



# Carbon Border Adjustment Mechanism

Transitioning towards Low Carbon Trade

Webinar organised by the International Trade Centre

*06 September 2023*

# Outline

- 1. Carbon Border Adjustment Mechanism – main features**
2. Implementing Regulation for the transitional period – overview of reporting requirements

# Carbon Border Adjustment Mechanism (CBAM) as part of the European Green Deal



The 'fit for 55' package aims to deliver the transformational change needed in a **cost-efficient** and **competitive** way while ensuring a **just and fair transition**.

Contribute to the [European Green Deal](#) objective of EU-wide climate neutrality by 2050

Ensure that the transition is fair and leaves no-one behind

Policy mix between pricing measures, targets, standards and support measures

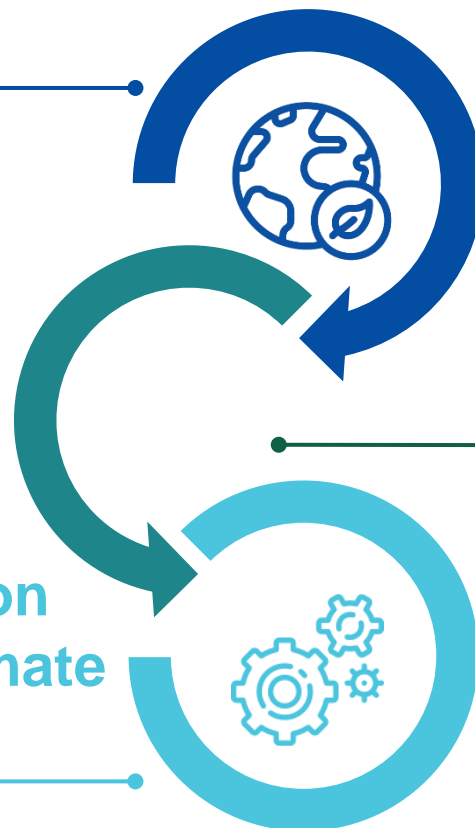
# Strengthening the EU Emission Trading System (ETS)

- ETS is the EU core carbon pricing instrument to reduce emissions in industry, power and intra-EU aviation (40% of total economy)
- Emissions reduction achieved: -35% compared to 2005
- Increased reduction target from 2030 from -43% to -62%
- Increased ambition requires phasing-out free allowances in sectors at risk of carbon leakage

