



The Carbon Border Adjustment Mechanism

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

16 November 2023, Beijing

European Commission DG TAXUD

The Carbon Border Adjustment Mechanism

- 1 General presentation on CBAM**
- 2 The Transitional Period (2023-2025)**
- 3 The Definitive Period (from 2026)**

The Carbon Border Adjustment Mechanism

① General presentation on CBAM

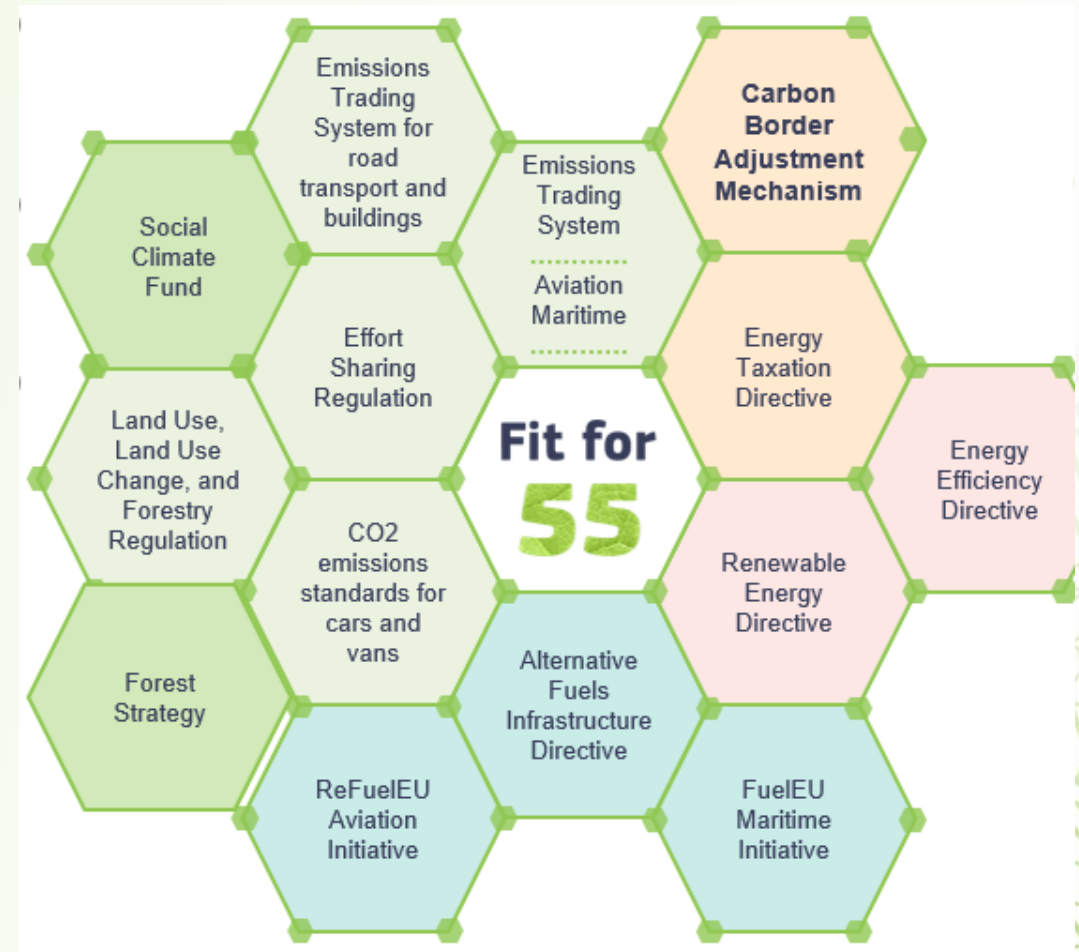
What is the context?

The European Green Deal

- Union-wide climate-neutrality objective 2050
- New 2030 target of at least 55% net greenhouse gas emissions reduction

A socially fair transition
A competitive transition
A green transition

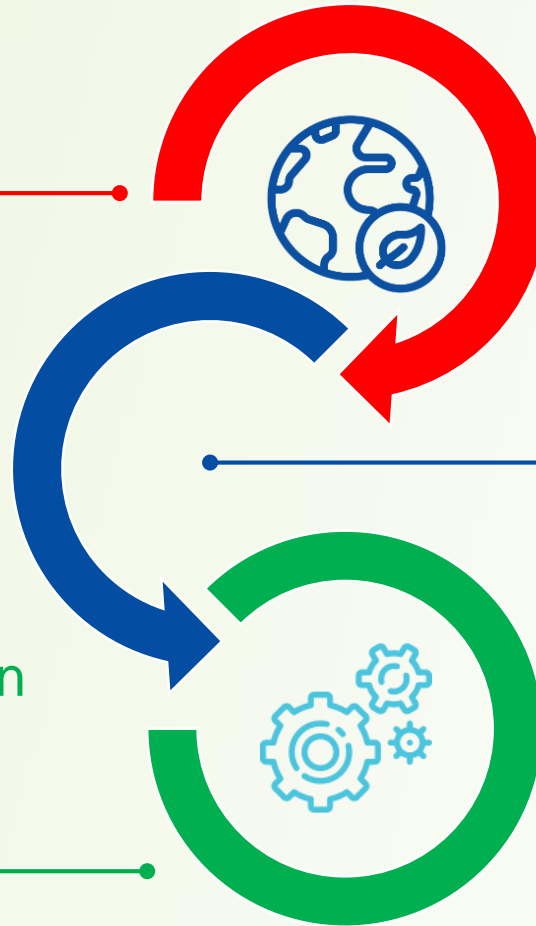
Legislative package
launched in July 2021 and
adopted by October 2023



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?



