiatives** (G7's "Climate Club", OECD's "Inclusive Forum for Climate Mitigation Approaches")

→ **Paving the way for ambitious climate policies and global carbon pricing**



Where to find further information on CBAM?

Visit the CBAM webpage regularly – our one-stop shop

https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

- Link to the CBAM Transitional Registry
- 2 guidance documents
- Communication template between importers and operators
- Registration to dedicated webinars
- Links to recordings of webinars through the Customs and Tax EU Learning portal
- Link to our E-learning materials through the Customs and Tax EU Learning portal
- Q&A and factsheet