# So, what is the aim of the CBAM?

**Prevent carbon leakage** to ensure effectiveness of EU climate policy

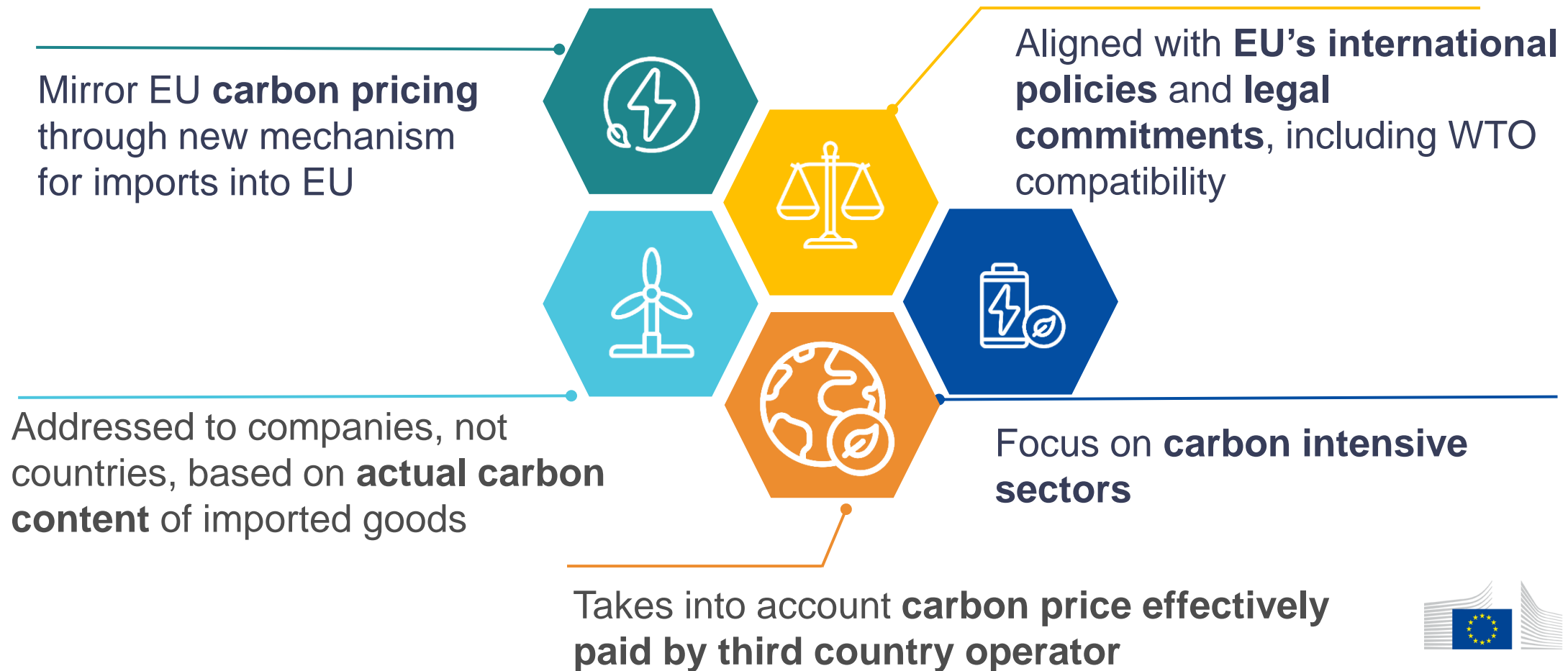
**Contribute to decarbonisation globally and to reaching climate neutrality by 2050**



**Complements and reinforces the EU ETS**

# And how do we do this?

## Key elements of design



# Sectors

- In the **first phase**:



**CEMENT**



**IRON & STEEL**



**ALUMINIUM**



**FERTILISER**



**ELECTRICITY**



**HYDROGEN**

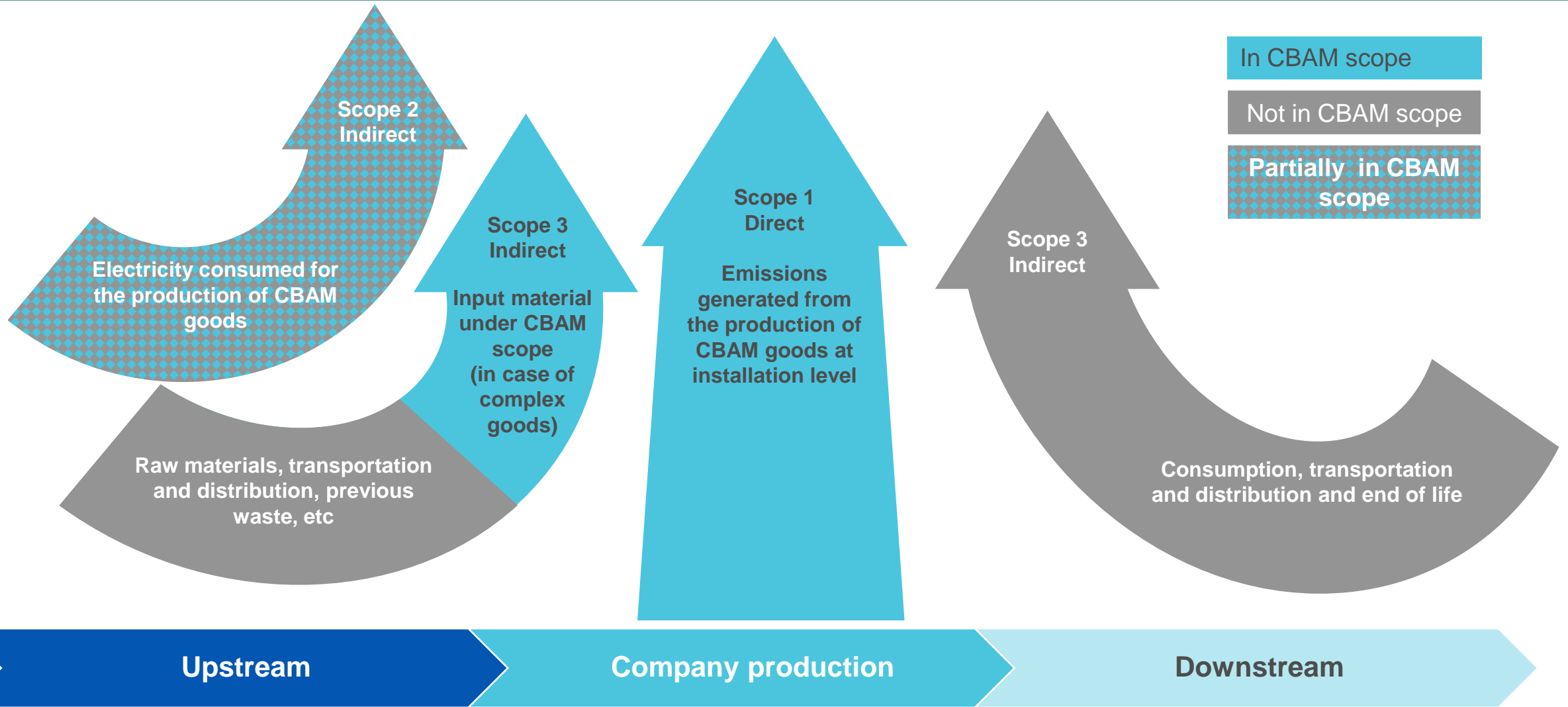
- Includes some precursors and downstream products