CEMENT



IRON & STEEL



ALUMINIUM



FERTILISER



ELECTRICITY



HYDROGEN

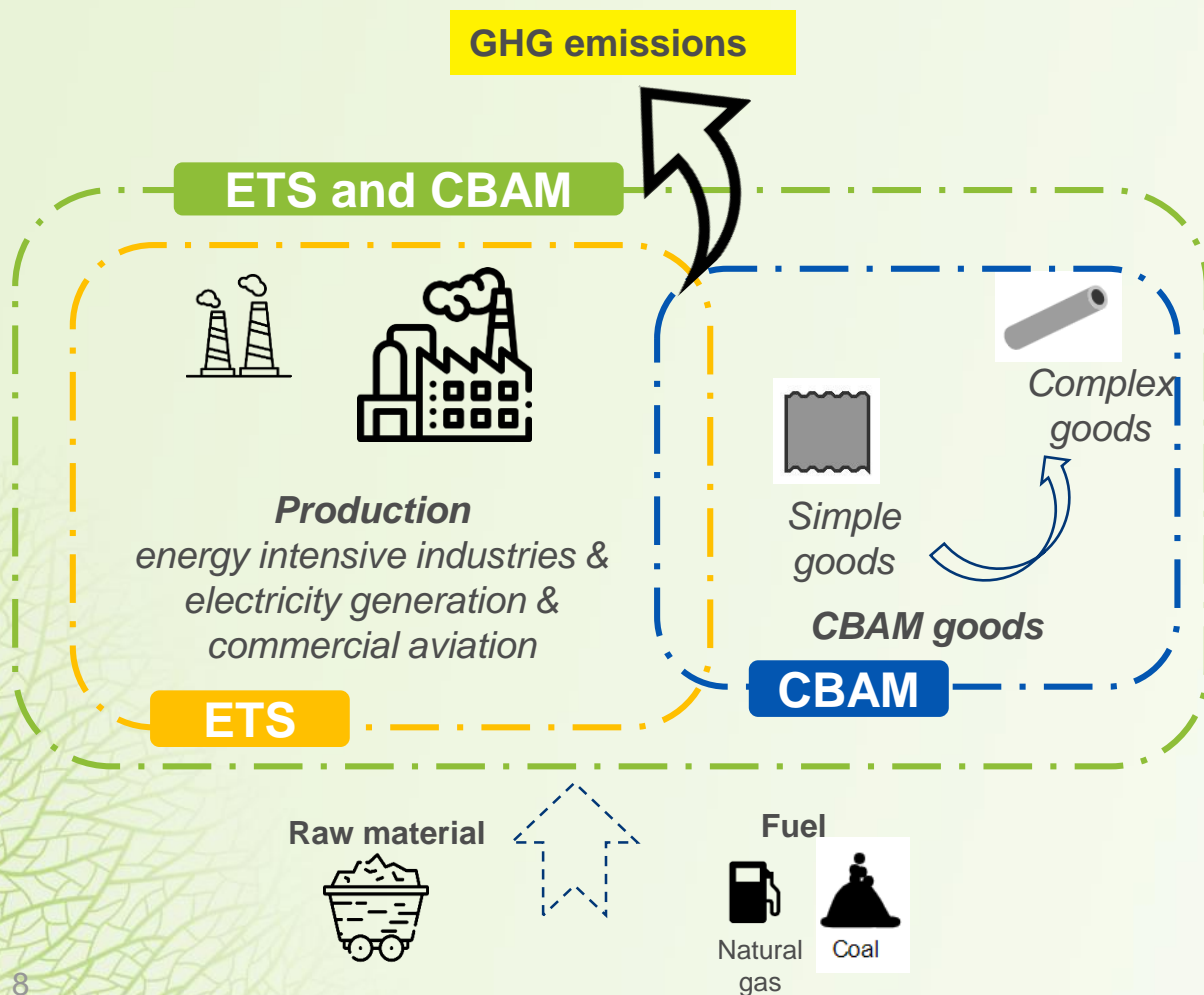
Selected on the basis of 3 criteria:

- ✓ *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

CBAM methodology: from installation to goods



- scope of the EU ETS is based on installations
- scope of the CBAM is based on goods
- **CBAM methodology will translate methods to determine emissions from installations' to goods' levels**
- **means setting rules to narrow the system boundaries from production sites down to the level of goods**

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

International cooperation framework

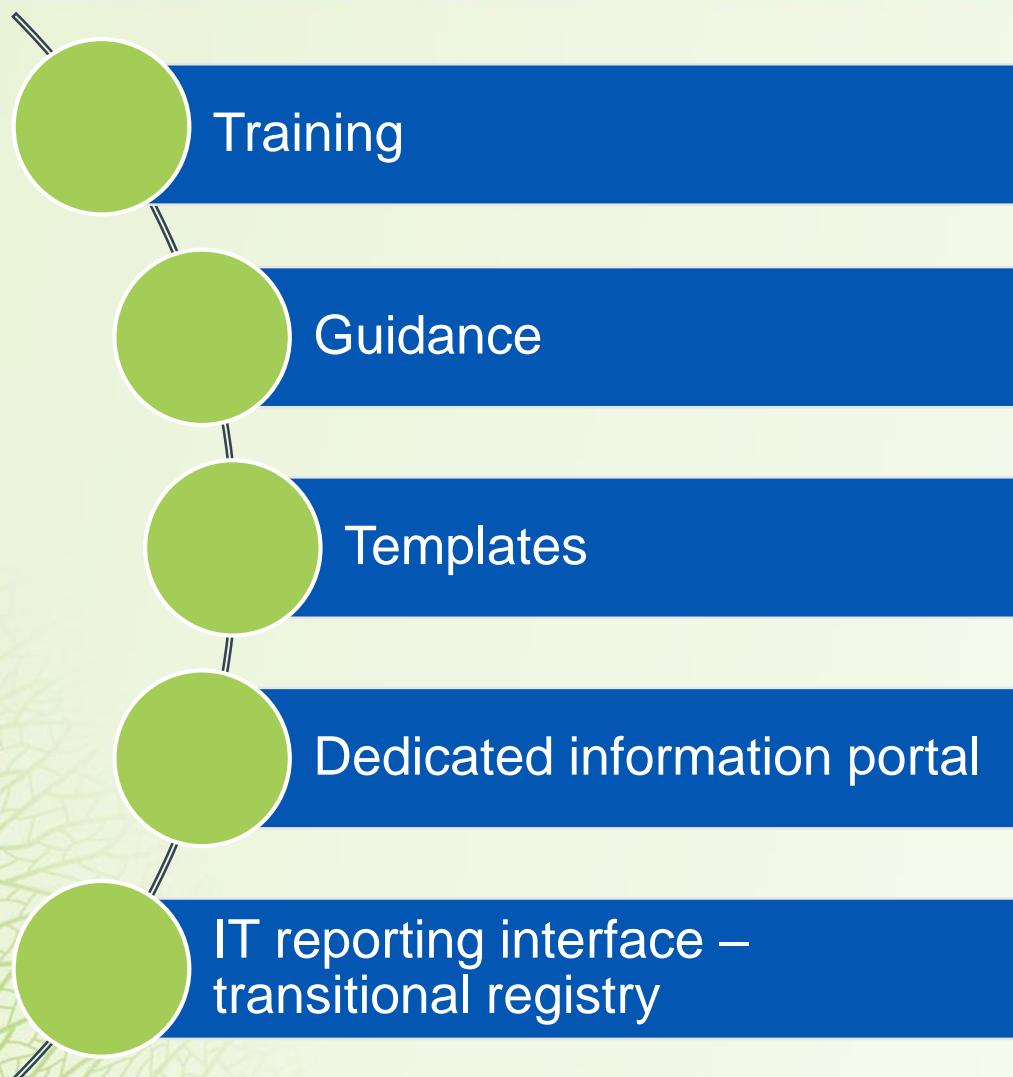
- ❑ **CBAM can be complemented** by bilateral, multilateral and international cooperation with non-EU countries
 - ❑ **Establishment of a dialogue** between countries with carbon pricing instruments
 - ❑ **Building on other international initiatives** (e.g. OECD's "Inclusive Forum for Climate Mitigation Approaches")
- **Paving the way for ambitious climate policies and global carbon pricing**

CBAM is an internationally open mechanism

CBAM is open to decarbonisation efforts in third countries and favours international coordination thanks to a four-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

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**

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

The Carbon Border Adjustment Mechanism

2 The Transitional Period (2023-2025)

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

What are the reporting obligations in the transitional period?

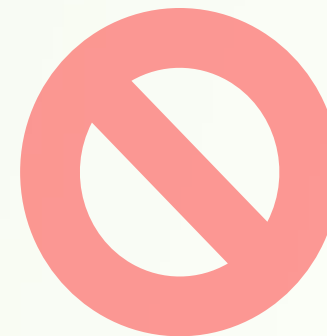
October 2023 – December 2025

CBAM report containing the following:

- Total quantity of goods imported during the preceding quarter
- Total embedded direct and indirect emissions
- The carbon price due in the country of origin for the embedded emissions

Report to be submitted quarterly

**No verification of emissions by
EU-accredited verifier**



No CBAM certificates

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!**

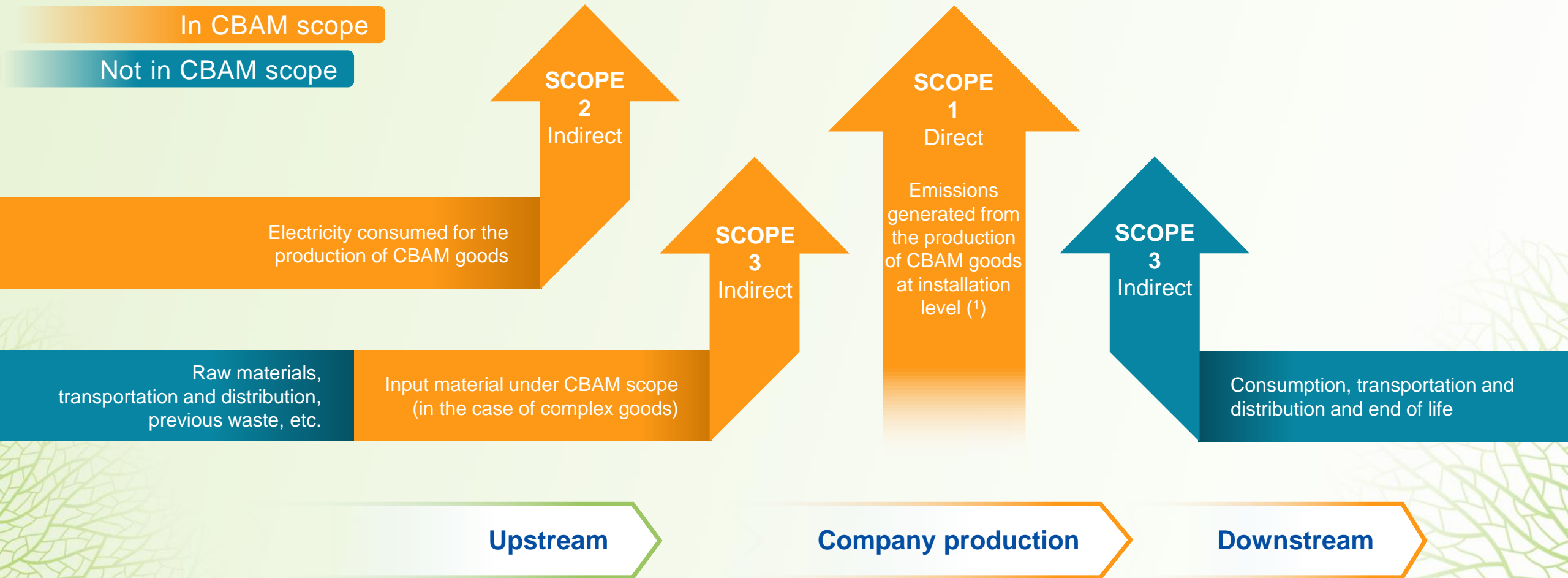
What information is necessary to be communicated for the reporting