- 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 (54% of free allowances in 2021)*
- ✓ *Practical feasibility*

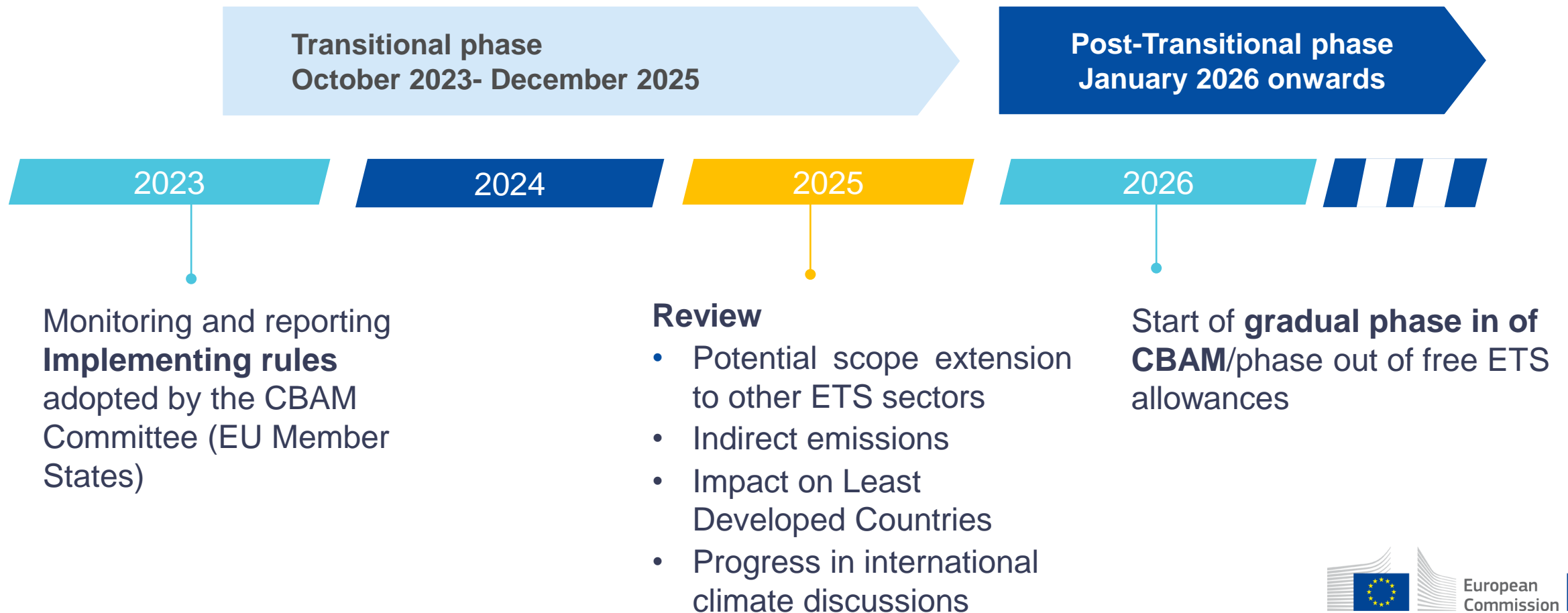
- In a **second stage**, may be extended to other ETS sectors