- **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)

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**

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.

Who are the reporting declarants?

Rules for Customs Representatives



No representation by others -
Own import



Direct customs representative
(Status: Customs Declarant)



Indirect customs representative
(Status: Importer)

Importer is the
reporting declarant

Importer
or indirect customs
representative may be
the reporting declarant

Subject to
reporting
obligations

What are the steps to comply with the reporting obligations?

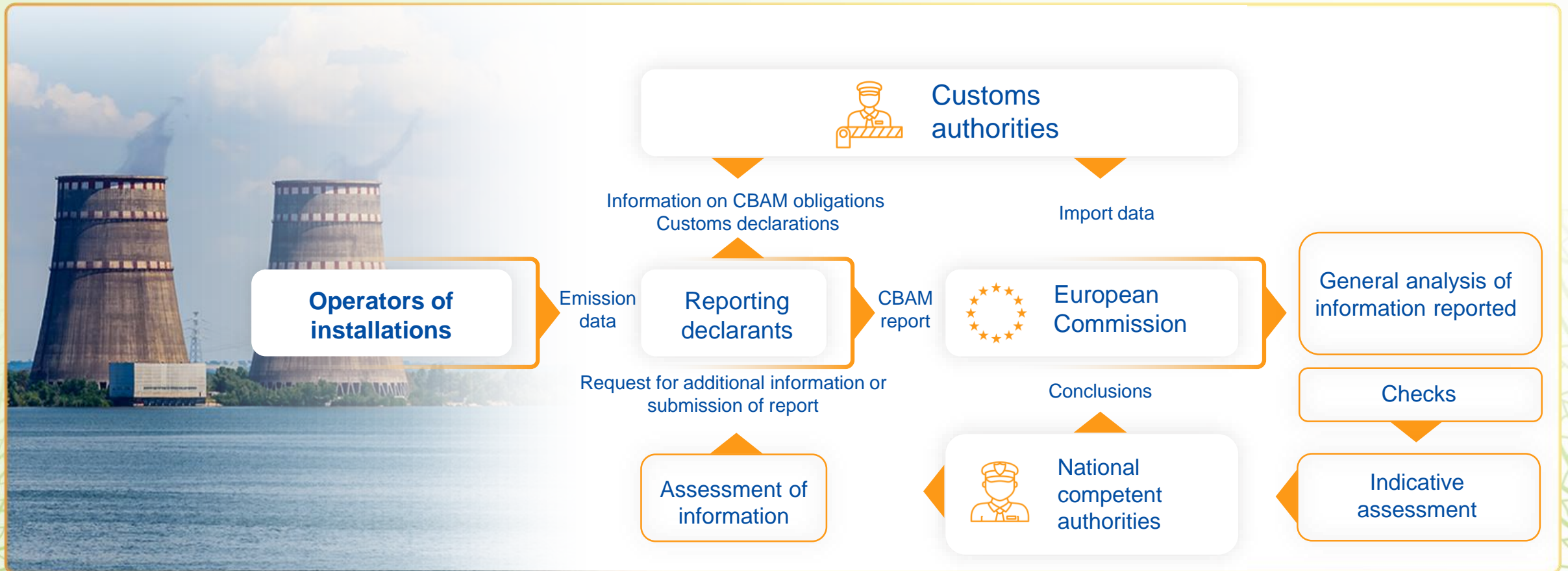
Step 1: Define the scope of goods concerned

Step 2: Determine the monitoring period to use

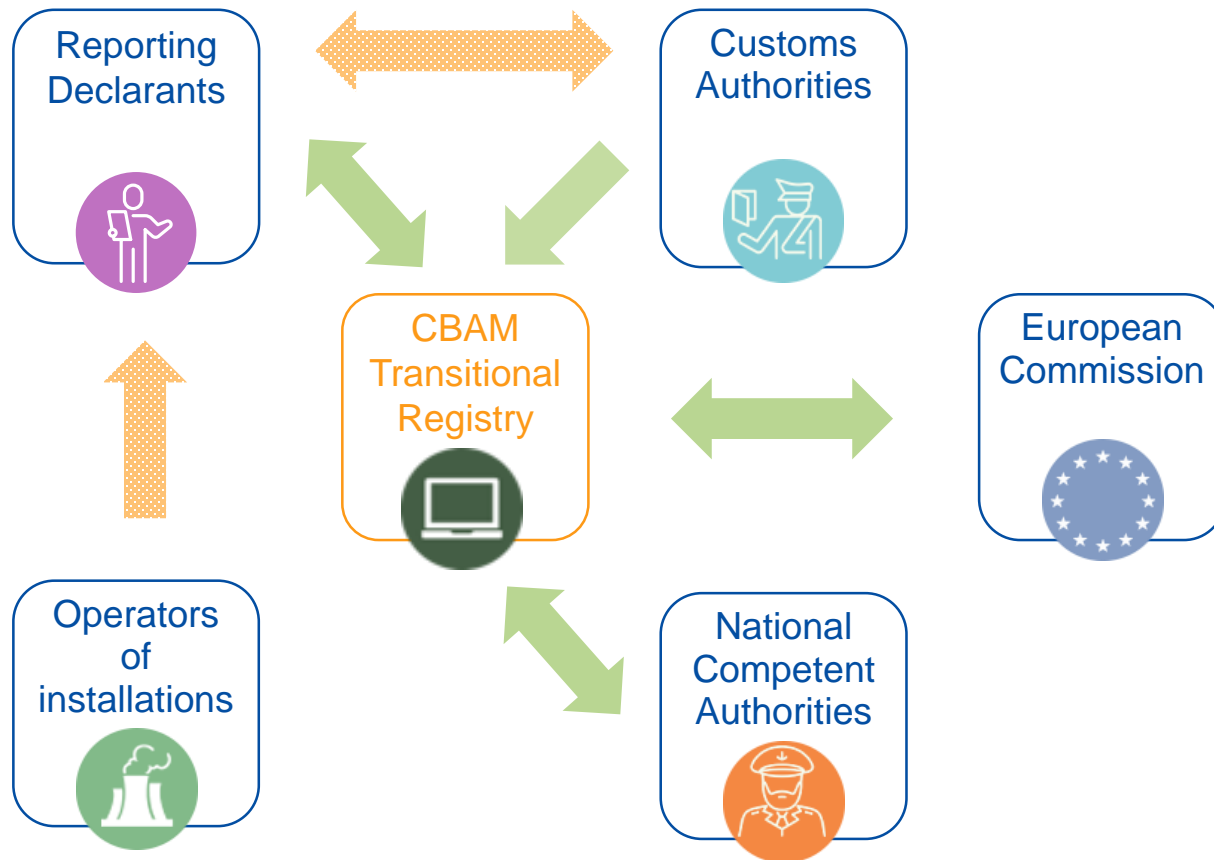
Step 3: Identify all the parameters you need to report

Step 4: Collect data on carbon price due in jurisdiction if any

Who are the actors?

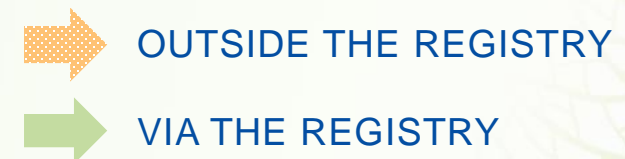


What is the CBAM Transitional Registry? (1/2)