# Emissions under CBAM scope

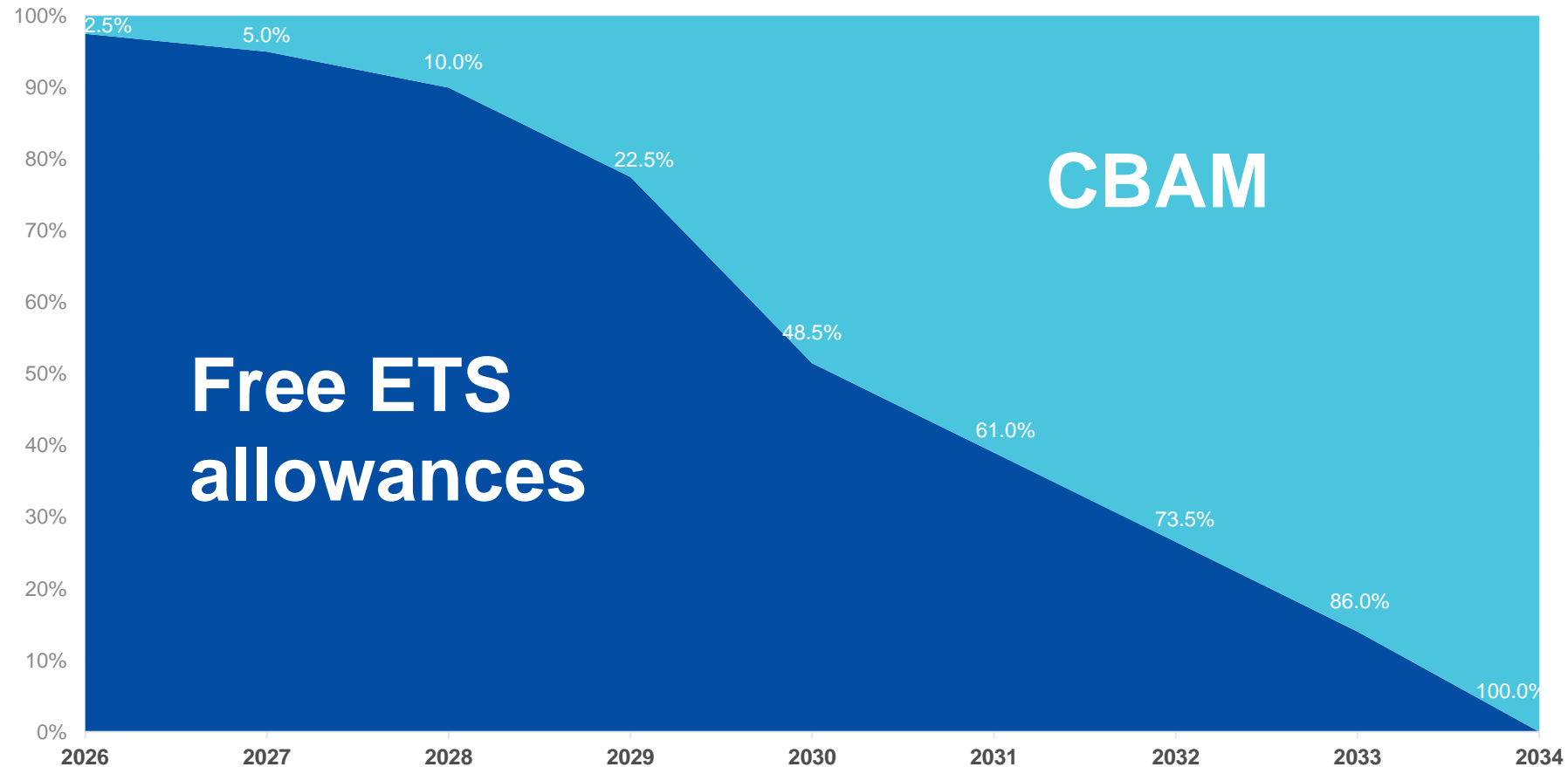




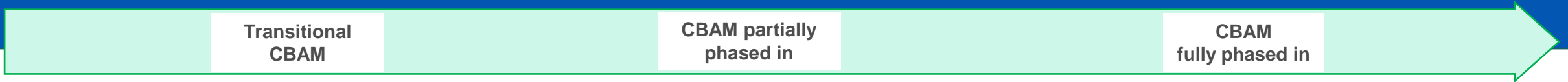
# Gradual implementation of CBAM



# Phasing-out of free allocation / Phasing-in of CBAM

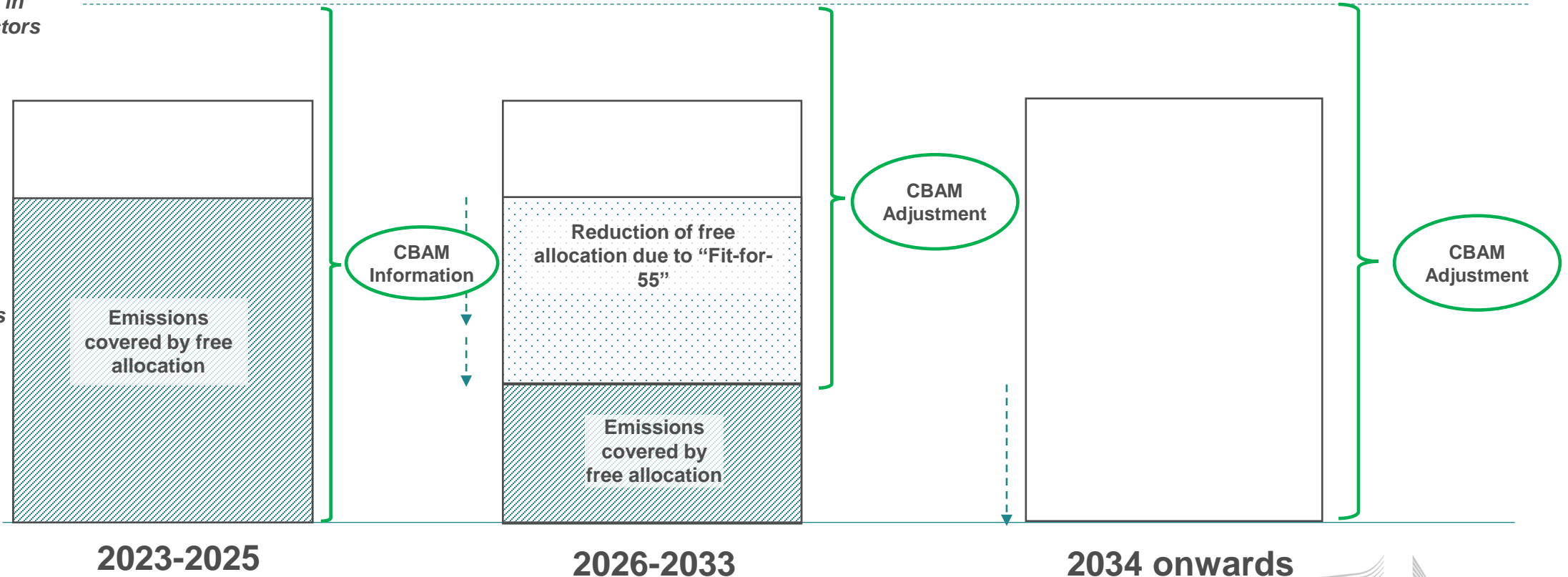


# Free Allocation → CBAM

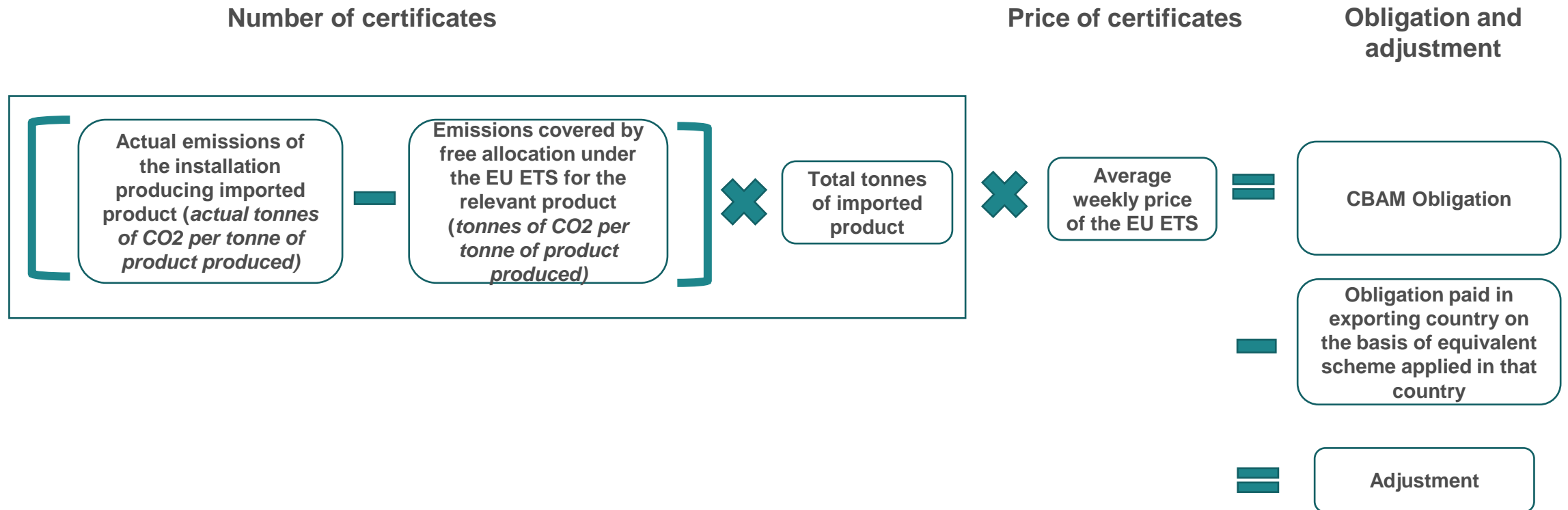


Third country emissions in CBAM sectors

EU ETS emissions in CBAM sectors



# Calculation of the adjustment



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# Implementing Regulation

## Principles of our approach

- 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 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