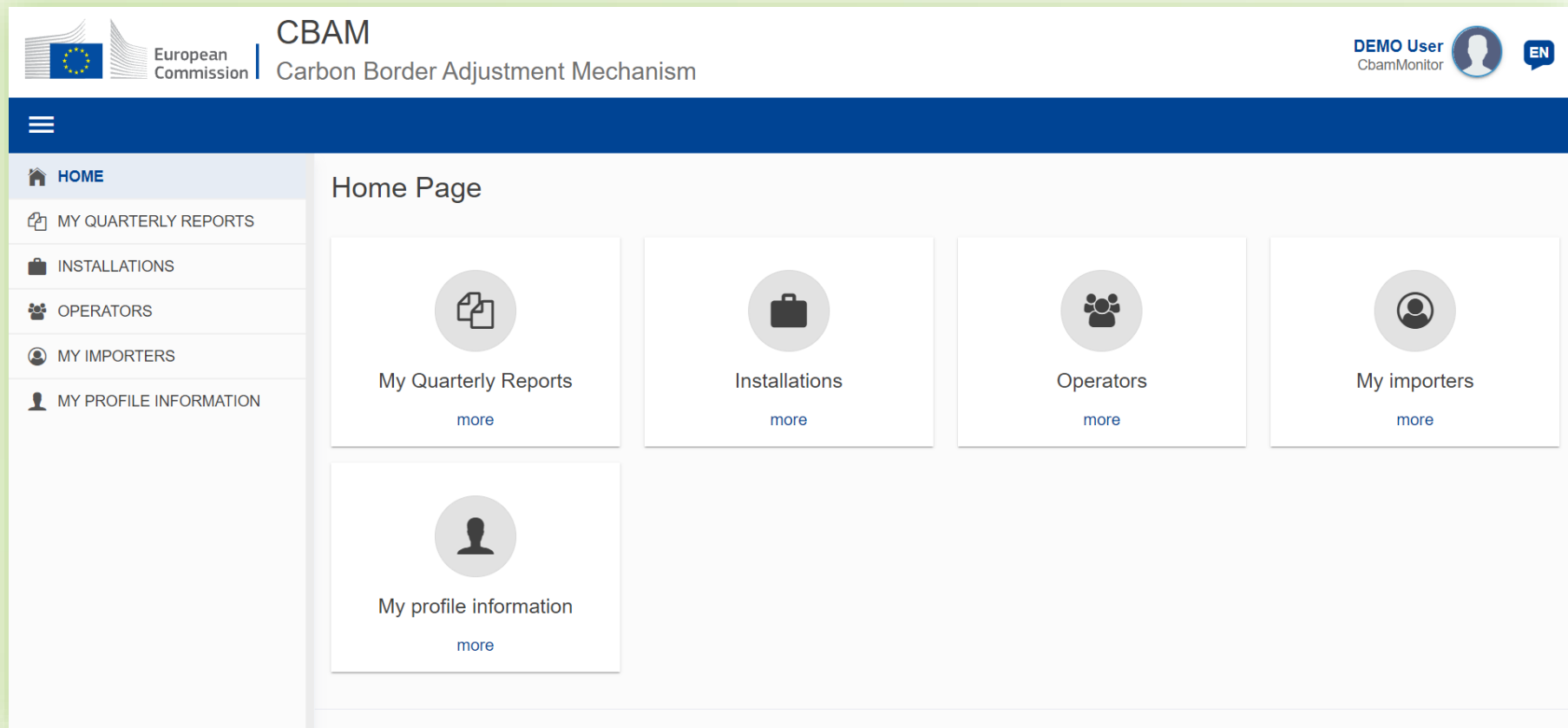
Key highlights

- Single platform to create synergies
- Tool to perform CBAM-related tasks
- Secured platform to ensure confidentiality of information



What is the CBAM Transitional Registry? (2/2)

<https://cbam.ec.europa.eu/declarant>



The screenshot displays the user interface of the CBAM Transitional Registry. At the top left, the European Commission logo is visible. The main header area contains the text "CBAM Carbon Border Adjustment Mechanism". On the top right, the user is identified as "DEMO User" with the role "CbamMonitor", accompanied by a profile icon and a language selector set to "EN". A dark blue navigation bar on the left contains a hamburger menu icon and a list of menu items: "HOME", "MY QUARTERLY REPORTS", "INSTALLATIONS", "OPERATORS", "MY IMPORTERS", and "MY PROFILE INFORMATION". The main content area, titled "Home Page", features five interactive cards. Each card consists of a circular icon, a title, and a "more" link. The cards are: "My Quarterly Reports" (document icon), "Installations" (briefcase icon), "Operators" (group of people icon), "My importers" (person with magnifying glass icon), and "My profile information" (person icon).

What are the reporting deadlines?

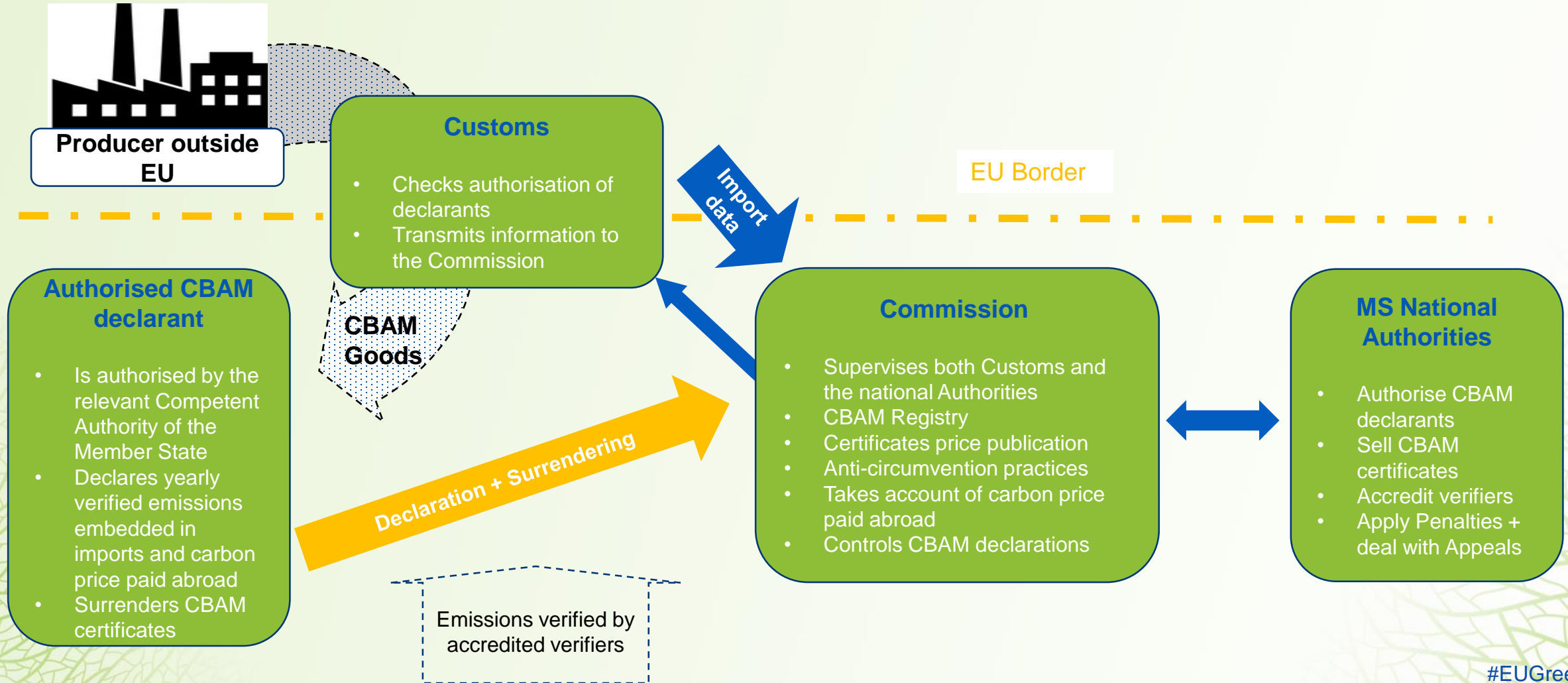
REPORTING PERIOD	SUBMISSION DUE BY	MODIFICATION POSSIBLE UNTIL*
2023: October – December	2024: January 31	2024: July 31
2024: January – March	2024: April 30	2024: July 31
2024: April – June	2024: July 31	2024: August 30
2024: July – September	2024: October 31	2024: November 30
2024: October – December	2025: January 31	2025: February 28
2025: January – March	2025: April 30	2025: May 31
2025: April – June	2025: July 31	2025: August 31
2025: July – September	2025: October 31	2025: November 30
2025: October – December	2026: January 31	2026: February 28

**After the modification deadline, reporting declarants may request reopening of the file before the national competent authority for eventual corrections.*

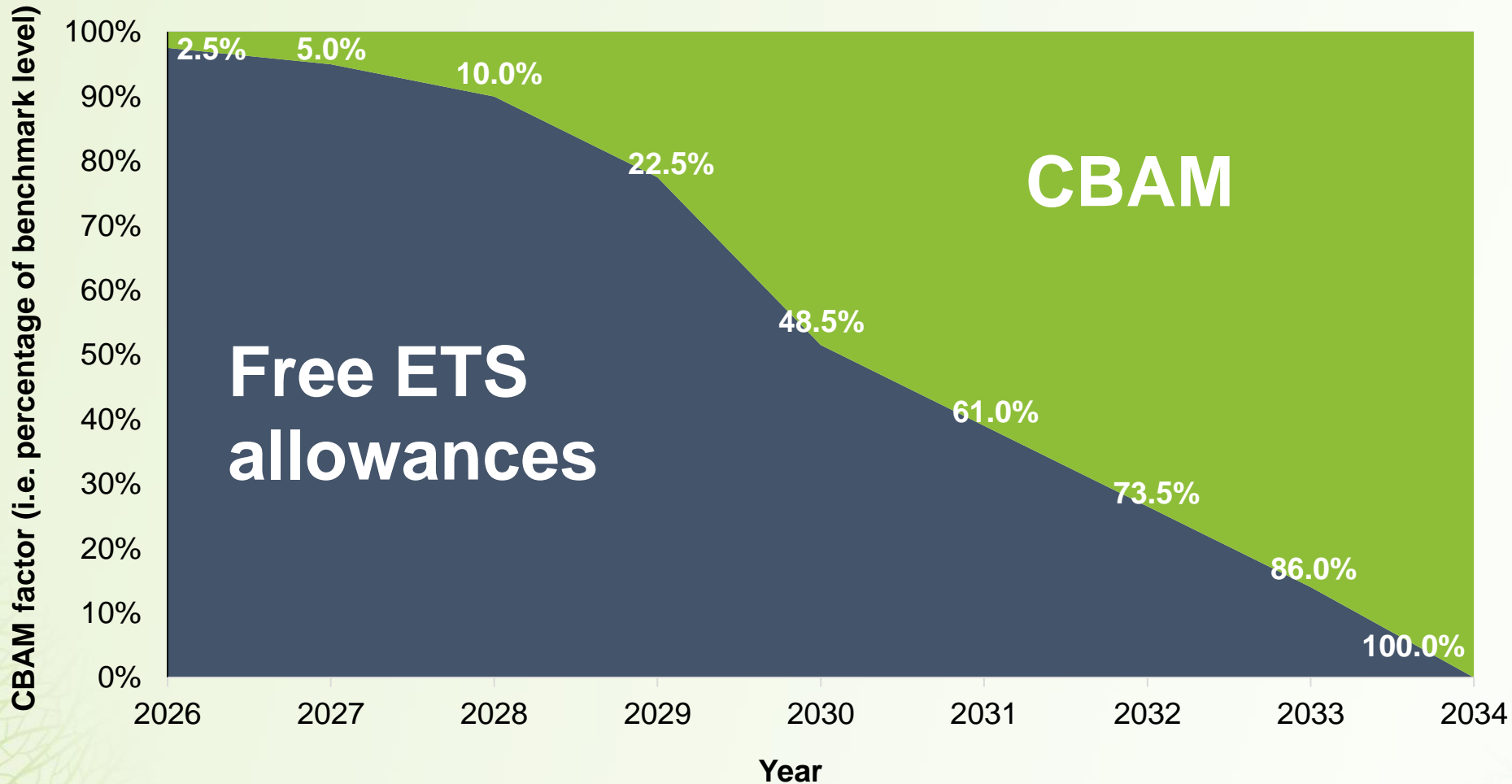
The Carbon Border Adjustment Mechanism

3 The Definitive Period (from 2026)

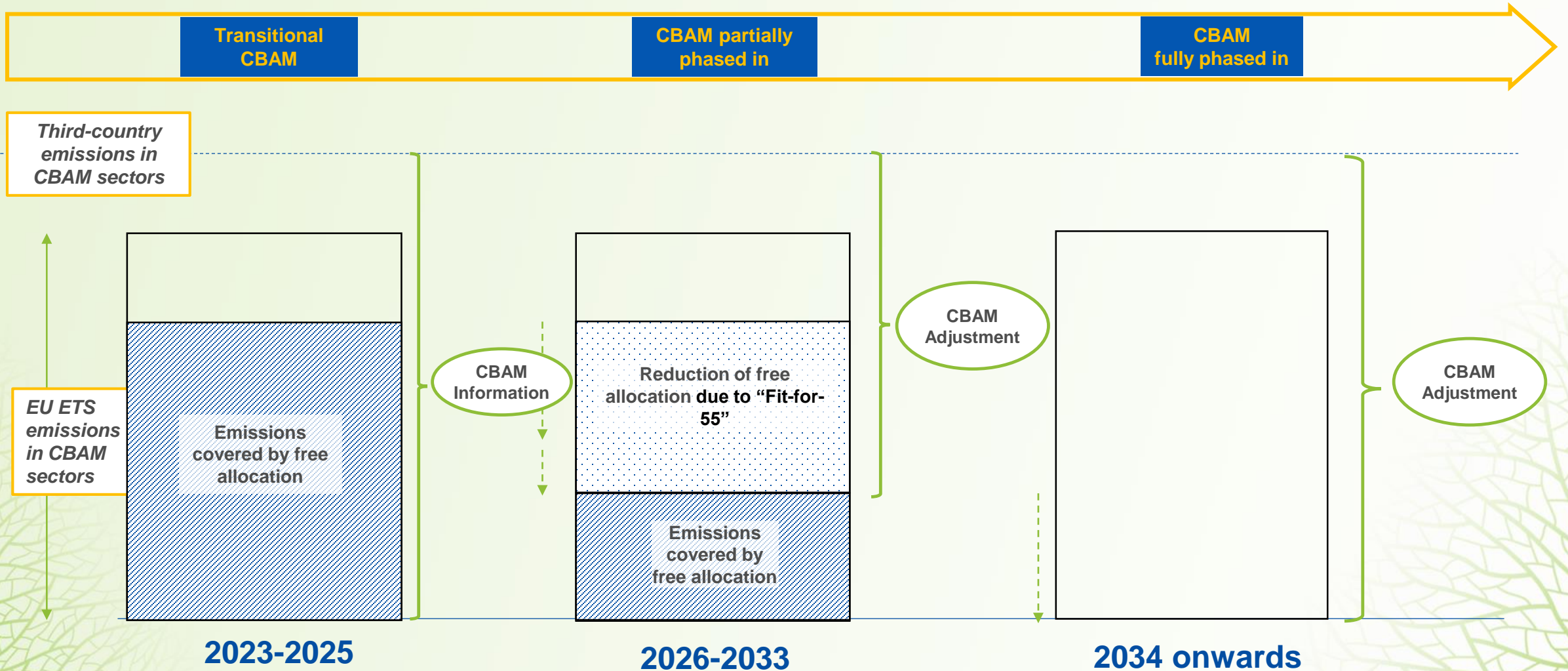