# Reporting obligations in the transitional phase and what's coming later: a recap

## 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

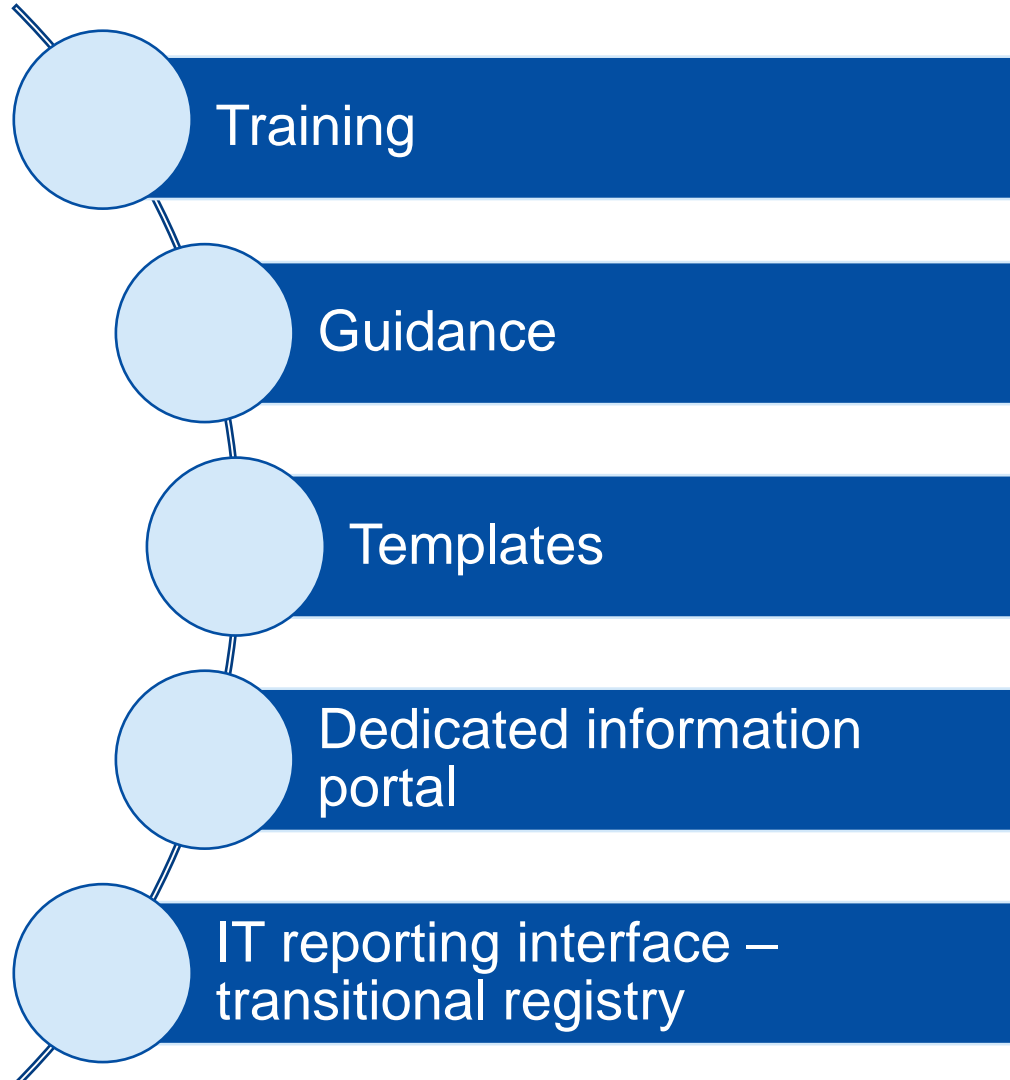
→ **Report to be submitted each quarter**

## 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 certificates to be surrendered
  - The carbon price effectively paid in the country of origin for the embedded emissions

→ **Declaration to be submitted each year**

# Guidance and support by the Commission communication and training



- E-learning (General and sector specific)
- Webinars (General and sector specific)
- Training for EU National Authorities

Tailored guidance documents for

- Producers in third countries
- Reporting declarants (EU importers)

Excel based templates to facilitate data collection and information exchange between producers and reporting declarants

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

- Dedicated IT interface for reporting and collection of information
- Detailed guidance for users



# Thank you



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