Basic overview of administration



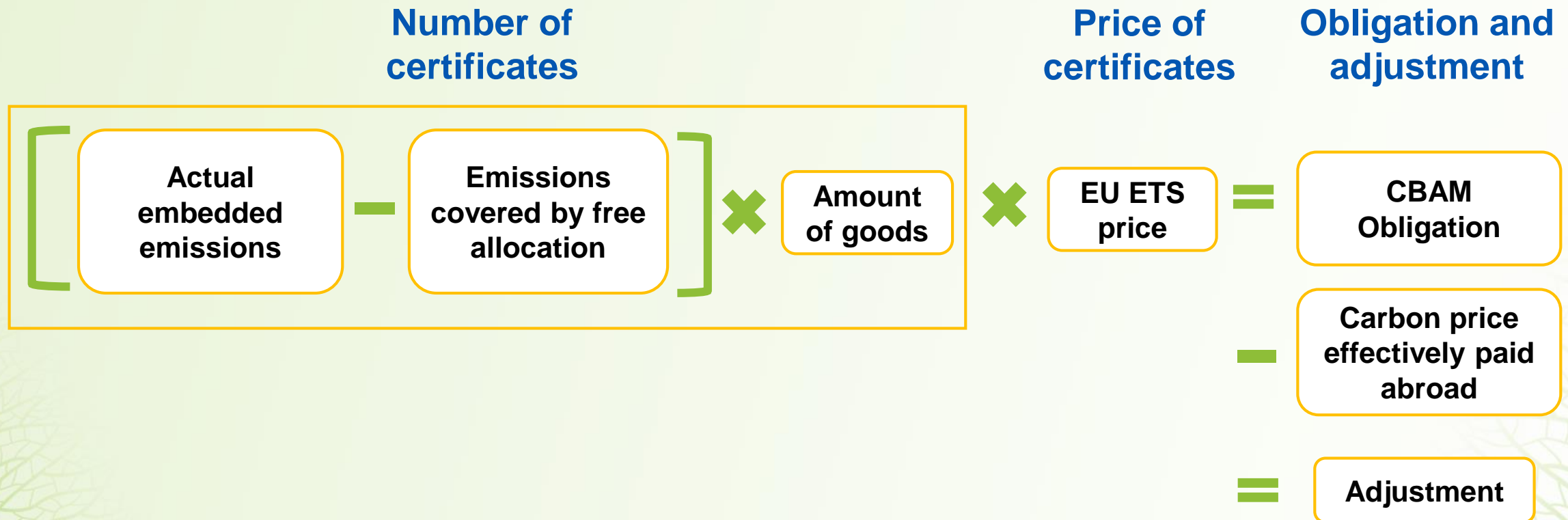
Phasing-out of free allocation and phasing-in of CBAM



Free Allocation \Rightarrow CBAM



Calculation of the adjustment



The Carbon Border Adjustment Mechanism

Thank you for your attention!

If you have any questions, please contact us:

TAXUD-CBAM@ec.europa.eu